



Employee Stock Purchase Plan (ESPP)

Canada Edition

Building our future
together!

CAE

CAE Employee Stock Purchase Plan

A chance to take part in our company's financial success by becoming a shareholder!



The CAE Employee Stock Purchase Plan (the Plan) gives you the opportunity to become a CAE shareholder and benefit from the company's financial success by purchasing CAE stock throughout the year.

To help your assets grow, CAE will match 50% of your contributions on the first 6% of your base salary.

Becoming a CAE shareholder

You are eligible to participate in the ESPP as a regular full-time or on-call employee, or as a regular part-time employee working at least 20 hours per week.

By purchasing CAE shares, you become a shareholder of the company and may participate in its future success.

The mechanics of the program are simple:

- You decide on the amount to contribute (up to 18% of your base salary). You can change your contribution level at any time.
- CAE matches 50% of the first 6% you contribute (CAE's contribution can reach up to 3% of your base salary).
- Shareworks by Morgan Stanley at Work, the plan administrator, uses these contributions to purchase CAE stock at the market price on your behalf.

The shares purchased with your contributions are yours immediately. The shares purchased with CAE matching contributions are subject to a one-year holding period.

Steps to join the Plan:

1 Access Shareworks website through **CAE MyBenefits** via [MyApps](#) under the Employee Share Purchase Plan tile.

2 Click on "**Open Account**" on the top right of the page and login with your CAE email address.

3 Enrol by following the **instructions** on the website.

***Note:** Depending on your location and on the account, you chose to deposit your contributions, you may have to complete a beneficiary designation form.*

- You will need your **Workday employee number** or your **date of birth** to log into the website for the first time.
- When you initially become eligible, Shareworks will also send you an **email with instructions** to access its website.

You can change your contribution level or take a contribution break at any time through Shareworks' website.

Access and manage your equity and tax documents anytime, anywhere with the **Shareworks application**, available on iOS and Android.

Did you know?

As a CAE investor, you will receive regular updates from the company on matters that require a holder vote. Each share you own gives you the right to one vote at CAE's annual meeting, and at any other shareholder meeting.

Need help? Contact Shareworks through the CAE benefits call centre at **1-888-878-9636**, option 5 after selecting your preferred language.



Taking part in the company's financial success

The ESPP is an element of your total compensation package that can help you meet your personal savings goals, such as purchasing your first home or increasing your retirement income.

As with all stock, the value of CAE stock fluctuates over time, based on multiple factors, such as:

- CAE's performance
- Economic context
- Investor perception of CAE's value

Depending on CAE's financial performance, dividends may be issued up to four times a year. Dividends are a portion of CAE's profits that are redistributed amongst all shareholders.

Whenever dividends are issued, the plan administrator, Shareworks, will automatically reinvest them in buying more CAE shares on your behalf.



CAE and your overall investment portfolio

CAE's stock is like any stock, and it may fluctuate over time. Therefore, it should be a part of a diversified investment strategy.

Keep in mind that a sound financial plan takes into account your specific situation, your capacity and desire to save, and your personal goals. It's a good idea to have a financial plan and review it on a regular basis.

Like any other Employee Stock Purchase Plans, CAE's ESPP fits into most financial plans as an element of diversification, to spread the investment risk. It is especially advantageous since CAE matches part of your contributions. How much you should invest under the Plan depends on several factors, including the funds you have available, your overall financial situation, your personal objectives, and your capacity to tolerate risk.

We recommend that you speak to a qualified financial advisor as part of your decision to join the Plan.

Benefiting from a tax shelter option for your investments

Employee contributions

Choice of **3** accounts



RRSP TFSA ESPP

Employer contributions

Choice of **2** accounts



DPSP ESPP

Employee contributions

Tax preferred ★

Registered Retirement Savings Plan (RRSP)

Your contributions are calculated on your base salary before taxes and reduce your taxable income at source.

On withdrawal, the entire amount (including dividends and capital gain) will be taxable.

Contributions are subject to a maximum contribution* established by the Canada Revenue Agency, which considers all contributions made by you through the ESPP, or any other RRSP, including CAE and privately held RRSPs.

Tax-free Savings Account (TFSA)

Your contributions are calculated on your base salary before taxes and **do not** reduce your taxable income at source.

On withdrawal, the entire amount (including dividends and capital gain) will **not** be taxable. Your assets grow in a tax-shelter.

Contributions are subject to a maximum contribution* established by the Canada Revenue Agency, which considers all contributions made to privately held TFSAs.

Employer contributions

Deferred Profit-sharing Plan (DPSP)

Your contributions are calculated on your base salary before taxes and reduce your taxable income at source.

On withdrawal, the entire amount (including dividends and capital gain) will be taxable.

Contributions to your DPSP are considered as a Pension Adjustment and will be reflected on your T4 and R-1*.

Employee & employer contributions

Non-registered Stock Account (ESPP)

Your contributions are calculated on your base salary before taxes and **do not** reduce your taxable income at source.

CAE's contributions are considered a taxable benefit (you pay income tax on them).

Dividends are taxable in the year they are received (however, you will benefit from the dividend tax credit).

On withdrawal, only 50% of the capital gain resulting from an increase in the stock value will be taxable.

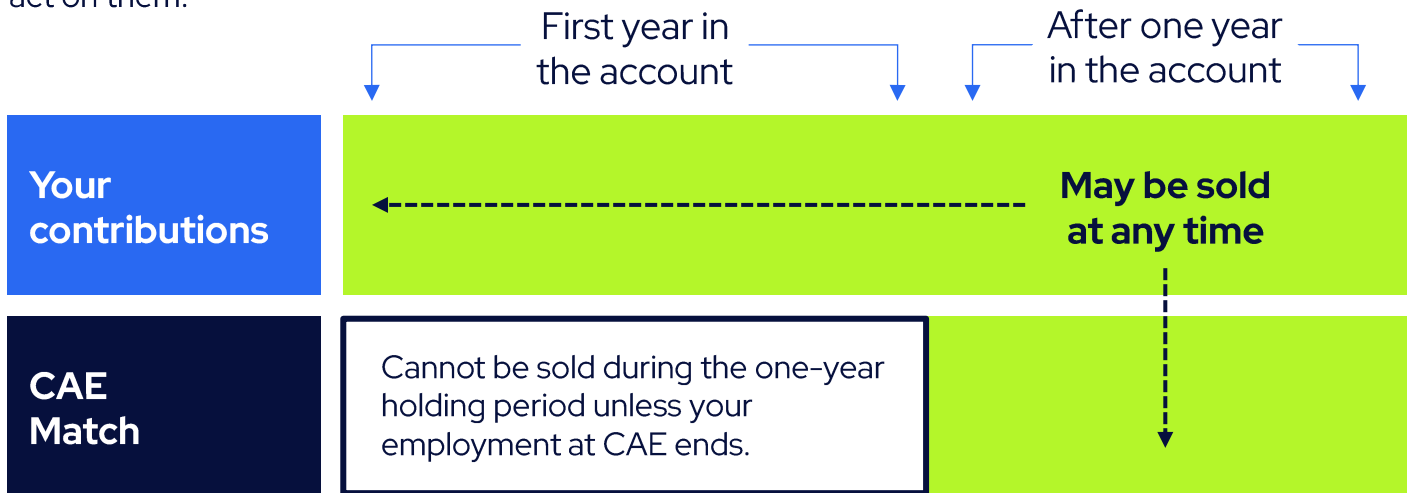
There is no contribution limit from a tax perspective (the Plan has an 18% cap for your contributions, plus the 3% employer match).

★ Tax preferred

**For more detailed information on contribution limits and tax implications for the RRSP, the TFSA and DPSP, please refer to the [Canada Revenue Agency's website](#).*

Using your savings towards your goals

Depending on your investment strategy, you may decide to sell or transfer your shares at any time. Note, however, that while all shares purchased with your contributions are immediately yours, shares purchased with CAE contributions must remain in your account for a one-year period before you can act on them.



Did you know?

CAE pays all costs related to the **purchase of shares**, including brokerage fees and administrative fees, whether the shares are purchased using employee contributions or employer contributions.

CAE also covers the expenses for one transaction (**sale or transfer**) per calendar year.

Retrieve your tax documents for tax season

CAE's contribution is reported annually for tax purposes through specific tax forms issued by Shareworks. These amounts are subject to the applicable **federal** and **provincial** income taxes.

- For **Federal income tax**, CAE's contribution is reported on a **T4PS** tax form (Box 35 – Other employment income).
- For **Quebec residents**, CAE's contribution is reported on a **Relevé 25** tax form (Box D – Other amounts allocated or paid).

If applicable, employees will receive an email notification to their CAE email address or personal email address, if available, as soon as the tax forms are available on the Shareworks website. The tax forms are available on Shareworks platform under the Tax Document tab within the Documents section. No tax form is issued if the employee only contributes to or receives dividends in the TFSA, the employer only contributes to or receives dividends in the DPSP, and there are no share sales or deregistrations, as there is no taxable event.

Changing your contribution

You can change your contribution level or take a contribution break at any time through Shareworks' website. CAE's match will automatically be recalculated based on your new contribution percentage.

Whenever you stop actively being at work, the following rules apply:

Paid leave of absence

Your account remains active, and your contributions, as well as CAE's match will continue, unless you elect otherwise.

Unpaid leave of absence and disability

Your account remains active, but your contributions, as well as CAE contributions, cease until you return to work.

Maternity, paternity and parental leaves

Your account remains active, and you may continue contributing to the Plan. If you choose to do so, you will continue to benefit from CAE's match. Note that, during the leave period, CAE's matching contribution will be allocated exclusively to the non-registered account, regardless of the allocation selected in your profile. If you had selected the DPSP for CAE's contribution, this allocation will automatically resume upon your return to work. Please be aware that this may result in tax implications. Please refer to the applicable policy for more details.

Fees for selling or transferring shares

CAE covers the costs associated with one (1) transaction per calendar year, whether the transaction involves the sale or transfer of shares.

You will pay the fees for any additional transactions completed within the same year, in accordance with Shareworks' applicable fee schedule at the time.

To determine the fees that may apply to a specific transaction, you may simulate a sale or share transfer directly within the Shareworks platform. The applicable fees will be clearly displayed in the transaction summary (sale breakdown) prior to final confirmation.

For any questions regarding your account or transactions, contact Shareworks call centre directly.

Termination of employment

- If your employment at CAE ends (for any reason, including retirement), your **participation** in the ESPP **will automatically end at your termination date or legal notice end date**. **All shares**, including shares purchased with CAE contributions less than one-year prior termination, will become **available**.
- You will have **120 days to sell or transfer your shares following the end of your participation in the Plan**. If you do **not** act, **Shareworks will** automatically **sell your non-registered shares** and send you a cheque for the net proceeds of the sale.

Holding after termination of employment

After your employment ends, your Shareworks profile will be updated the **following week** based on the information that feeds to Shareworks from Workday. This update will release any remaining shares that are still subject to holding requirements.

Important:

Depending on the payroll schedule, it may take an additional three weeks for any further eligible shares to be added to your profile.

If you have questions about the availability of your shares or the processing of your final contributions, you may contact the **Shareworks Call Centre** for assistance.

Questions?

- Contact Shareworks through the CAE benefits call centre at **1-888-878-9636**, option 5 after selecting your preferred language.