

## DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

### FINAL ASSESSMENT

#### CAE INC.

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	6/8
2. Internal Controls	6	5/12
3. Support to Employees	7	7/14
4. Conflict of Interest	4	4/8
5. Customer Engagement	7	7/14
6. Supply Chain Management	5	4/10
7. Agents, Intermediaries and Joint Ventures	10	9/20
8. Offsets	4	0/8
9. High Risk Markets	4	4/8
10. State-Owned Enterprises	0	N/A
<b>TOTAL</b>		<b>46/102</b>
<b>BAND</b>		<b>D</b>

\*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

## 1. Leadership and Organisational Culture

<b>Question</b>
<b>1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>The company’s Code of Business Conduct details the company's stance against bribery and corruption. It is clear that the Code of Business Conduct was authorised and endorsed by the company's leadership in the form of an introductory message from the President and Chief Executive Officer. However, this message does not specifically mention anti-bribery and corruption and therefore a score of ‘1’ applies.</p>
<b>Evidence</b>
<p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.4] Message from our CEO</p> <p>If you’re like me, you want to feel proud to tell people you work at CAE. Part of what fuels this pride is knowing that our words, decisions and actions are beyond reproach. This means holding ourselves and each other accountable to the highest standards of integrity, honesty and ethics. It also means having the wisdom and courage to do the right thing.</p> <p>Our world may be increasingly complex, but the values and principles we uphold at CAE are straightforward and timeless. Old-fashioned principles like treating others as you would want to be treated. Abiding by the law. Competing fairly. And behaving honourably.</p> <p>What we do, and how we do it, matters. It’s at the heart of our reputation. An unethical means never justifies the end, no matter how advantageous the end goal may appear to be for you or CAE.</p> <p>So please read this Code but don’t stop there. Make sure you live it too! And when something doesn’t quite feel right and you’re still not sure what to do, don’t agonize over it alone. Reach out. Talk to someone. And know that there’ll be no punitive consequences for speaking up.</p> <p>Remember, we are One CAE and, together, we are stronger. Let’s support each other in always adhering to our value of integrity and standing up for what’s right.</p> <p>Because it matters.</p> <p>Marc Parent                  President and Chief Executive Officer</p> <p>[p.12] Bribes and other improper payments</p> <p>Whether it involves a customer, supplier or anyone else, including another CAE employee, we never offer or take any kind of improper payment to get or keep business or in exchange for favourable treatment. This includes direct or indirect payments to a relative, government official, agent, consultant, business partner or employee of another company.</p>

Even in countries where bribes, kickbacks, facilitation payments or commissions are an accepted way of doing business, we refuse to play this game. This means we only work with foreign representatives who are known for their integrity and we immediately report any sign of commercial corruption or bribery.

**Question**

**1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:**  
**a) All employees, including staff and leadership of subsidiaries and other controlled entities;**  
**b) All board members, including non-executive directors.**

**Score**

2

**Comments**

The company publishes a clear anti-bribery and corruption policy, which specifically defines and prohibits bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members as described in (a) and (b) in the question.

**Evidence**

**[1] Anti-Corruption Policy (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.1] Applicability

1. This anti-corruption policy (hereinafter the “Policy”) applies to CAE Inc. and its subsidiaries and controlled joint ventures that have adopted this Policy (hereinafter “CAE”). Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.

[...]

Policy, Purpose and Scope

2.0 This Policy assigns responsibilities and establishes procedures to ensure full compliance with the anti-bribery provisions of the Canadian Corruption of Foreign Public Officials Act (“CFPOA”), the US Foreign Corrupt Practices Act (“FCPA”), the UK Bribery Act and other similar anti-corruption legislation worldwide (collectively, “Foreign Corruption Laws”).

2.1 The main purpose of this Policy is to ensure that CAE does not participate directly or indirectly in bribery, through an agent, consultant, distributor, representative or any other type of intermediary. This Policy establishes a process to make sure that any Representative or Consultant (as defined below) receives a fair amount of money based on the risk assumed, the value of the work performed (which must be commensurate with the fee) and the costs incurred.

2.2 This Policy sets out a procedure that must be observed by all CAE employees and contractors worldwide whenever the appointment of a Representative or Consultant is proposed, or whenever there are any requests or requirements to, directly or indirectly, provide commissions, payments or gifts to foreign officials or any other person. See also the section on Gifts and Entertainment below.

[p.2] Compliance with the Foreign Corruption Laws

3.0 CAE actively seeks to ensure that all of its employees, contractors, Representatives and Consultants worldwide understand and obey the applicable Foreign Corruption Laws prohibiting bribes and other forms of corruption. The maintenance of CAE’s reputation for integrity and honesty is essential to CAE. Bribes, kickbacks, improper gifts, facilitation payments or offerings of anything of value to foreign officials and other individuals could not only jeopardize that reputation – it could also lead to severe penalties and sanctions.

3.1 All Representative and Consultant agreements must be administered, negotiated, executed, renewed and terminated in accordance with this Policy, and all CAE employees, contractors, Representatives and Consultants must comply with laws prohibiting bribes and improper payments to foreign public officials and other individuals.

3.2 This Policy prohibits any offer, payment, promise to pay, or authorization to pay or provide any money, gifts, or anything of value, directly or through an intermediary, by or on behalf of CAE for the purpose of obtaining or retaining business or securing any improper advantage to any foreign official, to any person for the benefit of a foreign official, or to any other individual. This prohibition applies to bribes, kickbacks, facilitation payments or gifts on behalf of CAE, regardless of whether they involve the use of corporate resources.

[p.3] 3.3 The FCPA shall be the minimum standard to which all CAE employees must adhere; however, if local law sets different or higher standards, those too must be complied with. 3.3.1 The FCPA and the CFPOA make it a criminal offense to pay, offer, or give anything of value to a foreign official for the purpose of influencing the decisions of those officials, parties or candidates. This is true even though the giving of payments or gifts appears openly accepted, or seems necessary in a particular country. The UK Bribery Act, which applies to CAE globally, expands the criminality of bribery beyond acts involving government officials to include bribery between private entities, and it does not provide an exemption for facilitation payments. In addition, the lack of preventive measures and procedures against corrupt behavior such as bribery, also called “passive bribery”, is considered a criminal offence. In other words, inaction towards bribery is considered a crime under the UK Bribery Act.

[p.7] Scope

8.0 This Policy applies to all employees of CAE, Inc., its wholly-owned subsidiaries, and majority-owned and controlled joint ventures that have adopted this Policy (“CAE” or the “Company”). “Employees”, as this term is used in the preceding sentence and throughout this Policy, includes all individuals employed by CAE on a regular or temporary basis, regardless of whether such individuals work on a full-time or part-time basis. This Policy also applies to non-employees who act on behalf of CAE – including members of the CAE Board of Directors, and certain contractors, consultants, agents, representatives and other third parties who may be temporarily assigned to work for or provide services to CAE. Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.

### [3] Code of Business Conduct (Document)

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Governance/Code\\_of\\_Conduct-2017\\_EN\\_v17\\_interactif\\_final.pdf](https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf)

[p.7] About our Code of Business Conduct

Because it matters, we help each other work and live honourably by being role models of ethical decisions and behaviour.

Our success rises or falls with our ability to consistently meet the highest standards of ethical behaviour. That's why integrity is among our corporate values. Acting with integrity, honesty and respect are musts if, as employees, we want to thrive both personally and professionally.

This Code of Business Conduct lays out the behaviour we accept and expect from the Board of Directors and all employees of CAE Inc. and our wholly-owned and controlled subsidiaries. This includes any individuals seconded to joint-venture companies as well as all agents, representatives, contractors and consultants working on our behalf. That's why it's important to select suppliers and partners who share our values.

Our Code complements, but doesn't override, our existing policies and standard practices as well as all laws governing our business activities. It spells out what to do when diverse situations arise that could put our own individual and/or CAE's ethics and integrity at risk.

[p.12] Bribes and other improper payments

Whether it involves a customer, supplier or anyone else, including another CAE employee, we never offer or take any kind of improper payment to get or keep business or in exchange for favourable treatment. This includes direct

or indirect payments to a relative, government official, agent, consultant, business partner or employee of another company.

Even in countries where bribes, kickbacks, facilitation payments or commissions are an accepted way of doing business, we refuse to play this game. This means we only work with foreign representatives who are known for their integrity and we immediately report any sign of commercial corruption or bribery.

Question
<b>1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?</b>
Score
<b>1</b>
Comments
<p>There is evidence that a board level committee - the company's Governance Committee - provides oversight of the company's anti-bribery and corruption programme. There is evidence that this committee's responsibilities include reviewing reports from management on the programme's performance and reviewing policies.</p> <p>However, the company receives a score of '1' because it is not clear from publicly available evidence whether the Governance Committee reviews the results of internal and external audits of the anti-bribery and corruption programme, or that it has the authority to require that changes are made.</p>
Evidence
<p><b>[4] Board of Directors' Mandate (Document)</b>  Accessed 03/04/2020  <a href="https://www.cae.com/media/documents/Corporate/Governance/CAE-Board-of-Directors-Mandate.pdf">https://www.cae.com/media/documents/Corporate/Governance/CAE-Board-of-Directors-Mandate.pdf</a>  [p.2] The Board, through its Governance Committee, regularly reviews reports on compliance with the Company's Code of Business Conduct and ethical practices. It periodically reviews Company policies with respect to decisions and other matters requiring Board approval.</p> <p><b>[6] Governance Committee Charter (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf">https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf</a>  [p.1] ROLE AND MEMBERSHIP</p> <p>The Governance Committee (the "Committee") shall consist of at least three (3) directors, one of whom shall be the Chair of the Committee. All members of the Committee shall be independent directors, as determined by the Board of Directors (the "Board") taking into consideration applicable laws, regulations and other requirements applicable to such determination. The Chair of the Committee and its members shall be appointed annually by the Board following the recommendation of the Chair of the Board.</p> <p>[...]</p> <p>RESPONSIBILITIES</p> <p>[p.2] 10. Approve and periodically review (every second year, unless required sooner) CAE's Charitable Donations and Sponsorships Policy, Lobbying and Political Contributions Policy and Human Rights Policy. (WP1.8)</p> <p>11. Review annually the donations, sponsorships and research projects supported by CAE, with a breakdown by sector, region and spend. (WP1.8)</p> <p>[p.3] 18. Review, and have specific oversight responsibility for, CAE's General Compliance Program, including Corporate Policies and Procedures (CP&amp;P), and receive at least annually a report thereon from CAE's General Counsel or such other member of CAE's management as the Committee shall approve. (WP1.16).</p> <p>[...]</p> <p>20. Review, and have specific oversight responsibility for, CAE's Ethics and Anti-Corruption Program, and receive at least annually a report thereon, including foreign representatives spend, from CAE's General Counsel or such other member of CAE's management as the Committee shall approve. (WP1.16 and 1.17).</p> <p>21. Review design and compliance with CAE's Code of Business Conduct, ensure that Code is implemented throughout CAE, as well as the handling of issues raised thereunder and the annual attestation of compliance. (WP1.18 and 1.19).</p>

[...]

The Chair or any member of the Committee may call a meeting of the Committee.

Any Director may request the Chair to call a meeting of the Committee and may attend at such meeting to inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.

The Chair of the Committee shall report to the Board after each meeting of the Committee.

**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.48] Building a global Ethics and Compliance organization

In August 2018, CAE 's Chief Compliance Officer appointed a new Global Leader, Ethics and Compliance whose mandate includes the development, implementation and monitoring of CAE's global Ethics and Compliance programs and initiatives, including those related to the Code of Business Conduct, the ethics and anti-corruption program as well as the data protection program.

A diagnostic was performed to assess the maturity level of various components of CAE's Ethics and Compliance program against leading industry practices. The results of this diagnostic were presented to the Board of Director's Governance Committee and used to develop a three-year roadmap to further enhance CAE's compliance program and systems. The Governance Committee will oversee the execution of this roadmap.

[...]

We will continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Global Ethics and Compliance Office works closely with the internal audit team to ensure that adequate actions are taken to address findings and recommendations based on risks. The team also conducts risk assessments and monitoring on different programs as the need arises.

<b>Question</b>
<b>1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence that a designated senior executive - the General Counsel, Chief Compliance Officer and Corporate Secretary - has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. It is clear that this person has a direct reporting line to the Governance Committee which provides oversight of the anti-bribery and corruption programme. There is evidence of reporting and feedback activities between this person and the board as part of the company's reporting structure</p>
<b>Evidence</b>
<p><b>[5] Mark Hounsell (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Exec_Bios/CAE_Biography_MarkHounsell_July2019-EN.pdf">https://www.cae.com/media/documents/Exec_Bios/CAE_Biography_MarkHounsell_July2019-EN.pdf</a>  [p.1] Mark Hounsell</p> <p>General Counsel, Chief Compliance Officer and Corporate Secretary</p> <p>Mark Hounsell joined CAE in February 2016 as General Counsel, Chief Compliance Officer and Corporate Secretary. Mr. Hounsell is responsible for the development and management of the legal framework for CAE's business worldwide, as well as leadership of the Company's compliance and corporate secretariat portfolios. He is a member of the company's Executive Management Committee.</p> <p><b>[6] Governance Committee Charter (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf">https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf</a>  [p.1] RESPONSIBILITIES</p> <p>[p.3] 18. Review, and have specific oversight responsibility for, CAE's General Compliance Program, including Corporate Policies and Procedures (CP&amp;P), and receive at least annually a report thereon from CAE's General Counsel or such other member of CAE's management as the Committee shall approve. (WP1.16).</p> <p>[...]</p> <p>20. Review, and have specific oversight responsibility for, CAE's Ethics and AntiCorruption Program, and receive at least annually a report thereon, including foreign representatives spend, from CAE's General Counsel or such other member of CAE's management as the Committee shall approve. (WP1.16 and 1.17)</p>



## 2. Internal Controls

Question
<b>2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?</b>
Score
2
Comments
<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of the anti-corruption and bribery programme. The Annual Information Form provides evidence that the board conducts quarterly and annual reviews of risks, including corruption. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.</p>
Evidence
<p><b>[22] Ethics and integrity (Webpage)</b>  Accessed 03/04/2020  <a href="https://www.cae.com/social-responsibility/ethics-and-integrity/">https://www.cae.com/social-responsibility/ethics-and-integrity/</a>  Guided by our global Anti-Corruption Policy, we'll continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Compliance Office works closely with the internal audit team to perform these audits. The Compliance Office also conducts risk assessments and monitoring on different programs as the need arises.</p> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>  [p.48] Bribery and corruption are risks faced by virtually all organizations operating globally. Over the last few years, we've taken several significant measures to address these risks and strengthen our compliance program.</p> <p>In fiscal 2019, we continued to take pivotal steps to better manage the risks posed by foreign representatives, consultants and other third-party intermediaries. We terminated or didn't renew a number of agreements with foreign representatives as we expanded our local presence around the globe. Since 2014, we've reduced the number of foreign representatives we use by over 60%. Channelling our efforts toward growing our worldwide sales force has, in turn, decreased our need for third-party intermediaries. For fiscal 2019 and beyond, our goal is to continue to reduce the number of third-party representatives we use. We carefully monitor our foreign representatives' activities, conduct risk-based due diligence prior to engaging or renewing their agreements, and require that they sign an anti-corruption certification every year.</p> <p>In fiscal 2019, we initiated the review of CAE's Anti-Corruption Policy and ancillary policies (including the Gifts and Entertainment Policy) and delivered live training sessions on CAE's Anti-Corruption Policy to certain targeted groups of employees, including the sales and business development teams. We continued to improve our Corporate Policies and Procedures, including looking at ways to make them more accessible to all employees.</p> <p>We will continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Global Ethics and Compliance Office works closely with the internal audit team to ensure that adequate actions are taken to address findings and recommendations based on risks. The team also conducts risk assessments and monitoring on different programs as the need arises.</p> <p><b>[8] 2019 Annual Information Form (Document)</b>  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf">https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf</a>  [p.31] Risk Factors</p>

We operate in several industry segments that have various risks and uncertainties. Management and the Board of Directors (the Board) discuss quarterly the principal risks facing our business, as well as annually during the strategic planning and budgeting processes. The risks and uncertainties described below are risks that could materially affect our business, financial condition and results of operation. These risks are categorized as industry-related risks, risks specific to CAE and risks related to the current market environment. These are not necessarily the only risks we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business.

To mitigate the risks that may impact our future performance, management has established an enterprise risk management process to identify, assess and prioritize these risks. Management develops and deploys risk mitigation strategies that align with our strategic objectives and business processes. Management reviews the evolution of the principal risks facing our business on a regular basis and the Board oversees the risk management process and validates it through procedures performed by our internal auditors when it deems necessary. One should carefully consider the following risk factors, in addition to the other information contained herein, before deciding to purchase CAE securities.

[p.46] These are the main risks we are facing attributable to international operations:

[...]

- Complexity and corruption risks of using foreign representatives and consultants.

[p.47] 4.3.6 Anti-corruption Laws Sales to foreign customers are subject to Canadian and foreign laws and regulations, including, without limitation, the Corruption of Foreign Public Officials Act (Canada), the Foreign Corrupt Practices Act (United States) and other anticorruption laws. While we have stringent policies in place to comply with such laws, failure by CAE, our employees, foreign representatives and consultants or others working on our behalf to comply with it could result in administrative, civil, or criminal liabilities, including suspension, debarment from bidding for or performing government contracts, which could have a material adverse effect on us. We frequently team with international subcontractors and suppliers who are also exposed to similar risks.

#### **[10] Notice of Annual Meeting of Shareholders and 2019 Management Proxy Circular (Document)**

Accessed 15/08/2019

[https://www.cae.com/media/documents/Corporate/L23030\\_Proxy\\_Eng.pdf](https://www.cae.com/media/documents/Corporate/L23030_Proxy_Eng.pdf)

[p.24] Risk management oversight

Enterprise risk management is essential to CAE given the size, nature and complexity of its operations. CAE has implemented an Enterprise Risk Management Policy which sets out its framework and processes to ensure that risks are identified, measured, managed, and reported proactively and in a manner that is consistent with the expectations of the Board and the interests of CAE's internal and external stakeholders, including employees, shareholders, clients, and suppliers.

Pursuant to our policy:

1. the Board is accountable for the oversight of risk management of all material risk factors related to CAE's business, including risks related to ethics and governance, strategy, legislation, finances and operations. This oversight requires the Board and management to establish risk management policies and practices and to ensure that these policies and practices remain adequate, prudent and comprehensive at all times. The Board is accountable for understanding CAE's key enterprise risks. The Board and its Committees review the key enterprise risks to ensure the adequacy of the risk management process for identifying, assessing and managing such risks.
2. our business units exercise the daily management of their risks and controls and implement corrective actions to address any process and control deficiencies.
3. the Vice President, Strategy and Investor Relations provides operational risk oversight in various risk management, compliance, and controllership functions and advises senior management accordingly.
4. the Audit Committee and senior management provide an independent appraisal of CAE's risk management framework, control environment and internal control systems. At the annual strategy session, the Board evaluates CAE's identified categories of risk. Further, the Board receives updates from the President and CEO and other members of management on enterprise risk throughout the year.

[p.55] 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.

**[4] Board of Directors' Mandate (Document)**

Accessed 03/04/2020

<https://www.cae.com/media/documents/Corporate/Governance/CAE-Board-of-Directors-Mandate.pdf>

[p.2] Audit, Finance And Risk Management

The Board, directly and through the Audit Committee, oversees:

- (i) the integrity and quality of the Company's financial reporting and the effectiveness of internal controls and the Company's risk management processes;
- (ii) the Company's compliance with legal and regulatory requirements;

**Question**

**2.2. Is the company’s anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?**

**Score**

**0**

**Comments**

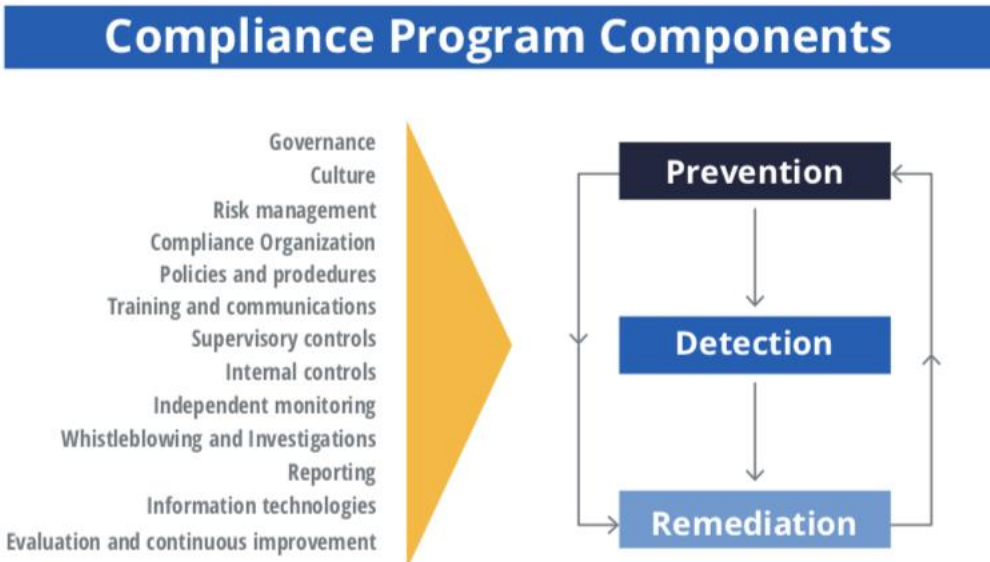
There is evidence that the company’s Ethics and Compliance programme has recently been subject to a diagnostic to ensure that it is consistent with best practice, and that the company conducts periodic audits of areas of risk. There is evidence of clear ownership assigned to the Global Ethics and Compliance Office for planned updates and improvements based on audit findings.

However, the company scores ‘0’ as it does not clearly state how frequently audits are conducted. Also, while there is evidence that the results of the recent diagnostic was presented to the board-level Governance Committee, there is no further evidence that audit findings in relation to the anti-bribery and corruption programme are presented to the board.

**Evidence**

**[2] 2019 Corporate Social Responsibility Report (Document)**  
 Accessed 14/08/2019  
[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)  
 [p.48] Building a global Ethics and Compliance organization  
 In August 2018, CAE 's Chief Compliance Officer appointed a new Global Leader, Ethics and Compliance whose mandate includes the development, implementation and monitoring of CAE's global Ethics and Compliance programs and initiatives, including those related to the Code of Business Conduct, the ethics and anti-corruption program as well as the data protection program.

A diagnostic was performed to assess the maturity level of various components of CAE's Ethics and Compliance program against leading industry practices. The results of this diagnostic were presented to the Board of Director's Governance Committee and used to develop a three-year roadmap to further enhance CAE's compliance program and systems. The Governance Committee will oversee the execution of this roadmap.



[...]

We will continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Global Ethics and Compliance Office works closely with the internal audit

team to ensure that adequate actions are taken to address findings and recommendations based on risks. The team also conducts risk assessments and monitoring on different programs as the need arises.

The Ethics and Compliance Office plays a pivotal role in promoting CAE's strong culture of integrity, and in overseeing the implementation of strategies, policies and processes to manage ethics and compliance risks.

**[19] 2018 Corporate Social Responsibility Report (Document)**

25/03/2020

[https://www.cae.com/media/documents/Activity\\_Report\\_2018\\_EN.pdf](https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf)

[p.43] We'll continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Compliance Office works closely with the internal audit team to perform these audits. The Compliance Office also conducts risk assessments and monitoring on different programs as the need arises.

**[6] Governance Committee Charter (Document)**

Accessed 14/08/2019

<https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf>

[p.1] ROLE AND MEMBERSHIP

The Governance Committee (the "Committee") shall consist of at least three (3) directors, one of whom shall be the Chair of the Committee. All members of the Committee shall be independent directors, as determined by the Board of Directors (the "Board") taking into consideration applicable laws, regulations and other requirements applicable to such determination. The Chair of the Committee and its members shall be appointed annually by the Board following the recommendation of the Chair of the Board.

[...]

**RESPONSIBILITIES**

[p.2] 10. Approve and periodically review (every second year, unless required sooner) CAE's Charitable Donations and Sponsorships Policy, Lobbying and Political Contributions Policy and Human Rights Policy. (WP1.8)

11. Review annually the donations, sponsorships and research projects supported by CAE, with a breakdown by sector, region and spend. (WP1.8)

[p.3] 18. Review, and have specific oversight responsibility for, CAE's General Compliance Program, including Corporate Policies and Procedures (CP&P), and receive at least annually a report thereon from CAE's General Counsel or such other member of CAE's management as the Committee shall approve. (WP1.16).

<b>Question</b>
<b>2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company has a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels. There is evidence that the company takes steps to ensure the independence of its investigations and reports investigative findings to senior management and the board.</p> <p>There is also evidence that the company has specific procedures in place for whistleblowing cases, stipulating documentation and actions to be taken at every step of the case, from receipt to final outcome, and that the company's Governance Committee receives and reviews summary information of all incidents and investigations and their status on a quarterly basis.</p> <p>However, the company receives a score of '1' because there is no evidence of a commitment to inform whistleblowers of the outcome of investigations, if they so wish.</p>
<b>Evidence</b>
<p><b>[11] Whistleblowing Policy (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf">https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf</a>                  [p.3] 4.0 Treatment and Handling of Reports of Activities of Concern</p> <p>4.1 Any person to whom an Activity of Concern is reported or who becomes aware of an Activity of Concern must, as soon as practicable and in any event within five business days, contact the General Counsel to provide details of the Activity of Concern. The General Counsel will then investigate such Activity of Concern. All reports and investigations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. The General Counsel will retain records relating to each Activity of Concern, the actions taken to investigate, and any response to such Activity of Concern.</p> <p>4.2 The General Counsel will then provide to the Governance Committee a summary of the reports of Activities of Concern received during the prior quarter and the results of the investigations made. The General Counsel may with respect to an Activity of Concern contact the Chair of the Governance Committee at any time to seek the immediate counsel of the Governance Committee.</p> <p>4.3 If the Chief Financial Officer or the Chair of the Governance Committee receives any reports of Activities of Concern, he or she must promptly inform the General Counsel of the Activity of Concern, unless it would be, in his or her view, inappropriate in the circumstances to do so. The General Counsel will then investigate the report of the Activity of Concern, make records relating to such Activity of Concern and report on such Activity of Concern as described above. In the alternative, the Chief Financial Officer or the Chair of the Governance Committee, as the case may be, will complete the investigation, record keeping and reporting in lieu of the General Counsel with respect to any Activity of Concern not reported to the General Counsel.</p> <p>[p.4] 4.4. The Governance Committee will review and take any action it deems appropriate in its judgment with respect to any Activity of Concern it is made aware of, including retention of any independent or expert advisors or meeting with officers of CAE. Any review and evaluation of an Activity of Concern will include consideration of whether the matter(s) described in the report of the Activity of Concern are improper and whether further review and/or investigation is warranted. Any decision by the Governance Committee to review or investigate any matter brought to its attention as a result of these procedures will not in any way be, or be deemed to be, a determination by the Governance Committee or CAE that any actions or inactions that are the subject of the report of the Activity of Concern have, in fact, occurred or are improper.</p>



**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.49] EthicsPoint:

Our third-party anonymous and confidential reporting system EthicsPoint helps us ensure that our local and international business activities meet the highest ethical standards. The EthicsPoint website and call centre service provides employees, customers, partners and suppliers with a simple, risk-free way to confidentially report issues of concern associated with unethical or illegal activities including potential violations of our Code of Business Conduct and key corporate policies. We do not tolerate any punitive action or sanction against anyone who, in good faith, asks a question or submits an allegation of non-compliance through EthicsPoint or any other reporting channel.

We strongly encourage our employees and any party we conduct business with to come forward if they notice or become aware of an activity of concern, including potential unethical or illegal activities. Our Whistleblowing Policy, which recently underwent a complete review, protects good-faith whistleblowers from retaliation. Our whistleblowing process will also undergo significant enhancements in FY20 to ensure that all CAE employees understand and are aware of the different channels through which they may report concerns anonymously and confidentially.

Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.

**[1] Anti-Corruption Policy (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.1] 2.4 If you believe that a breach of the Policy has occurred or likely will occur in the future, please promptly contact the Legal Department or the Compliance Office. Alternatively, you can report any such problem anonymously to the EthicsPoint hotline (see CAEvox – Employees’ Corner – Employees’ toolkit – Programs & Policies – EthicsPoint). Go to [www.ethicspoint.com](http://www.ethicspoint.com) and click on “File a Report” or call 1-866-294-9551 (toll free in Canada and the USA) (see CAEvox for international toll free numbers to call). See the end of this Policy for more details. EthicsPoint is a third party confidential Internet and telephone based reporting tool that assists management and employees to work together to address fraud, abuse, misconduct, and other violations in the workplace, while helping to cultivate a positive work environment.

[p.21] Reporting Violations of the Policy:

#### 18.0 Procedure

When you believe that a breach of the Policy has occurred or will most likely be committed in the future, promptly contact the CAE Compliance Office or the CAE Legal Department.

[p.22] What to Report

18.1 Situations, events or actions by individuals or groups that you reasonably believe will be a breach of the Policy. Frivolous or unfounded reports do not help foster a positive workplace. If you are uncertain if a situation violates this Policy or is illegal, please contact the Legal Department or use EthicsPoint to obtain clarification. We would much rather have you ask than let potential problems go unchecked.

[p.24] — You will be told if CAE has entered questions about your report. Answer the questions verbally or by typing. — You can add information to the report verbally or by typing in the “Submit New Information” box. 5. You may return regularly to review your report, answer questions, and add information. If you receive a written enquiry or complaint with respect to CAE’s accounting practices and/or financial records, a copy of such communication should be forwarded to the Human Resources Department and the Legal Department. If such communication is addressed to the Audit Committee, Board of Directors or any member thereof, you and the Secretary will ensure that the communication is forwarded immediately to the Chairman of the Audit Committee with, if the communication is open, a copy to the Human Resources Department and the Legal Department. The Legal Department must retain a record of the receipt of the report and how the situation was dealt with, which may be documented within EthicsPoint. All information will, to the extent possible, be received in confidence. The General

Counsel, Chief Compliance Officer & Secretary will report to the CEO, Chairman of the Board and the Chairman of the Governance Committee of the Board of Directors any material allegations received by the Company.



<b>Question</b>
<b>2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is insufficient publicly available evidence that the company takes measures to assure itself of the quality of its internal investigations.
<b>Evidence</b>
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.49] We strongly encourage our employees and any party we conduct business with to come forward if they notice or become aware of an activity of concern, including potential unethical or illegal activities. Our Whistleblowing Policy, which recently underwent a complete review, protects good-faith whistleblowers from retaliation. Our whistleblowing process will also undergo significant enhancements in FY20 to ensure that all CAE employees understand and are aware of the different channels through which they may report concerns anonymously and confidentially.</p> <p>Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.</p> <p><b>[11] Whistleblowing Policy (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf">https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf</a>                  [p.3] 4.0 Treatment and Handling of Reports of Activities of Concern</p> <p>[...]</p> <p>4.2 The General Counsel will then provide to the Governance Committee a summary of the reports of Activities of Concern received during the prior quarter and the results of the investigations made. The General Counsel may with respect to an Activity of Concern contact the Chair of the Governance Committee at any time to seek the immediate counsel of the Governance Committee.</p> <p>4.3 If the Chief Financial Officer or the Chair of the Governance Committee receives any reports of Activities of Concern, he or she must promptly inform the General Counsel of the Activity of Concern, unless it would be, in his or her view, inappropriate in the circumstances to do so. The General Counsel will then investigate the report of the Activity of Concern, make records relating to such Activity of Concern and report on such Activity of Concern as described above. In the alternative, the Chief Financial Officer or the Chair of the Governance Committee, as the case may be, will complete the investigation, record keeping and reporting in lieu of the General Counsel with respect to any Activity of Concern not reported to the General Counsel.</p> <p>[p.4] 4.4. The Governance Committee will review and take any action it deems appropriate in its judgment with respect to any Activity of Concern it is made aware of, including retention of any independent or expert advisors or meeting with officers of CAE. Any review and evaluation of an Activity of Concern will include consideration of whether the matter(s) described in the report of the Activity of Concern are improper and whether further review and/or investigation is warranted. Any decision by the Governance Committee to review or investigate any matter brought to its attention as a result of these procedures will not in any way be, or be deemed to be, a determination by the Governance Committee or CAE that any actions or inactions that are the subject of the report of the Activity of Concern have, in fact, occurred or are improper.</p>

<b>Question</b>
<b>2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is clear evidence that the company commits to report material findings of bribery and corruption from investigations to the board.</p> <p>However, the company receives a score of '1' because there is no evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>  [p.24] Any employee who fails to comply with the Policy, or who withholds information during the course of an investigation regarding a possible violation of the Policy is subject to disciplinary action up to and including termination of employment. Depending upon the nature of the non-compliance, CAE may have the legal obligation to report the situation to the appropriate authorities.</p> <p><b>[11] Whistleblowing Policy (Document)</b>  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf">https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf</a>  [p.3] 4.2 The General Counsel will then provide to the Governance Committee a summary of the reports of Activities of Concern received during the prior quarter and the results of the investigations made. The General Counsel may with respect to an Activity of Concern contact the Chair of the Governance Committee at any time to seek the immediate counsel of the Governance Committee.</p> <p>[...]</p> <p>[p.4] 4.4. The Governance Committee will review and take any action it deems appropriate in its judgment with respect to any Activity of Concern it is made aware of, including retention of any independent or expert advisors or meeting with officers of CAE. Any review and evaluation of an Activity of Concern will include consideration of whether the matter(s) described in the report of the Activity of Concern are improper and whether further review and/or investigation is warranted. Any decision by the Governance Committee to review or investigate any matter brought to its attention as a result of these procedures will not in any way be, or be deemed to be, a determination by the Governance Committee or CAE that any actions or inactions that are the subject of the report of the Activity of Concern have, in fact, occurred or are improper.</p> <p><b>[3] Code of Business Conduct (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>  [p.10] After filing a report on EthicsPoint, we need to wait up to six business days before returning to the system to see if there are any follow-up questions or requests.</p> <p>Our Compliance and Human Resources departments receive the information and treat it seriously, fairly and in strict confidentiality. They also take prompt action based on what they learn. Significant allegations are cascaded up to the CEO and the Board of Directors' Governance Committee.</p> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>  [p.49] Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate</p>

incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.

<b>Question</b>																																				
<b>2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?</b>																																				
<b>Score</b>																																				
<b>1</b>																																				
<b>Comments</b>																																				
In its 2019 Corporate Social Responsibility Report the company published a summary of the number of reports submitted to its whistleblowing line, which included ethics and compliance-related data. However, the company receives a score of '1' because the data does not include details concerning the number of investigations or disciplinary actions.																																				
<b>Evidence</b>																																				
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.49] EthicsPoint: Our third-party anonymous and confidential reporting system</p> <p>[...]</p> <p>Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.</p> <p>In fiscal 2019, the number of whistleblowing reports increased compared with 2018 as shown in the table. We communicated the accessibility and confidentiality of Ethicspoint and we are glad that our employees are increasingly using it. The most common type of EthicsPoint report relates to equal opportunity and harassment issues (10 in fiscal 2018 and nine in fiscal 2019).</p> <p>EthicsPoint reports since FY18</p> <table border="1"> <thead> <tr> <th></th> <th>FY19</th> <th>FY18</th> </tr> </thead> <tbody> <tr> <td><b>ISSUES</b></td> <td></td> <td></td> </tr> <tr> <td>CAE property</td> <td>0</td> <td>0</td> </tr> <tr> <td>Computer systems, internet, intranet and email</td> <td>0</td> <td>0</td> </tr> <tr> <td>Confidentiality of company, employee and third-party information</td> <td>2</td> <td>0</td> </tr> <tr> <td>Conflict of interest, improper payments and business courtesies</td> <td>1</td> <td>0</td> </tr> <tr> <td>Contracts and records</td> <td>1</td> <td>2</td> </tr> <tr> <td>Safety in the workplace</td> <td>1</td> <td>0</td> </tr> <tr> <td>Equal opportunity and harassment-free workplace</td> <td>9</td> <td>10</td> </tr> <tr> <td>Interpretation of the Code of Business Conduct</td> <td>5</td> <td>0</td> </tr> <tr> <td>Reporting violations of the Code of Business Conduct</td> <td>6</td> <td>5</td> </tr> <tr> <td><b>Total</b></td> <td><b>25</b></td> <td><b>17</b></td> </tr> </tbody> </table>		FY19	FY18	<b>ISSUES</b>			CAE property	0	0	Computer systems, internet, intranet and email	0	0	Confidentiality of company, employee and third-party information	2	0	Conflict of interest, improper payments and business courtesies	1	0	Contracts and records	1	2	Safety in the workplace	1	0	Equal opportunity and harassment-free workplace	9	10	Interpretation of the Code of Business Conduct	5	0	Reporting violations of the Code of Business Conduct	6	5	<b>Total</b>	<b>25</b>	<b>17</b>
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### 3. Support to Employees

<b>Question</b>
<b>3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company provides a training module to all employees that outlines the basic principles of its anti-bribery and corruption programme, including the whistleblowing options available to employees. There is also evidence indicating that the company provides this training in all company locations worldwide.</p> <p>The company receives a score of '1' because although the company states that employees must undertake refresher anti-corruption training periodically, there is no evidence that employees must do this at least every three years. There is also no evidence that training is delivered in all appropriate languages.</p>
<b>Evidence</b>
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>[p.46] Our objectives</p> <p>As part of our Corporate Social Responsibility roadmap, we are continuously working towards the following objectives and measuring our progress.</p> <p>Instil and apply an ethics and integrity mindset to all actions and decisions</p> <ul style="list-style-type: none"> <li>• Ensure CAE lives and works by its five core values</li> <li>• By FY19, target 100% acknowledgement of compliance with the CAE Code of Business Conduct by all employees</li> <li>• Continue to train all management and key personnel on the CAE Code of Business Conduct, and by FY21 extend the training to all employees</li> </ul> <p>[p.48] FY19 highlight</p> <p>97% of management and of employees in key functions completed online training and certification for our Code of Business Conduct</p> <p>[...]</p> <p>In fiscal 2016, we launched a process to enhance our Code of Business Conduct, underscoring our commitment to address major business ethics risks. This included integrating our CSR core priorities into the Code and training our managers on the Code. In May 2018, we also launched a revamped Code of Business Conduct to make it more succinct and user friendly.</p> <p>Starting in fiscal 2020, all employees worldwide are required to follow mandatory periodic training as well as to read, acknowledge and agree to comply with our Code on an annual basis.</p> <p>[...]</p> <p>In fiscal 2019, we initiated the review of CAE's Anti-Corruption Policy and ancillary policies (including the Gifts and Entertainment Policy) and delivered live training sessions on CAE's Anti-Corruption Policy to certain targeted groups of employees, including the sales and business development teams. We continued to improve our Corporate Policies and Procedures, including looking at ways to make them more accessible to all employees.</p>

[p.49] Our whistleblowing process will also undergo significant enhancements in FY20 to ensure that all CAE employees understand and are aware of the different channels through which they may report concerns anonymously and confidentially.

**[24] Ethics and Integrity – Updated Page (Webpage)**

Accessed 11/05/2020

<https://www.cae.com/social-responsibility/ethics-and-integrity/>

As of fiscal 2018, all employees have to read, acknowledge and agree to comply with our Code on an annual basis.

To further ensure that our local and international business activities meet the highest ethical standards, we require all employees to undergo a minimum of online training on a periodic basis. For FY20, more than 98% of our employees worldwide followed the training titled “Doing the right thing!”. We also conduct face-to-face or in person awareness sessions for new employees and those who may be exposed to greater risks in the daily functions.

<b>Question</b>
<p><b>3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:</b></p> <ul style="list-style-type: none"> <li><b>a) Employees in high risk positions,</b></li> <li><b>b) Middle management,</b></li> <li><b>c) Board members.</b></li> </ul>
<b>Score</b>
1
<b>Comments</b>
<p>The company states that employees in certain high-risk positions receive different or tailored anti-bribery and corruption training, but there is no evidence that this includes middle management or board members. There is also no evidence that the company updates its training for those in high-risk positions at least annually.</p>
<b>Evidence</b>
<p><b>[24] Ethics and Integrity – Updated Page (Webpage)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/social-responsibility/ethics-and-integrity/">https://www.cae.com/social-responsibility/ethics-and-integrity/</a>                  To further ensure that our local and international business activities meet the highest ethical standards, we require all employees to undergo a minimum of online training on a periodic basis. For FY20, more than 98% of our employees worldwide followed the training titled “Doing the right thing!”. We also conduct face-to-face or in person awareness sessions for new employees and those who may be exposed to greater risks in the daily functions.</p> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.46] Our objectives                  As part of our Corporate Social Responsibility roadmap, we are continuously working towards the following objectives and measuring our progress.</p> <p>Instil and apply an ethics and integrity mindset to all actions and decisions</p> <ul style="list-style-type: none"> <li>• Ensure CAE lives and works by its five core values</li> <li>• By FY19, target 100% acknowledgement of compliance with the CAE Code of Business Conduct by all employees</li> <li>• Continue to train all management and key personnel on the CAE Code of Business Conduct, and by FY21 extend the training to all employees</li> </ul> <p>[p.48] FY19 highlight</p> <p>97% of management and of employees in key functions completed online training and certification for our Code of Business Conduct</p> <p>[...]</p> <p>In fiscal 2016, we launched a process to enhance our Code of Business Conduct, underscoring our commitment to address major business ethics risks. This included integrating our CSR core priorities into the Code and training our managers on the Code. In May 2018, we also launched a revamped Code of Business Conduct to make it more succinct and user friendly.</p>

<b>Question</b>
<b>3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme.</p> <p>However, the company receives a score of ‘1’ because the measures are limited to completion rates, and there is no evidence that the results of reviews are used to update specific parts of the company’s anti-bribery and corruption communications training programme. There is also no evidence that the company assures itself of the quality of its anti-corruption training on at least an annual basis.</p>
<b>Evidence</b>
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.46] Our objectives                  As part of our Corporate Social Responsibility roadmap, we are continuously working towards the following objectives and measuring our progress.</p> <p>Instil and apply an ethics and integrity mindset to all actions and decisions</p> <ul style="list-style-type: none"> <li>• Ensure CAE lives and works by its five core values</li> <li>• By FY19, target 100% acknowledgement of compliance with the CAE Code of Business Conduct by all employees</li> <li>• Continue to train all management and key personnel on the CAE Code of Business Conduct, and by FY21 extend the training to all employees</li> </ul> <p>[p.48] FY19 highlight</p> <p>97% of management and of employees in key functions completed online training and certification for our Code of Business Conduct</p> <p>[...]</p> <p>In fiscal 2016, we launched a process to enhance our Code of Business Conduct, underscoring our commitment to address major business ethics risks. This included integrating our CSR core priorities into the Code and training our managers on the Code. In May 2018, we also launched a revamped Code of Business Conduct to make it more succinct and user friendly.</p> <p>Starting in fiscal 2020, all employees worldwide are required to follow mandatory periodic training as well as to read, acknowledge and agree to comply with our Code on an annual basis.</p>



<b>Question</b>
<b>3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
While there is evidence that the company’s incentive schemes are designed to discourage excessive risk-taking, there is no publicly available evidence that the company’s incentive schemes incorporate ethical or anti-bribery and corruption principles.
<b>Evidence</b>
<p><b>[7] Audit Committee Charter (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/CAE-Audit-Committee-Mandate.pdf">https://www.cae.com/media/documents/Corporate/Governance/CAE-Audit-Committee-Mandate.pdf</a>                  [p.6] Review and Discussion with The Human Resources Committee</p> <p>7.1 On request, provide support to the Human Resources Committee of the Board (“HR Committee”) regarding management incentives and related topics (including compensation and appropriate use of corporate assets).</p> <p>7.2 Support the HR Committee in its assessment of the incentive structure and whether it contributes to increased fraud or other risks.</p> <p><b>[9] Human Resources Committee Charter (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/HR_Mandate_Feb_8_2019_Final.pdf">https://www.cae.com/media/documents/Corporate/HR_Mandate_Feb_8_2019_Final.pdf</a>                  [p.2] Finally, the Committee shall consider and recommend policies to address the implications of the potential risks associated with the Company’s compensation policies and programs. This includes the review of the design, approval and governance of material incentive programs to ensure they do not encourage excessive risk-taking leading to enterprise and/or human resources risks.</p> <p><b>[10] Notice of Annual Meeting of Shareholders and 2019 Management Proxy Circular (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/L23030_Proxy_Eng.pdf">https://www.cae.com/media/documents/Corporate/L23030_Proxy_Eng.pdf</a>                  [p.56] Threshold level of corporate performance and a cap on annual incentive awards provide that the annual short-term incentive award payout can be zero, if minimum threshold levels of corporate and individual performance are not met and is capped at 200% where corporate and individual performance objectives are exceeded, to prevent excessive payouts and to act as a disincentive against excessive risk-taking. Moreover, for the annual short-term incentive award, the corporate performance multiplier is capped at 100% if the EPS target is not met.</p>

<b>Question</b>
<b>3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is evidence to suggest that any employee who refuses to act unethically, in keeping with the company’s anti-corruption commitments, will be protected and supported, even where such actions result in a loss of business or another disadvantage to the company.</p> <p>However, there is no evidence that the company assures itself of its employees’ confidence in this statement through anonymised surveys or other clearly stated means.</p>
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.1] 2.1. The Company takes corruption issues very seriously and is committed to conducting business in a competitive market based on the high standards of quality of its products and services and in compliance with all applicable anti-corruption laws. This commitment is reflected in CAE’s Code of Business Conduct, which expressly prohibits all forms of corruption committed by Employees or third-parties, even when the observance of this commitment could place the Company in a non-competitive business operation.</p> <p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a></p> <p>[p.4] Message from our CEO</p> <p>[...]</p> <p>What we do, and how we do it, matters. It’s at the heart of our reputation. An unethical means never justifies the end, no matter how advantageous the end goal may appear to be for you or CAE.</p> <p>So please read this Code but don’t stop there. Make sure you live it too! And when something doesn’t quite feel right and you’re still not sure what to do, don’t agonize over it alone. Reach out. Talk to someone. And know that there’ll be no punitive consequences for speaking up.</p> <p>[p.12] We abide by all anti-corruption and anti-bribery laws everywhere we operate. This is non-negotiable.</p> <p>[...]</p> <p>Even in countries where bribes, kickbacks, facilitation payments or commissions are an accepted way of doing business, we refuse to play this game.</p>

<b>Question</b>
<b>3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company promotes a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners.</p> <p>However, the company receives a score of ‘1’ because there is no evidence that the company assures itself of its employees’ confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
<b>Evidence</b>
<p><b>[11] Whistleblowing Policy (Document)</b>                  Accessed 15/082019  <a href="https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf">https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf</a>                  [p.1] 1.1 These procedures promote CAE’s goal of creating an environment in which officers and employees openly communicate with management regarding Accounting Concerns and potential non-compliance with these procedures by an officer or employee of CAE (collectively, “Activities of Concern”).</p> <p>1.2 No officer or employee of CAE and its subsidiaries will be subject to any sanction or retaliatory action by CAE or any officer or employee of CAE for taking action consistent with these procedures.</p> <p>2. Activities of Concern</p> <p>2.1 These procedures promote CAE’s goal of creating an environment in which Employees openly communicate with management regarding potential activities of concern (“Activities of Concern”), including:</p> <p>[...]</p> <p>Retaliation against an individual who reports a concern in good faith: Statements, conduct or actions involving terminating, disciplining, demoting, suspending, harassing, intimidating, coercing or discriminating against an individual reporting a concern in good faith in accordance with these procedures.</p> <p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.4] And when something doesn’t quite feel right and you’re still not sure what to do, don’t agonize over it alone. Reach out. Talk to someone. And know that there’ll be no punitive consequences for speaking up. Remember, we are One CAE and, together, we are stronger. Let’s support each other in always adhering to our value of integrity and standing up for what’s right.</p> <p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.2] 2.5 Disciplinary action up to and including dismissal will be taken against any supervisor who retaliates, directly or indirectly, or encourages others to do so, against an employee who reports a violation of the Policy. See CAE’s Internal Reporting/Whistleblower Policy (Section 22 of the CP&amp;P) for more information.</p> <p>2.6 It is CAE’s objective to establish an environment in which employee reports are expected and accepted, and in which employees feel free to voice a concern or report a violation without fear of intimidation. No officer or employee of CAE will be subject to any sanction or retaliatory action by CAE for reporting any witnessed wrongdoing.</p>

[p.24] No retaliatory action will be taken against an employee for making a good faith report of a violation. However, if said employee participated in the prohibited activity, disciplinary action may nonetheless be necessary. The employee's decision to report will, in all cases, be given due consideration.

**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.49] EthicsPoint: Our third-party anonymous and confidential reporting system

EthicsPoint helps us ensure that our local and international business activities meet the highest ethical standards. The EthicsPoint website and call centre service provides employees, customers, partners and suppliers with a simple, risk-free way to confidentially report issues of concern associated with unethical or illegal activities including potential violations of our Code of Business Conduct and key corporate policies. We do not tolerate any punitive action or sanction against anyone who, in good faith, asks a question or submits an allegation of non-compliance through EthicsPoint or any other reporting channel.

We strongly encourage our employees and any party we conduct business with to come forward if they notice or become aware of an activity of concern, including potential unethical or illegal activities. Our Whistleblowing Policy, which recently underwent a complete review, protects good-faith whistleblowers from retaliation. Our whistleblowing process will also undergo significant enhancements in FY20 to ensure that all CAE employees understand and are aware of the different channels through which they may report concerns anonymously and confidentially.

**[3] Code of Business Conduct (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Governance/Code\\_of\\_Conduct-2017\\_EN\\_v17\\_interactif\\_final.pdf](https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf)

[p.10] Any supervisor who directly or indirectly intimidates or punishes an employee who reports a potential breach of the Code in good faith, is subject to disciplinary action up to and including dismissal.

"We won't tolerate any punitive action against anyone who, in good faith, asks a question or submits an allegation of non-compliance with our Code of Business Conduct."

Mark Hounsell  
General Counsel, Chief Compliance Officer and Secretary

<b>Question</b>
<b>3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence that the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. The evidence indicates that the channels are sufficiently varied to allow employees to raise concerns across the management chain, as well as through an external channel operated by an independent third party. There is evidence that these channels allow for confidential and, wherever possible, anonymous reporting, and that they are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners, and in several languages.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.12] 6.1 If you have any questions about the Foreign Corruption Laws or their applications to CAE's business activities, please contact the CAE Compliance Office (globalanticorruption@cae.com) or CAE Legal Department at any time.</p> <p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.10] Reporting a breach:</p> <p>It's our duty At CAE, we have the courage to speak up.</p> <p>If we truly believe that a violation of the Code has occurred or is about to occur, we have an obligation to disclose it, knowing that our confidentiality will be protected. We can report a breach by:</p> <ul style="list-style-type: none"> <li>• Telling our manager or supervisor</li> <li>• Making an anonymous report on the EthicsPoint system at <a href="http://www.ethicspoint.com">www.ethicspoint.com</a> or calling the EthicsPoint toll-free hotline at 1-866-294-9551</li> <li>• Contacting someone in the Compliance, Human Resources or Legal department</li> </ul> <p>After filing a report on EthicsPoint, we need to wait up to six business days before returning to the system to see if there are any follow-up questions or requests. Our Compliance and Human Resources departments receive the information and treat it seriously, fairly and in strict confidentiality.</p> <p>They also take prompt action based on what they learn. Significant allegations are cascaded up to the CEO and the Board of Directors' Governance Committee. Any supervisor who directly or indirectly intimidates or punishes an employee who reports a potential breach of the Code in good faith, is subject to disciplinary action up to and including dismissal.</p> <p>To learn more, see "Internal Reporting/Whistleblowing" in our Corporate Policies and Procedures.</p> <p>[p.36] When we aren't sure about something in the Code, we reach out to people who can help us understand and interpret the Code. Here's a summary of the main contacts who can assist us:</p>



### Conflicts of interest

- Supervisor
- Compliance department
- Human Resources representative
- Legal department



### Employee issues

- Human Resources representative



### Insider trading

- General Counsel



### Legal matters

- Legal department



### Media inquiries

- Public Affairs and Global Communications department



### Suspected breach of the Code

- Supervisor
- Compliance department
- Human Resources department

**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.49] EthicsPoint: Our third-party anonymous and confidential reporting system

EthicsPoint helps us ensure that our local and international business activities meet the highest ethical standards. The EthicsPoint website and call centre service provides employees, customers, partners and suppliers with a simple, risk-free way to confidentially report issues of concern associated with unethical or illegal activities including potential violations of our Code of Business Conduct and key corporate policies. We do not tolerate any punitive action or sanction against anyone who, in good faith, asks a question or submits an allegation of non-compliance through EthicsPoint or any other reporting channel.

We strongly encourage our employees and any party we conduct business with to come forward if they notice or become aware of an activity of concern, including potential unethical or illegal activities. Our Whistleblowing Policy, which recently underwent a complete review, protects good-faith whistleblowers from retaliation. Our whistleblowing process will also undergo significant enhancements in FY20 to ensure that all CAE employees understand and are aware of the different channels through which they may report concerns anonymously and confidentially.

Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.

In fiscal 2019, the number of whistleblowing reports increased compared with 2018 as shown in the table. We communicated the accessibility and confidentiality of Ethicspoint and we are glad that our employees are increasingly using it. The most common type of EthicsPoint report relates to equal opportunity and harassment issues (10 in fiscal 2018 and nine in fiscal 2019).

**[11] Whistleblowing Policy (Document)**

Accessed 15/082019

[https://www.cae.com/media/documents/Corporate/Whistleblowing\\_Policy.pdf](https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf)

[p.2] Reporting to the General Counsel

2.1 CAE and CAE subsidiaries encourage all officers and employees to report Activities of Concern either in person or via written correspondence to the General Counsel. If the officer or employee does not feel comfortable reporting an Activity of Concern to the General Counsel, the officer or employee must inform CAE's Chief Financial Officer. Correspondence may be sent to:

CAE Legal

8585 Côte-de-Liesse

Saint-Laurent, Québec

Canada H4T 1G6

Attention: General Counsel

Fax: 514-340-5530 or e-mail to the current General Counsel ([caeinc-vplegal@cae.com](mailto:caeinc-vplegal@cae.com)]

[...]

Reporting to the Governance Committee

2.2 In addition to, or in lieu of, reporting to the General Counsel or Chief Financial Officer, an officer or employee may report Activities of Concern to the Chair of the Governance Committee. Correspondence may be sent to:

8585 Côte-de-Liesse

Saint-Laurent QC H4T 1G6.

Attention: Mr. Andrew J. Stevens, Chair of the Governance Committee

[p.3] Reporting via ETHICSPPOINT

2.3 CAE has established an external service provider which will receive reports on activities of concern anonymously and in several languages. Reports from this service provider (Ethicspoint) are sent to the CAE Governance Committee, the General Counsel and Human Resources. This tool is also available to any employee working in any CAE subsidiary around the world. Correspondence may be sent either through their website: [www.ethicspoint.com](http://www.ethicspoint.com) or by telephone: 866-294-9551 (toll free in Canada and the USA).

**[22] Ethics and integrity (Webpage)**

Accessed 03/04/2020

<https://www.cae.com/social-responsibility/ethics-and-integrity/>


To further ensure that our local and international business activities meet the highest ethical standards, we also employ a third-party anonymous reporting system, EthicsPoint. This platform allows employees, customers, partners and suppliers with a simple, risk-free way to confidentially report activities that may involve criminal conduct or violations of our policies and Code of Business Conduct. Employees are strongly encouraged to report any potential misconduct so as to deter non-compliance and unethical behaviour.



## 4. Conflict of Interest

<b>Question</b>
<b>4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence the company formally addresses conflict of interest as a corruption risk, and has a policy that defines conflicts of interest, including actual, potential and perceived conflicts. There is evidence that the policy explicitly covers all of the categories of possible conflicts listed in the guidance, and that it applies to all employees and board members, including those of subsidiaries and other controlled entities.</p>
<b>Evidence</b>
<p><b>[3] Code of Business Conduct (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>  [p.7] This Code of Business Conduct lays out the behaviour we accept and expect from the Board of Directors and all employees of CAE Inc. and our wholly-owned and controlled subsidiaries. This includes any individuals seconded to joint-venture companies as well as all agents, representatives, contractors and consultants working on our behalf. That's why it's important to select suppliers and partners who share our values.</p> <p>[p.13] Conflicts of interest</p> <p>Conflicts of interest can occur any time our financial interests or personal relationships influence the decisions we make on the job. Examples include working with family members or having a significant investment in a CAE supplier, customer or competitor's business. It's crucial to avoid even the appearance of a conflict between our personal interests and those of CAE. That's why we promptly discuss a potential conflict of interest with our supervisor and, together, find a solution that resolves the situation.</p> <p><b>[12] Lobbying and Political Contributions Policy (Document)</b>  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf">https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf</a>  [p.2] Lobbying Activities</p> <p>3.2 Communications and business relationships with Government Officials must comply with our Code of Business Conduct, our Anti-Corruption Policy (including Gifts and Entertainment Policy) and all applicable legal, regulatory and policy requirements, including those concerning lobbying, gifts and benefits, conflict of interest, bribery and corruption, hiring of ex-government employees and procurement processes. Activities that may be acceptable when dealing with private-sector company employees could be inappropriate or illegal when dealing with Government Officials.</p>



<b>Question</b>
<b>4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is some evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts.</p> <p>The company receives a score of '1' because there is no evidence that all employee and board member declarations are held in a dedicated register or repository accessible to those responsible for handling cases. In publicly available evidence, the company also does not name a designated body or individual with specific responsibility for handling cases, nor does the company mention examples of criteria for recusals or state that disciplinary measures will apply if its conflicts of interest policy is breached.</p>
<b>Evidence</b>
<p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.13] Conflicts of interest</p> <p>Conflicts of interest can occur any time our financial interests or personal relationships influence the decisions we make on the job. Examples include working with family members or having a significant investment in a CAE supplier, customer or competitor's business. It's crucial to avoid even the appearance of a conflict between our personal interests and those of CAE. That's why we promptly discuss a potential conflict of interest with our supervisor and, together, find a solution that resolves the situation.</p> <p>[p.36] When we aren't sure about something in the Code, we reach out to people who can help us understand and interpret the Code. Here's a summary of the main contacts who can assist us:</p> <div style="text-align: center; margin: 10px 0;">  </div> <div style="display: flex; align-items: center;"> <div style="background-color: #0056b3; color: white; padding: 10px; margin-right: 10px; text-align: center;"> <p><b>Conflicts of interest</b></p> </div> <div style="background-color: #0056b3; color: white; padding: 10px; border: 1px solid white;"> <ul style="list-style-type: none"> <li>• Supervisor</li> <li>• Compliance department</li> <li>• Human Resources representative</li> <li>• Legal department</li> </ul> </div> </div> <p><b>[6] Governance Committee Charter (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf">https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf</a>                  [p.2] 4. Monitor interests of CAE directors and officers (including other directorships) to identify potential conflicts of interest, real or perceived, of both the Board and CAE Management. (WP1.2 and 1.12)</p> <p>[...]</p>

15. Review the independence of each member of the Board, and of the members of each Board Committee and the financial expertise of the Audit Committee members, taking into consideration applicable laws, regulations and other requirements applicable to such determination, and make a recommendation to the Board in respect of the qualification as independent of each such director and member. (WP1.12 and 1.13).

**[9] Human Resources Committee Charter (Document)**

Accessed 15/08/2019

[https://www.cae.com/media/documents/Corporate/HR\\_Mandate\\_Feb\\_8\\_2019\\_Final.pdf](https://www.cae.com/media/documents/Corporate/HR_Mandate_Feb_8_2019_Final.pdf)

[p.2] The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser only after taking into consideration the following factors:

[...]

(iii) the policies and procedures of the employer of the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest,

<b>Question</b>
<b>4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?</b>
<b>Score</b>
1
<b>Comments</b>
There is some evidence that the company has a policy that addresses the risks associated with the employment of public officials. However, the company receives a score of '1' because there is no evidence that the company's policy includes specific controls to assess and regulate the employment of current or former public officials.
<b>Evidence</b>
<p><b>[12] Lobbying and Political Contributions Policy (Document)</b>                  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf">https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf</a>                  [p.2] Lobbying Activities</p> <p>3.2 Communications and business relationships with Government Officials must comply with our Code of Business Conduct, our Anti-Corruption Policy (including Gifts and Entertainment Policy) and all applicable legal, regulatory and policy requirements, including those concerning lobbying, gifts and benefits, conflict of interest, bribery and corruption, hiring of ex-government employees and procurement processes. Activities that may be acceptable when dealing with private-sector company employees could be inappropriate or illegal when dealing with Government Officials.</p> <p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.28] Exhibit B: Due Diligence Reports and Questionnaires Part I</p> <p>Form: Representative/Consultant Detailed Due Diligence Report</p> <p>[p.31] 5.3 If the candidate is a current or former government official, are there any conflict of interest or other relevant rules that apply?</p>

<b>Question</b>
<b>4.4. Does the company report details of the contracted services of serving politicians to the company?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company reports details of the contracted services of serving politicians.
<b>Evidence</b>
No evidence found.

## 5. Customer Engagement

### 5.1 Contributions, Donations and Sponsorships

<b>Question</b>
<b>5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
<p>There is evidence that the company has a policy on political contributions, which states that such donations are generally prohibited. However, the company receives a score of '0' because there is evidence that political donations are permissible in certain circumstances.</p>
<b>Evidence</b>
<p><b>[12] Lobbying and Political Contributions Policy (Document)</b>                  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf">https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf</a>                  [p.3] Political Support Activities                  4.1 CAE Representatives may engage in politics in a personal capacity outside the scope of their business relationships with CAE.</p> <p>4.2 CAE Representatives may not, within the scope of their work at CAE, use CAE’s name, time, funds, property, resources or employee, client or supplier lists, or solicit any employees, clients or suppliers of CAE for Political Contributions in support of a political candidate or party without the prior written authorization of the Vice President, Public Affairs and Global Communications.</p> <p>4.3 CAE does not have any preference for one political party over another and CAE will decline any invitation to comment on partisan politics. However, from time to time CAE may be involved in activities which involve the political community, such as visits to CAE sites, or requests to use facilities during politically sensitive periods. Any such requests shall be referred to the Vice President, Public Affairs and Global Communications for approval.</p> <p>4.4 As a matter of general principle, CAE and its subsidiaries will not make any political contributions to political candidates, parties, organizations or any other political entity, at all levels of government.</p> <p>4.5 All requests for Political Contributions should be politely declined, or passed on to the Vice President, Public Affairs and Global Communications (only if they can be recommended as worthy of corporate consideration). CAE may exceptionally make Political Contributions to a political party, campaign or candidate as a means of supporting the democratic process, but only where legally permitted and not to secure favours or preferential treatment to any individual party or candidate. Contributions will not be made in recognition or anticipation of a business relationship with CAE. At no time will a contribution establish a precedent for future giving by CAE.</p> <p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.14] Political donations                  None of our companies makes donations to political parties, politicians or political candidates, unless approved by Public Affairs and Global Communications and compliant with applicable legislation. As employees, we’re free to pursue political affiliations and activities as long as we do so on our own time and refrain from using company assets for such activities.</p> <p>To learn more, see “Charitable Donations and Sponsorships” and “Lobbying and Political Contributions” in our Corporate Policies and Procedures.</p>

**[1] Anti-Corruption Policy (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.21] III) Political Contributions:

16.0 CAE supports involvement in activities that advance CAE's goals and improve the communities where we work and live. Consistent with CAE's Code of Business Conduct and the Political and Charitable Contributions Policy (Section 12 of the CP&P), all CAE employees and representatives may choose to become involved in political activities as long as they undertake these activities on their own behalf. They may, on a personal level, give to any political party or candidate, but reimbursement by CAE is strictly prohibited.

16.1 In no circumstance shall any CAE employee, representative or officer be permitted to use or associate their position with CAE with any personal political activity or donation or in any circumstances in which any such association could be reasonably inferred.

16.2 Neither CAE nor any of its affiliates is permitted in Canada to make financial or in-kind contributions to a federal political party, federal political party candidate or federal electoral district association. CAE or any of its affiliates will make only those financial contributions permitted by law to a recognized political party, candidate or campaign in the provinces and municipalities where CAE has business interests, unless otherwise directed by the Chief Compliance Officer or the Vice President of Public Affairs and Global Communications.

16.3 CAE will not make financial contributions to any political party, electoral candidate, political associations or the like in the United States or any other foreign jurisdictions. All requests from international institutions and organizations should be politely rejected at the subsidiary level or passed on to the Vice President Public Affairs and Global Communications only if they can be recommended by the subsidiary company as worthy of corporate consideration on the subsidiary's behalf.

**[6] Governance Committee Charter (Document)**

Accessed 14/08/2019

<https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf>

[p.2] 10. Approve and periodically review (every second year, unless required sooner) CAE's Charitable Donations and Sponsorships Policy, Lobbying and Political Contributions Policy and Human Rights Policy. (WP1.8)

<b>Question</b>												
<b>5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?</b>												
<b>Score</b>												
<b>2</b>												
<b>Comments</b>												
The company publishes details of its political contributions, and there is evidence that this data is updated and published on at least an annual basis. The company discloses that it made no political donations during the last two reporting years.												
<b>Evidence</b>												
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.70] Global Reporting Initiative (GRI) indicators</p> <p>[p.77]</p> <table border="1"> <tr> <td colspan="2">Public policy</td> </tr> <tr> <td>415-1</td> <td>Political contributions 0 0</td> </tr> </table> <p><b>[19] 2018 Corporate Social Responsibility Report (Document)</b>                  25/03/2020  <a href="https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf">https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf</a>                  [p.66]</p> <table border="1"> <tr> <td colspan="2">Non-discrimination</td> </tr> <tr> <td>406-1</td> <td>Incidents of discrimination and corrective actions taken page 45</td> </tr> <tr> <td colspan="2">Public policy</td> </tr> <tr> <td>415-1</td> <td>Political contributions 0</td> </tr> </table>	Public policy		415-1	Political contributions 0 0	Non-discrimination		406-1	Incidents of discrimination and corrective actions taken page 45	Public policy		415-1	Political contributions 0
Public policy												
415-1	Political contributions 0 0											
Non-discrimination												
406-1	Incidents of discrimination and corrective actions taken page 45											
Public policy												
415-1	Political contributions 0											

<b>Question</b>
<b>5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is evidence that the company has a policy covering both charitable donations and sponsorships, whether made directly or through corporate foundations, to ensure that such donations are not used as vehicles for bribery and corruption. There is evidence that this policy includes measures to ensure this, for example, by specifying criteria for donations and procedures for senior sign-off. The company also provides limited details of specific causes that it has supported, as well as high level summary of its total charitable donations, published on an annual basis.</p> <p>However, the company receives a score of '1' because it does not publish a detailed breakdown of all charitable donations made, including details of the recipient, amount, country of recipient and which corporate entity made the payment.</p>
<b>Evidence</b>
<p><b>[13] Donations and Sponsorships Policy (Document)</b>                  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Donations_sponsorships_policy.pdf">https://www.cae.com/media/documents/Corporate/Donations_sponsorships_policy.pdf</a></p> <p>[p.1] Purpose                  1.0 The policy is to rationalize donations by CAE and its subsidiaries to charitable, educational, health and welfare, political and civic institutions and organizations. Coordination and administration of this policy is the responsibility of the Vice President, Public Affairs and Global Communications, CAE Inc.</p> <p>1.1 As a general rule, CAE and its subsidiaries will only give to those institutions and organizations providing facilities and services in those communities where the operation is located and where the bulk of its employees reside, unless otherwise directed by the Vice President, Public Affairs and Global Communications.</p> <p>1.2 All requests from international institutions and organizations should be politely rejected at the subsidiary level, or passed on to the Vice President, Public Affairs and Global Communications only if they can be recommended by the subsidiary company as worthy of corporate consideration on the subsidiary's behalf.</p> <p>1.3 CAE business divisions and subsidiaries may budget an amount not to exceed .33% of forecast after-tax profits for charitable donations, subject to CAE Corporate review and approval.</p> <p>1.4 Donations for CAE Inc. and all business divisions located at the CAE Corporate Office in Montreal will be budgeted by the Public Affairs and Global Communications department and is subject to a specific approval by the Board of Directors during the normal course of the annual budget process.</p> <p>1.5 To be eligible for consideration, an organization must be non-profit, acting in the interests of the community as a whole, and must be registered as a non-profit charitable organization by federal, provincial or state authorities.</p> <p>1.6 In addition to the United Way Appeal or equivalent, which fund local health and welfare services, CAE's main interest is education, as follows:</p> <ul style="list-style-type: none"> <li>x Higher educational institutions that supply, or have the potential to supply, CAE with a significant number of graduates possessing key technical and engineering skills.</li> <li>x Higher educational institutions that conduct significant technical research in areas of direct interest to CAE, and even possibly in partnership with CAE.</li> </ul> <p>[p.2] x Educational facilities, activities and programs dedicated to developing excellence or interest among young people in science, technology and engineering.</p> <p>x CAE can also support organizations in line with its corporate mission focusing on Civil Aviation, Defense &amp; Security and Healthcare:</p>



- Encourage young people to pursue pilot careers such as cadets (Civil Aviation);
- Encourage organizations aimed at improving safety of aviation and patient safety (Civil Aviation and Healthcare); - Support communities where we operate when they face a natural disaster (Security);
- Support organizations that help the military, their families and veterans (Defense & Security);
- Support local hospitals, especially when they value simulation-based training for healthcare professionals (Healthcare); and
- Encourage our employees to participate in the Enbridge ride to conquer cancer to the benefit the Jewish Hospital (Healthcare).

1.7 CAE may provide scholarships (“CAE Scholarship”) to students completing their studies (3rd or 4th year) in key technical and engineering sectors. Students are to be drawn from universities as described above (1.7). The scholarships are to be actively promoted within the university and awarded on a competitive basis by the appropriate faculty. CAE companies may propose the names of participating universities or equivalent institutions for their scholarship program. Selection will be determined in large part by a weighting favoring those institutions that provide CAE with skilled staff.

1.8 All appeals requiring a multi-year commitment of funds must be approved by the Vice President, Public Affairs and Global Communications. CAE Inc.'s own donation policy will be that determined from time to time by its Board of Directors.

1.9 Organizations, causes and projects which are usually ineligible for CAE assistance include religious, fraternal, union, advocacy and sectarian groups. Exceptions may be made only with approval from the Vice President, Public Affairs and Global Communications.

1.10 At no time will a contribution necessarily establish a precedent for future giving by CAE.

[p.3] 1.11 The following tests should be applied to requests for contributions:

- a) Will the project contribute generally to improvement in the quality of life in a community where CAE has operations and its employees reside?
- b) Is the level of the donation appropriate in relation to the importance of the company in that community?
- c) Is special attention being given to employee activities, participation and needs?

1.12 Contributions will not be made in recognition or anticipation of a business relationship with CAE. Hence, any request of more than CAN \$ 2,000 from clients, OEMs, suppliers or regulatory bodies should be pre-approved by the Vice President, Public Affairs and Global Communications. To obtain this approval, you must submit the answers to these questions:

1. Who is asking for this donation or sponsorship (Is that person in a position to make a business decision about CAE?)
2. Why do you recommend to go ahead with this donation or sponsorship?
3. Why at that level?
4. Does it align with our Donations & Sponsorships policy (education, civil aviation, defense & security and healthcare)?
5. Is the contribution conditional upon receiving pending business or other specific benefits?

1.13 Public recognition of CAE's participation in a worthwhile community project or endeavour is desirable, although it should not be the primary reason for contributing.

1.14 All cash and in-kind donations and sponsorships throughout the world must be reported quarterly to the Vice President, Public Affairs and Global Communications, for reporting to the Board of Directors of CAE, as well as through the company's annual activity and social responsibility report.

#### **[6] Governance Committee Charter (Document)**

Accessed 14/08/2019

<https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf>

[p.2] 10. Approve and periodically review (every second year, unless required sooner) CAE's Charitable Donations and Sponsorships Policy, Lobbying and Political Contributions Policy and Human Rights Policy. (WP1.8)

11. Review annually the donations, sponsorships and research projects supported by CAE, with a breakdown by sector, region and spend. (WP1.8)

**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

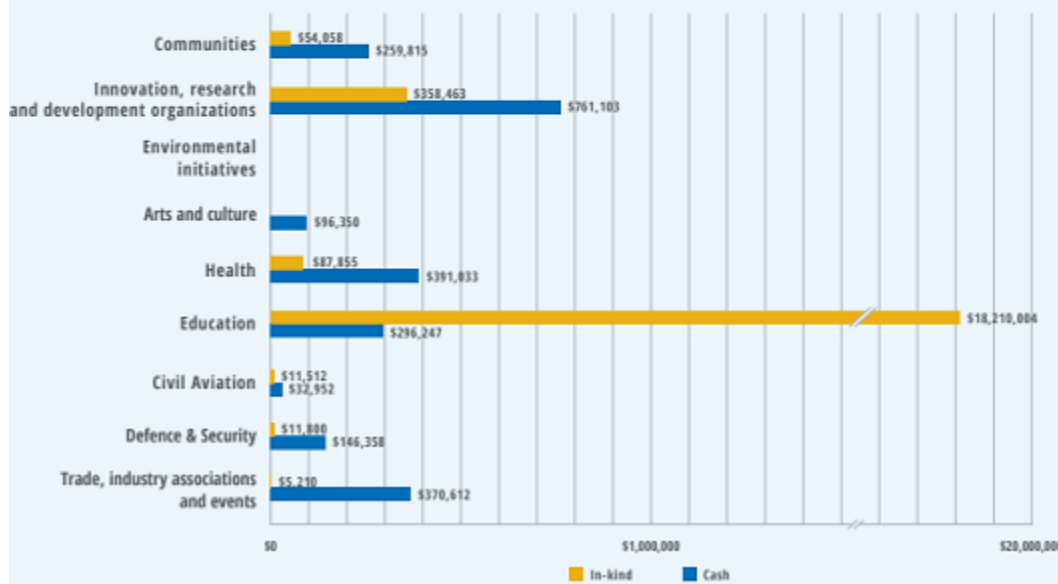
[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.60]

### Donations and sponsorships in FY2019

In fiscal 2019, we donated a total of \$21 million (cash and in-kind) to local and regional initiatives worldwide

**FY19 cash and in-kind donations**



**[19] 2018 Corporate Social Responsibility Report (Document)**

25/03/2020

[https://www.cae.com/media/documents/Activity\\_Report\\_2018\\_EN.pdf](https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf)

[p.52] Through our presence in more than 35 countries around the world, we're helping create economic growth by delivering goods to our customers, jobs for our employees, payments to our suppliers, investments in communities and value to our investors. Here's a snapshot of how we supported local economies in fiscal 2018.

[...]

Community investment and charitable donations - \$2.3

[million dollars]

**[20] Community and Environment Page (Webpage)**

Accessed 26/03/2020

<https://www.cae.com/social-responsibility/community/>

Our goal

Create a positive and sustainable impact in our communities and our environment  
Our objectives

Reduce our environmental footprint across our operations  
Support the communities where we operate through our global community investment program

- In FY19, launch a Canadian scholarship program to cover technicians, people wanting to become pilots, and students willing to be ambassadors to promote Work Integrated Learning in Canadian aerospace companies
- By FY21, launch a diversity scholarship program to allow women, Indigenous Peoples, persons with disabilities and visible minority individuals to complete their studies and better access positions with a greater representation gap
- By FY23, collaborate with over 50 post-secondary institutions and research centres
- Better promote the CAE scholarships offered globally
- By FY21, spend at least 40% of our donations and sponsorships budget on education
- By FY23, develop a volunteering program for our employees

**Being a good neighbour**

Investing in communities and local economies is key to building a reputation for being a neighbour of choice everywhere we operate. It also helps strengthen employee engagement across CAE. This has included university scholarships, charity bike rides, technology competitions for young people, award-winning fundraising campaigns for humanitarian organizations where CAE operates and where employees live and work.

**Supporting local economies**

Through our presence in more than 35 countries around the world, we're helping create economic growth by delivering goods to our customers, jobs for our employees, payments to our suppliers, investments in communities and value to our investors.

[...]

**Our 'Green Pledge'**

In 2017, we launched the Green Pledge, an online company-wide voluntary initiative that invites employees around the globe to commit to four simple day-to-day actions. The program also allows employees to share their personal best practices. To incentivize people, the Green Pledge includes a friendly inter-site challenge with prizes going to the global site and the three regional sites with the highest percentage of pledgers.

**A snapshot of our involvement**

**Fundraising for our local communities**

Our employees in the Montreal area participate annually in a variety of fundraising initiatives. These include bike rides for cancer research, award-winning annual CAE-Centraide/United Way campaigns, and a range of other employee events to support organizations in the Greater Montreal area, where many of our employees live and work.

## 5.2 Lobbying

Question
<b>5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?</b>
Score
<b>2</b>
Comments
<p>There is evidence that the company has a policy that defines lobbying, broad enough to cover the spirit of the term as described in the guidance, and sets out the values and behaviours that constitute 'responsible' lobbying. There is evidence that lobbyists are required to comply with the company's Code of Business Conduct and Anti-Corruption Policy, which set out what behaviours are acceptable in risk areas such as gifts and hospitality, undue influence and conflicts of interest. There is evidence of oversight mechanisms, including due diligence on lobbyists and provisions for senior sign off on lobbying activities. This policy applies to all employees, board members and third parties lobbying on the company's behalf.</p>
Evidence
<p><b>[12] Lobbying and Political Contributions Policy (Document)</b>                  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf">https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf</a></p> <p>[p.1] 2.4 "Lobbying Activities" means communicating with Government Officials with regard to:</p> <ul style="list-style-type: none"> <li>a. the making, developing, amending or defeating of legislative proposals, bills, or resolutions, regulations, policies or programs*;</li> <li>b. the awarding of government grants, contributions or other financial benefits; and</li> <li>c. the awarding of government contracts* (for Consultant Lobbyists only).</li> </ul> <p>In the case of Consultant Lobbyists, Lobbying Activities also include the arranging of a meeting between a Government Official and any other person.</p> <p>[p.2] Lobbying Activities</p> <p>3.1 CAE actively communicates with Government Officials expressing views that affect CAE's business and industry.</p> <p>3.2 Communications and business relationships with Government Officials must comply with our Code of Business Conduct, our Anti-Corruption Policy (including Gifts and Entertainment Policy) and all applicable legal, regulatory and policy requirements, including those concerning lobbying, gifts and benefits, conflict of interest, bribery and corruption, hiring of ex-government employees and procurement processes. Activities that may be acceptable when dealing with private-sector company employees could be inappropriate or illegal when dealing with Government Officials. CAE Representatives should exercise extra caution when interacting with Government Officials.</p> <p>3.3 CAE Representatives shall not engage in Lobbying Activities unless they are registered lobbyists (if applicable) and authorized to do so by the Vice President, Public Affairs and Global Communications.</p> <p>3.4 CAE Representatives having contacts with Government Officials should consult with the Vice President, Public Affairs and Global Communications and CAE's Legal Department to ensure compliance with the appropriate lobbying regulations.</p> <p>3.5 All oral or written communications to a senior elected or appointed Government Official (such as the Office of a Minister, Prime Minister, Governor, President, Vice President, Head of State, Emir or King) must be approved by CAE Inc.'s President and Chief Executive Officer and by the Vice President, Public Affairs and Global Communications prior to such communication.</p> <p>3.6 CAE may not employ a Consultant Lobbyist for Lobbying Activities prior to completion of the due diligence review and upon receipt of the prior approvals set out in CAE's Anti-Corruption Policy and the approval of the Public Affairs and Global Communications team. Any such approved Consultant Lobbyists must be registered as lobbyists in the appropriate jurisdiction and otherwise comply with applicable laws and regulations.</p>

3.7 Lobbying Activities shall be reported to the Vice President, Public Affairs and Global Communications on a quarterly basis.

**[1] Anti-Corruption Policy (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.2] Compliance with the Foreign Corruption Laws

3.0 CAE actively seeks to ensure that all of its employees, contractors, Representatives and Consultants worldwide understand and obey the applicable Foreign Corruption Laws prohibiting bribes and other forms of corruption. The maintenance of CAE's reputation for integrity and honesty is essential to CAE. Bribes, kickbacks, improper gifts, facilitation payments or offerings of anything of value to foreign officials and other individuals could not only jeopardize that reputation – it could also lead to severe penalties and sanctions.

3.1 All Representative and Consultant agreements must be administered, negotiated, executed, renewed and terminated in accordance with this Policy, and all CAE employees, contractors, Representatives and Consultants must comply with laws prohibiting bribes and improper payments to foreign public officials and other individuals.

3.2 This Policy prohibits any offer, payment, promise to pay, or authorization to pay or provide any money, gifts, or anything of value, directly or through an intermediary, by or on behalf of CAE for the purpose of obtaining or retaining business or securing any improper advantage to any foreign official, to any person for the benefit of a foreign official, or to any other individual. This prohibition applies to bribes, kickbacks, facilitation payments or gifts on behalf of CAE, regardless of whether they involve the use of corporate resources.

[p.3] 3.3.3 For the purposes of this Policy, "Representative" means any individual or organization who is engaged and paid by CAE to either:

3.3.3.1. Act on behalf of and assist CAE in pursuing sales related opportunities for specific products, services and/or business opportunities in specific territories; or

3.3.3.2. Represent or promote CAE's interests where the arrangement requires engagement in direct interactions with foreign officials including without limitation members of the military, any regulatory/rule setting or administrative bodies, procurement agencies, government branches involved in investing, members of the judiciary etc. This includes various lobbying activities.

**[6] Governance Committee Charter (Document)**

Accessed 14/08/2019

<https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf>

[p.2] 10. Approve and periodically review (every second year, unless required sooner) CAE's Charitable Donations and Sponsorships Policy, Lobbying and Political Contributions Policy and Human Rights Policy. (WP1.8)

<b>Question</b>
<b>5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company publishes any information on its lobbying aims, topics or activities.
<b>Evidence</b>
No evidence found.

<b>Question</b>
5.2.3 Does the company publish full details of its global lobbying expenditure?
<b>Score</b>
0
<b>Comments</b>
There is no evidence that the company provides any details about its global lobbying expenditure.
<b>Evidence</b>
No evidence found.

### 5.3 Gifts and Hospitality

<b>Question</b>
<b>5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence the company has a policy on the giving and receipt of gifts and hospitality with procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. There is evidence that this policy specifies financial limits and different approval procedures for different types of promotional expenses, and that it also explicitly addresses the risks associated with gifts and hospitality given to and/or received from domestic and foreign public officials. There is evidence that all gifts and hospitality worth over a certain threshold are logged in a dedicated register accessible to those responsible for oversight of the process.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.10] Payments and Gifts</p> <p>4.14 Any gifts, payments, or offers of anything of value not already included in approved existing agreements and addendums may ONLY be done in compliance with CAE’s Anti- Corruption Policy (Part II – Gifts and Entertainment). When in doubt please consult the Legal Department or the Compliance Office as to what is permissible in this regard.</p> <p>4.15 Any payments (including success fees, fixed retainer fees and reimbursement of out of pocket expenses) shall be made in accordance with existing agreements and contract addendums and shall be approved prior to payment by the most senior Finance member working with that Group (VP Finance D&amp;S, VP Finance Civil and Finance Director of CAE Healthcare) as the case may be, to ensure that they are in accordance to the specified amounts and timing in the related approved agreement/addendum. See Exhibit D for the relevant authorization matrix of Finance approvals.</p> <p>4.15.1 When a payment is due to a Representative, this payment must be verified by the CAE Compliance Office. The compliance officer will ensure that the amount to be paid does not exceed the agreed upon amount in the contract. Once the compliance officer confirms that the amount is verified and acceptable, he/she then sends a confirmation to Accounts Payable along with contractual proof (typically an addendum) that the amount is in fact accurate. Subsequently, Accounts Payable submits the payment for approval to the proper management levels within the concerned business unit. Once the approvals are obtained, the payment has to be approved by the VP Finance as indicated in the paragraph above. It is important to note that payments made to Representatives are only made once the customer pays CAE and following the same payment schedule in which the customer pays CAE.</p> <p>[p.11] 4.16 Any gifts or payments for hospitalities should comply with CAE’s Code of Business Conduct policy statement on business courtesies.</p> <p>[p.13] II) Gifts and Entertainment:</p> <p>CAE has many business relationships that are designed to meet the financial and operational objectives of our Company. The exchange of certain business courtesies – i.e., gifts, meals, entertainment, travel and lodging – can help us develop and maintain these relationships. However, it is important to understand the rules concerning the exchange of business courtesies so that we can avoid conflicts of interest or even the appearance of conflicts of interest with our customers, suppliers or any others with whom we do business.</p> <p>This portion of the anti-corruption policy is designed to communicate CAE’s rules for the exchange of business courtesies, and to help you identify and avoid potential conflicts of interest. It is divided into the following four</p>



sections: (1) Definitions (2) Scope; (3) Guidelines for Exchanging Business Courtesies and (4) Special Circumstances.

On the issue of avoidance of corruption of foreign and other Government Officials, please also see the previous section of the anti-corruption policy that covers Representatives and Consultants. Please also consult CAE's Code of Business Conduct.

[p.14] Scope

8.0 This Policy applies to all employees of CAE, Inc., its wholly-owned subsidiaries, and majority-owned and controlled joint ventures that have adopted this Policy ("CAE" or the "Company"). "Employees," as this term is used in the preceding sentence and throughout this Policy, includes all individuals employed by CAE on a regular or temporary basis, regardless of whether such individuals work on a full-time or part-time basis. This Policy also applies to non-employees who act on behalf of CAE – including members of the CAE Board of Directors, and certain contractors, consultants, agents, representatives and other third parties who may be temporarily assigned to work for or provide services to CAE. Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.

8.1 Your business unit or functional group (e.g., Legal or Marketing) may impose more restrictive business courtesy guidelines than those set forth in this Policy, in which case the more restrictive guidelines should be followed. However, business courtesy guidelines more liberal than those in this Policy are not permitted.

8.2 Actual or suspected violations of this Policy are taken very seriously, and will be investigated when appropriate. Violations of this Policy may result in disciplinary action, up to and including termination.

8.3 If you have questions concerning this Policy or a particular situation involving the exchange of business courtesies, do not hesitate to contact your supervisor or CAE's Compliance Office ([globalanticorruption@cae.com](mailto:globalanticorruption@cae.com)).

[p.15] Guidelines for Exchanging Business Courtesies

9.0 Often, it will be clear to you when the exchange – that is, offering, accepting and/or trading – of certain business courtesies is acceptable. In some cases, however, the decision might not be so clear. When determining if the exchange of business courtesies is acceptable, you should ask yourself the following questions:

- Is it reasonable, ethical and legal?
- Is my action, or that of another team member, responsible? Is it in the best interest of the Company? Could it harm the Company's reputation?
- How would I feel if I read about my actions, or those of another team member, in the newspaper? What would my family, friends, supervisors or co-workers think?

If still in doubt, seek guidance from your Leader or CAE Compliance ([globalanticorruption@cae.com](mailto:globalanticorruption@cae.com)).

Gifts, Meals and Entertainment

10.0 In general, it is permissible to exchange Gifts and Entertainment that are backed by a detailed and valid receipt and are reasonable in nature, frequency and cost, provided the Gift or Entertainment:

- is unsolicited;
- has a business purpose other than putting the recipient under an obligation to CAE (e.g., furthers or complements the business relationship, is provided in connection with business meetings or conferences, etc.); and
- has a total value that meets the guideline set out in Exhibit E based on country of residence of the recipient, in the case of a Gift, and on country where Entertainment occurs, in the case of Entertainment).

10.1 The exchange of the following business courtesies is unacceptable even if doing so would otherwise comply with the general rule stated above:

- money or Cash Equivalents, such as gift certificates, gift cards or vouchers;

- extravagant and luxurious Gifts or Entertainment;
- any Gift or Entertainment when you are the decision maker or are involved in the decision-making process during an active or planned Request for Proposal (RFP), Request for Information (RFI), or contract negotiation with a prospective customer or supplier;
- Gifts or Entertainment that are received multiple times each year from, or given to, the same customer, supplier, or other third party;

[p.16] Gift or Entertainment provided solely to a spouse, family member or close relative of a customer, supplier or other third party;

- any Gift that has a value equivalent to or greater than the amount provided for in Exhibit E;
- any Entertainment that has a value equivalent to or greater than the amount provided for in Exhibit E;
- any Gift or Entertainment that violates the CAE Code of Business Conduct, other corporate policies or procedures, or applicable anti-corruption laws;
- any Gift or Entertainment that you know violates the recipient's ethics code or known related policies, such as the recipient's Gift policy.
- Any Gift or Entertainment whose nature compromises CAE's moral or ethical stance or that could be tarnishing to CAE's image and reputation (e.g. taking customers to gentlemen's clubs, use of prostitution or escort services, consuming recreational drugs, excessive abuse of alcohol, etc...).

10.2 Unacceptable Gifts should be returned to the provider. If returning a Gift could harm our business relationship with the provider, your supervisor can approve keeping the Gift to share it with co-workers, use for employee recognition or donate to a charity.

10.3 When a customer is offered Entertainment such as attendance to an athletic, social or cultural event, members of CAE staff should be present for the length of this event. Otherwise, the absence of CAE staff from such an event would render it a Gift and not Entertainment, subjecting it to the monetary limit of Gifts.

#### Travel and Lodging

11.0 Your business-related travel and lodging accommodations should generally be paid for by CAE, unless the contract between CAE and the customer specifies the customer will pay for it. Likewise, customers, suppliers and other third parties should generally expect to pay for their own travel and lodging accommodations. In rare circumstances where separating travel and accommodation expenses is not possible, prior approval from your Leader is required before accepting/offering travel and/or lodging accommodations from/to a customer, supplier or other third party.

11.1 Where CAE is contractually obliged to fund certain specific customer travel and accommodation for visits to/from CAE facilities, paying for such travel and accommodations is permitted provided that:

- the travel and accommodation is just for trips to/from CAE and does not include any recreational side trips that would constitute a personal Gift to the customer's representative;

[p.17] the customer's senior management is aware of the travel arrangement and to CAE's reasonable knowledge approves of it;

- CAE does not exceed the agreed upon travel arrangements.

#### Disclosure and Approval Requirements

12.0 Disclosing the exchange of business courtesies to your supervisor is always a good idea and can help avoid even the appearance of conflicts of interest with our customers, suppliers or any others with whom we do business. Also, it is your responsibility to comply with the following disclosure and approval requirements.

12.1 You are required to obtain advance written approval from your Leader before exchanging any Gift or Entertainment that exceeds the authorized limits set out in Exhibit E.

12.2 It is permissible to give a Gift to a customer or receive a Gift from a customer that is higher than the allowed value if this gift was intended for CAE or for the recipient corporation and not for a specific individual. In addition, this Gift must be exchanged publicly and subsequently showcased publicly such that no specific individual benefits from the value of this Gift.

12.3 All exchanges and approvals for Gifts and Entertainment will be disclosed to CAE's Compliance Office through periodic reports provided to the Compliance Office by the business (with the assistance of the Finance team). Exchanges that fall within the limit described in Exhibit E do not require advance approval from the Compliance Office. With regards to exchanges of business courtesies that exceed the limits outlined in Exhibit E, these exchanges require advance approval from the Compliance Office, which will maintain a log of all such approvals. Leaders who approve these exchanges must alert CAE Compliance via email ([globalanticorruption@cae.com](mailto:globalanticorruption@cae.com)) regarding the details of the transaction in question.

#### Scenarios Related to Accepting Business Courtesies

13.0 I have been offered tickets to a professional sporting event as a gift from a supplier, and she will not be attending the event. The last couple of months I have been the guest of the same supplier at three other professional sporting and theater events. May I accept the tickets? You should decline the tickets. Your frequent attendance at these events as the guest of the supplier could create a conflict of interest situation. Even if the gifts and entertainment meet the acceptable value set out herein, the frequency of your accepting such gifts raises the concern that they will influence your judgment.

[p.18] 13.1 My job requires me to interact with numerous suppliers, and during the holiday season I receive gifts from many of these suppliers. None of the gifts have a value greater than the acceptable value set out herein. May I keep the gifts?

Receiving numerous gifts could reasonably appear to create a conflict of interest situation or appear to influence your judgment. We recommend using this opportunity to recognize your team and peers for their hard work by sharing the gifts, or donate them for a charity raffle.

13.2 A customer left a \$10 gift card at the retail store as a token of their appreciation for the help I provided. Our Policy states that gift cards are unacceptable. What should I do?

You should disclose the gift to your supervisor so that it can be used to buy something that can be shared among your team members.

13.3 A supplier invited me to attend a conference where business entertainment will be provided, and offered to pay my conference fees. Another business unit within CAE is currently in the RFP (Request For Proposal) process with the supplier. I am not a decision maker or part of the review team for the RFP. Is it okay for me to attend the conference and accept the business entertainment?

It is acceptable to attend the conference and accept the business entertainment because you are not a decision maker or otherwise involved in the RFP process. CAE should pay for travel and accommodations, and you should receive approval from your supervisor before accepting the conference fees.

#### Scenarios Related to Offering Business Courtesies

14.0 CAE has extra tickets to numerous games and events and I'd like to offer some of the tickets to my customers. I will attend a few of these events, but plan to give the extra tickets as gifts. Is this okay? Here are a few things to consider in this situation. First, make sure you know what the customers' policies are with regard to accepting gifts and business entertainment. The gift may not violate our Policy, but could violate the customers' policies. Second, consider the frequency with which you entertain or offer gifts to your customer, to avoid creating the appearance of a conflict of interest situation. Common sense says that once or twice a year would be acceptable but numerous and repeated business entertainment and gifts are not. Last, remember that you should receive the appropriate approvals if the gift has a value greater than the amounts set out in Appendix E.

[p.19] 14.1 My group is holding a summit for some of our customers and entertainment will be provided by CAE. We would like to pay for our customers' travel and accommodations. Is this acceptable?

The general rule of thumb for CAE is that customers should pay for travel and accommodations, just as CAE employees should when suppliers offer to pay for travel and accommodations. There could be situations where that expectation is unreasonable. For instance, special accommodations may be arranged and expenses may not be easily divided. Prior written approval from your Leader is required.

14.2 I am taking three employees of a customer out for dinner. On top of the dinner, I ordered three \$15 cocktails for each of the guests and myself, and three bottles of \$250 wine. Is this considered excessive?

Ordering this much alcohol on top of the dinner not only exceeds the value limit for Entertainment (see Exhibit E), but is also considered excessive. Whenever a CAE employee is hosting a customer for a meal, there should not be

any abuse of alcohol or abuse of ordering food and beverages on CAE's expense. Anything that is excessive could be seen as a bribe in the eyes of a government investigator.

14.3 I am inviting a group of customers to an event which I will not be attending. However, I'll be sending them along with their spouses to that event and I will also pay for a sightseeing tour. Is this acceptable?  
 As a rule of thumb, whenever a CAE employee provides entertainment to a customer, he or she should be present during that event. If the CAE employee is not present during that event, then it will be considered a Gift and not Entertainment. Please keep in mind that the monetary limit for Gifts is less than the limit for Entertainment. In addition, CAE should only be paying to entertain the customer, and not a spouse or family member.

Special Circumstances

15.0 Exchanging Business Courtesies with Government Officials

Exchanging any business courtesy with government employee or public officials – such as a single lunch paid for by CAE, regardless of the actual or perceived value – may violate various laws to which CAE and the recipient are subject. The permissibility of a gift turns on whether it was provided with corrupt intent; that is if there will be an official action in exchange for the gift and not simply the desire to foster an overall favorable business climate. A Gift of nominal value provided to a foreign Government Official as courtesy, token of friendship or expression of gratitude, made in accordance with the laws and customs of the country in question, avoids the corruption element prohibited under the Foreign Corrupt Practices Act (FCPA). Note that when it comes to Government Officials, ...

[p.20] ...you really need to inform yourself of the local legal requirements; for example, in Canada and the US Gifts and Entertainment above the \$25 range would not be acceptable.

A reasonable and bona-fide Gift of a nominal value to a foreign Government Official directly related to a promotion, demonstration or explanation of a product appears to be within the scope of permissible acts of the FCPA.

However, the problem is both the potential for abuse and the lack of any clear statutory guidelines as to what is a permissible Gift in such circumstance. A course of conduct providing frequent gifts to foreign Governmental Officials in conjunction with a pattern of favourable governmental actions would provide evidence of corrupt intent even if no particular Gift could be tied to a specific act.

Given the risks involved with respect to Gifts and Entertainment to Government Officials, please contact the Compliance Office or Legal Department prior to any offer.

[p.39] Exhibit E

The following table serves as a guideline (all amounts are in USD) for Gifts and Entertainment offered (per individual) by employees. Given the risks involved with respect to Gifts and Entertainment to Government Officials, please contact the Compliance Office or Legal Department prior to any offer.

GDP per capita	Non-Government Official		Government Official*	
	Gift	Entertainment	Gift	Entertainment
<b>Country Ranking &gt; 35</b>	\$100.00	\$350.00	\$25.00	\$50.00
<b>Country Ranking &lt; 35</b>	\$350.00	\$500.00	\$25.00	\$300.00

\*see table below for list of countries, if the country in question is not on the list please contact CAE's Compliance Office for an assessment (the classification below is based on the IMF ranking of 2014).

[3] Code of Business Conduct (Document)

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Governance/Code\\_of\\_Conduct-2017\\_EN\\_v17\\_interactif\\_final.pdf](https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf)

[p.12] Business courtesies

We always use sound judgement and the utmost caution when giving or receiving business courtesies. We only use gifts, meals, entertainment, travel and lodging to build relationships and goodwill; never to influence decisions or gain an unfair advantage. We ensure that any courtesy-related expense is reasonable and transparent. A lavish gift or hospitality could easily be interpreted as giving or taking a bribe. We also make sure that we understand the local laws and customs, which can be even stricter than in our native country.

## 6. Supply Chain Management

<b>Question</b>
<b>6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company's procurement department, referred to as its Global Strategic Sourcing Department, is involved, in some capacity, in the establishment and oversight of supplier relationships.</p> <p>However, the company does not state that the involvement of the department is required for establishing any new suppliers over a certain threshold. It is also not expressly clear that this department is the main body responsible for oversight of the company's supplier base, nor that that the company assures itself of this department's involvement at least every three years.</p>
<b>Evidence</b>
<p><b>[26] Becoming a CAE Supplier – Updated Page (Webpage)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/suppliers/">https://www.cae.com/suppliers/</a>                  Becoming a CAE supplier                  Following an invitation, a new potential supplier will be requested to complete a form, including pertinent documentation, and submit it accordingly. A rigorous internal review process is conducted based on the information provided, resulting in the approval or rejection of the supplier. This process is under the responsibility of CAE's Global Strategic Sourcing department.</p> <p>A potential supplier may be requested to complete and/or provide documents such as the following:</p> <ul style="list-style-type: none"> <li>• Non-disclosure Agreement</li> <li>• Controlled Goods Certification or Directorate of Defense Trade Controls (DDTC) registration</li> <li>• Health &amp; Safety Policy</li> <li>• Quality Survey and/or Quality Certification</li> <li>• Environmental Policy or certification</li> <li>• Corporate Social Responsibility (CSR)</li> </ul>



<b>Question</b>
<b>6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?</b>
<b>Score</b>
1
<b>Comments</b>
<p>The company states that it conducts risk-based anti-corruption due diligence on third parties, which includes suppliers, and there is evidence that highest risk third parties are subject to enhanced due diligence. There is also evidence to suggest that the company might be willing to review and/or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p> <p>The company receives a score of '1' because it is not clear from the publicly available evidence whether all suppliers are subject to due diligence. In addition, there is no evidence to indicate that due diligence procedures include checks on ultimate beneficial ownership. The frequency with which due diligence is refreshed is also unclear.</p>
<b>Evidence</b>
<p><b>[24] Ethics and Integrity – Updated Page (Webpage)</b>  Accessed 11/05/2020  <a href="https://www.cae.com/social-responsibility/ethics-and-integrity/">https://www.cae.com/social-responsibility/ethics-and-integrity/</a>  CAE has implemented several measures designed to ensure that the company does not participate in any form of corruption anywhere in the world, either directly or indirectly through a third-party such as business partners, joint venture and equity partners, acquisition targets, contractors, service providers, suppliers, vendors, distributors, and persons acting on the company's behalf. For example:</p> <ul style="list-style-type: none"> <li>• CAE conducts risk-based due diligence to before engaging with high-risk third parties. The level of due diligence performed will depend on a few risk factors, including the country or jurisdiction in which the third party is located or will provide services, the type of relationship CAE will maintain with the third party, the type of services to be provides and possible interaction between the third party and public officials. When red flags are identified, they are investigated, and remediation action plans are required.</li> </ul> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>  [p.46] Our Objectives</p> <p>Manage our supply chain in accordance with the highest ethics and sustainability standards</p> <ul style="list-style-type: none"> <li>• Establish and communicate a policy on responsible procurement to suppliers and employees</li> <li>• Evaluate major suppliers representing 50% of our annual spend on CSR compliance</li> </ul> <p>[p.50] Responsible supply chain management  As a signatory to the UN Global Compact, we demonstrate our commitment to upholding its principles, in part, by taking steps to ensure responsible procurement. We integrate labour, environment and anti-corruption considerations into our global strategic sourcing tools and processes.</p> <p>An assessment of CAE's core supply chain validated the alignment of our strategic suppliers' CSR principles with those of CAE. Procurement documents such as Request or Proposal, Supplier Survey Report and Purchasing General Terms and Conditions include clauses that address compliance with laws and ethical business conduct. Employee health and safety, combatting bribery, prohibiting the use of child or forced labour, hazardous materials, data protection and conflict minerals are among the issues addressed.</p> <p>Social and environmental factors are considered alongside financial factors when making procurement decisions, and are detailed among the criteria used for supplier selection. We conduct spot verifications on suppliers and their supply chain when necessary. If a verification reveals non-compliant practices, we suspend all activities with the supplier and demand an immediate action plan and remediation. If the delinquent supplier implements corrective measures and demonstrates compliance with our policy, we then decide whether to resume business with the supplier. We had no reported incidents on supplier practices in fiscal 2019.</p>

[p.50]

### **Conflict minerals**

We continue to communicate our [Conflict Minerals Policy](#) to our suppliers, and include the requirements set out therein in our [Purchasing – General Terms and Conditions](#). Our due diligence process, which includes supply chain surveys, supports this policy. We have suspended or discontinued our business relationship with some suppliers who failed to respond to or provide complete responses to these surveys. We also verify smelters reported in supplier surveys to ensure their participation in the Responsible Minerals Assurance Process (formerly the Conflict-Free Smelter Program).

50



<b>Question</b>
<b>6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?</b>
<b>Score</b>
1
<b>Comments</b>
<p>There is some evidence that the company ensures that suppliers have adequate anti-bribery and corruption policies and procedures in place, by requiring suppliers to affirm that their own ethics and anti-corruption procedures are equivalent to the company's. There is also evidence that the company requires its suppliers in Europe and the US to agree to comply with the company's own Code of Business Conduct. This code contains regulations covering foreign and domestic bribery, facilitation payments, and policies that cover conflicts of interest, gifts &amp; hospitality, and whistleblowing.</p> <p>However, the company receives a score of '1' because it is unclear if the company ensures these standards for all of its suppliers. It is also not clear from the evidence whether this assurance is conducted when onboarding all new suppliers and/or when there is a significant change in the business relationship.</p>
<b>Evidence</b>
<p><b>[16] Becoming a CAE Supplier (Webpage)</b>  Accessed 17/08/2019  <a href="https://www.cae.com/suppliers/">https://www.cae.com/suppliers/</a>  Vendors are now also required to confirm that their code of ethics/business conduct aligns with our Code of Business Conduct commitments. They must demonstrate their social and environmental commitment and provide any related certifications. One of our next steps in aligning with the UN Global Compact is to develop a companywide Human Rights policy.</p> <p><b>[14] Purchasing Terms and Conditions – Europe (Document)</b>  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Suppliers/CAE_Purchasing_Terms_and_Conditions_Europe.pdf">https://www.cae.com/media/documents/Corporate/Suppliers/CAE_Purchasing_Terms_and_Conditions_Europe.pdf</a>  [p.6] Business Conduct:  Seller (or any agent or representative of Seller) shall not offer or provide gratuities to any employee of Buyer except as considered normal ethical business practices authorized by the Buyer's Code of Business Conduct which Seller acknowledges having been given access to and Seller agrees to comply with Buyer's Code of Business Conduct. Failure of Seller to comply with this clause may, at Buyer's option, result in immediate termination for default hereunder, without provision for cure. Should Seller access Buyer's premises in performance hereunder, Seller agrees to comply with and to not violate any code of conduct, and policies adopted by Buyer including those related to security, health and safety.</p> <p><b>[15] Purchasing Terms and Conditions – US (Document)</b>  Accessed 17/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Suppliers/CAE-USA-Terms-and-Conditions-of-Purchase-for-Firm-Fixed-Price-Orders.pdf">https://www.cae.com/media/documents/Corporate/Suppliers/CAE-USA-Terms-and-Conditions-of-Purchase-for-Firm-Fixed-Price-Orders.pdf</a>  [p.3] Compliance with Local, State and Federal Law/ Business Conduct- In the performance of this Order, Seller agrees to comply with all applicable local state and federal laws, and agrees to indemnify Buyer against any loss, damages or liability as a result of Seller's failure to comply with such laws. Seller (or any agent or representative of Seller) shall not offer or provide gratuities to any employee of Buyer except as considered normal ethical business practices authorized by the Buyer's Code of Business Conduct which Seller acknowledges is available on the web at CAE.com and Seller agrees to comply with Buyer's Code of Business Conduct. Failure of Seller to comply with this clause may, at Buyer's option, result in immediate termination for cause hereunder.</p> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>  [p.37] Our CSR Committee</p> <ul style="list-style-type: none"> <li>• Includes members from all functions and business units</li> <li>• Includes three members of our Executive Management Committee</li> </ul>

- Interacts with our various stakeholders (investors, employees, customers, suppliers, aviation regulators, governments, local communities and universities)
- Oversees our four core CSR priorities

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

[p.46] Our Objectives

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

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

[p.49] United Nations Global Compact

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

[p.50] Responsible supply chain management

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

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

Social and environmental factors are considered alongside financial factors when making procurement decisions, and are detailed among the criteria used for supplier selection. We conduct spot verifications on suppliers and their supply chain when necessary. If a verification reveals non-compliant practices, we suspend all activities with the supplier and demand an immediate action plan and remediation. If the delinquent supplier implements corrective measures and demonstrates compliance with our policy, we then decide whether to resume business with the supplier. We had no reported incidents on supplier practices in fiscal 2019.

**[19] 2018 Corporate Social Responsibility Report (Document)**

25/03/2020

[https://www.cae.com/media/documents/Activity\\_Report\\_2018\\_EN.pdf](https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf)

[p.42] Our objectives

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

[...]

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

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

[p.44] Responsible supply chain management

As a signatory to the UN Global Compact, we demonstrate our commitment to upholding its principles, in part, by taking steps to ensure responsible procurement. We integrate human rights, labour, environment and anti-corruption considerations into our global strategic sourcing tools and processes. An assessment of CAE's core supply chain validated the alignment of our strategic suppliers' CSR principles with those of CAE. Procurement documents such as Request for Proposal, Supplier Survey Report and Purchasing – General Terms and Conditions include clauses that address compliance with laws and ethical business conduct. Employee health and safety,

combatting bribery, prohibiting the use of child or forced labour, hazardous materials, data protection and conflict minerals are among the issues addressed.

**[3] Code of Business Conduct (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Governance/Code\\_of\\_Conduct-2017\\_EN\\_v17\\_interactif\\_final.pdf](https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf)

[p.7] This Code of Business Conduct lays out the behaviour we accept and expect from the Board of Directors and all employees of CAE Inc. and our wholly-owned and controlled subsidiaries. This includes any individuals seconded to joint-venture companies as well as all agents, representatives, contractors and consultants working on our behalf. That's why it's important to select suppliers and partners who share our values.

[p.12] Bribes and other improper payments

Whether it involves a customer, supplier or anyone else, including another CAE employee, we never offer or take any kind of improper payment to get or keep business or in exchange for favourable treatment. This includes direct or indirect payments to a relative, government official, agent, consultant, business partner or employee of another company. Even in countries where bribes, kickbacks, facilitation payments or commissions are an accepted way of doing business, we refuse to play this game. This means we only work with foreign representatives who are known for their integrity and we immediately report any sign of commercial corruption or bribery.

<b>Question</b>
<b>6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
<b>Evidence</b>
No evidence found.

<b>Question</b>		
<b>6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?</b>		
<b>Score</b>		
<b>1</b>		
<b>Comments</b>		
<p>The company states that during the last fiscal year it had no reported incidents on supplier practices. However, it is not clear from the evidence that this information would include details of ethical, bribery or corruption related incidents, investigations or disciplinary actions.</p> <p>It is noted that there is evidence that the company published a summary of the number of reports submitted to its whistleblowing line, also in the last fiscal year, which included ethics and compliance-related data. However the company does not state whether this data includes reports in relation to the company’s suppliers, and the data does not include details concerning the number of investigations or disciplinary actions.</p>		
<b>Evidence</b>		
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.49]</p> <p>Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.</p> <p>In fiscal 2019, the number of whistleblowing reports increased compared with 2018 as shown in the table. We communicated the accessibility and confidentiality of EthicsPoint and we are glad that our employees are increasingly using it. The most common type of EthicsPoint report relates to equal opportunity and harassment issues (10 in fiscal 2018 and nine in fiscal 2019).</p>		
	FY19	FY18
<b>ISSUES</b>		
CAE property	0	0
Computer systems, internet, intranet and email	0	0
Confidentiality of company, employee and third-party information	2	0
Conflict of interest, improper payments and business courtesies	1	0
Contracts and records	1	2
Safety in the workplace	1	0
Equal opportunity and harassment-free workplace	9	10
Interpretation of the Code of Business Conduct	5	0
Reporting violations of the Code of Business Conduct	6	5
<b>Total</b>	<b>25</b>	<b>17</b>

[p.50] Responsible supply chain management

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

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

Social and environmental factors are considered alongside financial factors when making procurement decisions, and are detailed among the criteria used for supplier selection. We conduct spot verifications on suppliers and their supply chain when necessary. If a verification reveals non-compliant practices, we suspend all activities with the supplier and demand an immediate action plan and remediation. If the delinquent supplier implements corrective measures and demonstrates compliance with our policy, we then decide whether to resume business with the supplier. We had no reported incidents on supplier practices in fiscal 2019.

## 7. Agents, Intermediaries and Joint Ventures

### 7.1 Agents and Intermediaries

<b>Question</b>
<b>7.1.1 Does the company have a clear policy on the use of agents?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence that the company has a policy to control the use of agents which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. The company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. There is evidence that this policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.1] Applicability</p> <p>1. This anti-corruption policy (hereinafter the “Policy”) applies to CAE Inc. and its subsidiaries and controlled joint ventures that have adopted this Policy (hereinafter “CAE”). Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.</p> <p>I) Representatives and Consultants:</p> <p>Policy, Purpose and Scope</p> <p>2.0 This Policy assigns responsibilities and establishes procedures to ensure full compliance with the anti-bribery provisions of the Canadian Corruption of Foreign Public Officials Act (“CFPOA”), the US Foreign Corrupt Practices Act (“FCPA”), the UK Bribery Act and other similar anti-corruption legislation worldwide (collectively, “Foreign Corruption Laws”).</p> <p>2.1 The main purpose of this Policy is to ensure that CAE does not participate directly or indirectly in bribery, through an agent, consultant, distributor, representative or any other type of intermediary. This Policy establishes a process to make sure that any Representative or Consultant (as defined below) receives a fair amount of money based on the risk assumed, the value of the work performed (which must be commensurate with the fee) and the costs incurred.</p> <p>2.2 This Policy sets out a procedure that must be observed by all CAE employees and contractors worldwide whenever the appointment of a Representative or Consultant is proposed, or whenever there are any requests or requirements to, directly or indirectly, provide commissions, payments or gifts to foreign officials or any other person. See also the section on Gifts and Entertainment below.</p> <p>2.3 Checklists and questionnaires to ensure compliance with this Policy are set out in the Exhibits to this Policy.</p> <p>[...]</p> <p>Compliance with the Foreign Corruption Laws</p> <p>3.0 CAE actively seeks to ensure that all of its employees, contractors, Representatives and Consultants worldwide understand and obey the applicable Foreign Corruption Laws prohibiting bribes and other forms of corruption. The maintenance of CAE’s reputation for integrity and honesty is essential to CAE. Bribes, kickbacks, improper gifts,</p>

facilitation payments or offerings of anything of value to foreign officials and other individuals could not only jeopardize that reputation – it could also lead to severe penalties and sanctions.

3.1 All Representative and Consultant agreements must be administered, negotiated, executed, renewed and terminated in accordance with this Policy, and all CAE employees, contractors, Representatives and Consultants must comply with laws prohibiting bribes and improper payments to foreign public officials and other individuals.

3.2 This Policy prohibits any offer, payment, promise to pay, or authorization to pay or provide any money, gifts, or anything of value, directly or through an intermediary, by or on behalf of CAE for the purpose of obtaining or retaining business or securing any improper advantage to any foreign official, to any person for the benefit of a foreign official, or to any other individual. This prohibition applies to bribes, kickbacks, facilitation payments or gifts on behalf of CAE, regardless of whether they involve the use of corporate resources.

[p.3] 3.3.3 For the purposes of this Policy, “Representative” means any individual or organization who is engaged and paid by CAE to either:

3.3.3.1. Act on behalf of and assist CAE in pursuing sales related opportunities for specific products, services and/or business opportunities in specific territories; or

3.3.3.2. Represent or promote CAE’s interests where the arrangement requires engagement in direct interactions with foreign officials including without limitation members of the military, any regulatory/rule setting or administrative bodies, procurement agencies, government branches involved in investing, members of the judiciary etc. This includes various lobbying activities.

An individual (or company) retained by a CAE business to conduct business development, marketing and/or sales activities on CAE’s behalf with external potential or existing customers is considered a Representative regardless of the compensation method. It is NOT a requirement that a Representative or representative agreement or arrangement comprise a commission-based fee; any payment structure may be involved.

[p.4] For the purpose of this Policy, “Consultant” means an individual or organization that is tasked with providing CAE knowledge, expertise and support in connection with sales and business development related opportunities, such as bids or requests for proposals. A Consultant typically provides support with respect to a specified subject matter (sales, business development, marketing, etc...) that would be clearly specified in the applicable consulting agreement. Typically, Consultants are paid on an hourly basis and not on commission. Unlike Representatives, Consultants do not have any engagements with the customer on CAE’s behalf and do not have the authority to represent CAE in customer meetings. If a Consultant engages with a customer for CAE’s benefit, then they are to be immediately considered a Representative and treated as such for purposes of this Policy.

The procedures and rules established in this Policy apply to both foreign and domestic Representatives and Consultants.

3.3.4 A CAE company contracting directly with a foreign distributor’s customer (rather than the CAE company selling directly to the distributor and the latter on-selling the CAE goods and/or services to the local customer), and paying the distributor a fee in respect of such sale, renders the distributor a Representative for purposes of this Policy. Any payment to a distributor in the circumstances described above, will be considered a payment to a Representative for purposes of this Policy and as such requires the same clearances and approvals applicable to Representative payments. Prior to making any such payment to a distributor, the business unit must contact the Compliance Office for approval. The Compliance Office will work in conjunction with the business unit to vet the distributor, obtain the required undertakings and implement the required contractual documentation prior to any such payment. The same chain of approvals as a regular Representative fee payment shall be followed. In the event that multiple payments of that type are required to be made to the distributor, the contractual relationship between CAE and that entity will be considered, and adapted to, a Representative-type relationship. The Compliance Office, in collaboration with the business unit, will monitor all Representative-type payments made to distributors and will assess based on the frequency and amount of these payments if the relationship with any distributor should be considered, and adapted to, a Representative-type relationship.

Increasing a distributor’s standard discount from CAE’s price list for a particular transaction may create an “envelope” from which a distributor can fund a...

[p.5] ...facilitation payment (including a bribe) to achieve a sale; any such “one-off” increase to a distributor’s discount from list – unless applied globally to all similar customer sales and distributors of the business unit going



forward, will be treated as a payment to a Representative for purposes of this Policy, and as such requires the same clearances and approvals applicable to Representative payments. In order to mitigate the risk applicable to distributor relationships, all potential distributors must undergo a due diligence vetting process by the Compliance Office prior to their engagement.

[...]

[p.6] 3.4 It is important to note that “payment” as discussed in this Policy is not limited to money. Payment means anything of value, such as meals, entertainment, lodging, travel or other hospitalities; offers of employment; medical, educational, or living expenses; free services, or other favours. Examples include the granting of contracts to locally-favoured consultants or companies, gifts to secure an advantage or result from the foreign government, or use of CAE property or facilities by foreign officials for anything other than promotion of CAE’s products or services.

3.4.1 Therefore, any type of direct or indirect payment by CAE to a foreign official for the purpose of influencing a decision, or to secure an advantage is strictly prohibited.

3.4.2 In addition, employees should review with the CAE Legal Department and/or CAE Compliance Office ([globalanticorruption@cae.com](mailto:globalanticorruption@cae.com)) any requests for excessive discounts or large commissions, or requests for payment of cash or payments to bank accounts in third countries or any red flags described in the suitability questionnaire of the Part I due diligence Report found in Appendix A of this Policy.

3.4.3 Employees should also be aware of, and disclose in writing to CAE Legal any family or business relationships between Consultants, Representatives and any foreign official.

3.5 There are several very limited exceptions where payments to foreign officials may be allowed. Please contact the CAE Legal Department to inquire about authorization if you believe any may apply to a payment requirement in a certain circumstance.

#### Responsibilities

4.0 The Group Presidents and Presidents of the relevant business units are responsible for the respective business unit’s (and by extension CAE’s) compliance with the Foreign Corruption Laws by ensuring that no gifts, payments or offers of gifts or payments are made or authorized without following the procedures in this Policy, and for promptly reporting any possible violations of this Policy to the Chief Compliance Officer. Although the Group Presidents and the Presidents of the relevant business units are ultimately responsible for compliance, it is also the responsibility of each member of management to ensure that the procedures included in this Policy are followed where Representatives are used in activities under their areas of responsibility.

4.0.1. The Compliance Office will take an active role in the management of Representative and Consultant contracts. The Compliance Office will generally be

[p.7] responsible and have oversight on all principal activities involving the hiring of Representatives and Consultants, including negotiating Representatives’ agreements and fees.

#### Justification for Use of a Representative or Consultant

4.1 If a need to use a new Representative is identified to pursue a specific business opportunity, territory or product it must be supported by a documented justification or business case that provides the following information:

- Reasons for using a Representative versus using/developing our direct sales force;
- Anticipated cost/fee structure of using a Representative and general impact on margins of the related business opportunities;
- Required services needed by CAE that is to be provided by the Representative for the anticipated fees.

4.2 Exhibit A to this Policy contains the Representative Pre-Approval and Justification Form that must be completed as required under this Policy. The justification/business case must be approved by the Group President or President of the relevant business unit before any due diligence procedures or selection of a Representative can proceed. In the case of CAE’s D&S Defence and Security division, this form has to be approved by the Vice President of Global Strategy and Business Development prior to the approval of the Group President.

The Group President or President of the relevant business unit must approve the hiring of a Consultant before any due diligence procedures or selection of a Consultant can proceed. Evidence of this approval can be provided to the Compliance Office by e-mail (a completed Exhibit A is not required).

[p.9] Representative Agreements, Consulting Agreements, Amendments and Addendums

4.9 A Representative Agreement shall be used to retain the services of a Representative and a Consulting Agreement shall be used to retain the services of a Consultant. Follow this hyperlink to the model agreements for use by all groups: <http://caevox.cae.com/menu/Pages/default.aspx?App=73&Lan=1&Rol=-1&Por=1> While circumstances may require tailoring of these template agreements to meet a specific need, these templates should always be used, and any changes that might be required must be reviewed and approved by the CAE compliance office prior to signature.

4.10 All Representative Agreements shall be approved by the Group President or President of the relevant business unit, and the Chief Compliance Officer. Note that approval from the Chief Compliance Officer is not a rubber stamp after the fact. No arrangement with a Representative can be finalized without prior approval from the Chief Compliance Officer. Representatives should not be given a mandate (verbal or in writing) to work for CAE or pursue any specific opportunity, nor should any verbal or written commitment be made to the Representative in respect of a final fee for a mandate, prior to the related Representative Agreement, amendment or addendums being processed and approved in accordance to this policy. CAE senior management may require an alteration to the fee, or it may turn out that a Representative cannot be involved in a particular transaction due to customer requirements, local laws or other factors, so the process for review/approval must be followed before commitments are made. All Consulting Agreements shall be approved by the Group President or President of the relevant business unit, and the Chief Compliance Office.

4.11 Where a Representative Agreement is in place, each new addendum to the agreement for additional projects or amendments should be reviewed and approved by the Group President or President of the relevant business unit and the Chief Compliance Officer (see s. 4.10 above) prior to the effective date of the addendum and any activities being performed by the Representative.

[p.10] Amendments and addendums to existing Representative agreements must be signed by the same two persons. The request for approval of the addendum should include a description of the services to be provided in exchange for the agency fees proposed. The fee payable to new Representatives will be determined by CAE Compliance, after consulting the relevant CAE Sales Manager, based on the value of the services listed in the addendum which the Representative will perform. Such performance must be verifiable after the fact – CAE sales staff involved should ensure that adequate records are kept by CAE to permit auditing of such service performance. Any subsequent modification to a Representative Agreement or addendum (including compensation) should be documented as an amendment to the Representative Agreement or addendum and must undergo the same approval process.

4.12 No delegation of approval or signing authority is permitted under this Policy. Exceptionally, with the Chief Financial Officer's prior written approval, certain Finance approvals required under Section 4.15 may be delegated to specific Finance staff under the authority of the indicated approvers.

4.13 Once approved and signed by both CAE and the Representative or Consultant, a full and complete copy of the Representative Agreement or Consulting Agreement must be provided to the CAE Compliance Office in Montreal, along with any subsequent amendments and addendums to the agreement.

#### Payments and Gifts

4.14 Any gifts, payments, or offers of anything of value not already included in approved existing agreements and addendums may ONLY be done in compliance with CAE's Anti-Corruption Policy (Part II – Gifts and Entertainment). When in doubt please consult the Legal Department or the Compliance Office as to what is permissible in this regard.

4.15 Any payments (including success fees, fixed retainer fees and reimbursement of out of pocket expenses) shall be made in accordance with existing agreements and contract addendums and shall be approved prior to payment by the most senior Finance member working with that Group (VP Finance D&S, VP Finance Civil and Finance Director of CAE Healthcare) as the case may be, to ensure that they are in accordance to the specified amounts and timing in the related approved agreement/addendum. See Exhibit D for the relevant authorization matrix of Finance approvals.

4.15.1 When a payment is due to a Representative, this payment must be verified by the CAE Compliance Office. The compliance officer will ensure that the amount to be paid does not exceed the agreed upon amount in the contract. Once the compliance officer confirms that the amount is verified and acceptable, he/she

[p.11] then sends a confirmation to Accounts Payable along with contractual proof (typically an addendum) that the amount is in fact accurate. Subsequently, Accounts Payable submits the payment for approval to the proper management levels within the concerned business unit. Once the approvals are obtained, the payment has to be approved by the VP Finance as indicated in the paragraph above. It is important to note that payments made to Representatives are only made once the customer pays CAE and following the same payment schedule in which the customer pays CAE.

4.16 Any gifts or payments for hospitalities should comply with CAE's Code of Business Conduct policy statement on business courtesies.

#### Monitoring of Representative Activities

4.17 In order to assist the Group President or President of the relevant business unit and the Chief Compliance Officer with their responsibilities for CAE's compliance with the Foreign Corruption Laws, CAE Compliance shall provide CAE's executive management with periodic information for monitoring purposes (monthly). The monitoring information should include the number of approved Representatives, for what programs, countries and/or product lines the Representative is approved, the status of negotiations with potential or existing Representatives, the contract renewal status, agency fee reductions (if any), training provided to employees as well as any known exceptions to this Policy. CAE Finance shall provide an annual report to the Chief Compliance Officer on CAE spending on Representatives.

#### Compliance under Sarbanes-Oxley

5.0 Please also keep in mind that stringent record-keeping and accounting rules under Sarbanes-Oxley and the FCPA in the United States, and Foreign Corruption Laws in other jurisdictions require CAE to keep detailed, accurate accounting records to fairly reflect all transactions. Accordingly, the FCPA prohibits the concealment or omission of any transaction on CAE's expense accounts or books, or any failure to maintain proper accounting controls that would have the same result. Therefore, concealing a transaction which violates the FCPA by hiding or omitting it in CAE's records is also a violation of the Foreign Corruption Laws.

#### Conclusion

6.0 To summarize, the spirit and letter of the Foreign Corruption Laws must be followed and applied by all CAE employees, Representatives and Consultants. Violations of the Foreign Corruption Laws and/or any laws addressing improper payments and gifts to foreign officials can result in severe civil and criminal penalties.

6.1 If you have any questions about the Foreign Corruption Laws or their applications to CAE's business activities, please contact the CAE Compliance Office ([globalanticorruption@cae.com](mailto:globalanticorruption@cae.com)) or CAE Legal Department at any time.

### **[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Activity\\_Report\\_2019\\_EN\\_FV.pdf](https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf)

[p.48] Pivotal steps to improve business integrity and ethics governance

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

In fiscal 2019, we continued to take pivotal steps to better manage the risks posed by foreign representatives, consultants and other third party intermediaries. We terminated or didn't renew a number of agreements with foreign representatives as we expanded our local presence around the globe. Since 2014, we've reduced the number of foreign representatives we use by over 60%. Channeling our efforts toward growing our worldwide sales force has, in turn, decreased our need for third-party intermediaries. For fiscal 2019 and beyond, our goal is to continue to reduce the number of third-party representatives we use. We carefully monitor our foreign representatives' activities, conduct risk-based due diligence prior to engaging or renewing their agreements, and require that they sign an anti-corruption certification every year.

<b>Question</b>
<b>7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging and re-engaging agents and intermediaries. The company states that it reviews due diligence on an annual basis. There is evidence that all agents and highest risk intermediaries are subject to enhanced due diligence. There is also evidence that the company commits to not engaging or terminating its engagement with agents or intermediaries where risks identified in the due diligence cannot be mitigated.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a></p> <p>[p.4] 3.3.4 A CAE company contracting directly with a foreign distributor's customer (rather than the CAE company selling directly to the distributor and the latter on-selling the CAE goods and/or services to the local customer), and paying the distributor a fee in respect of such sale, renders the distributor a Representative for purposes of this Policy. Any payment to a distributor in the circumstances described above, will be considered a payment to a Representative for purposes of this Policy and as such requires the same clearances and approvals applicable to Representative payments. Prior to making any such payment to a distributor, the business unit must contact the Compliance Office for approval. The Compliance Office will work in conjunction with the business unit to vet the distributor, obtain the required undertakings and implement the required contractual documentation prior to any such payment.</p> <p>[...]</p> <p>Increasing a distributor's standard discount from CAE's price list for a particular transaction may create an "envelope" from which a distributor can fund a facilitation payment (including a bribe) to achieve a sale; any such "one-off" increase to a distributor's discount from list – unless applied globally to all similar customer sales and distributors of the business unit going forward, will be treated as a payment to a Representative for purposes of this Policy, and as such requires the same clearances and approvals applicable to Representative payments. In order to mitigate the risk applicable to distributor relationships, all potential distributors must undergo a due diligence vetting process by the Compliance Office prior to their engagement.</p> <p>[p.7] Due Diligence Procedures</p> <p>4.3 After the use of a Representative or Consultant has been justified but before any arrangement and/or agreement can be concluded or renewed and before any activities can be carried out by the potential Representative or Consultant, CAE must use due diligence in checking the background of the proposed Representative or Consultant and for the specific project being considered. This responsibility will generally fall to the business unit as well as the CAE Compliance Office. The Legal Department will provide support where applicable. Documentation should be retained by CAE Compliance in the Representative or Consultant's file outlining the background research conducted and the reasons why the firm or individual was selected. Exhibit B to this Policy contains the due diligence forms, checklists and questionnaires that must be completed during the due diligence process and thereafter as required under this Policy.</p> <p>[p.8] 4.4 A detailed due diligence shall be conducted using the Part I Due Diligence form found in Exhibit B of this Policy for each new potential Representative or Consultant or where a detailed due diligence has never been performed or if there is a material change in the relationship or the nature of the Representative or Consultant (i.e. change in ownership or key personnel). If the due diligence forms cannot be fully completed, it will be a judgment exercise by the Group President or President of the relevant business unit and the Chief Compliance Officer whether CAE has sufficient, valid information to form an adequate conclusion to proceed. An agreement with the potential Representative or Consultant can only be finalized and entered into after the detailed due diligence exercise has been completed and approved by the Group President or President of the relevant business unit and the Chief Compliance Officer.</p>

4.5 Where a detailed due diligence has been previously conducted for an existing Representative or Consultant, there must be an annual review of the arrangement completed by the business unit responsible for that Representative or Consultant in accordance with the Part III Monitoring checklist provided in Exhibit B. Where there is a multi-year agreement the monitoring checklist should be done prior to each contract anniversary date. In the year where an agreement is being renewed, the monitoring checklist should be prepared as part of the renewal process and fully approved prior to the effective date of services and date of signing the renewal agreement.

4.6 The prescribed due diligence forms included in the Exhibits to this Policy should be used in all cases, whether the arrangement or agreement with the Representative or Consultant is long-term, or is project-specific.

4.7 Once the due diligence has been completed, the CAE Compliance Office is responsible for reviewing the results. The CAE Legal Department shall also investigate the laws of the country in which the potential Representative or Consultant is located and will work to determine any specific regulations/ prohibitions on use of such Representative or Consultant. For example, many countries prohibit the use of a percentage fee contract for sales representatives. Further, there are specific guidelines to be reviewed if the resulting contract in question is funded in the United States by Foreign D&S Sales (FMS). Based on such considerations, appropriate edits to the agreements can be made.

[p.9] 4.8 A copy of all completed due diligence forms should be provided for approval by the Group President or President of the relevant business unit where a new candidate is being proposed (Part I form) or in the case of annual monitoring, the forms should be provided for approval to the Chief Compliance Officer and the person identified in Exhibit C (Part III form) where no new red flags are noted. In the case of CAE’s D&S Defence and Security division, this form has to be approved by the Vice President Global Strategy and Business Development prior to the approval of the Group President.

[p. 28] Exhibit B: Due Diligence Reports and Questionnaires

Part I Form: Representative/Consultant Detailed Due Diligence Report

1 CAE Project Background		
Name of Opportunity:		
Client:		
Country:	TI Index <sup>1</sup> :	
Country where activities will take place:		
Business Unit: Select Business Unit	Division: Select Division	
<b>Proposed contract value (Estimated):<sup>2</sup></b>	<b>Currency</b>	<b>Amount</b>
Total:	Select Currency	
<b>Description of services</b>		
Identify services to be performed by the candidate to act as Representative/Consultant.		
Will activities involve contact/interaction with a government entity or an entity controlled by a government entity?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, briefly describe in what context such contact or interaction will be made.		
2 Selection Process		
How was the candidate identified? (e.g. suggestions by CAE employees, local government etc.).		
Why was the candidate selected?		

[p.29] Was there a search for other potential candidates (if not – why not). If yes, which other candidates were considered and what was differentiating factor(s) for selection of candidate?

How was the proposed compensation and basis of payment arrived at?

How does the compensation compare to similar transactions in this country by CAE and by other companies (if known) or to similar transactions by CAE in other countries (especially if other representatives, agents or consultants are used in this region of the world)?



3 Suitability Questionnaire			
		Yes	No
3.1	Is the candidate's country (or country where the candidate will represent CAE) known for corruption (refer to Transparency International Index)? If the index score is less than 5.0 then the default response should be "Yes".	<input type="checkbox"/>	<input type="checkbox"/>
3.2	Did the information gathering reveal integrity-related questions about the candidate's background or reputation? If yes, what did additional investigation reveal?	<input type="checkbox"/>	<input type="checkbox"/>
3.3	Do reviewed sources suggest that owners, shareholders, or other key personnel of candidate make large or frequent political contributions?	<input type="checkbox"/>	<input type="checkbox"/>
3.4	Does the candidate object to the anti-corruption clause in his agreement?	<input type="checkbox"/>	<input type="checkbox"/>
3.5	Has the candidate demonstrated unwillingness to cooperate with the due diligence investigation or certification requirement for code of conduct and compliance to FCPA?	<input type="checkbox"/>	<input type="checkbox"/>
3.6	Is a key shareholder, officer, director, or employee also a government official or a member of the government (appointed or elected).	<input type="checkbox"/>	<input type="checkbox"/>
3.7	Does the candidate (including a key shareholder, officer, director or employee) have a close personal or family relationship, or a business relationship with a government official or relative of an official?	<input type="checkbox"/>	<input type="checkbox"/>
3.8	Is the candidate requesting unusual contract terms or payment arrangements that raise local law issues such as:		

[Document lists further due diligence questions]

[p.31] 6 Summary and Conclusion

6.1 Are there any possible red flags noted in the due diligence? Yes No

6.2 Based on the evaluation of the background of the candidate and/or the project is the candidate recommended to be approved for use and association with CAE? Yes No

6.3 Where there are any red flags and the candidate is still recommended for approval, please include a summary of the overall evaluation and conclusion as to why CAE should use this intermediary and any mitigating actions that will be performed to mitigate/monitor any potential risks.

7 Approvals and Signatures			
Reviewed by:	_____	Date:	
	CAE Compliance Office (Name & Signature)		
Reviewed by:	_____	Date:	
	CAE Chief Compliance Officer (Name & Signature)		
Approved by:	_____	Date:	
	Group President (Name & Signature)		

[p.35] 2 Representative Review – Performance and Due Diligence

Has the Representative completed the annual report summarizing the work done throughout the term of the agreement which has been reviewed and agreed to by the Sales Manager who interacts with the Representative?

[Document lists further questions on the consultant's performance and conduct]

[p.36] Has anything occurred during the past year that would require changes to the original responses in the suitability questionnaire of the Part I due diligence form? If yes, please indicate which factors in the suitability questionnaires.

Has anything occurred that would warrant the suspension or termination of the Representative Agreement? Any suspicious facts should be brought to the attention of the Group President or President of the relevant business unit and the Chief Compliance Officer.

**3 Conclusion and Approvals**

Based on the responses in the questionnaire and based on results and dealings with the Representative, CAE:

- Should proceed with renewal of the contract and continuation of the relationship
- Should terminate the contract and discontinue the relationship with the Representative

Where there is a recommendation to renew the Representative Agreement, and there are responses that indicate new red flags or indicators of increased risk exist, please provide information on the evaluation used to arrive at the conclusion.

Date submitted		Date approved	<i>This signature is for D&amp;S use only.</i>
	_____ CAE Compliance Officer (Name & Signature)		_____ VP Global Strategy & Bus. Dev (Name & Signature)
Date approved		Date approved	
	_____ Chief Compliance Officer (Name & Signature)		_____ Group President (Name & Signature)

**[2] 2019 Corporate Social Responsibility Report (Document)**

Accessed 14/08/2019

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[p.48] Pivotal steps to improve business integrity and ethics governance

Bribery and corruption are risks faced by virtually all organizations operating globally. Over the last few years, we've taken several significant measures to address these risks and strengthen our compliance program. In fiscal 2019, we continued to take pivotal steps to better manage the risks posed by foreign representatives, consultants and other third party intermediaries. We terminated or didn't renew a number of agreements with foreign representatives as we expanded our local presence around the globe. Since 2014, we've reduced the number of foreign representatives we use by over 60%. Channeling our efforts toward growing our worldwide sales force has, in turn, decreased our need for third-party intermediaries. For fiscal 2019 and beyond, our goal is to continue to reduce the number of third-party representatives we use. We carefully monitor our foreign representatives' activities, conduct risk-based due diligence prior to engaging or renewing their agreements, and require that they sign an anti-corruption certification every year.

<b>Question</b>
<b>7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company has formal procedures in place to establish the beneficial ownership of agents prior to engaging them, which includes requiring agents to disclose this information as part of the due diligence process. The company also states that it reviews due diligence on an annual basis.</p> <p>However, the company receives a score of ‘1’ because there is no evidence that the company commits to independently verify the beneficial ownership information provided by high risk agents. The company also does not specifically commit to reviewing or terminating its engagement with agents or intermediaries if beneficial ownership cannot be established.</p>
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.7] 6.2. A detailed due diligence shall be conducted using the “New Candidate Questionnaire” (Part 1 of Exhibit B) and the Due Diligence form/report (Part 2 of Exhibit B) for each new potential Representative or Consultant or where a detailed due diligence has never been performed or if there is a material change in the relationship or the nature of the Representative or Consultant (i.e. change in ownership or key personnel). An agreement with the potential Representative or Consultant can only be finalized and entered into after the detailed due diligence exercise has been completed and approved by the Group President or President of the relevant business unit and the Chief Compliance Officer.</p> <p>6.3. Where a detailed due diligence has been previously conducted for an existing Representative or Consultant, there must be an annual review of the arrangement completed by the business unit responsible for that Representative or Consultant in accordance with the Monitoring Checklist provided in Part 3 of Exhibit B. Where there is a multi-year agreement the monitoring checklist should be done prior to each contract anniversary date. In the year where an agreement is being renewed, the monitoring checklist should be prepared as part of the renewal process and fully approved prior to the effective date of services and date of signing the renewal agreement.</p> <p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.29] 3.7 Does the candidate (including a key shareholder, officer, director or employee) have a close personal or family relationship, or a business relationship with a government official or relative of an official?                  [p.30] 3.9 Is the candidate a shell company or does it have an unusual corporate structure?                  [...]</p> <p>4.4 A detailed due diligence shall be conducted using the Part I Due Diligence form found in Exhibit B of this Policy for each new potential Representative or Consultant or where a detailed due diligence has never been performed or if there is a material change in the relationship or the nature of the Representative or Consultant (i.e. change in ownership or key personnel).</p> <p>3.11 Does the candidate require that his or her identify or, if a company, the identity of the company’s owners, principals, or employees, not be disclosed?                  [p.32]</p>



3 Ownership and Management		
If a company, are you publicly held?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If you are a sole proprietor, are you in debt? If you are a company, are you insolvent or in financial difficulty?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, please attach a copy of your most recent securities filing when transmitting the completed questionnaire.		
If no, give the names and nationalities of your principal >5% shareholders		
Name		Nationality

[p.33] (If your direct owner is a company, list the ultimate beneficial owner):

Does any government body or entity controlled by a government body have any financial, management or controlling interests in your company? Yes No

If yes to question above, please provide details and level of interest: Give the names and nationalities of key officers and directors:

4 Government Relationships

Yes No (i) Are any persons identified in response to Question 3?

(ii) Current officials of any government agency or government owned or controlled enterprise.

(iii) Officials of any political party?

[p.34] (iv) Close relatives [immediate family] of either (i) or (ii)?

(v) Past officials of any government agency, enterprise, or political party? If the answer to any of

(i) through (iv) is yes, provide details, including:

(i) full name of government, company or party person:

(ii) official responsibilities:

(iii) dates of service (current or past):

(iv) for relatives (the relationship):

[p.35] 2 Representative Review – Performance and Due Diligence

[...]

Are there any indications that the ownership structure of the Representative has changed or that government officials may now have an interest or that possible conflicts of interest have been created, particularly in the event of political elections?

[p.36] If yes, please indicate nature of changes in ownership structure or possible new conflicts of interest.

Has anything occurred that would warrant the suspension or termination of the Representative Agreement?

Any suspicious facts should be brought to the attention of the Group President or President of the relevant business unit and the Chief Compliance Officer.

3 Conclusion and Approvals

Based on the responses in the questionnaire and based on results and dealings with the Representative, CAE:

Should proceed with renewal of the contract and continuation of the relationship

Should terminate the contract and discontinue the relationship with the Representative

<b>Question</b>
<b>7.1.4 Does the company’s anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
<p>There is evidence that the company’s anti-bribery and corruption policy applies to agents and intermediaries. The evidence also suggests that the company includes anti-bribery and corruption clauses in its contracts with these entities.</p> <p>However the company receives a score of ‘0’ because it is not explicitly clear that that contracts include audit and termination rights. It is noted that the evidence includes a hyperlink to a model agreement, however this information is not publicly accessible.</p>
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.8] 7. Agreements, Amendments and Addendums</p> <p>7.1. All agreements with Representatives and Consultants must be administered, negotiated, executed, renewed and terminated in accordance with this Policy, and all CAE Employees, contractors, Representatives, Consultants must comply with laws prohibiting bribes and improper payments to foreign public officials and other individuals.</p> <p>7.2. A Representative Agreement shall be used to retain the services of a Representative and a Consulting Agreement shall be used to retain the services of a Consultant. Follow this hyperlink to the model agreements for use by all groups: <a href="http://caevox.cae.com/menu/Pages/default.aspx?App=73&amp;Lan=1&amp;Rol=-1&amp;Por=1">http://caevox.cae.com/menu/Pages/default.aspx?App=73&amp;Lan=1&amp;Rol=-1&amp;Por=1</a> While circumstances may require tailoring of these template agreements to meet a specific need, these templates should always be used, and any changes that might be required must be reviewed and approved by the Ethics and Compliance Office prior to signature.</p> <p>[p.9] 7.4. All Consulting Agreements shall be approved by the Group President or President of the relevant business unit, and the Chief Compliance Office.</p> <p>7.5. Where a Representative Agreement is in place, each new addendum to the agreement for additional projects or amendments should be reviewed and approved by the Group President or President of the relevant business unit and the Chief Compliance Officer (Section 7.3 above) prior to the effective date of the addendum and any activities being performed by the Representative. Amendments and addendums to existing Representative Agreements must be signed by the same two persons. The request for approval of the addendum should include a description of the services to be provided in exchange for the agency fees proposed. The fee payable to new Representatives will be determined by CAE Ethics and Compliance, after consulting the relevant CAE Sales Manager, based on the value of the services listed in the addendum which the Representative will perform. Such performance must be verifiable after the fact – CAE sales staff involved should ensure that adequate records are kept by CAE to permit auditing of such service performance.</p> <p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                  [p.48] Pivotal steps to improve business integrity and ethics governance</p> <p>Bribery and corruption are risks faced by virtually all organizations operating globally. Over the last few years, we’ve taken several significant measures to address these risks and strengthen our compliance program. In fiscal 2019, we continued to take pivotal steps to better manage the risks posed by foreign representatives, consultants and other third party intermediaries. We terminated or didn't renew a number of agreements with foreign representatives as we expanded our local presence around the globe. Since 2014, we've reduced the number of foreign representatives we use by over 60%. Channeling our efforts toward growing our worldwide sales force has, in turn, decreased our need for third-party intermediaries. For fiscal 2019 and beyond, our goal is to</p>

continue to reduce the number of third-party representatives we use. We carefully monitor our foreign representatives' activities, conduct risk-based due diligence prior to engaging or renewing their agreements, and require that they sign an anti-corruption certification every year.

### [1] Anti-Corruption Policy (Document)

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.1] Applicability

1. This anti-corruption policy (hereinafter the "Policy") applies to CAE Inc. and its subsidiaries and controlled joint ventures that have adopted this Policy (hereinafter "CAE"). Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.

l) Representatives and Consultants:

Policy, Purpose and Scope

2.0 This Policy assigns responsibilities and establishes procedures to ensure full compliance with the anti-bribery provisions of the Canadian Corruption of Foreign Public Officials Act ("CFPOA"), the US Foreign Corrupt Practices Act ("FCPA"), the UK Bribery Act and other similar anti-corruption legislation worldwide (collectively, "Foreign Corruption Laws").

2.1 The main purpose of this Policy is to ensure that CAE does not participate directly or indirectly in bribery, through an agent, consultant, distributor, representative or any other type of intermediary. This Policy establishes a process to make sure that any Representative or Consultant (as defined below) receives a fair amount of money based on the risk assumed, the value of the work performed (which must be commensurate with the fee) and the costs incurred.

[p.2] Compliance with the Foreign Corruption Laws

3.0 CAE actively seeks to ensure that all of its employees, contractors, Representatives and Consultants worldwide understand and obey the applicable Foreign Corruption Laws prohibiting bribes and other forms of corruption. The maintenance of CAE's reputation for integrity and honesty is essential to CAE. Bribes, kickbacks, improper gifts, facilitation payments or offerings of anything of value to foreign officials and other individuals could not only jeopardize that reputation – it could also lead to severe penalties and sanctions.

3.1 All Representative and Consultant agreements must be administered, negotiated, executed, renewed and terminated in accordance with this Policy, and all CAE employees, contractors, Representatives and Consultants must comply with laws prohibiting bribes and improper payments to foreign public officials and other individuals.

3.2 This Policy prohibits any offer, payment, promise to pay, or authorization to pay or provide any money, gifts, or anything of value, directly or through an intermediary, by or on behalf of CAE for the purpose of obtaining or retaining business or securing any improper advantage to any foreign official, to any person for the benefit of a foreign official, or to any other individual. This prohibition applies to bribes, kickbacks, facilitation payments or gifts on behalf of CAE, regardless of whether they involve the use of corporate resources.

[p.4] 3.3.4 A CAE company contracting directly with a foreign distributor's customer (rather than the CAE company selling directly to the distributor and the latter on-selling the CAE goods and/or services to the local customer), and paying the distributor a fee in respect of such sale, renders the distributor a Representative for purposes of this Policy. Any payment to a distributor in the circumstances described above, will be considered a payment to a Representative for purposes of this Policy and as such requires the same clearances and approvals applicable to Representative payments. Prior to making any such payment to a distributor, the business unit must contact the Compliance Office for approval. The Compliance Office will work in conjunction with the business unit to vet the distributor, obtain the required undertakings and implement the required contractual documentation prior to any such payment. The same chain of approvals as a regular Representative fee payment shall be followed. In the event that multiple payments of that type are required to be made to the distributor, the contractual relationship between CAE and that entity will be considered, and adapted to, a Representative-type relationship. The Compliance Office, in collaboration with the business unit, will monitor all Representative-type payments made to

distributors and will assess based on the frequency and amount of these payments if the relationship with any distributor should be considered, and adapted to, a Representative-type relationship.

Increasing a distributor's standard discount from CAE's price list for a particular transaction may create an "envelope" from which a distributor can fund a facilitation payment (including a bribe) to achieve a sale; any such "one-off" increase to a distributor's discount from list – unless applied globally to all similar customer sales and distributors of the business unit going forward, will be treated as a payment to a Representative for purposes of this Policy, and as such requires the same clearances and approvals applicable to Representative payments. In order to mitigate the risk applicable to distributor relationships, all potential distributors must undergo a due diligence vetting process by the Compliance Office prior to their engagement.

[p.6] Responsibilities 4.0

The Group Presidents and Presidents of the relevant business units are responsible for the respective business unit's (and by extension CAE's) compliance with the Foreign Corruption Laws by ensuring that no gifts, payments or offers of gifts or payments are made or authorized without following the procedures in this Policy, and for promptly reporting any possible violations of this Policy to the Chief Compliance Officer. Although the Group Presidents and the Presidents of the relevant business units are ultimately responsible for compliance, it is also the responsibility of each member of management to ensure that the procedures included in this Policy are followed where Representatives are used in activities under their areas of responsibility.

4.0.1. The Compliance Office will take an active role in the management of Representative and Consultant contracts. The Compliance Office will generally be

[p.7] responsible and have oversight on all principal activities involving the hiring of Representatives and Consultants, including negotiating Representatives' agreements and fees.

[p.9] Representative Agreements, Consulting Agreements, Amendments and Addendums 4.9 A Representative Agreement shall be used to retain the services of a Representative and a Consulting Agreement shall be used to retain the services of a Consultant. Follow this hyperlink to the model agreements for use by all groups: <http://caevox.cae.com/menu/Pages/default.aspx?App=73&Lan=1&Rol=-1&Por=1>. While circumstances may require tailoring of these template agreements to meet a specific need, these templates should always be used, and any changes that might be required must be reviewed and approved by the CAE compliance office prior to signature.

[p.29] 3.4 Does the candidate object to the anti-corruption clause in his agreement?

[p.35] Representative Review – Performance and Due Diligence

Yes No

Has the Representative completed the annual report summarizing the work done throughout the term of the agreement which has been reviewed and agreed to by the Sales Manager who interacts with the Representative?

Have invoices for expenses been properly documented and supported?

Have invoices or payment instructions clearly identified the location where payments are to be made?

Have changes been requested to the location of payment, or are there other indicators that control has changed, such as altered signing authorities?

Are payments being requested that are outside those provided by the contract or has there been a request for an increase in the amount of compensation?

Is there any evidence of a change of residence of the Representative?

Is proper contact being maintained with the Representative and are contacts being recorded in writing (e-mails, minutes of meeting, record of telephone calls etc.)?

Has the Code of Business Conduct been signed by the Representative within the past 12 months?

Will it be resigned in the contract renewal process?

Has the Representative attested that he read and understood the annual compliance training provided to him?

[p.36] Has anything occurred that would warrant the suspension or termination of the Representative Agreement?

Any suspicious facts should be brought to the attention of the Group President or President of the relevant business unit and the Chief Compliance Officer.

### 3 Conclusion and Approvals

Based on the responses in the questionnaire and based on results and dealings with the Representative, CAE:

Should proceed with renewal of the contract and continuation of the relationship

Should terminate the contract and discontinue the relationship with the Representative

### **[3] Code of Business Conduct (Document)**

Accessed 14/08/2019

[https://www.cae.com/media/documents/Corporate/Governance/Code\\_of\\_Conduct-2017\\_EN\\_v17\\_interactif\\_final.pdf](https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf)

[p.7] About our Code of Business Conduct

Because it matters, we help each other work and live honourably by being role models of ethical decisions and behaviour. Our success rises or falls with our ability to consistently meet the highest standards of ethical behaviour.

That's why integrity is among our corporate values. Acting with integrity, honesty and respect are musts if, as employees, we want to thrive both personally and professionally. This Code of Business Conduct lays out the behaviour we accept and expect from the Board of Directors and all employees of CAE Inc. and our wholly-owned and controlled subsidiaries. This includes any individuals seconded to joint-venture companies as well as all agents, representatives, contractors and consultants working on our behalf.

<b>Question</b>
<b>7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
<p>There is evidence that the company highlights and addresses incentive structures for agents as a factor in bribery and corruption risk. There is evidence that the company places a threshold on sales-based commissions to agents so that payments do not exceed a proportion of the net fee to the agent. There is also evidence that the company has a chain of approval and monitors agent payments, and commits to only paying agents into local bank accounts.</p>
<b>Evidence</b>
<p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a></p> <p>[p.4] 3.3.4 A CAE company contracting directly with a foreign distributor’s customer (rather than the CAE company selling directly to the distributor and the latter on-selling the CAE goods and/or services to the local customer), and paying the distributor a fee in respect of such sale, renders the distributor a Representative for purposes of this Policy. Any payment to a distributor in the circumstances described above, will be considered a payment to a Representative for purposes of this Policy and as such requires the same clearances and approvals applicable to Representative payments. Prior to making any such payment to a distributor, the business unit must contact the Compliance Office for approval. The Compliance Office will work in conjunction with the business unit to vet the distributor, obtain the required undertakings and implement the required contractual documentation prior to any such payment. The same chain of approvals as a regular Representative fee payment shall be followed. In the event that multiple payments of that type are required to be made to the distributor, the contractual relationship between CAE and that entity will be considered, and adapted to, a Representative-type relationship. The Compliance Office, in collaboration with the business unit, will monitor all Representative-type payments made to distributors and will assess based on the frequency and amount of these payments if the relationship with any distributor should be considered, and adapted to, a Representative-type relationship.</p> <p>[p.6] 3.4.1 Therefore, any type of direct or indirect payment by CAE to a foreign official for the purpose of influencing a decision, or to secure an advantage is strictly prohibited.</p> <p>3.4.2 In addition, employees should review with the CAE Legal Department and/or CAE Compliance Office (globalanticorruption@cae.com) any requests for excessive discounts or large commissions, or requests for payment of cash or payments to bank accounts in third countries or any red flags described in the suitability questionnaire of the Part I due diligence Report found in Appendix A of this Policy.</p> <p>[p.10] 4.15.1 When a payment is due to a Representative, this payment must be verified by the CAE Compliance Office. The compliance officer will ensure that the amount to be paid does not exceed the agreed upon amount in the contract. Once the compliance officer confirms that the amount is verified and acceptable, he/she...</p> <p>[p.11] ... then sends a confirmation to Accounts Payable along with contractual proof (typically an addendum) that the amount is in fact accurate. Subsequently, Accounts Payable submits the payment for approval to the proper management levels within the concerned business unit. Once the approvals are obtained, the payment has to be approved by the VP Finance as indicated in the paragraph above. It is important to note that payments made to Representatives are only made once the customer pays CAE and following the same payment schedule in which the customer pays CAE.</p> <p>[p.25] Exhibit A Representative Justification and Pre-Approval Form</p> <p>[p.26] 3 Anticipated Agency Fees</p> <p>Based on the nature of services to be provided what is the anticipated fee structure and maximum rate/amount to be paid to Representative and how does this represent adequate value for nature of services to be performed over the life of the expected business relationship?</p> <p>Fee structure:</p>



Amounts:

Commentary Justification on Value for Money:

[p.28] Exhibit B: Due Diligence Reports and Questionnaires Part I Form: Representative/Consultant Detailed Due Diligence Report

[p.29] 3.8 Is the candidate requesting unusual contract terms or payment arrangements that raise local law issues such as:

[p.30] a) Payment in cash or checks payable to cash or bearer or directly to a shareholder, officer, director, employee or other individual where the Representative is a company or legal entity?

b) Substantial up-front payment?

c) Payment in a currency that is foreign to the candidate?

d) Payment to a country other than where the project is located or where the candidate has a principal place of business?

e) Payments to a different entity, a numbered bank account, or similar request?

f) Compensation that exceeds either 5% of proposed contract value, or CAD \$1,000,000?



<b>Question</b>
<b>7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company publishes any details of the agents currently contracted to act for or on behalf of the company.
<b>Evidence</b>
No evidence found.

Question																																				
<b>7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?</b>																																				
Score																																				
<b>0</b>																																				
Comments																																				
<p>There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or the associated disciplinary actions involving its agents.</p> <p>It is noted that there is evidence that the company published a summary of the number of reports submitted to its whistleblowing line in the last fiscal year, which included ethics and compliance-related data. However the company does not state whether this data includes reports in relation to the company's agents, and the data does not include details concerning the number of investigations or disciplinary actions.</p>																																				
Evidence																																				
<p><b>[2] 2019 Corporate Social Responsibility Report (Document)</b>                      Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>                      [p.49] Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as breaches to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. The Global Ethics and Compliance Office provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Governance Committee of the Board of Directors.</p> <p>In fiscal 2019, the number of whistleblowing reports increased compared with 2018 as shown in the table. We communicated the accessibility and confidentiality of Ethicspoint and we are glad that our employees are increasingly using it. The most common type of EthicsPoint report relates to equal opportunity and harassment issues (10 in fiscal 2018 and nine in fiscal 2019).</p> <p><b>EthicsPoint reports since FY18</b></p> <table border="1"> <thead> <tr> <th></th> <th>FY19</th> <th>FY18</th> </tr> </thead> <tbody> <tr> <td><b>ISSUES</b></td> <td></td> <td></td> </tr> <tr> <td>CAE property</td> <td>0</td> <td>0</td> </tr> <tr> <td>Computer systems, internet, intranet and email</td> <td>0</td> <td>0</td> </tr> <tr> <td>Confidentiality of company, employee and third-party information</td> <td>2</td> <td>0</td> </tr> <tr> <td>Conflict of interest, improper payments and business courtesies</td> <td>1</td> <td>0</td> </tr> <tr> <td>Contracts and records</td> <td>1</td> <td>2</td> </tr> <tr> <td>Safety in the workplace</td> <td>1</td> <td>0</td> </tr> <tr> <td>Equal opportunity and harassment-free workplace</td> <td>9</td> <td>10</td> </tr> <tr> <td>Interpretation of the Code of Business Conduct</td> <td>5</td> <td>0</td> </tr> <tr> <td>Reporting violations of the Code of Business Conduct</td> <td>6</td> <td>5</td> </tr> <tr> <td><b>Total</b></td> <td><b>25</b></td> <td><b>17</b></td> </tr> </tbody> </table>		FY19	FY18	<b>ISSUES</b>			CAE property	0	0	Computer systems, internet, intranet and email	0	0	Confidentiality of company, employee and third-party information	2	0	Conflict of interest, improper payments and business courtesies	1	0	Contracts and records	1	2	Safety in the workplace	1	0	Equal opportunity and harassment-free workplace	9	10	Interpretation of the Code of Business Conduct	5	0	Reporting violations of the Code of Business Conduct	6	5	<b>Total</b>	<b>25</b>	<b>17</b>
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<b>Total</b>	<b>25</b>	<b>17</b>																																		

## 7.2 Joint Ventures

<b>Question</b>
<b>7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering into all joint venture agreements.</p> <p>However, there is no evidence that the company’s due diligence explicitly includes checks on the ultimate beneficial ownership of the partner company. There is also no evidence to suggest that joint ventures operating in high risk markets or with high risk partners, such as state-owned enterprises, are subject to enhanced due diligence. Additionally, the company’s public statements only make reference to due diligence prior to entering into joint venture agreements and there is no evidence that due diligence is repeated every two years and/or when there is a significant change in the business relationship.</p>
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.11] 10. Mergers, Acquisitions, Partnerships and Joint Ventures</p> <p>10.1. Before entering into a merger, acquisition, partnership or joint venture agreement, adequate anti-corruption due diligence must be completed. In addition, a remediation plan should be developed and implemented to address identified issues. All such agreements must contain adequate provisions to comply with applicable anti-corruption laws.</p>

<b>Question</b>
<b>7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?</b>
<b>Score</b>
<b>1</b>
<b>Comments</b>
<p>There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures by requiring the adoption of its own, or equivalent, anti-bribery and corruption policy. The company also states that it must include anti-corruption provisions in its joint venture agreements.</p> <p>However, the company receives a score of ‘1’ because it does not specify that it takes steps to detect, control and prevent breaches through the inclusion of audit and termination rights in contracts with joint venture partners.</p>
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.11] 10. Mergers, Acquisitions, Partnerships and Joint Ventures</p> <p>10.1. Before entering into a merger, acquisition, partnership or joint venture agreement, adequate anti-corruption due diligence must be completed. In addition, a remediation plan should be developed and implemented to address identified issues. All such agreements must contain adequate provisions to comply with applicable anti-corruption laws.</p> <p><b>[3] Code of Business Conduct (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>                  [p.7] This Code of Business Conduct lays out the behaviour we accept and expect from the Board of Directors and all employees of CAE Inc. and our wholly-owned and controlled subsidiaries. This includes any individuals seconded to joint-venture companies as well as all agents, representatives, contractors and consultants working on our behalf. That’s why it’s important to select suppliers and partners who share our values.</p> <p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.1] Applicability</p> <p>1. This anti-corruption policy (hereinafter the “Policy”) applies to CAE Inc. and its subsidiaries and controlled joint ventures that have adopted this Policy (hereinafter “CAE”). Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.</p> <p>[p.14] Scope</p> <p>8.0 This Policy applies to all employees of CAE, Inc., its wholly-owned subsidiaries, and majority-owned and controlled joint ventures that have adopted this Policy (“CAE” or the “Company”). “Employees,” as this term is used in the preceding sentence and throughout this Policy, includes all individuals employed by CAE on a regular or temporary basis, regardless of whether such individuals work on a full-time or part-time basis. This Policy also applies to non-employees who act on behalf of CAE – including members of the CAE Board of Directors, and certain contractors, consultants, agents, representatives and other third parties who may be temporarily assigned to work for or provide services to CAE. Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE</p>

Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.

<b>Question</b>
<b>7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is insufficient publicly available evidence to show that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
<b>Evidence</b>
<p><b>[25] Updated Anti-Corruption Policy (Document)</b>                  Accessed 11/05/2020  <a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>                  [p.1] 2.2. The main purpose of this Policy is to ensure that CAE does not participate in any form of corruption anywhere in the world, either directly or indirectly through a third-party such as business partners, joint venture and equity partners, acquisition targets, contractors, service providers, suppliers, vendors, distributors, and persons acting on the Company’s behalf, including Representatives and Consultants (as defined).</p> <p>[p.11] 10. Mergers, Acquisitions, Partnerships and Joint Ventures</p> <p>10.1. Before entering into a merger, acquisition, partnership or joint venture agreement, adequate anti-corruption due diligence must be completed. In addition, a remediation plan should be developed and implemented to address identified issues. All such agreements must contain adequate provisions to comply with applicable anti-corruption laws.</p> <p><b>[1] Anti-Corruption Policy (Document)</b>                  Accessed 14/08/2019  <a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>                  [p.1] Applicability</p> <p>1. This anti-corruption policy (hereinafter the “Policy”) applies to CAE Inc. and its subsidiaries and controlled joint ventures that have adopted this Policy (hereinafter “CAE”). Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.</p> <p>[p.14] Scope</p> <p>8.0 This Policy applies to all employees of CAE, Inc., its wholly-owned subsidiaries, and majority-owned and controlled joint ventures that have adopted this Policy (“CAE” or the “Company”). “Employees,” as this term is used in the preceding sentence and throughout this Policy, includes all individuals employed by CAE on a regular or temporary basis, regardless of whether such individuals work on a full-time or part-time basis. This Policy also applies to non-employees who act on behalf of CAE – including members of the CAE Board of Directors, and certain contractors, consultants, agents, representatives and other third parties who may be temporarily assigned to work for or provide services to CAE. Controlled joint ventures are defined as entities where CAE controls 50% or more of the voting interests. Where CAE Inc. does not have a controlling stake in the joint venture or where CAE Inc. is unable to have this Policy adopted by the joint venture and its partners, this Policy will be used in an advisory capacity until such time as an equivalent policy is adopted by that joint venture.</p>

## 8. Offsets

<b>Question</b>
<b>8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company addresses the corruption risks associated with offset contracting, or that it has a dedicated body, department or team responsible for monitoring of the company's offset activities.
<b>Evidence</b>
No evidence found.



<b>Question</b>
<b>8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company conducts due diligence on its offset obligations.
<b>Evidence</b>
No evidence found.

<b>Question</b>
<b>8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?</b>
<b>Score</b>
<b>0</b>
<b>Comments</b>
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
<b>Evidence</b>
No evidence found.

<b>Question</b>
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
<b>Score</b>
0
<b>Comments</b>
There is no evidence that the company publishes any details of its offset obligations and/or contracts.
<b>Evidence</b>
No evidence found.

## 9. High Risk Markets

Question
<b>9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?</b>
Score
<b>1</b>
Comments
<p>There is evidence that the company acknowledges the risks associated with operating in different markets, including some corruption risks. There is evidence that the company has a risk assessment process in place to account for these risks, with clear risk management procedures in place.</p> <p>However, there is no clear evidence that risk assessment procedures which account for corruption risks are used to inform the company's operations in high risk markets.</p>
Evidence
<p><b>[8] 2019 Annual Information Form (Document)</b>                  Accessed 15/08/2019  <a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf">https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf</a>                  [p.31] Risk Factors</p> <p>We operate in several industry segments that have various risks and uncertainties. Management and the Board of Directors (the Board) discuss quarterly the principal risks facing our business, as well as annually during the strategic planning and budgeting processes. The risks and uncertainties described below are risks that could materially affect our business, financial condition and results of operation. These risks are categorized as industry-related risks, risks specific to CAE and risks related to the current market environment. These are not necessarily the only risks we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business.</p> <p>To mitigate the risks that may impact our future performance, management has established an enterprise risk management process to identify, assess and prioritize these risks. Management develops and deploys risk mitigation strategies that align with our strategic objectives and business processes. Management reviews the evolution of the principal risks facing our business on a regular basis and the Board oversees the risk management process and validates it through procedures performed by our internal auditors when it deems necessary. One should carefully consider the following risk factors, in addition to the other information contained herein, before deciding to purchase CAE securities.</p> <p>[p.43] 4.3.4 Doing Business in Foreign Countries</p> <p>We have operations in over 35 countries including our joint venture operations. We also sell and deliver products and services to customers around the world. Sales to customers outside Canada made up more than 90% of revenue in fiscal 2019. We expect sales outside Canada to continue to represent a significant portion of revenue in the foreseeable future. As a result, we are subject to the risks of doing business internationally, including geopolitical instability.</p> <p>These are the main risks we are facing attributable to international operations:</p> <ul style="list-style-type: none"> <li>-Change in Canadian and foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application, and/or enforcement thereof;</li> <li>-Adoption of new, and the expansion of existing tariffs, embargoes, controls, sanctions trade and other restrictions;</li> <li>-Recessions and other economic crises in other regions, or specific foreign economies and the impact on our cost of doing business in those countries;</li> <li>-General changes in social, economic and geopolitical conditions;</li> <li>-Complexity and corruption risks of using foreign representatives and consultants.</li> </ul>

Also, changes to the regulatory environment in countries in which we do business may lead to higher custom tariffs, stricter trade policies, changes in the sanctions regime, export restrictions and other restrictions, that may have a negative impact on our sales, financial results and business model.

#### 4.3.5 Political Instability

Global uncertainty has remained a risk throughout fiscal 2019 and, in some parts of the world, political instability has become more pronounced, protracted and unpredictable.

Rising geopolitical tensions or prolonged political instability in various countries where we have a presence could lead to delays or cancellation of orders, deliveries or projects, or the expropriation of assets, in which we have invested...

[p.44] ... significant resources, particularly when the customers are state-owned or state-controlled entities. It is possible that in the markets we serve, unanticipated political instability could impact our operating results and financial position.

The social, political and economic impacts of the changing political landscape in Europe, which includes the final outcome of Brexit negotiations remains uncertain and may lead to increased complexity in terms of regulations.

#### 4.3.6 Anti-corruption Laws

Sales to foreign customers are subject to Canadian and foreign laws and regulations, including, without limitation, the Corruption of Foreign Public Officials Act(Canada), the Foreign Corrupt Practices Act(United States) and other anti-corruption laws. While we have stringent policies in place to comply with such laws, failure by CAE, our employees, foreign representatives and consultants or others working on our behalf to comply with it could result in administrative, civil, or criminal liabilities, including suspension, debarment from bidding for or performing government contracts, which could have a material adverse effect on us. We frequently team with international subcontractors and suppliers who are also exposed to similar risks.

#### [24] Ethics and Integrity – Updated Page (Webpage)

Accessed 11/05/2020

<https://www.cae.com/social-responsibility/ethics-and-integrity/>

CAE has implemented several measures designed to ensure that the company does not participate in any form of corruption anywhere in the world, either directly or indirectly through a third-party such as business partners, joint venture and equity partners, acquisition targets, contractors, service providers, suppliers, vendors, distributors, and persons acting on the company's behalf. For example:

- CAE conducts risk-based due diligence to before engaging with high-risk third parties. The level of due diligence performed will depend on a few risk factors, including the country or jurisdiction in which the third party is located or will provide services, the type of relationship CAE will maintain with the third party, the type of services to be provides and possible interaction between the third party and public officials. When red flags are identified, they are investigated, and remediation action plans are required.
- CAE enters into formal agreements with third parties, all of which contain appropriate provisions designed to mitigate corruption risks. All high risk third parties are also required to sign anti-corruption certificates on an annual basis.

#### [1] Anti-Corruption Policy (Document)

Accessed 14/08/2019

[https://www.cae.com/media/documents/AntiCorruption\\_Policy.pdf](https://www.cae.com/media/documents/AntiCorruption_Policy.pdf)

[p.28] Exhibit B: Due Diligence Reports and Questionnaires Part I

Form: Representative/Consultant Detailed Due Diligence Report

[...]

Client:

Country:

TI Index1 :

Country where activities will take place:

[...]

1 Transparency International Corruption Index – available at  
[http://www.transparency.org/policy\\_and\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_and_research/surveys_indices/cpi)

[p.29] 3 Suitability Questionnaire

3.1 Is the candidate's country (or country where the candidate will represent CAE) known for corruption (refer to Transparency International Index)? If the index score is less than 5.0 then the default response should be "Yes".  
Yes No

**Question**

**9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?**

**Score**

**1**

**Comments**

The company publishes a list of its consolidated subsidiaries and non-fully consolidated holdings. For each entity, the company discloses its percentage ownership and the country of incorporation. This list includes all the company's subsidiaries and non-wholly owned holdings, and is updated annually. The list is accompanied by an indication that it is complete at the time of publication.

However, the company receives a score of '1' because the published information does not disclose the countries of operation of each entity.

**Evidence**

**[8] 2019 Annual Information Form (Document)**  
 Accessed 15/08/2019  
[https://www.cae.com/media/documents/Corporate/Financial\\_Reports/2019/CAE-AIF-FY19-Final.pdf](https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf)  
 [p.61] SCHEDULE A – SUBSIDIARIES AND OTHER INVESTMENTS

Set forth below are the names of the direct and indirect subsidiaries and other investments of CAE as at March 31, 2019. Please note that all entities are wholly owned, except as mentioned.

Name of Subsidiary or other investment	Jurisdiction of Incorporation
<b>Canada</b>	
9595058 Canada Inc.	Canada
CAE Healthcare Canada Inc.	Canada
CAE International Holdings Limited	Canada
CAE Machinery Ltd.	British Columbia
CAE Military Aviation Training Inc.	Canada
CAE Mining Equipment Canada Inc.	Canada
CAE Operational Training Services Inc.	Canada
CAE Railway Ltd.	Canada
CAE Services (Canada) Inc.	Canada
CAE Simulator Services Inc.	Québec
CAE Wood Products G.P. <sup>1</sup>	Québec
Flight Simulator-Capital L.P. <sup>2</sup>	Quebec
Pelesys Aviation Maintenance Training Inc. (29.25%)	British Columbia
Pelesys Learning Systems Inc. (45%)	British Columbia

[Lists continues to page 66 in the same format]



**[17] 2019 Financial Report (Document)**

Accessed 18/08/2019

[https://www.cae.com/media/documents/Corporate/Financial\\_Reports/2019/CAE\\_Financial\\_Report\\_FY19\\_EN.PDF](https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE_Financial_Report_FY19_EN.PDF)  
[p.108]
**NOTE 31 – RELATED PARTY RELATIONSHIPS**

The following tables include principal investments which, in aggregate, significantly impact the results or assets of the Company:

**Investments in subsidiaries consolidated in the Company's financial statements:**

Name	Country of incorporation	% equity interest 2019	% equity interest 2018
AACE Vietnam Limited Liability Company	Vietnam	100.0%	100.0%
Asian Aviation Centre of Excellence (Singapore) Pte Ltd	Singapore	100.0%	100.0%
Avianca - CAE Flight Training (ACFT) S.A.S.	Colombia	100.0%	—%
CAE (UK) plc	United Kingdom	100.0%	100.0%
CAE (US) Inc.	United States	100.0%	100.0%
CAE Aircrew Training Services plc	United Kingdom	76.5%	76.5%
CAE Australia Pty Ltd.	Australia	100.0%	100.0%
CAE Aviation Services Pte Ltd.	Singapore	100.0%	100.0%
CAE Aviation Training B.V.	Netherlands	100.0%	100.0%
CAE Aviation Training Chile Limitada	Chile	100.0%	100.0%
CAE Aviation Training Peru S.A.	Peru	100.0%	100.0%
CAE Brunei Multi Purpose Training Centre Sdn Bhd	Brunei	60.0%	60.0%
CAE Center Amsterdam B.V.	Netherlands	100.0%	100.0%
CAE Center Brussels N.V.	Belgium	100.0%	100.0%
CAE Centre Copenhagen A/S	Denmark	100.0%	100.0%
CAE Centre Hong Kong Limited	Hong Kong	100.0%	100.0%
CAE Centre Oslo AS	Norway	100.0%	100.0%
CAE Centre Stockholm AB	Sweden	100.0%	100.0%
CAE CFT B.V.	Netherlands	100.0%	100.0%
CAE CFT Korea Ltd.	Korea	100.0%	100.0%
CAE Civil Aviation Training Solutions, Inc.	United States	100.0%	100.0%
CAE Crewing Services Limited	Ireland	100.0%	100.0%
CAE El Salvador Flight Training S.A. de C.V.	El Salvador	99.5%	—%
CAE Elektronik GmbH	Germany	100.0%	100.0%
CAE Engineering Korlatolt Felelossegu Tarsasag	Hungary	100.0%	100.0%
CAE Flight & Simulator Services Sdn. Bhd.	Malaysia	100.0%	100.0%
CAE Flight Training (India) Private Limited <sup>91</sup>	India	100.0%	50.0%
CAE Flight Training Center Mexico, S.A. de C.V.	Mexico	100.0%	100.0%
CAE Global Academy Évora, SA	Portugal	100.0%	100.0%
CAE Healthcare Canada Inc.	Canada	100.0%	100.0%
CAE Healthcare Inc.	United States	100.0%	100.0%
CAE Holdings Limited	United Kingdom	100.0%	100.0%
CAE India Private Limited	India	100.0%	100.0%
CAE Integrated Enterprise Solutions Australia Pty Ltd.	Australia	100.0%	100.0%
CAE International Holdings Limited	Canada	100.0%	100.0%
CAE Kuala Lumpur Sdn Bhd	Malaysia	100.0%	100.0%
CAE Luxembourg Acquisition S.à r.l.	Luxembourg	100.0%	100.0%
CAE Maritime Middle East L.L.C.	United Arab Emirates	49.0%	49.0%
CAE Middle East L.L.C.	United Arab Emirates	49.0%	49.0%
CAE Military Aviation Training Inc.	Canada	100.0%	100.0%
CAE New Zealand Pty Ltd.	New Zealand	100.0%	100.0%
CAE North East Training Inc.	United States	100.0%	100.0%
CAE Oxford Aviation Academy Amsterdam B.V.	Netherlands	100.0%	100.0%
CAE Oxford Aviation Academy Phoenix Inc.	United States	100.0%	100.0%
CAE Services Italia S.r.l.	Italy	100.0%	100.0%
CAE Servicios Globales de Instrucción de Vuelo (España), S.L.	Spain	100.0%	100.0%
CAE Shanghai Company, Limited	China	100.0%	100.0%
CAE SimuFile Inc.	United States	100.0%	100.0%
CAE Simulation Technologies Private Limited	India	100.0%	100.0%
CAE Simulator Services Inc.	Canada	100.0%	100.0%

[p.109]

**Investments in subsidiaries consolidated in the Company's financial statements (continued):**

Name	Country of incorporation	% equity interest 2019	% equity interest 2018
CAE Singapore (S.E.A.) Pte Ltd.	Singapore	100.0%	100.0%
CAE South America Flight Training do Brasil Ltda.	Brazil	100.0%	100.0%
CAE STS Limited	United Kingdom	100.0%	100.0%
CAE Training & Services Brussels NV	Belgium	100.0%	100.0%
CAE Training & Services UK Ltd.	United Kingdom	100.0%	100.0%
CAE Training Norway AS	Norway	100.0%	100.0%
CAE USA Inc.	United States	100.0%	100.0%
CAE USA Mission Solutions Inc.	United States	100.0%	100.0%
CAE Verwaltungsgesellschaft mbH	Germany	100.0%	100.0%
Flight Training Device (Mauritius) Ltd.	Mauritius	100.0%	100.0%
Logitude Oy	Finland	100.0%	—%
Oxford Aviation Academy (Oxford) Limited	United Kingdom	100.0%	100.0%
Parc Aviation Engineering Services Ltd	Ireland	100.0%	100.0%
Parc Aviation Limited	Ireland	100.0%	100.0%
Parc Aviation UK Ltd	United Kingdom	100.0%	100.0%
Parc Interim Limited	Ireland	100.0%	100.0%
Presagis Canada Inc.	Canada	100.0%	100.0%
Presagis Europe (S.A.)	France	100.0%	100.0%
Presagis USA Inc.	United States	100.0%	100.0%
Servicios de Instrucción de Vuelo, S.L.	Spain	80.0%	80.0%
SIM-Industries Brasil Administracao de Centros de Treinamento Ltda.	Brazil	100.0%	100.0%
SIV Ops Training, S.L.	Spain	80.0%	80.0%

<sup>17</sup>This entity became subsidiary during the fourth quarter of fiscal 2019 (Note 3).

**Investments in joint ventures accounted for under the equity method:**

Name	Country of incorporation	% equity interest 2019	% equity interest 2018
Aviation Training Northeast Asia B.V.	Netherlands	50.0%	50.0%
CAE Flight and Simulator Services Korea, Ltd.	Korea	50.0%	50.0%
CAE-LIDER Training do Brasil Ltda.	Brazil	50.0%	50.0%
CAE Melbourne Flight Training Pty Ltd.	Australia	50.0%	50.0%
CAE Middle East Pilot Services LLC	United Arab Emirates	49.0%	—%
CAE Simulation Training Private Limited	India	50.0%	25.0%
Embraer CAE Training Services LLC	United States	49.0%	49.0%
Emirates-CAE Flight Training LLC	United Arab Emirates	49.0%	49.0%
Flight Training Alliance GmbH	Germany	50.0%	50.0%
HATSOFF Helicopter Training Private Limited	India	50.0%	50.0%
HFTS Helicopter Flight Training Services GmbH	Germany	25.0%	25.0%
JAL CAE Flight Training Co. Ltd.	Japan	50.0%	50.0%
National Flying Training Institute Private Limited	India	51.0%	51.0%
Pegasus Ucus Egitim Merkezi A.S.	Turkey	49.9%	49.9%
Pelesys Learning Systems Inc.	Canada	45.0%	45.0%
Philippine Academy for Aviation Training Inc	Philippines	40.0%	40.0%
Rotorsim s.r.l.	Italy	50.0%	50.0%
Rotorsim USA LLC	United States	50.0%	50.0%
Singapore CAE Flight Training Pte Ltd.	Singapore	50.0%	—%

In fiscal 2019, the unrecognized share of losses of joint ventures for which the Company ceased to recognize when applying the equity method was \$5.7 million (2018 – \$7.0 million). As at March 31, 2019, the cumulative unrecognized share of losses for these entities was \$12.7 million (2018 – \$15.9 million) and the cumulative unrecognized share of comprehensive loss of joint ventures was \$13.4 million (2018 – \$17.1 million).

**[21] 2018 Financial Report (Document)**

Accessed 27/03/2020

[https://www.cae.com/media/documents/Corporate/Financial\\_Reports/2018/CAE\\_Financial\\_Report\\_FY18\\_EN.pdf](https://www.cae.com/media/documents/Corporate/Financial_Reports/2018/CAE_Financial_Report_FY18_EN.pdf)

[p.108] NOTE 31 – RELATED PARTY RELATIONSHIPS

The following tables include principal investments which, in aggregate, significantly impact the results or assets of the Company: Investments in subsidiaries consolidated in the Company's financial statements:

Name	Country of incorporation	% equity interest 2018	% equity interest 2017
AACE Vietnam Limited Liability Company <sup>(1)</sup>	Vietnam	100.0%	50.0%
CAE Kuala Lumpur Sdn Bhd <sup>(1)</sup>	Malaysia	100.0%	50.0%
Asian Aviation Centre of Excellence (Singapore) Pte Ltd <sup>(1)</sup>	Singapore	100.0%	50.0%
CAE (UK) plc	United Kingdom	100.0%	100.0%
CAE (US) Inc.	United States	100.0%	100.0%
CAE Aircrew Training Services plc	United Kingdom	76.5%	76.5%
CAE Australia Pty Ltd.	Australia	100.0%	100.0%
CAE Aviation Services Pte Ltd.	Singapore	100.0%	100.0%
CAE Aviation Training B.V.	Netherlands	100.0%	100.0%
CAE Aviation Training Chile Limitada	Chile	100.0%	100.0%
CAE Aviation Training Peru S.A.	Peru	100.0%	100.0%
CAE Brunei Multi Purpose Training Centre Sdn Bhd	Brunei	60.0%	60.0%
CAE Center Amsterdam B.V.	Netherlands	100.0%	100.0%
CAE Center Brussels N.V.	Belgium	100.0%	100.0%
CAE Centre Copenhagen A/S	Denmark	100.0%	100.0%
CAE Centre Hong Kong Limited	Hong Kong	100.0%	100.0%
CAE Centre Oslo AS	Norway	100.0%	100.0%
CAE Centre Stockholm AB	Sweden	100.0%	100.0%
CAE CFT B.V.	Netherlands	100.0%	100.0%


[Further holdings are listed over the next two pages]

[p.110]

Name	Country of incorporation	% equity interest 2018	% equity interest 2017
Aviation Training Northeast Asia B.V.	Netherlands	50.0%	50.0%
CAE Flight and Simulator Services Korea, Ltd.	Korea	50.0%	50.0%
CAE Flight Training (India) Private Limited	India	50.0%	50.0%
CAE-LIDER Training do Brasil Ltda.	Brazil	50.0%	50.0%
CAE Melbourne Flight Training Pty Ltd.	Australia	50.0%	50.0%
China Southern West Australia Flying College Pty Ltd.	Australia	47.1%	47.1%
Embraer CAE Training Services, LLC	United States	49.0%	49.0%
Emirates-CAE Flight Training LLC	United Arab Emirates	49.0%	49.0%
Flight Training Alliance GmbH (JV)	Germany	50.0%	50.0%
HATSOFF Helicopter Training Private Limited	India	50.0%	50.0%
HFTS Helicopter Flight Training Services GmbH	Germany	25.0%	25.0%
JAL CAE Flight Training Co. Ltd.	Japan	50.0%	50.0%
National Flying Training Institute Private Limited	India	51.0%	51.0%
Pegasus Ucus Egitim Merkezi A.S.	Turkey	49.9%	49.9%
Pelesys Learning Systems Inc.	Canada	45.0%	—
Philippine Academy for Aviation Training Inc	Philippines	40.0%	20.0%
Rotorsim s.r.l.	Italy	50.0%	50.0%
Rotorsim USA LLC	United States	50.0%	50.0%
Zhuhai Free Trade Zone Xiang Yi Aviation Technology Company Limited	China	—	49.0%
Zhuhai Xiang Yi Aviation Technology Company Limited	China	—	49.0%

#### Acquisition of 45% interest in Pelesys

The Company purchased 45% of the shares of Pelesys, a global leader in the provision of aviation training solutions and courseware, for a cash consideration of \$7.7 million. This joint venture investment is accounted under the equity method. The transaction includes a series of put and call options over the remaining 55% equity interest. The options are exercisable on pre-determined dates, at fair value subject to a pre-defined cap and floor. In fiscal 2018, the unrecognized share of losses of joint ventures for which the Company ceased to recognize when applying the equity method was \$7.0 million (2017 – \$1.7 million (profits)). As at March 31, 2018, the cumulative unrecognized share of losses for these entities was \$15.9 million (2017 – \$8.9 million) and the cumulative unrecognized share of comprehensive loss of joint ventures was \$17.1 million (2017 – \$10.5 million).

<b>Question</b>
<b>9.3 Does the company disclose its beneficial ownership and control structure?</b>
<b>Score</b>
<b>2</b>
<b>Comments</b>
The company is publicly listed on the New York Stock Exchange and is automatically awarded a score of '2'.
<b>Evidence</b>
<p><b>[18] Financial Times Markets Data (Webpage)</b>                  Accessed 24/07/2020  <a href="https://markets.ft.com/data/equities/tearsheet/profile?s=CAE:NYQ">https://markets.ft.com/data/equities/tearsheet/profile?s=CAE:NYQ</a></p> 

Question		
<b>9.4 Does the company publish a percentage breakdown of its defence sales by customer?</b>		
Score		
<b>0</b>		
Comments		
The company publishes information regarding its overall sales, however there is no evidence that it publishes a percentage breakdown of its defence sales by customer.		
Evidence		
<b>[17] 2019 Financial Report (Document)</b>		
Accessed 18/08/2019		
<a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE_Financial_Report_FY19_EN.PDF">https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE_Financial_Report_FY19_EN.PDF</a>		
[p.107]		
<b>Geographic information</b>		
The Company markets its products and services globally. Revenues are attributed to countries based on the location of customers. Non-current assets other than financial instruments and deferred tax assets are attributed to countries based on the location of the assets.		
	2019	2018
		Restated
Revenues from external customers		
Canada	\$ 253.3	\$ 265.5
United States	1,283.3	1,068.2
United Kingdom	210.4	231.4
Germany	118.9	95.7
Netherlands	79.7	95.7
Spain	114.5	76.0
Other European countries	367.7	250.9
United Arab Emirates	109.0	110.0
China	226.5	207.6
Other Asian countries	361.1	268.2
Australia	50.1	55.8
Other countries	129.6	98.5
	<b>\$ 3,304.1</b>	<b>\$ 2,823.5</b>
	2019	2018
		Restated
Non-current assets other than financial instruments and deferred tax assets		
Canada	\$ 1,557.0	\$ 903.2
United States	1,580.7	945.7
Brazil	116.4	118.1
United Kingdom	285.2	250.3
Luxembourg	187.0	194.1
Netherlands	196.9	223.6
Other European countries	336.5	324.8
Malaysia	177.6	197.1
Other Asian countries	177.8	149.2
Other countries	176.4	82.1
	<b>\$ 4,791.5</b>	<b>\$ 3,388.2</b>

## 10. State-Owned Enterprises (SOEs)

<b>Question</b>
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
<b>Score</b>
N/A
<b>Comments</b>
N/A
<b>Evidence</b>

<b>Question</b>
10.2 Are the SOE's commercial and public policy objectives publicly available?
<b>Score</b>
N/A
<b>Comments</b>
N/A
<b>Evidence</b>



<b>Question</b>
<b>10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?</b>
<b>Score</b>
N/A
<b>Comments</b>
N/A
<b>Evidence</b>



<b>Question</b>
10.4 Is the SOE's audit committee composed of a majority of independent directors?
<b>Score</b>
N/A
<b>Comments</b>
N/A
<b>Evidence</b>

<b>Question</b>
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
<b>Score</b>
N/A
<b>Comments</b>
N/A
<b>Evidence</b>

## List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Anti-Corruption Policy	14/08/2019	<a href="https://www.cae.com/media/documents/AntiCorruption_Policy.pdf">https://www.cae.com/media/documents/AntiCorruption_Policy.pdf</a>
02	Document	2019 Corporate Social Responsibility Report	14/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf">https://www.cae.com/media/documents/Corporate/Activity_Report_2019_EN_FV.pdf</a>
03	Document	Code of Business Conduct	14/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf">https://www.cae.com/media/documents/Corporate/Governance/Code_of_Conduct-2017_EN_v17_interactif_final.pdf</a>
04	Document	Board of Directors' Mandate	03/04/2020	<a href="https://www.cae.com/media/documents/Corporate/Governance/CAE-Board-of-Directors-Mandate.pdf">https://www.cae.com/media/documents/Corporate/Governance/CAE-Board-of-Directors-Mandate.pdf</a>
05	Document	Mark Hounsell	14/08/2019	<a href="https://www.cae.com/media/documents/Exec_Bios/CAE_Biography_MarkHounsell_July2019-EN.pdf">https://www.cae.com/media/documents/Exec_Bios/CAE_Biography_MarkHounsell_July2019-EN.pdf</a>
06	Document	Governance Committee Charter	14/08/2019	<a href="https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf">https://www.cae.com/media/documents/CAE-Governance-Committee-Mandate.pdf</a>
07	Document	Audit Committee Charter	15/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Governance/CAE-Audit-Committee-Mandate.pdf">https://www.cae.com/media/documents/Corporate/Governance/CAE-Audit-Committee-Mandate.pdf</a>
08	Document	2019 Annual Information Form	15/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf">https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE-AIF-FY19-Final.pdf</a>
09	Document	Human Resources Committee Charter	15/08/2019	<a href="https://www.cae.com/media/documents/Corporate/HR_Mandate_Feb_8_2019_Final.pdf">https://www.cae.com/media/documents/Corporate/HR_Mandate_Feb_8_2019_Final.pdf</a>
10	Document	Notice of Annual Meeting of Shareholders and 2019 Management Proxy Circular	15/08/2019	<a href="https://www.cae.com/media/documents/Corporate/L23030_Proxy_Eng.pdf">https://www.cae.com/media/documents/Corporate/L23030_Proxy_Eng.pdf</a>
11	Document	Whistleblowing Policy	15/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf">https://www.cae.com/media/documents/Corporate/Whistleblowing_Policy.pdf</a>
12	Document	Lobbying And Political Contributions Policy	17/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf">https://www.cae.com/media/documents/Corporate/Lobbying_and_Political_Contributions_Policy.pdf</a>
13	Document	Donations and Sponsorships Policy	17/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Donations_sponsorships_policy.pdf">https://www.cae.com/media/documents/Corporate/Donations_sponsorships_policy.pdf</a>
14	Document	Purchasing Terms and Conditions – Europe	17/08/2019	<a href="https://www.cae.com/media/documents/Corporate/Suppliers/CAE_Purchasing_Terms_and_Conditions_Europe.pdf">https://www.cae.com/media/documents/Corporate/Suppliers/CAE_Purchasing_Terms_and_Conditions_Europe.pdf</a>
15	Document	Purchasing Terms and Conditions – US	17/09/2019	<a href="https://www.cae.com/media/documents/Corporate/Suppliers/CAE-USA-Terms-and-Conditions-of-Purchase-for-Firm-Fixed-Price-Orders.pdf">https://www.cae.com/media/documents/Corporate/Suppliers/CAE-USA-Terms-and-Conditions-of-Purchase-for-Firm-Fixed-Price-Orders.pdf</a>

16	Webpage	Becoming a CAE Supplier	17/09/2019	<a href="https://www.cae.com/suppliers/">https://www.cae.com/suppliers/</a>
17	Document	2019 Financial Report	18/09/2019	<a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE_Financial_Report_FY19_EN.PDF">https://www.cae.com/media/documents/Corporate/Financial_Reports/2019/CAE_Financial_Report_FY19_EN.PDF</a>
18	Webpage	Financial Times Markets Data CAE Inc	24/07/2020	<a href="https://markets.ft.com/data/equities/tearsheet/profile?s=CAE:NYQ">https://markets.ft.com/data/equities/tearsheet/profile?s=CAE:NYQ</a>
19	Document	2018 Corporate Social Responsibility Report	25/03/2020	<a href="https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf">https://www.cae.com/media/documents/Activity_Report_2018_EN.pdf</a>
20	Webpage	Community and Environment Page	26/03/2020	<a href="https://www.cae.com/social-responsibility/community/">https://www.cae.com/social-responsibility/community/</a>
21	Document	2018 Financial Report	27/03/2020	<a href="https://www.cae.com/media/documents/Corporate/Financial_Reports/2018/CAE_Financial_Report_FY18_EN.pdf">https://www.cae.com/media/documents/Corporate/Financial_Reports/2018/CAE_Financial_Report_FY18_EN.pdf</a>
22	Webpage	Ethics and integrity	03/04/2020	<a href="https://www.cae.com/social-responsibility/ethics-and-integrity/">https://www.cae.com/social-responsibility/ethics-and-integrity/</a>
23	Webpage	Hélène V. Gagnon	03/04/2020	<a href="https://www.cae.com/about-cae/executive-team/helene-v-gagnon/">https://www.cae.com/about-cae/executive-team/helene-v-gagnon/</a>
24	Webpage	Ethics and Integrity – Updated Page	11/05/2020	<a href="https://www.cae.com/social-responsibility/ethics-and-integrity/">https://www.cae.com/social-responsibility/ethics-and-integrity/</a>
25	Document	Updated Anti-Corruption Policy	11/05/2020	<a href="https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf">https://www.cae.com/media/documents/Section_20_Anti-Corruption_Policy_-_Finale_2020.pdf</a>
26	Webpage	Becoming a CAE Supplier – Updated Page	11/05/2020	<a href="https://www.cae.com/suppliers/">https://www.cae.com/suppliers/</a>