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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.

**I) 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.
  - 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.
  - 2.3 Checklists and questionnaires to ensure compliance with this Policy are set out in the **Exhibits** to this Policy.
  - 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



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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.

- 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&P) for more information.
- 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.

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.



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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.

3.3.2 For purposes of this Policy, “foreign official” means any officer or employee of a foreign government or any department, agency, or instrumentality thereof (which includes a government-owned or controlled state enterprise), or of a public international organization, or any person acting in an official capacity or as an agent for or on behalf of any such government or such public international organization, including any persons who holds a sovereign, legislative, administrative or judicial position, political parties, party officials, and candidates for public office.

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



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representative agreement or arrangement comprise a commission-based fee; any payment structure may be involved.

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



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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.

- 3.3.5 The FCPA contains very severe criminal penalties for violations. A corporation may be fined as much as US\$2,000,000 per violation. An officer, director, shareholder, employee or other agent of a corporation may be fined as much as US\$250,000 per violation and imprisoned for up to five years. Willful violations of the books and records and internal control provisions can result in a criminal fine of up to US\$25 million for a company and a criminal fine up to US\$5 million as well as imprisonment for up to 20 years for culpable individuals. The US Alternative Fines Act may increase the criminal fine to twice the gain or loss resulting from the corrupt payment. Such fines and penalties are in addition to harsh collateral sanctions that can result from an FCPA violation, including termination of government licenses or contracts and debarment from government contracting programs. In addition, the Security Exchange Commission (“SEC”) is able to seek disgorgement of profits on contracts secured with improper payments. Further, enforcement agencies are increasingly seeking appointment of an independent compliance monitor over FCPA corporate violators for multi-year periods, a process which can be cumbersome and expensive for companies. Moreover, the FCPA prohibits reimbursement by a corporation of any fines that are paid by any officer, director, shareholder, employee or other company agent.
- 3.3.6 The scope of the FCPA is very broad. It forbids not only payments to foreign officials, but also offers, promises (even if not fulfilled) and even authorizations to pay. Such payments, offers, promises or authorizations may be direct or indirect, i.e. if made through an unrelated third party. Both objective and subjective standards are used to determine if the FCPA was violated. This means that if CAE or its employees, contractors, Consultants or Representatives **knew or ought to have known** that an improper payment was made or directed to a public official, party or candidate, then CAE and those persons would be subject to the above penalties.



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- 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



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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).

#### Due Diligence Procedures

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



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diligence forms, checklists and questionnaires that must be completed during the due diligence process and thereafter as required under this Policy.

- 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.
- 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.



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- 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.

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. Amendments and addendums to existing Representative



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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



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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



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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.



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**II) Gifts and Entertainment:**

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.

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 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.

**7.0 Definitions**

**“Cash Equivalent”** means items equal in value to cash, such as vouchers, gift certificates, pre-paid credit or gift cards, loans, stocks, bonds or options.

**“Entertainment”** includes, but is not limited to, meals, gambling, parties, hotels and hospitality athletic or cultural events, entertainment at Company facilities, authorized transportation in Company vehicles, or attendance at Company-sponsored promotional events. (Note: If a customer, supplier, or other third party accompanies you to an event, it is generally considered entertainment and not a gift. If you do not attend the event with the customer, supplier or other third party, the tickets to such an event are considered a gift.)

**“Gift”** means anything of value given by or to customers, suppliers or other third parties, such as certain prizes, vacations, or tickets to sporting events, the theater or concerts.

**"Government Official"** means any officer or employee of a government or any department, agency, or instrumentality thereof (which includes a government-owned or controlled state enterprise), or of a public international organization, or any person acting in an official capacity or as an agent for or on behalf of any such government or such public international organization, including any persons who holds a legislative, administrative or judicial position, political parties, party officials, and candidates for public office (see



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Exhibit G for a sample list of customers that are owned by the government. If a customer does not appear on that list, please consult with CAE Compliance).

**“Leader”** means the superior of the employee in question tasked to approve the exchange of Gifts and Entertainment as outlined in Exhibit F.

**“Policy”** means the portion of CAE’s anti-corruption policy that deals with Gifts and Entertainment.

**“Prizes”** means items that are awarded as door prizes, raffle tickets, etc. when CAE pays for the fees related to membership or attendance.

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)).



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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:

1. Is it reasonable, ethical and legal?
2. 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?
3. 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;



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- 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;



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- 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.



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- 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.



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**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,



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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.



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**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.

**Penalties:**

- 17.0 Violations of this Policy and CAE’s Code of Conduct will result in disciplinary action, up to and including termination from employment.

**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.



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Alternatively, you can report any such problem confidentially to the EthicsPoint hotline. EthicsPoint is a 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.

### 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.

### How to File a Report

- 18.2
1. Access EthicsPoint to report ([www.ethicspoint.com](http://www.ethicspoint.com))
  2. Complete a report
  3. Follow-up on your report
- EthicsPoint is carefully designed to maintain your confidentiality and anonymity at every step. Step-by-step instructions guide you to help ensure that you do not inadvertently compromise its safeguards.

#### **Step 1: Access EthicsPoint to Report**

Use any one of these three convenient channels of communication.

#### CAE Intranet Public Internet Toll-Free Phone

Click on link provided on CAE's intranet site. You will automatically be linked to EthicsPoint's secure home page.

1. Go to [www.ethicspoint.com](http://www.ethicspoint.com) and click on "File a Report".
2. Call your EthicsPoint's toll-free hotline. The phone number of each country where CAE is present is available on the EthicsPoint website. A compliance specialist will assist you in entering your report into the EthicsPoint system.



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**Step 2:** Complete a Report

Following the on-screen or compliance specialist's instructions, please complete a report, being as thorough as you can.

1. Please read or listen to the anonymity information very carefully. It helps to ensure that you do not compromise your identity during the reporting process.
2. Complete the report, providing information about the incident, including:
  - Who: persons engaged in the incident, including titles;
  - What: what specifically occurred;
  - Where: the location of the incident; and
  - When: the time and duration of the incident.
3. Next, you will be asked to create a password. Then the EthicsPoint system will generate an identification code called a "Report Key." Write them both down, and keep them in a safe place. You will need them to follow-up later, or if you ever want to review or amend your report.

**Step 3:** Follow-Up

Six business days after you complete your report, please return to the EthicsPoint system to see if CAE has any follow-up questions or requests.

1. Reconnect with the EthicsPoint system using any of the three channels of communication: CAE Intranet, Public Internet, or Toll-Free Phone.
2. This time click on (or ask to perform) a Follow-Up.
3. Provide your Report Key and Password.
4. You can now elect to review report details, respond to questions, and add information.
  - To review your report, just click "Review Report Details" or ask the compliance specialist.



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- 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.

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.

**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.



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**Exhibit A  
Representative Justification and Pre-Approval Form**

<b>1 Need for a Representative</b>	
1.1	Representative's Name:
1.2	Please describe the opportunity in which the Representative could be involved in (customer, country, approximate value, short and long term benefit etc...).
1.3	Does CAE have local or regional office that could service the targeted territory and products and perform the services to be provided by the Representative? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, explain why the regional office cannot perform Representative's tasks:
1.4	Are there any legal restrictions or conditions to using a Representative in the specific territory/country or product for which it the use of a Representative is being considered? (Please consult with the CAE legal department to obtain the response to this question). <input type="checkbox"/> Yes <input type="checkbox"/> No If legal restrictions or conditions exist what is nature of the restriction/condition.
<b>2 Services to be Performed by Representative</b>	
2.1	Monitor and report/communicate local market intelligence/research including general industry trends, regulatory developments, competitor activity, customer activities. <input type="checkbox"/>
2.2	Perform general marketing activities to and maintain/initiate contact with existing and potential new customers for CAE products and/or services within the specified territories and products. <input type="checkbox"/>
2.3	Participate in industry associations or /committees where they are relevant to CAE's interests. <input type="checkbox"/>
2.4	Provide logistic support in country including leading or assisting CAE with importation of products (Customs and Duties). <input type="checkbox"/>
2.5	Assist CAE in arranging, facilitating and preparing visits of CAE personnel and or presentations to existing or potential customers <input type="checkbox"/>
2.6	Facilitate meetings with potential customers including translation services if necessary <input type="checkbox"/>



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2.7	Assist CAE in developing bids and /proposals for any opportunity in the territory	<input type="checkbox"/>
2.8	Assist CAE in negotiations with customers	<input type="checkbox"/>
2.9	Assist in collections of outstanding amounts due from customers	<input type="checkbox"/>
2.10	Assist CAE with possible customer claims and resulting settlements	<input type="checkbox"/>
2.11	Assist CAE in any requirement from Project Management or Field Support services relating to in country installation	<input type="checkbox"/>
2.12	Assist in selection of in-country suppliers, partners, and contractors/sub-contractors (identification, background checks and verification of credentials)	<input type="checkbox"/>
2.13	Assist or /support CAE in obtaining regulatory certifications for products and services from local authorities if necessary	<input type="checkbox"/>
2.14	Advise and assist CAE in its interactions with government officials and regulatory bodies.	<input type="checkbox"/>
2.15	Inform CAE of any developments in the territory which may impact CAE's business towards customers including any political or social instability as well as changes in regulation or legislation.	<input type="checkbox"/>
2.16	Other services not included above and/or factors to take into account (provide description) Click here to enter text.	<input type="checkbox"/>

**3 Anticipated Agency Fees**

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?

**Fee structure:**

**Amounts:**

**Commentary Justification on Value for Money:**



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4 Approvals and Signature	
Date submitted Click here to enter a date.	<hr/> CAE Sales Manager (Name & Signature)
Date submitted Click here to enter a date.	<hr/> Group President (Name & Signature)



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**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?		

<sup>1</sup> 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)

<sup>2</sup> Estimated value of agreement (or anticipated range of values) and expected compensation structure (fixed fee, variable fee - % fee)



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	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)?		
<b>3 Suitability Questionnaire</b>			
		<b>Yes</b>	<b>No</b>
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?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, what did additional investigation reveal?		
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:		



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	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?	<input type="checkbox"/>	<input type="checkbox"/>
	b) Substantial up-front payment?	<input type="checkbox"/>	<input type="checkbox"/>
	c) Payment in a currency that is foreign to the candidate?	<input type="checkbox"/>	<input type="checkbox"/>
	d) Payment to a country other than where the project is located or where the candidate has a principal place of business?	<input type="checkbox"/>	<input type="checkbox"/>
	e) Payments to a different entity, a numbered bank account, or similar request?	<input type="checkbox"/>	<input type="checkbox"/>
	f) Compensation that exceeds either 5% of proposed contract value, or CAD \$1,000,000?	<input type="checkbox"/>	<input type="checkbox"/>
3.9	Is the candidate a shell company or does it have an unusual corporate structure?	<input type="checkbox"/>	<input type="checkbox"/>
3.10	Is the only qualification the candidate brings to the relationship influence over government officials?	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>
3.12	Has the candidate been recommended or requested by CAE's client or by a Government Agency or official?	<input type="checkbox"/>	<input type="checkbox"/>
3.13	Has the Candidate suggested needing money for suspicious reasons, such as to "get the business" and "make the necessary arrangements"?	<input type="checkbox"/>	<input type="checkbox"/>

Explanatory notes must be provided as an attachment to this form against any "yes" answers.

**4 Other Due Diligence**

Are there any agreements that require that notice be given regarding use of the candidate? (Including stakeholders such as clients, partners, governments, etc.)

Identify any other due diligence performed or other factors not covered in the foregoing which might have an impact on contracting with the candidate.

**5 Legal Review**

		Yes	No
5.1	Are there any local restrictions on hiring of the candidate?	<input type="checkbox"/>	<input type="checkbox"/>



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5.2	Are there any legal restrictions on compensation and method, currency and location of payment?	<input type="checkbox"/>	<input type="checkbox"/>
5.3	If the candidate is a current or former government official, are there any conflict of interest or other relevant rules that apply?	<input type="checkbox"/>	<input type="checkbox"/>
5.4	Are there laws or rules that apply to the engagement of an intermediary or require notice to be given regarding use of the candidate? (Includes funding agencies such as World Bank, etc.)	<input type="checkbox"/>	<input type="checkbox"/>

**6 Summary and Conclusion**

		Yes	No
6.1	Are there any possible red flags noted in the due diligence?	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>
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:	_____	<b>Date:</b>	
		CAE Compliance Office (Name & Signature)		
	Reviewed by:	_____	<b>Date:</b>	
		CAE Chief Compliance Officer (Name & Signature)		
	Approved by:	_____	<b>Date:</b>	
		Group President (Name & Signature)		



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**Exhibit B: Due Diligence Reports and Questionnaires  
Part II Form: Candidate Questionnaire**

1 Identifying Information			
Name of company or individual (including any trade names):			
Business address:		Telephone:	
E-mail:		Fax:	
2 Business Information			
Date and place of company formation (please attach formation documents):			
Principal lines of business (attach most recent quarterly or annual report, if available – if unavailable, state reasons):			
Other locations of business:			
Approximate revenue (in US\$) in the last five years (check as appropriate):			
<input type="checkbox"/> <\$1 million	<input type="checkbox"/> \$1-10 million	<input type="checkbox"/> \$10-\$50 million	<input type="checkbox"/> > \$50 million
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	



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(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?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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If yes to question above, please provide details and level of interest:

Give the names and nationalities of key officers and directors:

Name	Title	Nationality

Provide names and nationalities of and years of service under your employ of key senior staff that will perform the services:

Name	Nationality	Years of Service

Has your company or any of its principal officers, directors, or shareholders ever been charged with a criminal offense? If so, provide details:	<input type="checkbox"/> Yes	<input type="checkbox"/> No
--	------------------------------	-----------------------------

<b>4 Government Relationships</b>	<b>Yes</b>	<b>No</b>
(i) Are any persons identified in response to Question 3?	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Current officials of any government agency or government owned or controlled enterprise.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) Officials of any political party?	<input type="checkbox"/>	<input type="checkbox"/>



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	<input type="checkbox"/>	<input type="checkbox"/>
(iv) Close relatives [immediate family] of either (i) or (ii)?	<input type="checkbox"/>	<input type="checkbox"/>
(v) Past officials of any government agency, enterprise, or political party?	<input type="checkbox"/>	<input type="checkbox"/>
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):		
<b>5 References</b>		
Bank reference:		
Customer Reference:		
<b>6 Certification</b>		
The undersigned, being duly authorized to respond to this questionnaire, and to certify as to the matters set forth below, hereby certifies as follows:		
(a) To the best of my knowledge, all information set forth in this response is correct and complete; and,		
(b) In return for being considered as a Representative, the undersigned covenants and agrees that it will not offer, authorize, pay or promise to pay either directly or indirectly, anything of value to a Foreign Public Official in connection with any business opportunities which would be the object of any relationship with CAE.		
Signed:		
Name and title:		
Date:		



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**Exhibit B: Due Diligence Reports and Questionnaires  
Part III Form: Annual Monitoring Checklist**

<b>1 Conditions for Renewal</b>		<b>Yes</b>	<b>No</b>
	Has the Agreement been signed by the Group President or President of the relevant business unit and by the Representative, and has the Certificate in Appendix C been signed by the Representative and returned to CAE?	<input type="checkbox"/>	<input type="checkbox"/>
	Does the Representative require any training or briefing on anti-corruption laws?	<input type="checkbox"/>	<input type="checkbox"/>
	Have payment instructions (e.g. bank account details) been received and reviewed and no red flags identified?	<input type="checkbox"/>	<input type="checkbox"/>
<b>2 Representative Review – Performance and Due Diligence</b>		<b>Yes</b>	<b>No</b>
	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?	<input type="checkbox"/>	<input type="checkbox"/>
	Have invoices for expenses been properly documented and supported?	<input type="checkbox"/>	<input type="checkbox"/>
	Have invoices or payment instructions clearly identified the location where payments are to be made?	<input type="checkbox"/>	<input type="checkbox"/>
	Have changes been requested to the location of payment, or are there other indicators that control has changed, such as altered signing authorities?	<input type="checkbox"/>	<input type="checkbox"/>
	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?	<input type="checkbox"/>	<input type="checkbox"/>
	Is there any evidence of a change of residence of the Representative?	<input type="checkbox"/>	<input type="checkbox"/>
	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.)?	<input type="checkbox"/>	<input type="checkbox"/>
	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?	<input type="checkbox"/>	<input type="checkbox"/>
	Has the Representative attested that he read and understood the annual compliance training provided to him?	<input type="checkbox"/>	<input type="checkbox"/>
	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?	<input type="checkbox"/>	<input type="checkbox"/>



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If yes, please indicate nature of changes in ownership structure or possible new conflicts of interest.		
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.	<input type="checkbox"/>	<input type="checkbox"/>
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.	<input type="checkbox"/>	<input type="checkbox"/>

**3 Conclusion and Approvals**

<p>Based on the responses in the questionnaire and based on results and dealings with the Representative, CAE:</p> <p><input type="checkbox"/> Should proceed with renewal of the contract and continuation of the relationship  <input type="checkbox"/> Should terminate the contract and discontinue the relationship with the Representative</p> <p>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.</p>			
Date submitted	<hr/> CAE Compliance Officer (Name & Signature)	Date approved	<i>This signature is for D&amp;S use only.</i> <hr/> VP Global Strategy & Bus. Dev (Name & Signature)
Date approved	<hr/> Chief Compliance Officer (Name & Signature)	Date approved	<hr/> Group President (Name & Signature)



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**Exhibit C  
Authorization Matrix Contracts, Agreements and Addendums**

**In addition to the signature of the CAE Inc. Chief Compliance Officer (required in all instances) Representative Agreements, Amendments and Addendums shall be signed according to the table below:**

<b>BUSINESS UNIT</b>	<b>AUTHORIZED SIGNATORY</b>
All D&S	Group President D&S
Civil-Products	Group President Civil
Civil- Civil Aviation Training (CAT)	Group President Civil
Civil- Business/Helicopter/Maintenance Training (BAT/HAT/MX)	Group President Civil
Healthcare	President CAE Healthcare



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**Exhibit D  
Authorization Matrix:  
All Payments to Representatives (Success Fees, Retainers and Out of Pocket Expense  
Reimbursements)**

<b>BUSINESS UNIT</b>	<b>AUTHORIZED SIGNATORY</b>
All D&S	Vice President Finance D&S
Civil-Products	Vice President Finance Civil
Civil- Civil Aviation Training (CAT)	Vice President Finance Civil
Civil-Business/Helicopter/Maintenance Training (BAT/HAT/MX)	Vice President Finance Civil
Healthcare	Finance Director CAE Healthcare



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**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).

**\*Only if permitted by law, and in some countries it may be nil or a lower value.**

To determine which country applies (if one is hosting e.g. a Chinese national in Canada), it must be based on the country of residence of the recipient, in the case of a Gift, and on the country where Entertainment occurs, in the case of Entertainment. This is because Entertainment costs vary from country to country.

**List of Major Countries:**

<b>GDP per capita rank &gt; 35</b>	<b>GDP per capita rank &lt;35</b>
Argentina, Bangladesh, Brazil, Bulgaria, China, Chile, Colombia, Egypt, Ethiopia, Greece, Hungary, India, Kenya, Lebanon, Malaysia, Mexico, Nigeria, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Romania, Sri Lanka, Thailand, Turkey.	Australia, Bahrain, Belgium, Brunei, Canada, Denmark, Finland, France, Germany, Hong Kong, Israel, Italy, Japan, Korea, Kuwait, Luxembourg, New Zealand, Norway, Netherlands, Oman, Qatar, Switzerland, South Spain, Saudi Arabia, Singapore, Sweden, Singapore, United Arab Emirates, United Kingdom, United States.



## Corporate Policies and Procedures

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### Exhibit F

<b>Function</b>	<b>Leader</b>
Members of the Executive Management Committee	Chief Executive Officer
Sales, Marketing and Business Development, or any staff of a CAE business segment	Group President (Civil or D&S) or President, CAE Healthcare
Finance	Chief Financial Officer
Human Resources	VP Human Resources
Legal/Compliance	Chief Compliance Officer
Engineering	VP Engineering
Communications	VP Global Communications



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**Exhibit G**

**Sample list of customers owned or partially owned by the government:**

- Aeroflot
- Air Algerie
- Air Arabia
- Air China
- Air China Southwest
- Air India
- Air Malta
- Air New Zealand
- Alitalia
- Australian Airlines
- AZAL Avia Cargo
- Bulgaria Air
- China Airlines
- China Southern
- China Eastern
- China United Airlines
- EgyptAir
- Emirates
- Ethiopian Airways
- Etihad Airways
- Finnair
- Garuda Indonesia
- Gulf Air
- Hainan Airlines
- Hindustan Aviation
- Israel Aerospace Industries
- Kuwait Airways
- Malaysia Airlines
- Middle East Airlines
- Pakistan International Airlines
- Piper
- Oman Air
- Qatar Airways
- Royal Brunei Airlines
- Saudia
- Singapore Airlines
- Shanghai Airlines
- South African Airways
- Sukhoi
- Thai Airways International
- Turkmenistan
- US Air Force
- US Navy
- PEOSTRI
- Royal Canadian Air Force
- Royal Australian Air Force
- Royal Air Force
- Italy Air Force
- German Air Force
- Poland Air Force
- Royal Saudi Air Force
- UAE Joint Air Command
- Kuwait Air Force
- Republic of Singapore Air Force