



**CAE INC.**  
**MEMBERSHIP AND RESPONSIBILITIES OF THE**  
**HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS**

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**MEMBERSHIP AND QUORUM**

The Human Resources Committee (the “Committee”) of CAE Inc. (the “Company”) shall consist of not less than four (4) 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 taking into consideration applicable laws, regulations and other requirements applicable to such determination. Members of the Committee should possess a mix of experiences and skills to provide an appropriate balance for the performance of the duties of the Committee, including with respect to executive compensation.

The Chair of the Committee and its members shall be elected annually by the Board of Directors following recommendation of the Chair of the Board and the Governance Committee. If the designated Chair of the Committee is unable to attend a Committee meeting, the other Committee members present may elect a replacement Chair for that meeting.

A majority of members of the Committee shall constitute a quorum.

**RESPONSIBILITIES**

The Committee shall be an advisory committee to the Board of Directors. The Committee shall fulfill the responsibilities assigned by the Board by working closely and cooperatively with such officers and employees of the Company as the Committee considers to be necessary to cover all compensation matters and financial rewards, including salary plans, incentive compensation programs, pensions and other benefit programs of CAE and its material subsidiaries generally described as follows:

1. Review and approve the design and administration of executive compensation and benefit programs, balancing the interests of shareholders with the Company’s ability to attract, retain and appropriately reward its executives in the parent Company and its subsidiaries. This includes the administration of any long term incentive plan of the Company for employees of the Company and its subsidiaries and the Committee shall have full power to construe and interpret such plans; establish and amend rules and regulations for their administration; set performance metrics for incentive plans; and perform all other acts relating to such plans that it believes reasonable and proper. For greater certainty, an Executive includes all the Officers, Group Presidents, Executive Vice-Presidents and other Vice-Presidents of the Company and all Presidents/Managing Directors of material subsidiaries of the Company.

Also, the Committee shall assess the extent to which performance goals are met when determining awards under the Company's short and long-term incentive plans. Furthermore, the Committee shall review and approve the choice of performance measures, and the target level of performance required to earn awards under the above mentioned plans.

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.

2. Review and approve the engagement of consultants to independently advise the Committee on compensation and benefit programs. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by it. The Company shall provide appropriate funding for the payment of reasonable compensation to advisers retained by the Committee.

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

- (i) the provision of other services to the Company by the employer of the compensation consultant, legal counsel or other adviser,
- (ii) the amount of fees received from the Company by the employer of the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser,
- (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,
- (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee,
- (v) any shares of the Company owned by the compensation consultant, legal counsel or other adviser, and
- (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.

In addition, the NYSE requires consideration of all factors relevant to an adviser's independence.

3. Review and approve at least every other year the comparator group for executive compensation and benefits benchmarking purposes.

4. From time to time, as required, meet with one or more material shareholders of the Company to discuss the Company's executive compensation and benefits.
5. Report to the Board of Directors concerning the Committee's actions and decisions, including changes in compensation and benefit plans that would materially affect the Company's financial performance, operating risks or long-term obligations.
6. Review annually and report to the Board concerning the Company's senior management succession and retention plan.

#### **SPECIFIC REVIEWS AND APPROVALS**

##### **Executive Compensation**

7. Review and approve on behalf of the Board management's recommendations, except as relates to the President and Chief Executive Officer, for annual compensation for current Executives.

##### **Executive Short and Long-Term Incentives**

8. (i) Review and approve all changes to the Company's long-term incentive plans;
- (ii) Review and approve all awards under the Company's short and long-term incentive plans;
- (iii) Review short and long term incentive plans to ensure that these are not designed for management to take inappropriate risks; and
- (iv) Review and approve any Executive change of control contracts, special benefit awards and any other Executive financial arrangements or changes thereto.

##### **President and Chief Executive Officer Compensation**

9. (i) Recommend or approval by the Board the process and criteria by which the annual and long-term performance of the President and Chief Executive Officer may be assessed, including the corporate goals and objectives relevant to CEO compensation;
- (ii) Provide an annual evaluation of the performance of the President and Chief Executive Officer for the Board's consideration, and review and make a recommendation to the Board for the approval of the salary, short-term and long-term incentive award for the President and Chief Executive Officer;
- (iii) Review, and if appropriate recommend for approval to the Board any agreements between the Company and the CEO including those addressing retirement, termination of employment or special circumstances eg. Change of control provisions, as appropriate.

## **Appointment of President and Chief Executive Officer, Succession Planning and Leadership Talent Development**

10. (i) Consider and recommend for approval by the Board the appointment of the President and Chief Executive Officer;
- (ii) Review annual Succession Plan and Leadership Development process for Executive Positions, including for the President and Chief Executive Officer;
- (iii) Review Talent Pipeline and Development plans for backups to Executive positions;
- (iv) Review activities to develop top talent across the organization.

## **Pension Plans**

11. (i) Review and approve all changes or amendments to the Supplementary Pension, Designated Executive Pension Plan, Employee Pension Plan, U.S. 401(K) Retirement Savings Plans and any other material pension arrangement affecting the Company and/or its subsidiaries (a “Pension Plan”);
- (ii) Approve at least annually or as required the target asset mix of Canadian domiciled Pension Plans based on the Company’s Investment Committee’s analysis and recommendation(s);
- (iii) Review annually the mandate of the Company Pension Investment Committee, meeting minutes and status of non-material Pension Plans (*i.e.* plans with less than \$10M in assets).

## **Environment, Health & Safety (EHS)**

12. (i) Review quarterly the EHS strategy implementation and key risk mitigants;
- (ii) Review quarterly EHS statistics, incidents and corrective actions.

## **Other**

13. Produce (with support from management or as otherwise required) and recommend for approval by the Board of Directors the Compensation Discussion & Analysis included as part of the Company’s Annual Proxy Information Circular and/or any other public disclosure document.
14. The Committee will review annually with the Company’s senior management and/or the Vice President Human Resources the Company’s:
  - (i) labour relations status;
  - (ii) the level of stock ownership by Executives of the Company;

- (iii) financial targets for the next fiscal year as applicable to any compensation plans;
- (iv) the President and Chief Executive Officer's annual objectives;
- (v) Executive benefit plans.

15. The Committee shall review and assess the adequacy of its mandate annually, report to the Board of Directors thereon and recommend any proposed changes to the Board of Directors for approval. The Committee shall also perform an annual evaluation of the performance of the Committee and shall report to the Chair of the Governance Committee of the Board of Directors thereon.

### **ROLE OF THE CHAIR**

- (i) Approve the meeting agenda and ensure preparation and circulation of material to members with sufficient time prior to the meeting;
- (ii) Preside at meetings;
- (iii) Ensure committee effectiveness, teamwork and productive outcome(s);
- (iv) Ensure appropriate partnering with the CEO and the Vice President Human Resources;
- (v) Act as liaison between the Committee and the Board.

### **MEETINGS**

The Committee shall meet at such times as deemed necessary by the Committee Chair, the Chair of the Board, the Chief Executive Officer or any two members of the Committee. The Committee will meet no less than three times annually following a series of pre-planned agendas developed with management to fit into the Company's normal operating patterns for review and adjustments of plans, policies and compensation awards. These meetings will normally be scheduled in conjunction with the regular meeting dates of the Board of Directors. The Committee shall meet at the end of every meeting without the presence of management.

*February 14, 2017*