

# Management's Discussion and Analysis

For the years ended September 30, 2021 and 2020



**November 10, 2021**

## **BASIS OF PRESENTATION**

This Management's Discussion and Analysis of the Financial Position and Results of Operations (MD&A) is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility mainly through its Audit and Risk Management Committee, which is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors.

Throughout this document, CGI Inc. is referred to as "CGI", "we", "us", "our" or "Company". This MD&A provides information management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. This document should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended September 30, 2021 and 2020. CGI's accounting policies are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). All dollar amounts are in Canadian dollars unless otherwise noted.

## **MATERIALITY OF DISCLOSURES**

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information to be important in making an investment decision.

## **FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable United States safe harbours. All such forward-looking information and statements are made and disclosed in reliance upon the safe harbour provisions of applicable Canadian and United States securities laws. Forward-looking information and statements include all information and statements regarding CGI's intentions, plans, expectations, beliefs, objectives, future performance, and strategy, as well as any other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts. Forward-looking information and statements often but not always use words such as "believe", "estimate", "expect", "intend", "anticipate", "foresee", "plan", "predict", "project", "aim", "seek", "strive", "potential", "continue", "target", "may", "might", "could", "should", and similar expressions and variations thereof. These information and statements are based on our perception of historic trends, current conditions and expected future developments, as well as other assumptions, both general and specific, that we believe are appropriate in the circumstances. Such information and statements are, however, by their very nature, subject to inherent risks and uncertainties, of which many are beyond the control of the Company, and which give rise to the possibility that actual results could differ materially from our expectations expressed in, or implied by, such forward-looking information or forward-looking statements. These risks and uncertainties include but are not restricted to: risks related to the market such as the level of business activity of our clients, which is affected by economic and political conditions, other external risks (such as pandemics) and our ability to negotiate new contracts; risks related to our industry such as competition and our ability to attract and retain qualified employees, to develop and expand our services, to penetrate new markets, and to protect our intellectual property rights; risks related to our business such as risks associated with our growth strategy, including the integration of new operations, financial and operational risks inherent in worldwide operations, foreign exchange risks, income tax laws and other tax programs, our ability to negotiate favourable contractual terms, to deliver our services and to collect receivables, the reputational and financial risks attendant to cybersecurity breaches and other incidents, and financial risks such as liquidity needs and requirements, maintenance of financial ratios, and changes in creditworthiness and credit ratings; as well as other risks identified or incorporated by reference in this MD&A and in other

documents that we make public, including our filings with the Canadian Securities Administrators (on SEDAR at [www.sedar.com](http://www.sedar.com)) and the U.S. Securities and Exchange Commission (on EDGAR at [www.sec.gov](http://www.sec.gov)). For a discussion of risks in response to the coronavirus (COVID-19) pandemic, see Pandemic risks in section 10.1.1. of the present document. Unless otherwise stated, the forward-looking information and statements contained in this MD&A are made as of the date hereof and CGI disclaims any intention or obligation to publicly update or revise any forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. While we believe that our assumptions on which these forward-looking information and forward-looking statements are based were reasonable as at the date of this MD&A, readers are cautioned not to place undue reliance on these forward-looking information or statements. Furthermore, readers are reminded that forward-looking information and statements are presented for the sole purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. Further information on the risks that could cause our actual results to differ significantly from our current expectations may be found in section 10 - Risk Environment, which is incorporated by reference in this cautionary statement. We also caution readers that the risks described in the previously mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.

## NON-GAAP AND KEY PERFORMANCE MEASURES

The reader should note that the Company reports its financial results in accordance with IFRS. However, we use a combination of financial measures, ratios, and non-GAAP measures to assess the Company's performance. The non-GAAP measures used in this MD&A do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

The table below summarizes our non-GAAP measures and most relevant key performance measures:

<b>Profitability</b>	<p><b>Adjusted EBIT</b> (non-GAAP) – is a measure of earnings excluding acquisition-related and integration costs, restructuring costs, net finance costs and income tax expense. Management believes this measure is useful to investors as it best reflects the performance of the Company's activities and allows for better comparability from period to period as well as to trend analysis. A reconciliation of the adjusted EBIT to its closest IFRS measure can be found in section 3.7. of the present document.</p> <p><b>Adjusted EBIT margin</b> (non-GAAP) – is obtained by dividing our adjusted EBIT by our revenue. Management believes this measure is useful to investors as it best reflects the performance of its activities and allows for better comparability from period to period as well as to trend analysis. A reconciliation of the adjusted EBIT to its closest IFRS measure can be found in section 3.7. of the present document.</p> <p><b>Net earnings</b> – is a measure of earnings generated for shareholders.</p> <p><b>Net earnings margin</b> (non-GAAP) – is obtained by dividing our net earnings by our revenues. Management believes a percentage of revenue measure is meaningful for better comparability from period to period.</p> <p><b>Diluted earnings per share</b> (diluted EPS) – is a measure of net earnings generated for shareholders on a per share basis, assuming all dilutive elements are exercised. Please refer to note 21 of our audited consolidated financial statements for additional information on earnings per share.</p> <p><b>Net earnings excluding specific items</b> (non-GAAP) – is a measure of net earnings excluding acquisition-related and integration costs, restructuring costs and tax adjustments. Management believes this measure is useful to investors as it best reflects the Company's performance and allows for better comparability from period to period. A reconciliation of the net earnings excluding specific items to its closest IFRS measure can be found in section 3.8.3. of the present document.</p> <p><b>Net earnings margin excluding specific items</b> (non-GAAP) – is obtained by dividing our net earnings excluding acquisition-related and integration costs, restructuring costs and tax adjustments by our revenues. Management believes this measure is useful to investors as it best reflects the Company's performance and allows for better comparability from period to period. A reconciliation of the net earnings excluding specific items to its closest IFRS measure can be found in section 3.8.3. of the present document.</p> <p><b>Diluted earnings per share excluding specific items</b> (non-GAAP) – is defined as the net earnings excluding specific items on a per share basis. Management believes that this measure is useful to investors as it best reflects the Company's performance on a per share basis and allows for better comparability from period to period. The diluted earnings per share reported in accordance with IFRS can be found in section 3.8. of the present document while the basic and diluted earnings per share excluding specific items can be found in section 3.8.3. of the present document.</p>
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	<p><b>Effective tax rate excluding specific items</b> (non-GAAP) - is obtained by dividing income tax expense, excluding tax deductions on acquisition-related and integration costs and restructuring costs and tax adjustments, by earnings before income taxes excluding specific items. Management believes that this measure allows for better comparability from period to period. A reconciliation of the effective tax rate excluding specific items to its closest IFRS measure can be found in section 3.8.3. of the present document.</p>
<b>Liquidity</b>	<p><b>Cash provided by operating activities</b> – is a measure of cash generated from managing our day-to-day business operations. Management believes strong operating cash flow is indicative of financial flexibility, allowing us to execute the Company's strategy.</p> <p><b>Days sales outstanding (DSO)</b> (non-GAAP) – is the average number of days needed to convert our trade receivables and work in progress into cash. DSO is obtained by subtracting deferred revenue from trade accounts receivable and work in progress; the result is divided by our most recent quarter's revenue over 90 days. Management tracks this metric closely to ensure timely collection and healthy liquidity. Management believes this measure is useful to investors as it demonstrates the Company's ability to timely convert its trade receivables and work in progress into cash.</p>
<b>Growth</b>	<p><b>Constant currency growth</b> (non-GAAP) – is a measure of revenue growth before foreign currency translation impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. Management believes that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance and that this measure is useful to investors for the same reason.</p> <p><b>Backlog</b> (non-GAAP) – includes new contract wins, extensions and renewals (bookings (non-GAAP)), adjusted for the backlog consumed during the period as a result of client work performed, cancellation and the impact of foreign currencies to our existing contracts. Bookings and backlog incorporate estimates from management that are subject to change. Management tracks this measure as it is a key indicator of our best estimate of contracted revenue to be realized in the future and believes that this measure is useful to investors for the same reason.</p> <p><b>Book-to-bill ratio</b> (non-GAAP) – is a measure of the proportion of the value of our bookings to our revenue in the period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time and management believes that this measure is useful to investors for the same reason. Management's objective is to maintain a target ratio greater than 100% over a trailing twelve-month period. Management believes that monitoring the Company's bookings over a longer period is a more representative measure as the services and contract type, size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.</p>
<b>Capital Structure</b>	<p><b>Net debt</b> (non-GAAP) – is obtained by subtracting from our debt and lease liabilities, our cash and cash equivalents, short-term investments, long-term investments and adjusting for fair value of foreign currency derivative financial instruments related to debt. Management uses the net debt metric to monitor the Company's financial leverage and believes that this metric is useful to investors as it provides insight into its financial strength. A reconciliation of net debt to its closest IFRS measure can be found in section 4.5. of the present document.</p> <p><b>Net debt to capitalization ratio</b> (non-GAAP) – is a measure of our level of financial leverage and is obtained by dividing the net debt by the sum of shareholder's equity and net debt. Management uses the net debt to capitalization ratio to monitor the proportion of debt versus capital used to finance the Company's operations and to assess its financial strength. Management believes that this metric is useful to investors for the same reasons.</p>

**Return on equity (ROE)** (non-GAAP) – is a measure of the rate of return on the ownership interest of our shareholders and is calculated as the proportion of net earnings for the last 12 months over the last four quarters' average shareholder's equity. Management looks at ROE to measure its efficiency at generating net earnings for the Company's shareholders and how well the Company uses the invested funds to generate net earnings growth and believes that this measure is useful to investors for the same reasons.

**Return on invested capital (ROIC)** (non-GAAP) – is a measure of the Company's efficiency at allocating the capital under its control to profitable investments and is calculated as the proportion of the net earnings excluding net finance costs after-tax for the last 12 months, over the last four quarters' average invested capital, which is defined as the sum of shareholder's equity and net debt. Management examines this ratio to assess how well it is using its funds to generate returns and believes that this measure is useful to investors for the same reason.

## REPORTING SEGMENTS

The Company is managed through nine operating segments, namely: Western and Southern Europe (primarily France and Portugal); United States (U.S.) Commercial and State Government; Canada; U.S. Federal; United Kingdom (U.K.) and Australia; Central and Eastern Europe (primarily Germany and the Netherlands); Scandinavia; Finland, Poland and Baltics; and Asia Pacific Global Delivery Centers of Excellence (mainly India and Philippines) (Asia Pacific). Please refer to sections 3.4., 3.6., 5.4. and 5.5. of the present document and to note 28 of our audited consolidated financial statements for additional information on our segments.

## MD&A OBJECTIVES AND CONTENTS

In this document, we:

- Provide a narrative explanation of the audited consolidated financial statements through the eyes of management;
- Provide the context within which the audited consolidated financial statements should be analyzed, by giving enhanced disclosure about the dynamics and trends of the Company's business; and
- Provide information to assist the reader in ascertaining the likelihood that past performance may be indicative of future performance.

In order to achieve these objectives, this MD&A is presented in the following main sections:

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# 1. Corporate Overview

## 1.1. ABOUT CGI

Founded in 1976 and headquartered in Montréal, Canada, CGI is among the largest information technology (IT) and business consulting services firms in the world. The Company delivers a full range of services, including business consulting, strategic IT and systems integration, managed IT and business process services, and intellectual property to help clients accelerate digitization, achieve immediate cost savings, and drive revenue growth. CGI employs approximately 80,000 consultants and professionals worldwide, whom are called members as they are also owners through our Share Purchase Plan.

### End-to-end services and solutions

CGI delivers end-to-end services that cover the full spectrum of technology delivery; from digital strategy and architecture to solution design, development, integration, implementation, and operations. Our portfolio encompasses:

- i. **Business consulting, strategic IT consulting and systems integration:** CGI helps clients define their digital strategy and roadmap, and advance their IT modernization initiatives through an agile, iterative approach that facilitates innovation, connection and optimization of mission-critical systems to deliver enterprise-wide changes.
- ii. **Managed IT and business process services:** Our clients entrust us with full or partial responsibility for their IT and business functions to help them become more agile and to build resilience into their technology supply chains. In return, we deliver innovation, significant efficiency gains, and cost savings. Typical services in an end-to-end engagement include: application development, integration and maintenance; technology infrastructure management; and business process services, such as collections and payroll management. Managed IT and business process services contracts are long-term in nature, with a typical duration greater than five years, allowing our clients to reinvest savings, alongside CGI, in their digital transformation.
- iii. **Intellectual property (IP):** Designed in collaboration with clients, our IP solutions act as business accelerators for the industries we serve. These include business solutions, some of which are cross industry, encompassing commercial software embedded within our end-to-end-services, and digital enablers such as methodologies and frameworks to drive change across business and IT processes. IP solutions are embedded within Business consulting, strategic IT consulting and systems integration, as well as within Managed IT and business process services.

### Deep industry expertise

CGI has long-standing and focused practices in all of its core industries, providing clients with a partner that is not only an expert in IT, but also an expert in their respective industries. This combination of business knowledge and digital technology expertise allows us to help our clients navigate complex challenges and focus on how to create value. In the process, we evolve the services and solutions we deliver within our targeted industries.

Our targeted industries include communications and media, energy and utilities, banking, insurance, government and space, health and life sciences, manufacturing, retail and consumer, transportation and logistics. While these represent our go-to-market industry targets, we group these industries into the following for reporting purposes: communications and utilities; financial services; government; health; and manufacturing retail and distribution (MRD).

As the move toward digitization continues across industries, CGI partners with clients to help guide them in becoming customer and citizen-centric digital organizations.

### Applied innovation

At CGI, innovation happens across many interconnected fronts. It starts in our everyday work on client projects, where innovations are applied daily. Through benchmark in-person interviews we conduct each year, business and technology executives share their priorities with us, informing our own innovation investments and driving our client proximity teams' focus on local client priorities.

Since 1976, CGI has been a trusted partner in delivering innovative, client-inspired business services and solutions. We help develop, innovate and protect the technology that enables clients to achieve their digital transformation goals faster, with reduced risk and enduring results.

We partner with clients to enable their business agility through a range of business and digital initiatives focused on human capital and culture practices, process automation, and data analytics. Technology is a key element of the value chains of organizations today. We help clients adopt and harmonize a number of technologies and services, such as cloud, automation, and managed services to build agility, elasticity, security and resiliency into their technology supply chains.

Digital engagement with customers and stakeholders has taken on new importance. We help clients evaluate their work culture, organizational models, and performance management, as well as adopt modern collaboration and resilient business continuity plans.

Technology will continue to be at the heart of the future value chains that serve our clients' consumers and stakeholders.

### **Quality processes**

CGI's clients expect consistency of service wherever and whenever they engage us. We have an outstanding track record of on-time, within-budget delivery as a result of our commitment to excellence and our robust governance model - CGI's Management Foundation. CGI's Management Foundation provides a common business language, frameworks and practices for managing operations consistently across the globe, driving a focus on continuous improvement. We also invest in rigorous quality and service delivery standards (including the International Organization for Standardization (ISO) and Capability Maturity Model Integration (CMMI) certification programs), as well as a comprehensive Client Satisfaction Assessment Program, with signed client assessments, to ensure high satisfaction on an ongoing basis.

## **1.2. VISION AND STRATEGY**

CGI is unique compared to most companies, as our vision is based on a dream: "To create an environment in which we enjoy working together and, as owners, contribute to building a company we can be proud of." This dream has motivated us since our founding in 1976 and drives our vision: "To be a global, world-class end-to-end IT and business consulting services leader helping our clients succeed."

In pursuing our dream and vision, CGI has been highly disciplined throughout its history in executing a Build and Buy profitable growth strategy comprised of four pillars that combine profitable organic growth (Build) and accretive acquisitions (Buy):

**Pillar 1:** Win, renew and extend contracts

**Pillar 2:** New large managed IT and business process services contracts

These first two pillars relate to driving profitable organic growth through the pursuit of contracts with new and existing clients in our targeted industries. Successes in these pillars reflect the strength of our end-to-end portfolio of capabilities, the depth of expertise of our consultants in business and IT, and the appreciation of the proximity model by our clients, both existing and potential.

**Pillar 3:** Metro market acquisitions

The third pillar focuses on growth through metro market acquisitions, complementing the proximity model, helping provide a fuller range of end-to-end services. We identify metro market acquisitions through a strategic qualification process that systematically searches for targets to strengthen our proximity model, leveraging strong local relationships with customers, and enhancing our industry expertise, services and solutions.

**Pillar 4:** Large, transformational acquisitions

We also pursue large acquisitions to further expand our geographic presence and critical mass, which enables us to compete for large managed IT and business process services contracts and broaden our client relationships. CGI will continue to be a consolidator in the IT services industry by being active on both of these last pillars.

## Executing our strategy

CGI's strategy is executed through a unique business model that combines client proximity with an extensive global delivery network to deliver the following benefits:

- **Local relationships and accountability:** We live and work near our clients to provide a high level of responsiveness, partnership, and innovation. Our local CGI members speak our clients' language, understand their business environment, and collaborate to meet their goals and advance their business.
- **Global reach:** Our local presence is complemented by an expansive global delivery network that ensures our clients have 24/7 access to best-fit digital capabilities and resources to meet their end-to-end needs. In addition, clients benefit from our unique combination of industry domain and technology expertise within our global delivery model.
- **Committed experts:** One of our key strategic goals is to be our clients' partner and expert of choice. To achieve this, we invest in developing and recruiting professionals with extensive industry, business and in-demand technology expertise. In addition, a majority of CGI consultants and professionals are also owners through our Share Purchase Plan, which, combined with the Profit Participation Plan, provide an added level of commitment to the success of our clients.
- **Comprehensive quality processes:** CGI's investment in quality frameworks and rigorous client satisfaction assessments has resulted in a consistent track record of on-time and within-budget project delivery. With regular reviews of engagements and transparency at all levels, the Company ensures that client objectives and its own quality objectives are consistently followed at all times. This thorough process enables CGI to generate continuous improvements for all stakeholders by applying corrective measures as soon as they are required.
- **Corporate social responsibility:** At CGI, we are committed to contributing to the development of an inclusive, collaborative and sustainable world. Corporate social responsibility (CSR) is one of our long-held core values and one of our strategic goals is to be recognized by our clients, members and shareholders as an engaged and responsible corporate citizen within our communities. In 2021, we accelerated our Corporate Social Responsibility engagement through various key initiatives, including the release of our global CSR report, and by committing to achieve net-zero carbon emissions by 2030.

### 1.3. COMPETITIVE ENVIRONMENT

In today's digital era, there is a competitive urgency for organizations across industries to become digital in a sustainable way. The pressure is on to modernize legacy assets and connect them to digital business and operating models. Central to this massive transformation is the evolving role of technology. Traditionally viewed as an enabler, technology is now recognized also as a driver of business transformation. The promise of digital creates an enormous opportunity to transform organizations end-to-end, and CGI is well-positioned to serve as a digital partner and expert of choice. We are working with clients across the globe to implement digital strategies, roadmaps and solutions that revolutionize their customer/citizen experience, drive the launch of new products and services, and deliver efficiencies and cost savings.

As the demand for digitalization increases, competition within the global IT industry is intensifying. CGI's competition is comprised of a variety of players, from metro market companies providing specialized services and software, to global end-to-end IT service providers, to large consulting firms and government pure-plays. All of these players are competing to deliver some or all of the services we provide.

Many factors distinguish the industry leaders, including the following:

- Depth and breadth of industry and technology expertise;
- Local presence and strength of client relationships;
- Consistent, on-time, within-budget delivery everywhere the client operates;
- Breadth of digital IP solutions;
- Ability to deliver practical innovation for measurable results;
- Total cost of services and value delivered; and
- Unique global delivery network, including onshore, nearshore and offshore options.

CGI is one of the leaders in the industry with respect to all of these factors. We are not only delivering all of the capabilities clients need to compete in a digital world, but the immediate results and long-term value they expect. As the market dynamics and industry trends continue to increase demand for enterprise solutions from global, end-to-end IT and business consulting services firms, CGI is one of few firms with the scale, reach, and capabilities to meet clients' enterprise needs.

## 2. Highlights and Key Performance Measures

### 2.1. SELECTED YEARLY INFORMATION & KEY PERFORMANCE MEASURES

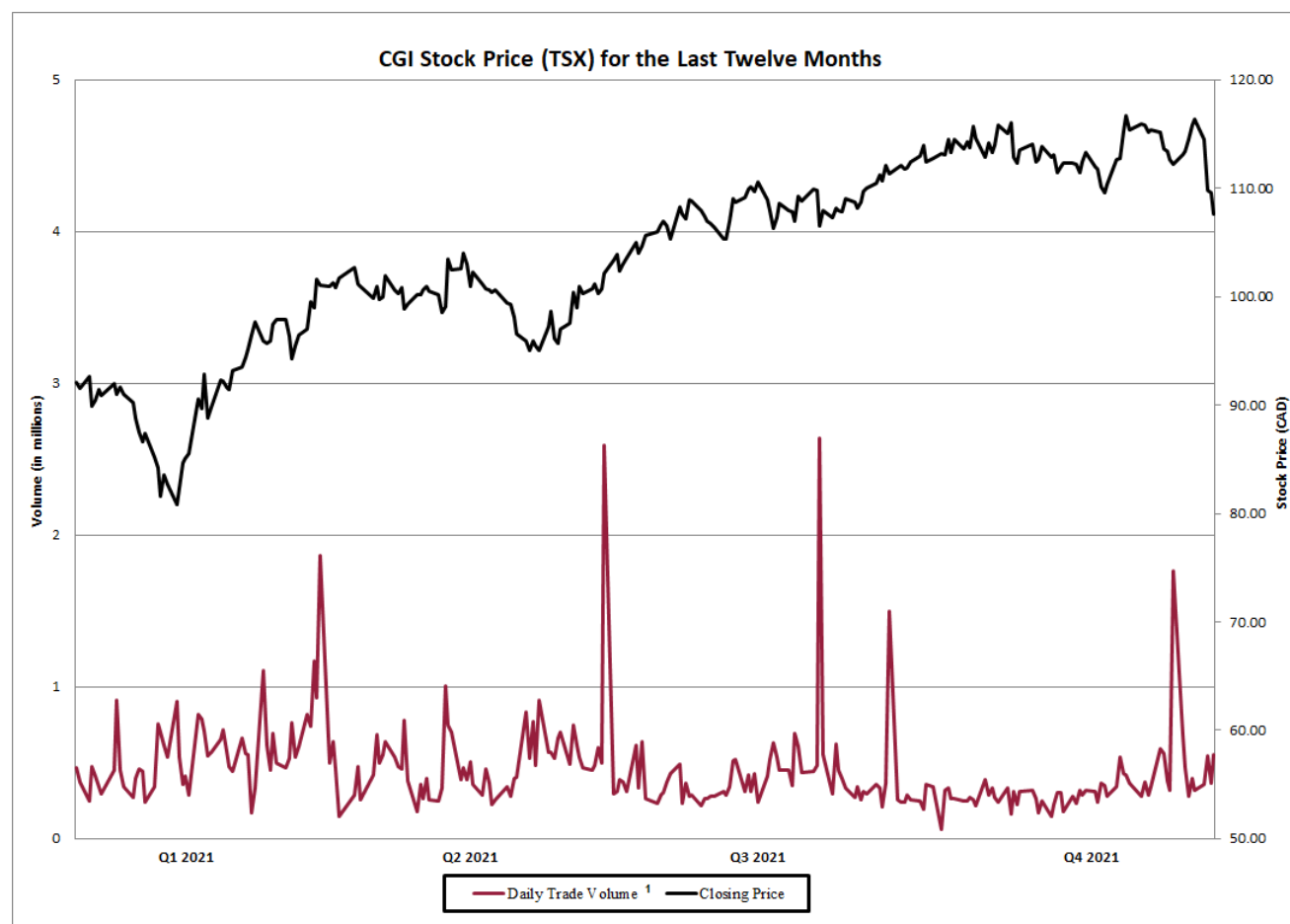
As at and for the years ended September 30,	2021	2020	2019	Change 2021 / 2020	Change 2020 / 2019
<i>In millions of CAD unless otherwise noted</i>					
<b>Growth</b>					
Revenue	<b>12,126.8</b>	12,164.1	12,111.2	<b>(37.3)</b>	52.9
Year-over-year revenue growth	<b>(0.3%)</b>	0.4%	5.3%	<b>(0.7%)</b>	(4.9%)
Constant currency year-over-year revenue growth	<b>1.1%</b>	(0.1%)	5.9%	<b>1.2%</b>	(6.0%)
Backlog	<b>23,059</b>	22,673	22,611	<b>386</b>	62
Bookings	<b>13,843</b>	11,848	12,646	<b>1,995</b>	(798)
Book-to-bill ratio	<b>114.2%</b>	97.4%	104.4%	<b>16.8%</b>	(7.0%)
<b>Profitability<sup>1</sup></b>					
Adjusted EBIT <sup>2</sup>	<b>1,952.2</b>	1,862.9	1,825.0	<b>89.3</b>	37.9
<i>Adjusted EBIT margin</i>	<b>16.1%</b>	15.3%	15.1%	<b>0.8%</b>	0.2%
Net earnings	<b>1,369.1</b>	1,117.9	1,263.2	<b>251.2</b>	(145.3)
<i>Net earnings margin</i>	<b>11.3%</b>	9.2%	10.4%	<b>2.1%</b>	(1.2%)
Diluted EPS (in dollars)	<b>5.41</b>	4.20	4.55	<b>1.21</b>	(0.35)
Net earnings excluding specific items <sup>2</sup>	<b>1,374.9</b>	1,300.1	1,305.9	<b>74.8</b>	(5.8)
<i>Net earnings margin excluding specific items</i>	<b>11.3%</b>	10.7%	10.8%	<b>0.6%</b>	(0.1%)
Diluted EPS excluding specific items (in dollars) <sup>2</sup>	<b>5.43</b>	4.89	4.70	<b>0.54</b>	0.19
<b>Liquidity<sup>1</sup></b>					
Cash provided by operating activities	<b>2,115.9</b>	1,938.6	1,633.9	<b>177.3</b>	304.7
<i>As a % of revenue</i>	<b>17.4%</b>	15.9%	13.5%	<b>1.5%</b>	2.4%
Days sales outstanding	<b>45</b>	47	50	<b>(2)</b>	(3)
<b>Capital structure<sup>1</sup></b>					
Net debt	<b>2,535.9</b>	2,777.9	2,117.2	<b>(242.0)</b>	660.7
Net debt to capitalization ratio	<b>26.6%</b>	27.7%	23.5%	<b>(1.1%)</b>	4.2%
Return on equity	<b>19.8%</b>	16.0%	18.5%	<b>3.8%</b>	(2.5%)
Return on invested capital	<b>14.9%</b>	12.1%	15.1%	<b>2.8%</b>	(3.0%)
<b>Balance sheet<sup>1</sup></b>					
Cash and cash equivalents, and short-term investments	<b>1,700.2</b>	1,709.5	223.7	<b>(9.3)</b>	1,485.8
Total assets	<b>15,021.0</b>	15,550.4	12,621.7	<b>(529.4)</b>	2,928.7
Long-term financial liabilities <sup>3</sup>	<b>3,659.8</b>	4,030.6	2,236.0	<b>(370.8)</b>	1,794.6

<sup>1</sup> As at and for the years ended September 30, 2021 and 2020, figures include the impact of the adoption of IFRS 16, while 2019 was not restated. Please refer to note 3 of our audited consolidated financial statements for additional information on IFRS 16.

<sup>2</sup> Please refer to sections 3.7. and 3.8.3. of the respective Fiscal years' MD&A for the reconciliation of non-GAAP financial measures.

<sup>3</sup> Long-term financial liabilities include the long-term portion of the debt, long-term portion of lease liabilities and the long-term derivative financial instruments.

## 2.2. STOCK PERFORMANCE



### 2.2.1. Fiscal 2021 Trading Summary

CGI's shares are listed on the Toronto Stock Exchange (TSX) (stock quote – GIB.A) and the New York Stock Exchange (NYSE) (stock quote – GIB) and are included in key indices such as the S&P/TSX 60 Index.

<b>TSX</b>	<b>(CAD)</b>	<b>NYSE</b>	<b>(USD)</b>
Open:	90.29	Open:	67.91
High:	116.88	High:	93.06
Low:	80.29	Low:	60.58
Close:	107.59	Close:	84.76
CDN average daily trading volumes <sup>1</sup> :	720,936	NYSE average daily trading volumes:	145,350

<sup>1</sup> Includes the average daily volumes of both the TSX and alternative trading systems.

## 2.2.2. Normal Course Issuer Bid (NCIB)

On January 26, 2021, the Company's Board of Directors authorized and subsequently received regulatory approval from the TSX for the renewal of CGI's NCIB which allows for the purchase for cancellation of up to 19,184,831 Class A subordinate voting shares (Class A Shares) representing 10% of the Company's public float as of the close of business on January 22, 2021. Class A Shares may be purchased for cancellation under the NCIB commencing on February 6, 2021 until no later than February 5, 2022, or on such earlier date when the Company has either acquired the maximum number of Class A Shares allowable under the NCIB or elects to terminate the bid.

During the year ended September 30, 2021, the Company purchased for cancellation 15,460,465 Class A Shares for \$1,519.2 million at a weighted average price of \$98.27 under the previous and current NCIB. The purchased shares included 4,204,865 Class A Shares purchased for cancellation from Caisse de dépôt et placement du Québec for cash consideration of \$400.0 million. The purchase was made pursuant to an exemption order issued by the Autorité des marchés financiers and is considered within the annual aggregate limit that the Company is entitled to purchase under its current NCIB.

As at September 30, 2021, of the 15,460,465 Class A Shares purchased for cancellation, 150,000 Class A Shares remain unpaid for \$16.4 million.

As at September 30, 2021, the Company could purchase up to 9,977,266 Class A Shares for cancellation under the current NCIB.

## 2.2.3. Capital Stock and Options Outstanding

The following table provides a summary of the Capital Stock and Options Outstanding as at November 5, 2021:

Capital Stock and Options Outstanding	As at November 5, 2021
Class A subordinate voting shares	218,675,972
Class B multiple voting shares	26,445,706
Options to purchase Class A subordinate voting shares	7,941,847

## 2.3. COVID-19

Our executive crisis management team and our network of local crisis management teams continue to closely monitor the evolving COVID-19 pandemic, executing on our business continuity plan and working collaboratively with our clients. We have established key guidelines and procedures related to security and access controls, member health screening, member isolation and quarantine, and facility infrastructure, maintenance and cleaning, to ensure that our workplace practices are in line with local government recommendations and requirements, as well as compliant with the appropriate standards of safety, health, wellness and required workplace readiness certifications. We continue to monitor key suppliers to prevent service disruptions or significant impacts in the delivery of services or goods from our suppliers.

To address issues associated with a significant number of our members working remotely, we bolstered perimeter defense with advanced cyber threat monitoring, data encryption, remote access technologies and timely system patching. Additionally, we are providing training and education so that members understand our "Securely working from home guidance", and are taking precautionary measures to protect CGI and our client's assets.

We will continue to monitor government and industry guidelines for bringing members back into their offices, providing secure and safe working environments, flexibility and collaboration enabled by technology, with a managed mix of in-office and remote work where necessary.

Our highest priority remains the health and safety of our members and providing service continuity for our clients. CGI's proximity-based business model, robust internal infrastructure and strong balance sheet and liquidity position (refer to section 4.2. of the present document for further details) limited the impact of confinement measures imposed in several

countries and assured the continuity of our services to our clients while allowing the majority of our members to work remotely.

## 2.4. INVESTMENT IN SUBSIDIARIES

On December 31, 2020, the Company acquired the assets of Harris, Mackessy & Brennan, Inc.'s (HMB) Professional Services Division, a division focused on high-end technology consulting and services for commercial and government clients, based in the United States and headquartered in Columbus, Ohio. The acquisition added approximately 165 professionals to the Company.

On May 3, 2021, the Company acquired Sense Corp, a professional services firm focused on digital systems integration and consulting for state and local government and commercial clients, based in the United States and headquartered in St. Louis, Missouri. The acquisition added approximately 300 professionals to the Company.

The Company completed these acquisitions for a total purchase price of \$111.5 million.

## 2.5. ISSUER CREDIT RATING AND NOTES ISSUANCE

During the year ended September 30, 2021, both S&P Global Ratings ("S&P") and Moody's Investor Services ("Moody's") assigned long-term credit ratings to CGI :

Rating Agency	Long-Term Credit Ratings <sup>1,2</sup>	Outlook
Moody's	Baa1	Stable
S&P	BBB+	Stable

<sup>1</sup> As at September 30, 2021

<sup>2</sup> These credit ratings are not recommendations to buy, sell or hold any of the securities referred to, and they may be revised or withdrawn at any time by the assigning rating agency. Ratings are determined by the rating agencies based on criteria established from time to time by them, and they do not comment on market price or suitability for a particular investor.

### Issuance of senior unsecured notes

On September 14, 2021, we issued US\$1.0 billion in aggregate principal amount of senior unsecured notes and on September 16, 2021, we issued \$600 million in aggregate principal amount of senior unsecured notes, with the details below:

	Notional Amount	Maturity	Coupon Rate
2021 5-year USD Senior Notes <sup>1</sup>	US \$600.0 million	September 14, 2026	1.45%
2021 10-year USD Senior Notes <sup>1</sup>	US \$400.0 million	September 14, 2031	2.30%
2021 7-year CAD Senior Notes <sup>2</sup>	\$600.0 million	September 18, 2028	2.10%

<sup>1</sup> Interest payable semi-annually on March 14 and on September 14 until maturity

<sup>2</sup> Interest payable semi-annually on March 18 and on September 18 until maturity

The aggregate net proceeds of the issuances, which were \$1,847.3 million, were mainly used to repay in full the amended and restated unsecured committed term loan credit facility entered into in April 2020 (the 2020 Term Loan) in an amount of \$1,583.5 million (US\$1,250.0 million), and to make scheduled repayments of senior unsecured notes in the amount of \$259.7 million.



## 2.6. SUBSEQUENT EVENTS

On October 1, 2021, the Company acquired Array Holding Company, Inc. a leading digital services provider that optimizes mission performance for the U.S. Department of Defense and other government organizations, based in the United States and headquartered in Greenbelt, Maryland. The acquisition added approximately 275 professionals to the Company.

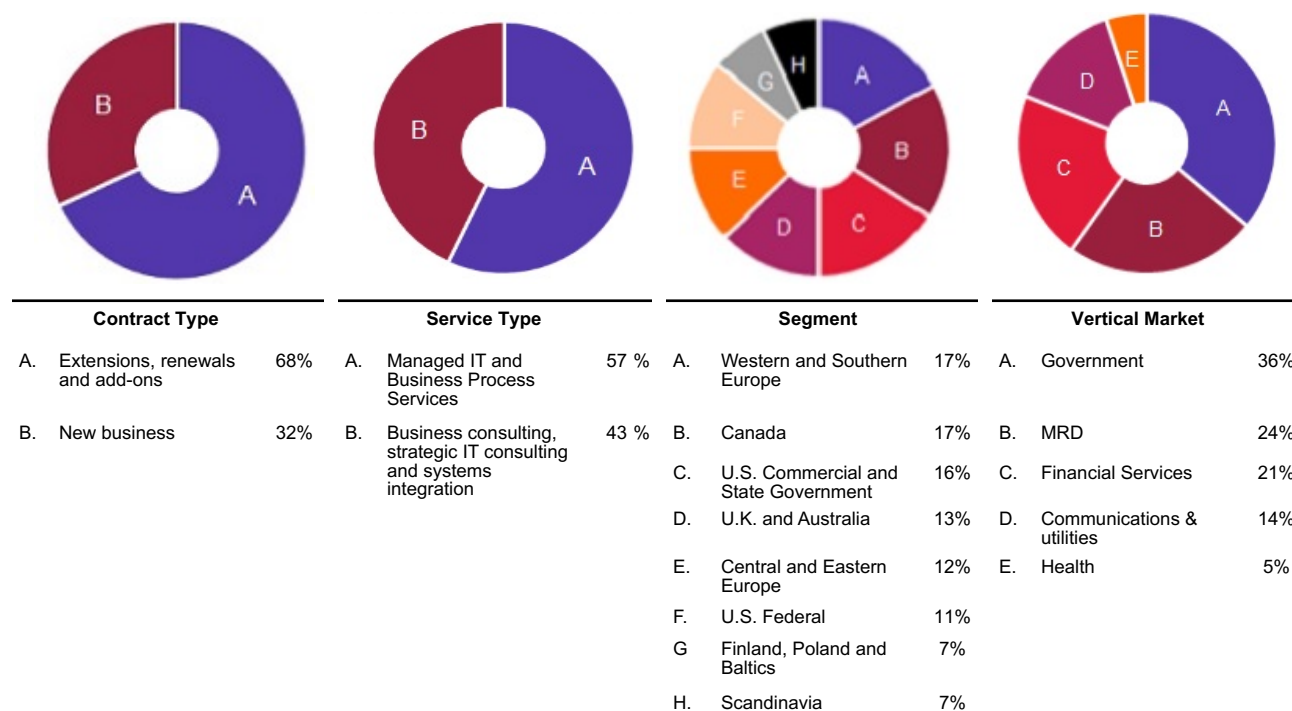
On October 28, 2021, the Company acquired Cognicase Management Consulting, a leading provider of technology and management consulting services and solutions for over 25 years, primarily in the Spanish market, headquartered in Madrid, Spain. The acquisition added approximately 1,500 professionals to the Company.

The Company completed these acquisitions for a total purchase price of \$156.4 million.

## 3. Financial Review

### 3.1. BOOKINGS AND BOOK-TO-BILL RATIO

Bookings for the year were \$13.8 billion representing a book-to-bill ratio of 114.2%. The breakdown of the new bookings signed during the year is as follows:



Information regarding our bookings is a key indicator of the volume of our business over time. However, due to the timing and transition period associated with managed IT and business process services contracts, the realization of revenue related to these bookings may fluctuate from period to period. The values initially booked may change over time due to their variable attributes, including demand-driven usage, modifications in the scope of work to be performed caused by changes in client requirements as well as termination clauses at the option of the client. As such, information regarding our bookings is not comparable to, nor should it be substituted for, an analysis of our revenue. Management however believes that it is a key indicator of potential future revenue.

The following table provides a summary of the bookings and book-to-bill ratio by segment:

<i>In thousands of CAD except for percentages</i>	Bookings for the year ended September 30, 2021	Book-to-bill ratio for the year ended September 30, 2021
<b>Total CGI</b>	<b>13,842,948</b>	<b>114.2 %</b>
<b>Western and Southern Europe</b>	<b>2,353,414</b>	<b>120.5 %</b>
<b>U.S. Commercial and State Government</b>	<b>2,250,655</b>	<b>119.0 %</b>
<b>Canada</b>	<b>2,305,163</b>	<b>121.0 %</b>
<b>U.S. Federal</b>	<b>1,449,591</b>	<b>89.5 %</b>
<b>U.K. and Australia</b>	<b>1,837,174</b>	<b>118.2 %</b>
<b>Central and Eastern Europe</b>	<b>1,679,855</b>	<b>125.6 %</b>
<b>Scandinavia</b>	<b>983,344</b>	<b>91.7 %</b>
<b>Finland, Poland and Baltics</b>	<b>983,752</b>	<b>124.1 %</b>

### 3.2. FOREIGN EXCHANGE

The Company operates globally and is exposed to changes in foreign currency rates. Accordingly, as prescribed by IFRS, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates. We report all dollar amounts in Canadian dollars.

#### *Closing foreign exchange rates*

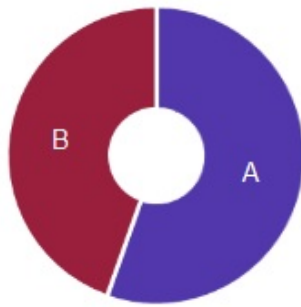
As at September 30,	2021	2020	Change
U.S. dollar	1.2676	1.3325	(4.9%)
Euro	1.4678	1.5622	(6.0%)
Indian rupee	0.0171	0.0181	(5.5%)
British pound	1.7075	1.7216	(0.8%)
Swedish krona	0.1447	0.1487	(2.7%)

#### *Average foreign exchange rates*

For the year ended September 30,	2021	2020	Change
U.S. dollar	1.2643	1.3457	(6.0%)
Euro	1.5110	1.5075	0.2%
Indian rupee	0.0172	0.0183	(6.0%)
British pound	1.7302	1.7152	0.9%
Swedish krona	0.1484	0.1425	4.1%

### 3.3. REVENUE DISTRIBUTION

The following charts provide additional information regarding our revenue mix for the year:



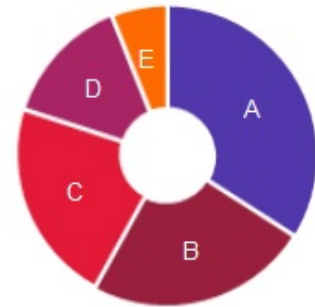
**Service Type**

A.	Managed IT and Business Process Services	55 %
B.	Business consulting, strategic IT consulting and systems integration	45 %



**Client Geography**

A.	U.S.	29 %
B.	Canada	16 %
C.	France	14 %
D.	U.K.	12 %
E.	Germany	7 %
F.	Sweden	7 %
G.	Finland	6 %
H.	Rest of the world	9 %



**Vertical Market**

A.	Government	34 %
B.	MRD	24 %
C.	Financial services	22 %
D.	Communications & utilities	14 %
E.	Health	6 %

#### 3.3.1. Client Concentration

IFRS guidance on segment disclosures defines a single customer as a group of entities that are known to the reporting entity to be under common control. As a consequence, our work for the U.S. federal government including its various agencies represented 12.8% of our revenue for Fiscal 2021 as compared to 13.8% for Fiscal 2020.

### 3.4. REVENUE BY SEGMENT

Our segments are reported based on where the client's work is delivered from within our geographic delivery model.

The table below provides a summary of the year-over-year changes in our revenue, in total and by segment before eliminations, separately showing the impacts of foreign currency exchange rate variations between Fiscal 2021 and Fiscal 2020. The Fiscal 2020 revenue by segment was recorded reflecting the actual foreign exchange rates for that period. The foreign exchange impact is the difference between the current period's actual results and the same period's results converted with the prior year's foreign exchange rates.

<i>For the year ended September 30,</i>	2021	2020	Change	
			\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Total CGI revenue</b>	<b>12,126,793</b>	<b>12,164,115</b>	<b>(37,322)</b>	<b>(0.3%)</b>
Variation prior to foreign currency impact	1.1%			
Foreign currency impact	(1.4%)			
<b>Variation over previous period</b>	<b>(0.3%)</b>			
<b>Western and Southern Europe</b>				
Revenue prior to foreign currency impact	1,958,723	1,911,477	47,246	2.5%
Foreign currency impact	5,068			
<b>Western and Southern Europe revenue</b>	<b>1,963,791</b>	<b>1,911,477</b>	<b>52,314</b>	<b>2.7%</b>
<b>U.S. Commercial and State Government</b>				
Revenue prior to foreign currency impact	1,914,878	1,863,467	51,411	2.8%
Foreign currency impact	(114,131)			
<b>U.S. Commercial and State Government revenue</b>	<b>1,800,747</b>	<b>1,863,467</b>	<b>(62,720)</b>	<b>(3.4%)</b>
<b>Canada</b>				
Revenue prior to foreign currency impact	1,755,048	1,686,269	68,779	4.1%
Foreign currency impact	756			
<b>Canada revenue</b>	<b>1,755,804</b>	<b>1,686,269</b>	<b>69,535</b>	<b>4.1%</b>
<b>U.S. Federal</b>				
Revenue prior to foreign currency impact	1,710,599	1,712,244	(1,645)	(0.1%)
Foreign currency impact	(103,168)			
<b>U.S. Federal revenue</b>	<b>1,607,431</b>	<b>1,712,244</b>	<b>(104,813)</b>	<b>(6.1%)</b>
<b>U.K. and Australia</b>				
Revenue prior to foreign currency impact	1,342,125	1,358,469	(16,344)	(1.2%)
Foreign currency impact	13,478			
<b>U.K. and Australia revenue</b>	<b>1,355,603</b>	<b>1,358,469</b>	<b>(2,866)</b>	<b>(0.2%)</b>
<b>Central and Eastern Europe</b>				
Revenue prior to foreign currency impact	1,300,120	1,212,196	87,924	7.3%
Foreign currency impact	3,797			
<b>Central and Eastern Europe revenue</b>	<b>1,303,917</b>	<b>1,212,196</b>	<b>91,721</b>	<b>7.6%</b>
<b>Scandinavia</b>				
Revenue prior to foreign currency impact	989,023	1,104,121	(115,098)	(10.4%)
Foreign currency impact	38,879			
<b>Scandinavia revenue</b>	<b>1,027,902</b>	<b>1,104,121</b>	<b>(76,219)</b>	<b>(6.9%)</b>

For the year ended September 30,			Change	
	2021	2020	\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Finland, Poland and Baltics</b>				
Revenue prior to foreign currency impact	<b>765,884</b>	777,152	(11,268)	<b>(1.4%)</b>
Foreign currency impact	<b>3,110</b>			
<b>Finland, Poland &amp; Baltics revenue</b>	<b>768,994</b>	777,152	(8,158)	<b>(1.0%)</b>
<b>Asia Pacific</b>				
Revenue prior to foreign currency impact	<b>721,655</b>	674,946	46,709	<b>6.9%</b>
Foreign currency impact	<b>(41,101)</b>			
<b>Asia Pacific revenue</b>	<b>680,554</b>	674,946	5,608	<b>0.8%</b>
<b>Eliminations</b>	<b>(137,950)</b>	(136,226)	(1,724)	<b>1.3%</b>

For the year ended September 30, 2021, revenue was \$12,126.8 million, a decrease of \$37.3 million, or 0.3% over the same period last year. On a constant currency basis, revenue increased by \$132.1 million or 1.1%. The increase was mainly due to growth within the government, financial services and communications & utilities vertical markets, mainly driven by the Central and Eastern Europe, Canada and Western and Southern Europe segments, as well as recent business acquisitions. This was partially offset by the impact of COVID-19 in the first half of Fiscal 2021, mainly affecting the MRD vertical market.

### 3.4.1. Western and Southern Europe

For the year ended September 30, 2021, revenue in our Western and Southern Europe segment was \$1,963.8 million, an increase of \$52.3 million or 2.7% over the same period last year. On a constant currency basis, revenue increased by \$47.2 million or 2.5%. The increase in revenue was driven by growth within the government and financial services vertical markets, as well as the prior year's acquisition. This was partially offset by the impact of COVID-19 in the first half of Fiscal 2021, mainly affecting the MRD and communications & utilities vertical markets.

On a client geographic basis, the top two Western and Southern Europe vertical markets were MRD and financial services, generating combined revenues of approximately \$1,189 million for year ended September 30, 2021.

### 3.4.2. U.S. Commercial and State Government

For the year ended September 30, 2021, revenue in our U.S. Commercial and State Government segment was \$1,800.7 million, a decrease of \$62.7 million or 3.4% over the same period last year. On a constant currency basis, revenue increased by \$51.4 million or 2.8%. The increase was due to recent acquisitions, as well as higher work volumes within the financial services vertical market. This was in part offset by lower work volume in the state and local government market, including adjustments due to a reevaluation of cost to complete on a project.

On a client geographic basis, the top two U.S. Commercial and State Government vertical markets were financial services and government, generating combined revenues of approximately \$1,113 million for the year ended September 30, 2021.

### **3.4.3. Canada**

For the year ended September 30, 2021, revenue in our Canada segment was \$1,755.8 million, an increase of \$69.5 million or 4.1% compared to the same period last year. On a constant currency basis, revenue increased by \$68.8 million or 4.1%. The increase was mainly due to growth within the financial services, communications & utilities and MRD vertical markets. This was in part offset by a higher proportion of client projects delivered by our global delivery centers of excellence in Asia-Pacific (see section 3.4.9. of the present document).

On a client geographic basis, the top two Canada vertical markets were financial services and communications & utilities, generating combined revenues of approximately \$1,207 million for the year ended September 30, 2021.

### **3.4.4. U.S. Federal**

For the year ended September 30, 2021, revenue in our U.S. Federal segment was \$1,607.4 million, a decrease of \$104.8 million or 6.1% over the same period last year. On a constant currency basis, revenue decreased by \$1.6 million or 0.1%. The change was driven by lower transaction volumes from our travel related IP business process services, mainly due to the impact of COVID-19, and a decrease in project related equipment sales. This was partially offset by higher work volumes in application support and cybersecurity services, as well as the prior year's acquisition.

For the year ended September 30, 2021, 87% of revenues within the U.S. Federal segment were federal civilian based.

### **3.4.5. U.K. and Australia**

For the year ended September 30, 2021, revenue in our U.K. and Australia segment was \$1,355.6 million, a decrease of \$2.9 million or 0.2% over the same period last year. On a constant currency basis, revenue decreased by \$16.3 million or 1.2%. The change was mainly due to the successful completion of projects within the communications & utilities vertical market, in part offset by growth within the government vertical market.

On a client geographic basis, the top two U.K. and Australia vertical markets were government and communications & utilities, generating combined revenues of \$1,086 million for the year ended September 30, 2021.

### **3.4.6. Central and Eastern Europe**

For the year ended September 30, 2021, revenue in our Central and Eastern Europe segment was \$1,303.9 million, an increase of \$91.7 million or 7.6% over the same period last year. On a constant currency basis, revenue increased by \$87.9 million or 7.3%. The increase in revenue was primarily due to higher work volume and new managed IT service revenues within the government and financial services vertical markets, the prior year's acquisition and additional IP license sales. This was partially offset by the impact of COVID-19 in the first half of Fiscal 2021, mainly affecting the MRD vertical market.

On a client geographic basis, the top two Central and Eastern Europe vertical markets were MRD and government, generating combined revenues of approximately \$838 million for the year ended September 30, 2021.

### **3.4.7. Scandinavia**

For the year ended September 30, 2021, revenue in our Scandinavia segment was \$1,027.9 million, a decrease of \$76.2 million or 6.9% over the same period last year. On a constant currency basis, revenue decreased by \$115.1 million or 10.4%. The decrease was mainly driven by lower work volume and projects successfully completed within the government and MRD vertical markets, in part due to the impact of COVID-19, as well as the sale of a non-profitable business related to a past acquisition. This was partially offset by new business in Denmark.

On a client geographic basis, the top two Scandinavia vertical markets were MRD and government, generating combined revenues of approximately \$739 million for the year ended September 30, 2021.

### **3.4.8. Finland, Poland and Baltics**

For the year ended September 30, 2021, revenue in our Finland, Poland and Baltics segment was \$769.0 million, a decrease of \$8.2 million or 1.0% over the same period last year. On a constant currency basis, revenue decreased by \$11.3 million or 1.4% due to lower work volumes in both government and MRD vertical markets, in part impacted by COVID-19 in the first half of Fiscal 2021.

On a client geographic basis, the top two Finland, Poland and Baltics vertical markets were government and financial services, generating combined revenues of approximately \$468 million for the year ended September 30, 2021.

### **3.4.9. Asia Pacific**

For the year ended September 30, 2021, revenue in our Asia Pacific segment was \$680.6 million, an increase of \$5.6 million or 0.8% over the same period last year. On a constant currency basis, revenue increased by \$46.7 million or 6.9%. The increase was mainly driven by the continued demand for our offshore delivery centers, predominantly within the financial services and communications & utilities vertical markets, primarily in North America.



### 3.5. OPERATING EXPENSES

For the year ended September 30,	2021	% of Revenue	2020	% of Revenue	\$	%
<i>In thousands of CAD except for percentages</i>						
Costs of services, selling and administrative	10,178,164	83.9%	10,302,068	84.7%	(123,904)	(1.2%)
Foreign exchange gain	(3,532)	0.0%	(899)	0.0%	(2,633)	292.9 %

#### 3.5.1. Costs of Services, Selling and Administrative

For the year ended September 30, 2021, costs of services, selling and administrative expenses amounted to \$10,178.2 million, a decrease of \$123.9 million over the same period last year. As a percentage of revenue, costs of services, selling and administrative expenses decreased to 83.9% from 84.7%. As a percentage of revenue, costs of services improved compared to the same period last year due to improved utilization and actions taken to lower expenses due to COVID-19, in part offset by lower performance based compensation in the prior year. As a percentage of revenue, selling and administrative expenses increased compared to the same period last year due to lower performance based compensation in the prior year.

During the year ended September 30, 2021, the translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted costs by \$130.9 million, partially offsetting the unfavourable translation impact of \$169.4 million on our revenue.

#### 3.5.2. Foreign Exchange Gain

During the year ended September 30, 2021, CGI recognized \$3.5 million of foreign exchange gains, mainly driven by the timing of payments combined with the volatility of foreign exchange rates. The Company, in addition to its natural hedges, uses derivatives as a strategy to manage its exposure, to the extent possible.

### 3.6. ADJUSTED EBIT BY SEGMENT

For the year ended September 30,			Change	
	2021	2020	\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Western and Southern Europe</b>	<b>271,324</b>	264,009	<b>7,315</b>	<b>2.8%</b>
<i>As a percentage of segment revenue</i>	<b>13.8 %</b>	13.8 %		
<b>U.S. Commercial and State Government</b>	<b>281,217</b>	295,795	<b>(14,578)</b>	<b>(4.9%)</b>
<i>As a percentage of segment revenue</i>	<b>15.6 %</b>	15.9 %		
<b>Canada</b>	<b>390,370</b>	364,424	<b>25,946</b>	<b>7.1%</b>
<i>As a percentage of segment revenue</i>	<b>22.2 %</b>	21.6 %		
<b>U.S. Federal</b>	<b>252,657</b>	221,793	<b>30,864</b>	<b>13.9%</b>
<i>As a percentage of segment revenue</i>	<b>15.7 %</b>	13.0 %		
<b>U.K. and Australia</b>	<b>218,624</b>	215,924	<b>2,700</b>	<b>1.3%</b>
<i>As a percentage of segment revenue</i>	<b>16.1 %</b>	15.9 %		
<b>Central and Eastern Europe</b>	<b>149,935</b>	122,548	<b>27,387</b>	<b>22.3%</b>
<i>As a percentage of segment revenue</i>	<b>11.5 %</b>	10.1 %		
<b>Scandinavia</b>	<b>66,180</b>	57,231	<b>8,949</b>	<b>15.6%</b>
<i>As a percentage of segment revenue</i>	<b>6.4 %</b>	5.2 %		
<b>Finland, Poland and Baltics</b>	<b>114,358</b>	120,959	<b>(6,601)</b>	<b>(5.5%)</b>
<i>As a percentage of segment revenue</i>	<b>14.9 %</b>	15.6 %		
<b>Asia Pacific</b>	<b>207,496</b>	200,263	<b>7,233</b>	<b>3.6%</b>
<i>As a percentage of segment revenue</i>	<b>30.5 %</b>	29.7 %		
<b>Adjusted EBIT</b>	<b>1,952,161</b>	1,862,946	<b>89,215</b>	<b>4.8%</b>
<b>Adjusted EBIT margin</b>	<b>16.1 %</b>	15.3 %		

For the year ended September 30, 2021, adjusted EBIT margin increased to 16.1% from 15.3% for the same period last year. The increase was mainly due to improved utilization, lower discretionary expenses mainly due to COVID-19, decrease in amortization of client relationships, as well as prior year non-recurring adjustments on client contracts. This was partly offset by the impact of lower performance based compensation in the prior year, mainly due to COVID-19.

#### 3.6.1. Western and Southern Europe

For the year ended September 30, 2021, adjusted EBIT in the Western and Southern Europe segment was \$271.3 million, an increase of \$7.3 million when compared to the same period last year. Adjusted EBIT margin remained stable at 13.8%. Improved utilization, lower discretionary and COVID-19 related expenses as compared to last year and one more billable day improved the adjusted EBIT margin. This was offset by higher performance based compensation as compared to prior year.

#### 3.6.2. U.S. Commercial and State Government

For the year ended September 30, 2021, adjusted EBIT in the U.S. Commercial and State Government segment was \$281.2 million, a decrease of \$14.6 million when compared to the same period last year. Adjusted EBIT margin decreased to 15.6% from 15.9%. The change in adjusted EBIT margin was mainly due to the impact of lower performance based compensation in the prior year, mainly due to COVID-19. This was in part offset by additional R&D tax credits and lower discretionary expenses.

### **3.6.3. Canada**

For the year ended September 30, 2021, adjusted EBIT in the Canada segment was \$390.4 million, an increase of \$25.9 million when compared to the same period last year. Adjusted EBIT margin increased to 22.2% from 21.6%. The increase was mainly due to lower discretionary expenses and improved utilization due to cost reduction efforts (see section 3.7.2. of the present document) in the prior year. The increase was also due to adjustments on client contracts and impairments taken on business solutions, both in the prior year. This was partly offset by higher performance based compensation and lower tax credits.

### **3.6.4. U.S. Federal**

For the year ended September 30, 2021, adjusted EBIT in the U.S. Federal segment was \$252.7 million, an increase of \$30.9 million when compared to the same period last year. Adjusted EBIT margin increased to 15.7% from 13.0%. Adjusted EBIT margin increased primarily due to a more profitable business mix, lower performance based compensation, additional R&D tax credits, as well as unfavourable adjustments on client contracts and a litigation provision, both in the prior year.

### **3.6.5. U.K. and Australia**

For the year ended September 30, 2021, adjusted EBIT in the U.K. and Australia segment was \$218.6 million, an increase of \$2.7 million when compared to the same period last year. Adjusted EBIT margin increased to 16.1% from 15.9%. The increase in adjusted EBIT margin was mainly due to the decrease in amortization of client relationships and lower discretionary expenses mainly due to COVID-19. This was partly offset by the provision taken on a client contract.

### **3.6.6. Central and Eastern Europe**

For the year ended September 30, 2021, adjusted EBIT in the Central and Eastern Europe segment was \$149.9 million, an increase of \$27.4 million when compared to the same period last year. Adjusted EBIT margin increased to 11.5% from 10.1%. The increase in adjusted EBIT margin was mainly driven by profitable revenue growth, a decrease in amortization of client relationships, as well as the impact of higher IP license sales and lower discretionary expenses. This was in part offset by higher performance based compensation.

### **3.6.7. Scandinavia**

For the year ended September 30, 2021, adjusted EBIT in the Scandinavia segment was \$66.2 million, an increase of \$8.9 million when compared to the same period last year. Adjusted EBIT margin increased to 6.4% from 5.2%. The increase in adjusted EBIT margin was mainly due to savings generated from a restructuring plan (see section 3.7.2. of the present document), a decrease in amortization of client relationships, lower discretionary expenses mainly due to COVID-19 and profitable new business in Denmark. This was in part offset by the impact of the decrease in revenues identified in the revenue section.

### **3.6.8. Finland, Poland and Baltics**

For the year ended September 30, 2021 adjusted EBIT in our Finland, Poland and Baltics segment was \$114.4 million, a decrease of \$6.6 million, when compared to the same period last year. Adjusted EBIT margin decreased to 14.9% from 15.6% mainly due to higher performance based compensation, as well as the impact of the projects successfully completed within the government vertical market and the project mix within the financial services vertical market. This was in part offset by lower discretionary expenses mainly due to COVID-19.

### 3.6.9. Asia Pacific

For the year ended September 30, 2021, adjusted EBIT in the Asia Pacific segment was \$207.5 million, an increase of \$7.2 million when compared to the same period last year. Adjusted EBIT margin increased to 30.5% from 29.7%. The increase in adjusted EBIT margin was mostly due to productivity improvements and the net impact of foreign currency transactions. This was partly offset by higher performance based compensation and higher COVID-19 related member support costs.

## 3.7. EARNINGS BEFORE INCOME TAXES

The following table provides a reconciliation between our adjusted EBIT and earnings before income taxes, which is reported in accordance with IFRS:

For the years ended September 30,					Change	
	2021	% of Revenue	2020	% of Revenue	\$	%
<i>In thousands of CAD except for percentage</i>						
Adjusted EBIT	1,952,161	16.1%	1,862,946	15.3%	89,215	4.8%
<i>Minus the following items:</i>						
Acquisition-related and integration costs	7,371	0.1 %	76,794	0.6%	(69,423)	(90.4%)
Restructuring costs	—	— %	155,411	1.3 %	(155,411)	— %
Net finance costs	106,798	0.9 %	114,474	0.9%	(7,676)	(6.7%)
<b>Earnings before income taxes</b>	<b>1,837,992</b>	<b>15.2 %</b>	<b>1,516,267</b>	<b>12.5%</b>	<b>321,725</b>	<b>21.2%</b>

### 3.7.1. Acquisition-Related and Integration Costs

For the years ended September 30, 2021 and 2020, the Company incurred \$7.4 million and \$76.8 million, respectively, of acquisition-related and integration costs for the integration towards the CGI operating model. These costs were mainly related to terminations of employment and other integration costs.

### 3.7.2. Restructuring Costs

For the year ended September 30, 2021, the Company incurred no restructuring costs. For the year ended September 30, 2020, the Company incurred restructuring costs as part of its cost reduction efforts in response to COVID-19. It also completed a previously announced restructuring plan which combined resulted in a total of \$155.4 million being expensed during the year ended September 30, 2020. Please refer to section 3.7.2. of the Fiscal 2020 MD&A for further details.

### 3.7.3. Net Finance Costs

Net finance costs mainly include interest on our long-term debt and lease liabilities. For the year ended September 30, 2021, the net finance costs decrease of \$7.7 million was mainly explained by less interest charges related to our unsecured notes, primarily as a result of lower market rates.

### 3.8. NET EARNINGS AND EARNINGS PER SHARE

The following table sets out the information supporting the earnings per share calculations:

<i>For the year ended September 30,</i>	2021	2020	Change	
			\$	%
<i>In thousands of CAD except for percentage and shares data</i>				
Earnings before income taxes	1,837,992	1,516,267	321,725	21.2%
Income tax expense	468,920	398,405	70,515	17.7%
<i>Effective tax rate</i>	25.5%	26.3%		
<b>Net earnings</b>	<b>1,369,072</b>	<b>1,117,862</b>	<b>251,210</b>	<b>22.5%</b>
<b>Net earnings margin</b>	<b>11.3%</b>	<b>9.2%</b>		
<b>Weighted average number of shares outstanding</b>				
Class A subordinate voting shares and Class B multiple voting shares (basic)	249,119,219	262,005,521	(12,886,302)	(4.9%)
Class A subordinate voting shares and Class B multiple voting shares (diluted)	253,088,880	266,104,062	(13,015,182)	(4.9%)
<b>Earnings per share (in dollars)</b>				
Basic	5.50	4.27	1.23	28.8%
Diluted	5.41	4.20	1.21	28.8%

#### 3.8.1. Income Tax Expense

For the year ended September 30, 2021, income tax expense was \$468.9 million compared to \$398.4 million over the same period last year, while our effective tax rate decreased to 25.5% from 26.3%. The decrease in the income tax rate is mainly attributable to lower acquisition-related and integration costs, as well as restructuring costs.

When excluding tax effects from acquisition-related and integration costs and restructuring costs, the effective tax rate remained at 25.5% for the year ended September 30, 2021 compared to 25.6% for the year ended September 30, 2020.

The table in section 3.8.3. shows the year-over-year comparison of the tax rate with the impact of specific items removed.

Based on the enacted rates at the end of Fiscal 2021 and our current business mix, we expect our effective tax rate before any significant adjustments to be in the range of 24.5% to 26.5% in subsequent periods.

#### 3.8.2. Weighted Average Number of Shares

For Fiscal 2021, CGI's basic and diluted weighted average number of shares decreased compared to Fiscal 2020 due to the impact of the purchase for cancellation of Class A Shares, partly offset by the grant and the exercise of stock options. Please refer to notes 19, 20 and 21 of our audited consolidated financial statements for additional information.

### 3.8.3. Net Earnings and Earnings per Share Excluding Specific Items

Below is a table showing the year-over-year comparison excluding specific items namely, acquisition-related and integration costs and restructuring costs.

For the year ended September 30,			Change	
	2021	2020	\$	%
<i>In thousands of CAD except for percentages and shares data</i>				
Earnings before income taxes	1,837,992	1,516,267	321,725	21.2%
<i>Add back:</i>				
Acquisition-related and integration costs	7,371	76,794	(69,423)	(90.4%)
Restructuring costs	—	155,411	(155,411)	(100.0%)
<b>Earnings before income taxes excluding specific items</b>	<b>1,845,363</b>	<b>1,748,472</b>	<b>96,891</b>	<b>5.5%</b>
Income tax expense	468,920	398,405	70,515	17.7%
<i>Effective tax rate</i>	<b>25.5%</b>	26.3%		
<i>Add back:</i>				
Tax deduction on acquisition-related and integration costs	1,570	14,717	(13,147)	(89.3%)
<i>Impact on effective tax rate</i>	— %	(0.3%)		
Tax deduction on restructuring costs	—	35,278	(35,278)	(100.0%)
<i>Impact on effective tax rate</i>	— %	(0.4%)		
<b>Income tax expense excluding specific items</b>	<b>470,490</b>	<b>448,400</b>	<b>22,090</b>	<b>4.9%</b>
<i>Effective tax rate excluding specific items</i>	<b>25.5%</b>	25.6%		
<b>Net earnings excluding specific items</b>	<b>1,374,873</b>	<b>1,300,072</b>	<b>74,801</b>	<b>5.8%</b>
<i>Net earnings margin excluding specific items</i>	<b>11.3%</b>	10.7%		
<b>Weighted average number of shares outstanding</b>				
Class A subordinate voting shares and Class B multiple voting shares (basic)	249,119,219	262,005,521		(4.9%)
Class A subordinate voting shares and Class B multiple voting shares (diluted)	253,088,880	266,104,062		(4.9%)
<b>Earnings per share excluding specific items (in dollars)</b>				
Basic	5.52	4.96	0.56	11.3%
Diluted	5.43	4.89	0.54	11.0%

## 4. Liquidity

### 4.1. CONSOLIDATED STATEMENTS OF CASH FLOWS

CGI's growth is financed through a combination of cash flow from operations, drawing on our unsecured committed revolving credit facility, the issuance of long-term debt, and the issuance of equity. One of our financial priorities is to maintain an optimal level of liquidity through the active management of our assets and liabilities as well as our cash flows.

As at September 30, 2021, cash and cash equivalents were \$1,699.2 million. The following table provides a summary of the generation and use of cash for the years ended September 30, 2021 and 2020.

For the year ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Cash provided by operating activities	2,115,928	1,938,556	177,372
Cash used in investing activities	(397,547)	(572,453)	174,906
Cash (used in) provided by financing activities	(1,653,276)	94,172	(1,747,448)
Effect of foreign exchange rate changes on cash and cash equivalents	(73,884)	33,879	(107,763)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,779)</b>	<b>1,494,154</b>	<b>(1,502,933)</b>

#### 4.1.1. Cash Provided by Operating Activities

For the year ended September 30, 2021, cash provided by operating activities was \$2,115.9 million or 17.4% of revenue compared to \$1,938.6 million or 15.9% for the same period last year. The following table provides a summary of the generation and use of cash from operating activities:

For the year ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Net earnings	1,369,072	1,117,862	251,210
Amortization, depreciation and impairment	510,570	565,692	(55,122)
Other adjustments <sup>1</sup>	21,422	36,838	(15,416)
<b>Cash flow from operating activities before net change in non-cash working capital items</b>	<b>1,901,064</b>	<b>1,720,392</b>	<b>180,672</b>
<i>Net change in non-cash working capital items:</i>			
Accounts receivable, work in progress and deferred revenue	7,617	256,986	(249,369)
Accounts payable and accrued liabilities, accrued compensation and employee-related liabilities, provisions and long-term liabilities	190,735	12,193	178,542
Other <sup>2</sup>	16,512	(51,015)	67,527
<b>Net change in non-cash working capital items</b>	<b>214,864</b>	<b>218,164</b>	<b>(3,300)</b>
<b>Cash provided by operating activities</b>	<b>2,115,928</b>	<b>1,938,556</b>	<b>177,372</b>

<sup>1</sup> Comprised of deferred income taxes (recovery) expense, foreign exchange loss (gain), gain on leases termination, loss on sale of business, and share-based payment costs.

<sup>2</sup> Comprised of prepaid expenses and other assets, long-term financial assets, income taxes, derivative financial instruments and retirement benefits obligations.

For the year ended September 30, 2021, cash provided by operating activities was \$2,115.9 million, up \$177.4 million for the same period last year, mainly due to higher net earnings. The net change in non-cash working capital items of \$214.9 million for Fiscal 2021 was primarily due to the increase of accrued compensation and employee-related liabilities, mainly from performance-based compensation to our members, and the increase in accounts payable and income tax payments.

This was partially offset by the payments from restructuring costs and from acquisition-related and integration costs, as well as government remittance programs under COVID-19 relief measures.

The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations.

#### 4.1.2. Cash Used in Investing Activities

For the year ended September 30, 2021, \$397.5 million was used in investing activities while \$572.5 million was used over the same periods last year.

The following table provides a summary of the use of cash from investing activities:

For the year ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Business acquisitions	(98,926)	(266,938)	168,012
Purchase of property, plant and equipment	(121,806)	(128,478)	6,672
Additions to contract costs	(65,001)	(72,845)	7,844
Additions to intangible assets	(113,934)	(114,112)	178
Net change in short-term investments and purchase of long-term investments	2,120	9,920	(7,800)
<b>Cash used in investing activities</b>	<b>(397,547)</b>	<b>(572,453)</b>	<b>174,906</b>

The decrease of \$174.9 million in cash used in investing activities during the year ended September 30, 2021 was mainly due to lower investment in business acquisitions.

#### 4.1.3. Cash (Used in) Provided by Financing Activities

For the year ended September 30, 2021, \$1,653.3 million was used from financing activities while \$94.2 million was generated over the same period last year.

The following table provides a summary of the generation and use of cash from financing activities:

For the year ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Net change in unsecured committed revolving credit facility	—	(334,370)	334,370
Increase of long-term debt	1,885,262	1,807,167	78,095
Repayment of long-term debt	(1,888,777)	(106,496)	(1,782,281)
Payment of lease liabilities	(169,674)	(175,320)	5,646
	(173,189)	1,190,981	(1,364,170)
Repayment of debt assumed from business acquisitions	—	(28,281)	28,281
Payment for remaining shares of Acando <sup>1</sup>	—	(23,123)	23,123
Purchase of Class A subordinate voting shares held in trusts	(31,404)	(55,287)	23,883
Settlement of derivative financial instruments	(6,992)	(3,903)	(3,089)
Purchase and cancellation of Class A subordinate voting shares	(1,502,824)	(1,043,517)	(459,307)
Issuance of Class A subordinate voting shares	61,133	57,302	3,831
<b>Cash (used in) provided by financing activities</b>	<b>(1,653,276)</b>	<b>94,172</b>	<b>(1,747,448)</b>

<sup>1</sup> Related to a business acquisition made during the year ended September 30, 2019.



For the year ended September 30, 2021, we increased our long-term debt by \$1,885.3 million, mainly driven by the issuance of senior unsecured notes for an amount of \$1,847.3 million as outlined in the section 2.5. of the present document, and repaid \$1,888.8 million of our long-term debt mainly driven by the repayment in full of the 2020 Term Loan in an amount of \$1,583.5 million (US\$1,250.0 million), and the scheduled repayments of senior unsecured notes in the amount of \$259.7 million. We also paid \$169.7 million of lease liabilities. For the year ended September 30, 2020, the Company received through the 2020 Term Loan an amount of \$1,764.7 million (US\$1,250.0 million), repaid \$334.4 million under our unsecured committed revolving credit facility, and made scheduled repayments of senior unsecured notes in the amount of \$65.9 million. In addition, we paid \$175.3 million of lease liabilities and used \$28.3 million to repay debt assumed from business acquisitions.

For the year ended September 30, 2020, the Company paid \$23.1 million to acquire the remaining 3.9% of outstanding shares of Acando.

For the year ended September 30, 2021, \$31.4 million was used to purchase Class A Shares in connection with the Company's Performance Share Unit Plans (the PSU Plans) compared to \$55.3 million during the year ended September 30, 2020. More information concerning the PSU Plans can be found in note 20 of the audited consolidated financial statements.

For the year ended September 30, 2021, \$1,502.8 million was used for the purchase for cancellation of 15,310,465 Class A Shares, compared to \$1,043.5 million for the purchase for cancellation of 10,605,464 Class A Shares over the same period last year.

Finally, for the year ended September 30, 2021, we received \$61.1 million in proceeds from the exercise of stock options, compared to \$57.3 million during the year ended September 30, 2020.

#### 4.1.4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents

For the year ended September 30, 2021, the effect of foreign exchange rate changes on cash and cash equivalents had an unfavourable impact of \$73.9 million. This amount had no effect on net earnings as it was recorded in other comprehensive income.

## 4.2. CAPITAL RESOURCES

As at September 30, 2021	Available
<i>In thousands of CAD</i>	
Cash and cash equivalents	1,699,206
Short-term investments	1,027
Long-term investments	19,354
Unsecured committed revolving credit facility <sup>1</sup>	1,493,372
<b>Total</b>	<b>3,212,959</b>

<sup>1</sup> As at September 30, 2021, letters of credit in the amount of \$6.6 million were outstanding against the \$1.5 billion unsecured committed revolving credit facility.

As at September 30, 2021, cash and cash equivalents and investments represented \$1,719.6 million.

Cash equivalents include term deposits, all with maturities of 90 days or less. Long-term investments include corporate bonds with maturities ranging from one to five years, with a credit rating of A- or higher.

As at September 30, 2021, the aggregate amount of the capital resources available to the Company was \$3,213.0 million. Certain long-term debt agreements contain covenants, which require us to maintain certain financial ratios. As at September 30, 2021, CGI was in compliance with these covenants.

Total debt decreased by \$185.4 million to \$3,401.7 million as at September 30, 2021 compared to \$3,587.1 million as at September 30, 2020. The variance was mainly due to the repayment in full of the 2020 Term Loan in an amount of \$1,583.5 million (US\$1,250.0 million), scheduled repayments of the senior unsecured notes in the amount of \$259.7 million

and a foreign exchange translation impact of \$173.0 million, offset by the additional \$1,847.3 million (US\$1.0 billion and \$600.0 million) received through the issuance of senior unsecured notes (outlined in section 2.5. of the present document).

As at September 30, 2021, CGI was showing a positive working capital (total current assets minus total current liabilities) of \$961.7 million. The Company also had \$1,493.4 million available under its unsecured committed revolving credit facility and is generating a significant level of cash, which CGI's management currently considers will allow the Company to fund its operations while maintaining adequate levels of liquidity. On October 29, 2021, the unsecured committed revolving credit facility was extended by two years to October 2026 and can be further extended. There were no material changes in the terms and conditions including interest rates and banking covenants.

The tax implications and impact related to the repatriation of cash will not materially affect the Company's liquidity.

### 4.3. CONTRACTUAL OBLIGATIONS

We are committed under the terms of contractual obligations which have various expiration dates, primarily for the rental of premises, computer equipment used in managed IT and business process services contracts and long-term service agreements.

Commitment type	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<i>In thousands of CAD</i>					
Long-term debt	3,401,907	392,977	1,158,940	752,530	1,097,460
Estimated interest on long-term debt	363,059	73,296	117,462	79,205	93,096
Lease liabilities	776,940	167,819	281,994	159,306	167,821
Estimated interest on lease liabilities	100,558	24,931	36,999	21,287	17,341
Long-term service agreements	279,823	148,663	91,690	38,981	489
<b>Total</b>	<b>4,922,287</b>	<b>807,686</b>	<b>1,687,085</b>	<b>1,051,309</b>	<b>1,376,207</b>

### 4.4. FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

We use various financial instruments to help us manage our exposure to fluctuations of foreign currency exchange rates and interest rates. Please refer to note 31 of our audited consolidated financial statements for additional information on our financial instruments and hedging transactions.

#### 4.5. SELECTED MEASURES OF CAPITAL RESOURCES AND LIQUIDITY

As at September 30,	2021	2020
<i>In thousands of CAD except for percentages</i>		
<b>Reconciliation between net debt and long-term debt and lease liabilities<sup>1</sup>:</b>		
Net debt	2,535,861	2,777,928
<i>Add back:</i>		
Cash and cash equivalents	1,699,206	1,707,985
Short-term investments	1,027	1,473
Long-term investments	19,354	22,612
Fair value of foreign currency derivative financial instruments related to debt	(76,852)	(46,533)
<b>Long-term debt and lease liabilities<sup>1</sup></b>	<b>4,178,596</b>	<b>4,463,465</b>
Net debt to capitalization ratio	26.6 %	27.7 %
Return on equity	19.8 %	16.0 %
Return on invested capital	14.9 %	12.1 %
Days sales outstanding	45	47

<sup>1</sup> As at September 30, 2021, long-term debt and lease liabilities were \$3,401.7 million (\$3,587.1 million as at September 30, 2020) and \$776.9 million (\$876.4 million as at September 30, 2020), respectively, including their current portions.

We use the net debt to capitalization ratio as an indication of our financial leverage in order to realize our Build and Buy strategy (please refer to section 1.2. of the present document for additional information on our Build and Buy strategy). The net debt to capitalization ratio decreased to 26.6% in Fiscal 2021 from 27.7% in Fiscal 2020 mostly due to cash generation and the favorable impact of foreign exchange rates on our net debt partially offset by the repurchase of Class A Shares during the year.

ROE is a measure of the return we are generating for our shareholders. ROE increased to 19.8% in Fiscal 2021 from 16.0% in Fiscal 2020. The increase was mainly due to higher net earnings over Fiscal 2021, and to a lesser extent, the impact of repurchased shares during the year.

ROIC is a measure of the Company's efficiency in allocating the capital under our control to profitable investments. The return on invested capital ratio increased to 14.9% in Fiscal 2021 from 12.1% in Fiscal 2020. The increase in ROIC was mainly the result of higher net earnings excluding net finance costs after-tax over Fiscal 2021.

DSO decreased to 45 days at the end of Fiscal 2021 when compared to 47 days in Fiscal 2020. This decrease is mainly due to improved collections, and to a lesser extent foreign exchange impacts. In calculating the DSO, we subtract the deferred revenue balance from trade accounts receivable and work in progress; for that reason, the timing of payments received from managed IT and business process services clients in advance of the work to be performed and the timing of payments related to project milestones can affect the DSO. The Company maintains a target DSO of 45 days.

## 4.6. GUARANTEES

In the normal course of operations, we may enter into agreements to provide financial or performance assurances to third parties on the sale of assets, business divestitures and guarantees on government and commercial contracts.

In connection with sales of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as a result of breaches in our contractual obligations, representations and warranties, intellectual property right infringement and litigation against counterparties, among others. While some of the agreements specify a maximum potential exposure, others do not specify a maximum amount or a maturity date. It is not possible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2021. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its audited consolidated financial statements. Moreover, the Company has letters of credit for a total of \$69.7 million in addition to the letters of credit covered by the unsecured committed revolving credit facility (please refer to note 14 of our audited consolidated financial statements). These guarantees are required in some of the Company's contracts with customers.

In the normal course of business, we may provide certain clients, principally governmental entities, with bid and performance bonds. In general, we would only be liable for the amount of the bid bonds if we refuse to perform the project once we are awarded the bid. We would also be liable for the performance bonds in the event of a default in the performance of our obligations. As at September 30, 2021, we had committed a total of \$21.4 million for these bonds. To the best of our knowledge, we complied with our performance obligations under all service contracts for which there was a bid or performance bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a material adverse effect on our consolidated results of operations or financial condition.

## 4.7. CAPABILITY TO DELIVER RESULTS

Despite the impact of the COVID-19 pandemic, as outlined in section 2.3. of the present document, CGI's management believes that the Company has sufficient capital resources to support ongoing business operations and execute our Build and Buy growth strategy. Our principal and most accretive uses of cash are: to invest in our business (procuring new large managed IT and business process services contracts and developing business and IP solutions); to pursue accretive acquisitions; to purchase for cancellation Class A Shares and pay down debt. In terms of financing, we are well positioned to continue executing our four-pillar growth strategy in Fiscal 2022.

To successfully implement the Company's strategy, CGI relies on a strong leadership team, supported by highly knowledgeable members with relevant relationships and significant experience in both IT and our targeted industries. CGI fosters leadership development through the CGI Leadership Institute ensuring continuity and knowledge transfer across the organization. For key positions, a detailed succession plan is established and revised frequently.

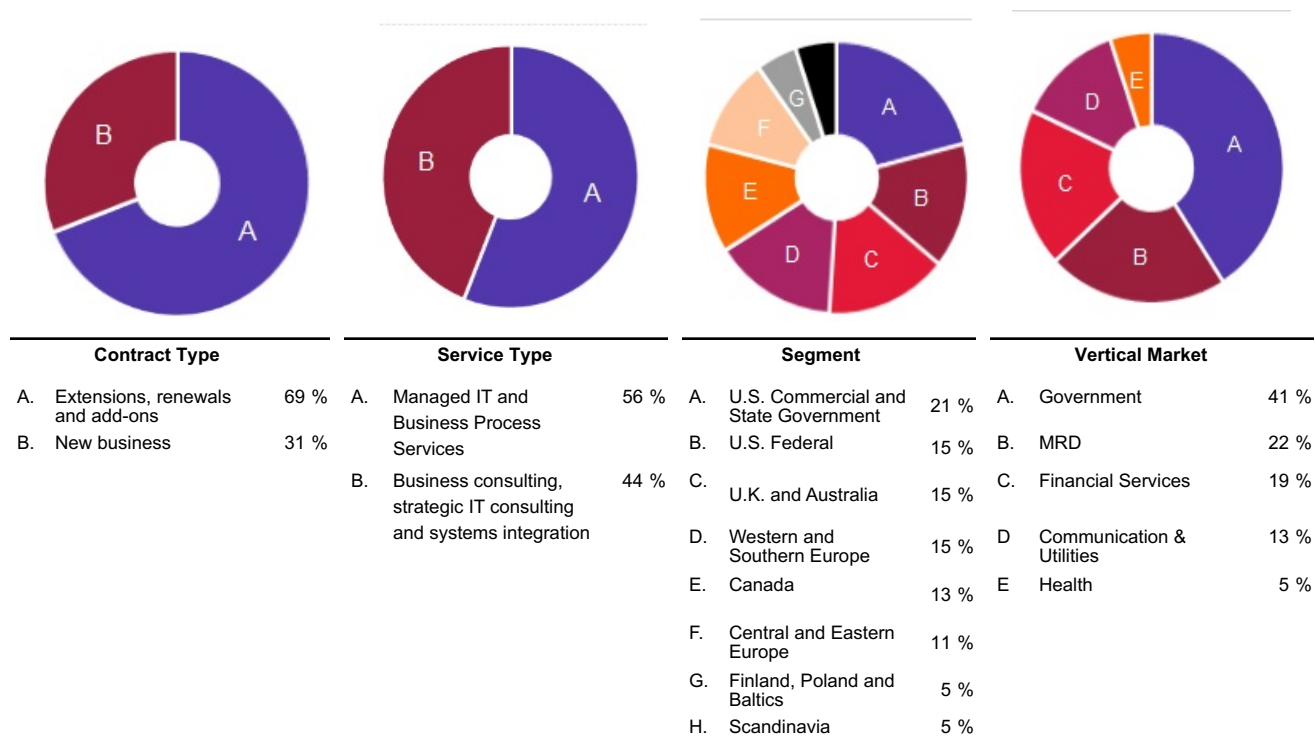
As a Company built on human capital, our professionals and their knowledge are critical to delivering quality service to our clients. Our human resources program allows us to attract and retain the best talent as it provides competitive compensation and benefits, a favourable working environment, training programs and career development opportunities. Employee satisfaction is monitored annually through a Company-wide survey. In addition, a majority of our professionals are owners of CGI through our Share Purchase Plan, which, along with our Profit Participation Plan, allows them to share in the Company's success, further aligning stakeholder interests.

In addition to capital resources and talent, CGI has established the Management Foundation, which encompasses governance policies, organizational models and sophisticated management frameworks for our business units and corporate processes. This robust governance model provides a common business language for managing all operations consistently across the globe, driving a focus on continuous improvement. CGI's operations maintain appropriate certifications in accordance with service requirements such as the ISO and the Capability Maturity Model Integration (CMMI) certification programs.

## 5. Fourth Quarter Results

### 5.1. BOOKINGS AND BOOK-TO-BILL RATIO

Bookings for the quarter ended September 30, 2021 were \$2.9 billion representing a book-to-bill ratio of 97.1%. The breakdown of the new bookings signed during the quarter is as follows:



The following table provides a summary of the bookings and book-to-bill ratio by segment:

In thousands of CAD except for percentages	Bookings for the three months ended September 30, 2021	Bookings for the year ended September 30, 2021	Book-to-bill ratio for the year ended September 30, 2021
<b>Total CGI</b>	<b>2,920,771</b>	<b>13,842,948</b>	<b>114.2 %</b>
Western and Southern Europe	429,088	2,353,414	120.5 %
U.S. Commercial and State Government	600,211	2,250,655	119.0 %
Canada	384,029	2,305,163	121.0 %
U.S. Federal	448,945	1,449,591	89.5 %
U.K. and Australia	441,053	1,837,174	118.2 %
Central and Eastern Europe	331,365	1,679,855	125.6 %
Scandinavia	142,438	983,344	91.7 %
Finland, Poland and Baltics	143,642	983,752	124.1 %

## 5.2. FOREIGN EXCHANGE

The Company operates globally and is exposed to changes in foreign currency rates. Accordingly, as prescribed by IFRS, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates. We report all dollar amounts in Canadian dollars.

### *Closing foreign exchange rates*

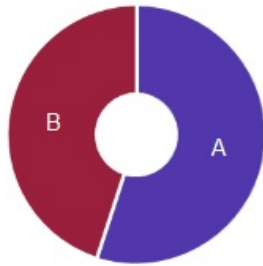
As at September 30,	2021	2020	Change
U.S. dollar	1.2676	1.3325	(4.9%)
Euro	1.4678	1.5622	(6.0%)
Indian rupee	0.0171	0.0181	(5.5%)
British pound	1.7075	1.7216	(0.8%)
Swedish krona	0.1447	0.1487	(2.7%)

### *Average foreign exchange rates*

For the three months ended September 30,	2021	2020	Change
U.S. dollar	1.2598	1.3327	(5.5%)
Euro	1.4848	1.5579	(4.7%)
Indian rupee	0.0170	0.0179	(5.0%)
British pound	1.7360	1.7215	0.8%
Swedish krona	0.1457	0.1503	(3.1%)

### 5.3. REVENUE DISTRIBUTION

The following charts provide additional information regarding our revenue mix for the quarter ended September 30, 2021:



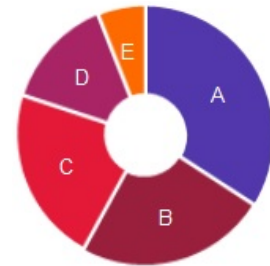
**Service Type**

A.	Managed IT and Business Process Services	56 %
B.	Business consulting, strategic IT consulting and systems integration	44 %



**Client Geography**

A.	U.S.	31 %
B.	Canada	16 %
C.	France	14 %
D.	U.K.	13 %
E.	Germany	7 %
F.	Finland	6 %
G.	Sweden	6 %
H.	Rest of the world	7 %



**Vertical Market**

A.	Government	35 %
B.	MRD	23 %
C.	Financial services	22 %
D.	Communications & utilities	14 %
E.	Health	6 %

#### 5.3.1. Client Concentration

IFRS guidance on segment disclosures defines a single customer as a group of entities that are known to the reporting entity to be under common control. As a consequence, our work for the U.S. federal government including its various agencies represented 13.1% of our revenue for Q4 2021 as compared to 14.5% for Q4 2020.

## 5.4. REVENUE BY SEGMENT

The following table provides a summary of the year-over-year changes in our revenue, in total and by segment, separately showing the impacts of foreign currency exchange rate variations between the Q4 2021 and Q4 2020 periods. The Q4 2020 revenue by segment was recorded reflecting the actual average foreign exchange rates for that period. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with the prior year's average foreign exchange rates.

For the three months ended September 30,			Change	
	2021	2020	\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Total CGI revenue</b>	<b>3,007,458</b>	<b>2,925,560</b>	81,898	<b>2.8 %</b>
Variation prior to foreign currency impact	6.4%			
Foreign currency impact	(3.6%)			
<b>Variation over previous period</b>	<b>2.8%</b>			
<b>Western and Southern Europe</b>				
Revenue prior to foreign currency impact	491,973	433,064	58,909	<b>13.6 %</b>
Foreign currency impact	(22,301)			
<b>Western and Southern Europe revenue</b>	<b>469,672</b>	433,064	36,608	<b>8.5 %</b>
<b>U.S. Commercial and State Government</b>				
Revenue prior to foreign currency impact	512,432	461,371	51,061	<b>11.1 %</b>
Foreign currency impact	(26,684)			
<b>U.S. Commercial and State Government revenue</b>	<b>485,748</b>	461,371	24,377	<b>5.3 %</b>
<b>Canada</b>				
Revenue prior to foreign currency impact	438,379	396,755	41,624	<b>10.5 %</b>
Foreign currency impact	240			
<b>Canada revenue</b>	<b>438,619</b>	396,755	41,864	<b>10.6 %</b>
<b>U.S. Federal</b>				
Revenue prior to foreign currency impact	430,744	431,376	(632)	<b>(0.1%)</b>
Foreign currency impact	(23,040)			
<b>U.S. Federal revenue</b>	<b>407,704</b>	431,376	(23,672)	<b>(5.5%)</b>
<b>U.K. and Australia</b>				
Revenue prior to foreign currency impact	350,197	347,473	2,724	<b>0.8 %</b>
Foreign currency impact	2,808			
<b>U.K. and Australia revenue</b>	<b>353,005</b>	347,473	5,532	<b>1.6 %</b>
<b>Central and Eastern Europe</b>				
Revenue prior to foreign currency impact	337,906	306,840	31,066	<b>10.1 %</b>
Foreign currency impact	(14,833)			
<b>Central and Eastern Europe revenue</b>	<b>323,073</b>	306,840	16,233	<b>5.3 %</b>
<b>Scandinavia</b>				
Revenue prior to foreign currency impact	226,571	234,190	(7,619)	<b>(3.3%)</b>
Foreign currency impact	(6,624)			
<b>Scandinavia revenue</b>	<b>219,947</b>	234,190	(14,243)	<b>(6.1%)</b>
<b>Finland, Poland and Baltics</b>				
Revenue prior to foreign currency impact	183,253	178,412	4,841	<b>2.7%</b>
Foreign currency impact	(8,782)			
<b>Finland, Poland &amp; Baltics revenue</b>	<b>174,471</b>	178,412	(3,941)	<b>(2.2%)</b>



For the three months ended September 30,	2021	2020	Change	
			\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Asia Pacific</b>				
Revenue prior to foreign currency impact	191,296	171,585	19,711	11.5%
Foreign currency impact	(9,289)			
<b>Asia Pacific revenue</b>	<b>182,007</b>	171,585	10,422	6.1%
<b>Eliminations</b>	<b>(46,788)</b>	(35,506)	(11,282)	31.8%

We ended the fourth quarter of Fiscal 2021 with revenue of \$3,007.5 million, an increase of \$81.9 million, or 2.8% when compared to the same period of Fiscal 2020. On a constant currency basis, revenue increased by \$186.7 million or 6.4%. Foreign currency rate fluctuations unfavourably impacted our revenue by \$104.8 million or 3.6%. The increase was mainly due to growth across all vertical markets, as well as recent business acquisitions.

#### 5.4.1. Western and Southern Europe

Revenue in our Western and Southern Europe segment was \$469.7 million in Q4 2021, an increase of \$36.6 million or 8.5% over the same period last year. On a constant currency basis, revenue increased by \$58.9 million or 13.6%. The increase in revenue was mainly the result of growth across all vertical markets, predominantly within the MRD and government vertical markets.

On a client geographic basis, the top two Western and Southern Europe vertical markets were MRD and financial services, generating combined revenues of approximately \$283 million for the three months ended September 30, 2021.

#### 5.4.2. U.S. Commercial and State Government

Revenue from our U.S. Commercial and State Government segment was \$485.7 million in Q4 2021, an increase of \$24.4 million or 5.3% compared to the same period last year. On a constant currency basis, revenue increased by \$51.1 million or 11.1%. The increase was mainly due to recent acquisitions, a prior year unfavorable adjustment on a project, as well as higher work volumes within the financial services vertical market. This was in part offset by a higher proportion of client projects delivered by our global delivery centers of excellence in Asia-Pacific (see section 5.4.9. of the present document).

On a client geographic basis, the top two U.S. Commercial and State Government vertical markets were financial services and government, generating combined revenues of approximately \$296 million for the three months ended September 30, 2021.

#### 5.4.3. Canada

Revenue in our Canada segment was \$438.6 million in Q4 2021, an increase of \$41.9 million or 10.6% over the same period last year. On a constant currency basis, revenue increased by \$41.6 million or 10.5%. The increase was mainly due to growth within the financial services, MRD and communications & utilities vertical markets. This was in part offset by a higher proportion of client projects delivered by our global delivery centers of excellence in Asia-Pacific (see section 5.4.9. of the present document).

On a client geographic basis, the top two Canada vertical markets were financial services and communications & utilities, generating combined revenues of approximately \$308 million for the three months ended September 30, 2021.

#### 5.4.4. U.S. Federal

Revenue in our U.S. Federal segment was \$407.7 million in Q4 2021, a decrease of \$23.7 million or 5.5% over the same period last year. On a constant currency basis, revenue decreased by \$0.6 million or 0.1%. The change was mainly due to lower transaction volumes from our travel related IP business process services in part related to COVID-19. This was partly offset by new and existing business in IT support services as and unfavourable adjustments on client contracts in the prior year.

For the three months ended September 30, 2021, 87% of revenues within the U.S. Federal segment were federal civilian based.

#### **5.4.5. U.K. and Australia**

Revenue in our U.K. and Australia segment was \$353.0 million in Q4 2021, an increase of \$5.5 million or 1.6% over the same period last year. On a constant currency basis, revenue increased by \$2.7 million or 0.8%. The increase was mainly due to growth within the government vertical market and increased equipment sales within the government vertical market. This was partially offset by completion of projects within the communications & utilities vertical market.

On a client geographic basis, the top two U.K. and Australia vertical markets were government and communications & utilities, generating combined revenues of approximately \$281 million for the three months ended September 30, 2021.

#### **5.4.6. Central and Eastern Europe**

Revenue in our Central and Eastern Europe segment was \$323.1 million in Q4 2021, an increase of \$16.2 million or 5.3% over the same period last year. On a constant currency basis, revenue increased by \$31.1 million or 10.1%. The increase in revenue was primarily due to new managed IT service revenues and higher work volume within the government, MRD and financial services vertical markets.

On a client geographic basis, the top two Central and Eastern Europe vertical markets were MRD and government, generating combined revenues of approximately \$210 million for the three months ended September 30, 2021.

#### **5.4.7. Scandinavia**

Revenue in our Scandinavia segment was \$219.9 million, a decrease of \$14.2 million or 6.1% over the same period last year. On a constant currency basis, revenue decreased by \$7.6 million or 3.3%. The decrease was mainly driven by lower work volume and projects successfully completed within the government vertical market, as well as the sale of a non-profitable business related to a past acquisition. This was partially offset by new business in Denmark.

On a client geographic basis, the top two Scandinavia vertical markets were MRD and government, generating combined revenues of approximately \$159 million for the three months ended September 30, 2021.

#### **5.4.8. Finland, Poland and Baltics**

Revenue in our Finland, Poland and Baltics segment was \$174.5 million in Q4 2021, a decrease of \$3.9 million or 2.2% over the same period last year. On a constant currency basis, revenue increased by \$4.8 million or 2.7% mainly due to new business in the financial services and health vertical markets, as well as higher work volumes in the MRD vertical market. This was partially offset by lower work volume within the government vertical market.

On a client geographic basis, the top two Finland, Poland and Baltics vertical markets were government and financial services, generating combined revenues of approximately \$106 million for the three months ended September 30, 2021.

#### **5.4.9. Asia Pacific**

Revenue in our Asia Pacific segment was \$182.0 million, an increase of \$10.4 million or 6.1% over the same period last year. On a constant currency basis, revenue increased by \$19.7 million or 11.5%. The increase was mainly driven by the continued demand for our offshore delivery centers, predominantly within the financial services and communications & utilities vertical markets, primarily from North America.

## 5.5. ADJUSTED EBIT BY SEGMENT

For the three months ended September 30,			Change	
	2021	2020	\$	%
<i>In thousands of CAD except for percentages</i>				
<b>Western and Southern Europe</b>	<b>65,513</b>	59,742	<b>5,771</b>	<b>9.7%</b>
<i>As a percentage of segment revenue</i>	<b>13.9 %</b>	13.8 %		
<b>U.S. Commercial and State Government</b>	<b>78,323</b>	66,474	<b>11,849</b>	<b>17.8%</b>
<i>As a percentage of segment revenue</i>	<b>16.1 %</b>	14.4 %		
<b>Canada</b>	<b>91,654</b>	85,602	<b>6,052</b>	<b>7.1%</b>
<i>As a percentage of segment revenue</i>	<b>20.9 %</b>	21.6 %		
<b>U.S. Federal</b>	<b>69,365</b>	58,073	<b>11,292</b>	<b>19.4%</b>
<i>As a percentage of segment revenue</i>	<b>17.0 %</b>	13.5 %		
<b>U.K. and Australia</b>	<b>55,090</b>	55,749	<b>(659)</b>	<b>(1.2%)</b>
<i>As a percentage of segment revenue</i>	<b>15.6 %</b>	16.0 %		
<b>Central and Eastern Europe</b>	<b>41,929</b>	38,223	<b>3,706</b>	<b>9.7%</b>
<i>As a percentage of segment revenue</i>	<b>13.0 %</b>	12.5 %		
<b>Scandinavia</b>	<b>11,089</b>	7,805	<b>3,284</b>	<b>42.1%</b>
<i>As a percentage of segment revenue</i>	<b>5.0 %</b>	3.3 %		
<b>Finland, Poland and Baltics</b>	<b>29,310</b>	32,931	<b>(3,621)</b>	<b>(11.0%)</b>
<i>As a percentage of segment revenue</i>	<b>16.8 %</b>	18.5 %		
<b>Asia Pacific</b>	<b>51,067</b>	52,964	<b>(1,897)</b>	<b>(3.6%)</b>
<i>As a percentage of segment revenue</i>	<b>28.1 %</b>	30.9 %		
<b>Adjusted EBIT</b>	<b>493,340</b>	457,563	<b>35,777</b>	<b>7.8%</b>
<b>Adjusted EBIT margin</b>	<b>16.4 %</b>	15.6 %		

Adjusted EBIT for the quarter was \$493.3 million, an increase of \$35.8 million from Q4 2020. The adjusted EBIT margin increased to 16.4% from 15.6% for the same period last year. The increase was mainly due to improved utilization and prior year non-recurring adjustments on client contracts. This was partly offset by the impact of lower performance based compensation in the prior year, mainly due to COVID-19.

### 5.5.1. Western and Southern Europe

Adjusted EBIT in the Western and Southern Europe segment was \$65.5 million in Q4 2021, an increase of \$5.8 million when compared to Q4 2020. Adjusted EBIT margin increased to 13.9% from 13.8% in Q4 2020, mainly due to improved utilization as well as lower COVID-19 related expenses as compared to last year, in part offset by higher performance based compensation.

### 5.5.2. U.S. Commercial and State Government

Adjusted EBIT in the U.S. Commercial and State Government segment was \$78.3 million in Q4 2021, an increase of \$11.8 million when compared to Q4 2020. Adjusted EBIT margin increased to 16.1% from 14.4% in Q4 2020. The increase in adjusted EBIT margin was mainly due to the reevaluation of cost to complete on a project and a litigation provision, both in the prior year. This was in part offset by higher performance based compensation.

### 5.5.3. Canada

Adjusted EBIT in the Canada segment was \$91.7 million in Q4 2021, an increase of \$6.1 million when compared to Q4 2020. Adjusted EBIT margin decreased to 20.9% from 21.6% in Q4 2020. The decrease in adjusted EBIT margin was mainly due to lower tax credits and higher performance based compensation. This was partly offset by cost reduction efforts (see section 3.7.2. of the present document) resulting in improved utilization and prior year adjustments on client contracts.

#### **5.5.4. U.S. Federal**

Adjusted EBIT in the U.S. Federal segment was \$69.4 million in Q4 2021, an increase of \$11.3 million when compared to Q4 2020. Adjusted EBIT margin increased to 17.0% from 13.5% in Q4 2020. The increase in adjusted EBIT margin was primarily due to lower performance based compensation, a more profitable business mix and unfavourable adjustments on client contracts in the prior year.

#### **5.5.5. U.K. and Australia**

Adjusted EBIT in the U.K. and Australia segment was \$55.1 million in Q4 2021, a decrease of \$0.7 million when compared to Q4 2020. Adjusted EBIT margin decreased to 15.6% from 16.0% in Q4 2020. The decrease in adjusted EBIT margin was mainly due to the favourable impact of a client contract resolution in the prior year, partly offset by the decrease in amortization of client relationships.

#### **5.5.6. Central and Eastern Europe**

Adjusted EBIT in the Central and Eastern Europe segment was \$41.9 million in Q4 2021, an increase of \$3.7 million when compared to Q4 2020. Adjusted EBIT margin increased to 13.0% from 12.5% in Q4 2020 driven by improved utilization and a decrease in amortization of client relationships, in part offset by higher performance based compensation.

#### **5.5.7. Scandinavia**

Adjusted EBIT in the Scandinavia segment was \$11.1 million in Q4 2021, an increase of \$3.3 million when compared to Q4 2020. Adjusted EBIT margin increased to 5.0% from 3.3% in Q4 2020. The increase in adjusted EBIT margin was mainly driven by a reduction of usage of subcontractors, a decrease in amortization of client relationships, profitable new business in Denmark and savings generated from a restructuring plan (see section 3.7.2. of the present document). This was partly offset by an adjustment on a client contract.

#### **5.5.8. Finland, Poland and Baltics**

Adjusted EBIT in our Finland, Poland and Baltics segment was \$29.3 million Q4 2021, a decrease of \$3.6 million, when compared to the same period last year. Adjusted EBIT margin decreased to 16.8% from 18.5% mainly due to projects successfully completed within the government vertical market and the temporary payroll tax relief in the prior year due to COVID-19.

#### **5.5.9. Asia Pacific**

Adjusted EBIT in the Asia Pacific segment was \$51.1 million in Q4 2021, a decrease of \$1.9 million when compared to Q4 2020, while the adjusted EBIT margin decreased to 28.1% from 30.9% Q4 2020. The change in adjusted EBIT margin was mostly due to lower utilization driven by an increased hiring, higher COVID-19 related member support costs and higher performance based compensation. This was in part offset by the net impact of foreign currency transactions.

## 5.6. NET EARNINGS AND EARNINGS PER SHARE

The following table sets out the information supporting the earnings per share calculations:

For the three months ended September 30,	2021	2020	Change	
			\$	%
<i>In thousands of CAD except for percentage and shares data</i>				
Adjusted EBIT	493,340	457,563	35,777	7.8%
<i>Minus the following items:</i>				
Acquisition-related and integration costs	1,169	5,302	(4,133)	(78.0%)
Restructuring costs	—	84,255	(84,255)	—
Net finance costs	27,733	30,424	(2,691)	(8.8%)
<b>Earnings before income taxes</b>	<b>464,438</b>	<b>337,582</b>	<b>126,856</b>	<b>—</b>
Income tax expense	118,504	85,668	32,836	38.3%
<i>Effective tax rate</i>	25.5 %	25.4 %		
<b>Net earnings</b>	<b>345,934</b>	<b>251,914</b>	<b>94,020</b>	<b>37.3 %</b>
<b>Margin</b>	<b>11.5 %</b>	<b>8.6 %</b>		
<b>Weighted average number of shares</b>				
Class A subordinate voting shares and Class B multiple voting shares (basic)	244,068,210	258,210,169		(5.5%)
Class A subordinate voting shares and Class B multiple voting shares (diluted)	248,208,258	261,790,231		(5.2%)
<b>Earnings per share (in dollars)</b>				
Basic EPS	1.42	0.98	0.44	44.9 %
Diluted EPS	1.39	0.96	0.43	44.8 %

For the three months ended September 30, 2021, the income tax expense was \$118.5 million compared to \$85.7 million over the same period last year, while our effective tax rate increased to 25.5% from 25.4%. The increase in the income tax rate is mainly attributable to a different profitability mix in certain geographies.

For Q4 2021, CGI's basic and diluted weighted average number of shares decreased compared to Q4 2020 due to the impact of the purchase for cancellation of Class A Shares during the previous quarters. This was partly offset by the exercise of stock options during the year.

### 5.6.1. Net Earnings and Earnings per Share Excluding Specific Items

Below is a table showing the year-over-year comparison excluding specific items, namely acquisition-related and integration costs as well as restructuring costs :

For the three months ended September 30,	2021	2020	Change	
			\$	%
<i>In thousands of CAD except for percentage and shares data</i>				
Earnings before income taxes	464,438	337,582	126,856	37.6%
Add back:				
Acquisition-related and integration costs	1,169	5,302	(4,133)	(78.0%)
Restructuring costs	—	84,255	(84,255)	(100.0)
<b>Earnings before income taxes excluding specific items</b>	<b>465,607</b>	<b>427,139</b>	<b>38,468</b>	<b>9.0 %</b>
Income tax expense	118,504	85,668	32,836	38.3%
Effective tax rate	25.5 %	25.4%		
Add back:				
Tax deduction on acquisition-related and integration costs	240	1,210	(970)	(80.2%)
Impact on effective tax rate	— %	—%		
Tax deduction on restructuring costs	—	21,871	(21,871)	(100.0)
Impact on effective tax rate	— %	0.1%		
<b>Income tax expense excluding specific items</b>	<b>118,744</b>	<b>108,749</b>	<b>9,995</b>	<b>9.2%</b>
<b>Effective tax rate excluding specific items</b>	<b>25.5%</b>	<b>25.5%</b>		
<b>Net earnings excluding specific items</b>	<b>346,863</b>	<b>318,390</b>	<b>28,473</b>	<b>8.9%</b>
<b>Net earnings excluding specific items margin</b>	<b>11.5%</b>	<b>10.9%</b>		
<b>Weighted average number of shares outstanding</b>				
Class A subordinate voting shares and Class B multiple voting shares (basic)	244,068,210	258,210,169		(5.5%)
Class A subordinate voting shares and Class B multiple voting shares (diluted)	248,208,258	261,790,231		(5.2%)
<b>Earnings per share excluding specific items (in dollars)</b>				
Basic EPS	1.42	1.23	0.19	15.4 %
Diluted EPS	1.40	1.22	0.18	14.8 %

## 5.7. CONSOLIDATED STATEMENTS OF CASH FLOWS

As at September 30, 2021, cash and cash equivalents were \$1,699.2 million. The following table provides a summary of the generation and use of cash and cash equivalents for the quarters ended September 30, 2021 and 2020.

For the three months ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Cash provided by operating activities	526,934	492,000	34,934
Cash used in investing activities	(80,109)	(67,996)	(12,113)
Cash used in financing activities	(30,044)	(90,724)	60,680
Effect of foreign exchange rate changes on cash and cash equivalents	15,468	9,426	6,042
<b>Net increase in cash and cash equivalents</b>	<b>432,249</b>	<b>342,706</b>	<b>89,543</b>

### 5.7.1. Cash Provided by Operating Activities

For Q4 2021, cash provided by operating activities was \$526.9 million compared to \$492.0 million in Q4 2020, or 17.5% of revenue compared to 16.8% last year.

The following table provides a summary of the generation and use of cash from operating activities.

For the three months ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Net earnings	345,934	251,914	94,020
Amortization, depreciation and impairment	127,619	152,459	(24,840)
Other adjustments <sup>1</sup>	23,620	22,957	663
<b>Cash flow from operating activities before net change in non-cash working capital items</b>	<b>497,173</b>	<b>427,330</b>	<b>69,843</b>
Net change in non-cash working capital items:			
Accounts receivable, work in progress and deferred revenue	(22,756)	151,583	(174,339)
Accounts payable and accrued liabilities, accrued compensation and employee-related liabilities, provisions and long-term liabilities	24,921	(14,054)	38,975
Other <sup>2</sup>	27,596	(72,859)	100,455
<b>Net change in non-cash working capital items</b>	<b>29,761</b>	<b>64,670</b>	<b>(34,909)</b>
<b>Cash provided by operating activities</b>	<b>526,934</b>	<b>492,000</b>	<b>34,934</b>

<sup>1</sup> Comprised of deferred income taxes (recovery) expense, foreign exchange loss (gain), gain on leases terminations, loss on sale of business and share-based payment costs.

<sup>2</sup> Comprised of prepaid expenses and other assets, long-term financial assets, retirement benefits obligations, derivative financial instruments and income taxes.

For the three months ended September 30, 2021, cash provided by operating activities was \$526.9 million, up \$34.9 million for the same period last year due mainly to higher net earnings offset by a lesser impact from the net change in non-cash working capital items and lower amortization and depreciation. The net change in non-cash working capital items of \$29.8 million for fiscal 2021 was mostly due to the increase of accounts payables and the increase in accrued compensation and employee-related liabilities, mainly from performance-based compensation to our members. This was partially offset by the decrease related to accrued vacation and the collection of tax credits.

The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations.

### 5.7.2. Cash Used in Investing Activities

For Q4 2021, \$80.1 million was used in investing activities while \$68.0 million was used in the prior year.

The following table provides a summary of the generation and use of cash from investing activities:

For the three months ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Business acquisitions	(4,496)	7,083	(11,579)
Purchase of property, plant and equipment	(31,992)	(31,513)	(479)
Additions to contract costs	(15,201)	(19,166)	3,965
Additions to intangible assets	(28,636)	(29,410)	774
Net change in short-term investments and purchase of long-term investments	216	5,010	(4,794)
<b>Cash used in investing activities</b>	<b>(80,109)</b>	<b>(67,996)</b>	<b>(12,113)</b>

The increase of \$12.1 million in cash used in investing activities during the three months ended September 30, 2021 was mainly due to higher investment in business acquisitions.

### 5.7.3. Cash Used in Financing Activities

For the three months ended September 30,	2021	2020	Change
<i>In thousands of CAD</i>			
Increase of long-term debt	1,851,997	8,055	1,843,942
Repayment of long-term debt	(1,845,702)	(65,667)	(1,780,035)
Payment of lease liabilities	(38,845)	(39,820)	975
	(32,550)	(97,432)	64,882
Repayment of debt assumed in a business acquisition	—	(38)	38
Settlement of derivative financial instruments	(6,992)	(3,903)	(3,089)
Issuance of Class A subordinate voting shares	9,498	10,649	(1,151)
<b>Cash used in financing activities</b>	<b>(30,044)</b>	<b>(90,724)</b>	<b>60,680</b>

During Q4 2021, we increased by \$1,852.0 million our long-term debt mainly driven by the issuance of senior unsecured notes for an amount of \$1,847.3 million as outlined in the section 2.5. of the present document, and repaid \$1,845.7 million of our long-term debt mainly due by the repayment in full of the 2020 Term Loan in an amount of \$1,583.5 million (US\$1,250.0 million), and the scheduled repayments of senior unsecured notes in the amount of \$259.7 million. We also paid \$38.8 million of lease liabilities. During Q4 2020, we used \$65.7 million to reduce our long-term debt, mainly driven by scheduled repayments on senior unsecured notes in the amount of \$65.9 million, and we paid \$39.8 million of lease liabilities.

In Q4 2021, we received \$9.5 million in proceeds from the exercise of stock options, compared to \$10.6 million during the same period last year.



## 6. Eight Quarter Summary

As at and for the three months ended	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
<i>In millions of CAD unless otherwise noted</i>								
<b>Growth</b>								
Revenue	<b>3,007.5</b>	3,021.4	3,078.5	3,019.4	2,925.6	3,052.7	3,131.1	3,054.7
Year-over-year revenue growth	<b>2.8%</b>	(1.0%)	(1.7%)	(1.2%)	(1.1%)	(2.2%)	2.0%	3.1%
Constant currency year-over-year revenue growth	<b>6.4%</b>	3.5%	(1.7%)	(3.6%)	(4.5%)	(3.5%)	3.0%	4.8%
Backlog	<b>23,059</b>	23,345	23,094	22,769	22,673	22,295	22,994	22,292
Bookings	<b>2,921</b>	3,634	3,892	3,397	3,474	2,841	2,783	2,749
Book-to-bill ratio	<b>97.1%</b>	120.3%	126.4%	112.5%	118.8%	93.1%	88.9%	90.0%
Book-to-bill ratio trailing twelve months	<b>114.2%</b>	119.5%	112.6%	103.0%	97.4%	96.6%	97.0%	101.3%
<b>Profitability</b>								
Adjusted EBIT <sup>1</sup>	<b>493.3</b>	476.8	486.3	495.7	457.6	448.0	483.2	474.1
<i>Adjusted EBIT margin</i>	<b>16.4%</b>	15.8%	15.8%	16.4%	15.6%	14.7%	15.4%	15.5%
Net earnings	<b>345.9</b>	338.5	341.2	343.5	251.9	260.9	314.8	290.2
<i>Net earnings margin</i>	<b>11.5%</b>	11.2%	11.1%	11.4%	8.6%	8.5%	10.1%	9.5%
Diluted EPS (in dollars)	<b>1.39</b>	1.36	1.34	1.32	0.96	1.00	1.18	1.06
Net earnings excluding specific items <sup>1</sup>	<b>346.9</b>	339.0	341.9	347.2	318.4	308.4	338.4	334.9
<i>Net earnings margin excluding specific items</i>	<b>11.5%</b>	11.2%	11.1%	11.5%	10.9%	10.1%	10.8%	11.0%
Diluted EPS excluding specific items (in dollars) <sup>1</sup>	<b>1.40</b>	1.36	1.35	1.33	1.22	1.18	1.26	1.23
<b>Liquidity</b>								
Cash provided by operating activities	<b>526.9</b>	418.9	572.6	597.5	492.0	584.8	396.5	465.3
<i>As a % of revenue</i>	<b>17.5%</b>	13.9%	18.6%	19.8%	16.8%	19.2%	12.7%	15.2%
Days sales outstanding	<b>45</b>	44	39	44	47	48	51	49
<b>Capital structure</b>								
Net debt	<b>2,535.9</b>	2,956.6	2,938.7	2,672.5	2,777.9	3,243.5	3,792.3	2,810.6
Net debt to capitalization ratio	<b>26.6%</b>	30.9%	30.9%	27.1%	27.7 %	31.8 %	35.9 %	28.4 %
Return on equity	<b>19.8%</b>	18.4%	17.2%	16.6%	16.0 %	17.3 %	18.0 %	18.0 %
Return on invested capital	<b>14.9%</b>	13.8%	12.8%	12.4%	12.1 %	13.0 %	13.9 %	14.4 %
<b>Balance sheet</b>								
Cash and cash equivalents, and short-term investments	<b>1,700.2</b>	1,267.1	1,339.8	1,675.1	1,709.5	1,371.1	314.0	223.2
Total assets	<b>15,021.0</b>	14,599.3	14,719.9	15,271.0	15,550.4	15,343.3	14,597.2	13,863.6
Long-term financial liabilities <sup>2</sup>	<b>3,659.8</b>	3,453.0	3,508.1	3,598.1	4,030.6	4,363.5	3,889.1	2,766.3

<sup>1</sup> Please refer to sections 3.7. and 3.8.3. of each quarter's respective MD&A for the reconciliation of non-GAAP financial measures for the quarterly periods of 2020 and 2021. For Fiscal 2020 year ending period, please refer to sections 5.6. and 5.6.1.

<sup>2</sup> Long-term financial liabilities include the long-term portion of the debt, long-term portion of lease liabilities and the long-term derivative financial instruments.

There are factors causing quarterly variances which may not be reflective of the Company's future performance. There is seasonality in system integration and consulting work, and the quarterly performance of these operations is impacted by occurrences such as vacations and the number of statutory holidays in any given quarter. Managed IT and business process services contracts are affected to a lesser extent by seasonality. Also, the workflow from some clients may fluctuate from quarter to quarter based on their business cycle and the seasonality of their own operations. Further, the savings that we generate for a client on a given managed IT and business process services contract may temporarily reduce our revenue stream from this client, as these savings may not be immediately offset by additional work performed for this client.

Cash flow from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients, cash requirements associated with large acquisitions, managed IT and business

process services contracts and projects, the timing of the reimbursements for various tax credits as well as profit sharing payments to members and the timing of restructuring cost payments.

Foreign exchange fluctuations can also contribute to quarterly variances as our percentage of operations in foreign countries evolves. The effect from these variances is primarily on our revenue and to a much lesser extent, on our margin as we benefit, as much as possible, from natural hedges.

## 7. Changes in Accounting Policies

The audited consolidated financial statements for the year ended September 30, 2021 and 2020 include all adjustments that CGI's management considers necessary for the fair presentation of its financial position, results of operations, and cash flows.

### **CHANGE IN ACCOUNTING POLICY - ACCRUED COMPENSATION AND EMPLOYEE-RELATED LIABILITIES**

During the year ended September 30, 2021, the Company modified the presentation of employee's related liabilities which mainly include payroll related benefits accruals and remittances due to governments to reflect a preferable classification of the nature of these items. Previously under Accounts payable and accrued liabilities these items are now included under Accrued compensation and employee-related liabilities for an amount of \$229.7 million as at September 30, 2021. An amount of \$211.8 million, as at September 30, 2020, was reclassified for comparability.

### **ADOPTION OF ACCOUNTING INTERPRETATION**

#### **Configuration or customization costs in a cloud computing arrangement - IAS 38**

For the year ended September 30, 2021, the Company considered and applied the IFRS Interpretations Committee agenda decision on configuration or customization costs in a cloud computing arrangement, more specifically on Software as a Service arrangements. The agenda decision clarifies that configuration or customization costs under such arrangements often do not meet the capitalization criteria under IAS 38 *Intangible assets*. Judgement is required to determine if the capitalization criteria are met. The adoption of the interpretation was considered retrospectively and did not have a material impact on the Company's consolidated financial statements.

### **FUTURE ACCOUNTING STANDARD CHANGES**

The following standard is effective as of October 1, 2021 for the Company.

#### **IBOR reform with amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16**

In August 2020, the IASB issued Interest Rate Benchmark Reform-Phase 2, which amends IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 16 *Leases*. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

For financial instruments at amortized cost, the amendment introduces a practical expedient such that if a change to contractual cash flow occurs as a direct consequence of the interbank offered rates (IBORs) reform and on economically equivalent terms to the previous basis, it will not result in an immediate gain or loss recognition. As for hedge accounting, the practical expedient allows hedge instruments relationship directly affected by the reform to continue. However, additional ineffectiveness might need to be recorded.

The Company has financial instruments exposed to the 1 month USD Libor rate which is planned to expire in June 2023. As at September 30, 2021, the only instruments with a maturity date subsequent to June 2023 directly impacted by the IBORs reform are the unsecured committed term loan credit facility and the related cross-currency interest rate swaps (the hedging instruments) expiring in December 2023.

The implementation of this amendment will result in no impact on the Company's consolidated financial statements on adoption date. The Company is currently managing the process to transition the existing impacted agreements to an alternative rate.

The following standard has been issued and will be effective on October 1, 2022 for the Company, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

### **Onerous contracts – Cost of Fulfilling a Contract - Amendments to IAS 37**

In May, 2020, the IASB amended IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that for assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental cost of fulfilling that contract and an allocation of other costs that relates directly to fulfilling the contract.

The following standards have been issued and will be effective on October 1, 2023 for the Company, with earlier application permitted. The Company is currently evaluating the impact of those standards on its consolidated financial statements.

### **Classification of Liabilities as Current or Non-current – Amendments to IAS 1**

In January, 2020, the IASB amended IAS 1 *Presentation of Financial Statements*. The amendment clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period which only impacts the presentation of liabilities in the balance sheet. The classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability.

### **Disclosure of Accounting Policy Information – Amendments to IAS 1 and IFRS Practice Statement 2**

In February, 2021, the IASB amended IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to require the Company to disclose its material accounting policy information rather than its significant accounting policies.

### **Definition of Accounting Estimates – Amendments to IAS 8**

In February, 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting estimates and Errors* to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.

### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

In May 2021, the IASB amended IAS 12 *Income Taxes*, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

## 8. Critical Accounting Estimates

The Company's significant accounting policies are described in note 3 of the audited consolidated financial statements for the years ended September 30, 2021 and 2020. Certain of these accounting policies, listed below, require management to make accounting estimates and judgements that affect the reported amounts of assets, liabilities and equity and the accompanying disclosures at the date of the audited consolidated financial statements as well as the reported amounts of revenue and expenses during the reporting period. These accounting estimates are considered critical because they require management to make subjective and/or complex judgements that are inherently uncertain and because they could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

The uncertainties around the COVID-19 pandemic required the use of judgements and estimates which resulted in no material impact for the period ended September 30, 2021. The Company will continue to monitor the impact of the development of the COVID-19 pandemic in future reporting periods.

Areas impacted by estimates	Consolidated balance sheets	Consolidated statements of earnings				
		Revenue	Cost of services, selling and administrative	Amortization and depreciation	Net finance costs	Income taxes
Revenue recognition <sup>1</sup>	✓	✓	✓			
Goodwill impairment	✓			✓		
Right-of-use assets	✓			✓	✓	
Business combinations	✓	✓	✓	✓		✓
Income taxes	✓					✓
Litigation and claims	✓	✓	✓			

<sup>1</sup> Affects the balance sheet through accounts receivable, work in progress, provision and deferred revenue.

### Revenue recognition

#### *Relative selling price*

If an arrangement involves the provision of multiple performance obligations, the total arrangement value is allocated to each performance obligation based on its relative stand-alone selling price. At least on a yearly basis, the Company reviews its best estimate of the stand-alone selling price which is established by using a reasonable range of prices for the various services and solutions offered by the Company based on local market information available. Information used in determining the range is mainly based on recent contracts signed and the economic environment. A change in the range could have a material impact on the allocation of total arrangement value, and therefore on the amount and timing of revenue recognition.

#### *Business consulting, strategic IT consulting and and systems integration under fixed fee arrangements*

Revenue from business consulting, strategic IT consulting and and systems integration services under fixed-fee arrangements is recognized using the percentage-of-completion method over time, as the Company has no alternative use for the asset created and has an enforceable right to payment for performance completed to date. The Company primarily uses labour costs or labour hours to measure the progress towards completion. Project managers monitor and re-evaluate project forecasts on a monthly basis. Forecasts are reviewed to consider factors such as: changes to the scope of the contracts, delays in reaching milestones and new complexities in the project delivery. Forecasts can also be affected by market risks such as the availability and retention of qualified IT professionals and/or the ability of the subcontractors to perform their obligations within agreed upon budget and time frames. To the extent that actual labour hours or labour costs

could vary from estimates, adjustments to revenue following the review of the costs to complete on projects are reflected in the period in which the facts that give rise to the revision occur. Whenever the total costs are forecasted to be higher than the total revenue, a provision for an onerous revenue-generating contract is recorded.

#### Goodwill impairment

The carrying value of goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired. In order to determine if a goodwill impairment test is required, management reviews different factors on a quarterly basis, such as changes in technological or market environment, changes in assumptions used to derive the weighted average cost of capital and actual financial performance compared to planned performance.

The recoverable amount of each segment has been determined based on its value in use calculation, which includes estimates about their future financial performance based on cash flows approved by management. However, factors such as our ability to continue developing and expanding services offered to address emerging business demands and technology trends, a lengthened sales cycle and our ability to hire and retain qualified IT professionals affect future cash flows, and actual results might differ from future cash flows used in the goodwill impairment test. Key assumptions used in goodwill impairment testing are presented in note 12 of the audited consolidated financial statements for the years ended September 30, 2021 and 2020. Historically, the Company has not recorded an impairment charge on goodwill.

#### Right-of-use assets

##### *Estimates of the lease term*

The Company estimates the lease term in order to calculate the value of the lease liability at the initial date of the lease. Management uses judgement to determine the appropriate lease term based on the conditions of each lease. The Company considers all facts that create incentive to exercise an extension option or not to take a termination option including leasehold improvements, significant modification of the underlying asset or a business decision. The extension or termination options are only included in the lease term if it is reasonably certain of being exercised.

##### *Discount rate for leases*

The discount rate is used to determine the initial carrying amount of the lease liabilities and the right-of-use assets. The Company estimates the incremental borrowing rate for each lease or portfolio of leased assets, as most of the implicit interest rates in the leases are not readily determinable. To calculate the incremental borrowing rate, the Company considers its creditworthiness, the term of the arrangement, any collateral received and the economic environment. The incremental borrowing rates are subject to change mainly due to changes in the economic environment.

A change in the assumptions used to determine the lease term could result in a significant impact on the right-of-use assets and the lease liabilities presented in the consolidated balance sheet as well as in the depreciation of the right-of-use assets and interest expense on lease liabilities.

#### Business combinations

Management makes assumptions when determining the acquisition-date fair value of the identifiable tangible and intangible assets acquired and liabilities assumed which involve estimates, such as the forecasting of future cash flows, discount rates and the useful lives of the assets acquired.

Additionally, management's judgement is required in determining whether an intangible asset is identifiable and should be recorded separately from goodwill.

Changes in the above assumptions, estimates and judgements could affect our acquisition-date fair values and therefore could have material impacts on our audited consolidated financial statements. These changes are recorded as part of the purchase price allocation and therefore result in corresponding goodwill adjustments if they occurred during the measurement period, which does not exceed one year. All other subsequent changes are recorded in our consolidated statement of earnings.

### Income taxes

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available for their utilization. The Company considers the analysis of forecast and future tax planning strategies. Estimates of taxable profit are made based on the forecast by jurisdiction which are aligned with goodwill impairment testing assumptions, on an undiscounted basis. In addition, management considers factors such as substantively enacted tax rates, the history of the taxable profits and availability of tax strategies. Due to the uncertainty and the variability of the factors mentioned above, deferred tax assets are subject to change. Management reviews its assumptions on a quarterly basis and adjusts the deferred tax assets when appropriate.

The Company is subject to income tax laws in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes as the determination of tax liabilities and assets involves uncertainties in the interpretation of complex tax regulations and requires estimates and assumptions considering the existing facts and circumstances. The Company provides for potential tax liabilities based on the most likely amount of the possible outcomes. Estimates are reviewed each reporting period and updated, based on new information available, and could result in changes to the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

### Litigation and claims

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The accrued litigation and legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Estimates include the period in which the underlying cause of the claim occurred and the degree of probability of an unfavourable outcome. Management reviews assumptions and facts surrounding outstanding litigation and claims on a quarterly basis, involves external counsel when necessary and adjusts such provisions accordingly. The Company has to be compliant with applicable law in many jurisdictions which increases the complexity of determining the adequate provision following a litigation review. Since the outcome of such litigation and claims is not predictable with assurance, those provisions are subject to change. Adjustments to litigation and claims provisions are reflected in the period when the facts that give rise to an adjustment occur.

## 9. Integrity of Disclosure

The Board of Directors has the responsibility under its charter and under the securities laws that govern CGI's continuous disclosure obligations to oversee CGI's compliance with its continuous and timely disclosure obligations, as well as the integrity of the Company's internal controls and management information systems. The Board of Directors carries out this responsibility mainly through its Audit and Risk Management Committee.

CGI's Audit and Risk Management Committee is composed entirely of independent directors who meet the independence and experience requirements of National Instrument 52-110 adopted by the Canadian Securities Administrators as well as those of the New York Stock Exchange (NYSE) and the U.S. Securities and Exchange Commission (SEC). The role and responsibilities of the Audit and Risk Management Committee include: (i) reviewing public disclosure documents containing financial information concerning CGI; (ii) identifying and examining material financial and operating risks to which the Company is exposed, reviewing the various policies and practices of the Company that are intended to manage those risks, and reporting on a regular basis to the Board of Directors concerning risk management; (iii) reviewing and assessing the effectiveness of CGI's accounting policies and practices concerning financial reporting; (iv) reviewing and monitoring CGI's internal control procedures, programs and policies and assessing their adequacy and effectiveness; (v) reviewing the adequacy of CGI's internal audit resources including the mandate and objectives of the internal auditor; (vi) recommending to the Board of Directors the appointment of the external auditor, assessing the external auditor's independence, reviewing the terms of their engagement, conducting an annual auditor's performance assessment, and pursuing ongoing discussions with them; (vii) reviewing related party transactions in accordance with the rules of the NYSE and other applicable laws and regulations; (viii) reviewing the audit procedures including the proposed scope of the external auditor's examinations; and (ix) performing such other functions as are usually attributed to audit committees or as directed by the Board of Directors. In making its recommendation to the Board of Directors in relation to the annual appointment of the external auditor, the Audit and Risk Management Committee conducts an annual assessment of the external auditor's performance following the recommendations of the Chartered Professional Accountants of Canada. The formal assessment is concluded in advance of the Annual General Meeting of Shareholders and is conducted with the assistance of key CGI personnel.

The Company has established and maintains disclosure controls and procedures designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which annual and interim filings are prepared, and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws and the related rules. As at September 30, 2021, management evaluated, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as defined under National Instrument 52-109 adopted by the Canadian Securities Administrators and in Rule 13(a)-15(e) under the U.S. Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at September 30, 2021.

The Company has also established and maintains internal control over financial reporting, as defined under National Instrument 52-109 and in Rule 13(a)-15(f) under the U.S. Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and the Chief Financial Officer, and effected by management and other key CGI personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Management evaluated, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the Company's internal controls over financial reporting as at September 30, 2021, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on that evaluation, management, under the supervision of and with the participation of the Chief Executive Officer as well as the



Chief Financial Officer concluded that the Company's internal controls over financial reporting was effective as at September 30, 2021.

## 10. Risk Environment

### 10.1. RISKS AND UNCERTAINTIES

While we are confident about our long-term prospects, a number of risks and uncertainties could affect our ability to achieve our strategic vision and objectives for growth. The following risks and uncertainties should be considered when evaluating our potential as an investment.

#### 10.1.1. External Risks

*We may be adversely affected by volatile, negative or uncertain economic and political conditions and the effects of these conditions on our clients' businesses and levels of activity.*

Economic and political conditions in the markets in which we operate have a bearing upon the results of our operations, directly and through their effect on the level of business activity of our clients. We can neither predict the impact that current economic and political conditions will have on our future revenue, nor predict changes in economic conditions or future political uncertainty. The level of activity of our clients and potential clients may be affected by an economic downturn or political uncertainty. Clients may cancel, reduce or defer existing contracts and delay entering into new engagements and may decide to undertake fewer IT systems projects resulting in limited implementation of new technology and smaller engagements. Since there may be fewer engagements, competition may increase and pricing for services may decline as competitors may decrease rates to maintain or increase their market share in our industry and this may trigger pricing adjustments related to the benchmarking obligations within our contracts. Economic downturns and political uncertainty make it more difficult to meet business objectives and may divert management's attention and time from operating and growing our business. Our business, results of operations and financial condition could be negatively affected as a result of these factors.

*We may be adversely affected by other external risks, such as terrorism, armed conflict, labour or social unrest, criminal activity, hostilities, disease, illness or health emergencies, natural disasters and climate change and the effects of these conditions on our clients and our business.*

Additional external risks that could adversely impact the markets in which we operate, our industry and our business include terrorism, armed conflict, labour or social unrest, criminal activity, regional and international hostilities and international responses to these hostilities, and disease, illness or health emergencies that affect local, national or international economies. Additionally, the potential impacts of climate change are unpredictable and natural disasters, sea-level rise, floods, droughts or other weather-related events present additional external risks. Climate change risks can arise from physical risks (risks related to the physical effects of climate change) and transition risks (risks related to regulatory, legal, technological and market changes from a transition to a low-carbon economy) which may affect us or affect the financial viability of our clients leading to a reduction of demand and loss of business from such clients. Each of these risks could negatively impact our business, results of operation and financial condition.

*Pandemics, including the COVID-19 pandemic, have caused, and may in the future cause disruptions in our operations and the operations of our clients (which may lead to increased risk and frequency of cybersecurity incidents), market volatility and economic disruption, which could adversely affect us.*

A pandemic, including the COVID-19 pandemic, can create significant volatility and uncertainty and economic disruption. A pandemic poses the risk that our members, clients, contractors and business partners may be prevented from, or restricted in, conducting business activities for an indefinite period, including due to the transmission of the disease or to emergency measures or restrictions that may be requested or mandated by governmental authorities. The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the implementation of travel bans or restrictions, lock-downs, quarantine periods, social distancing, work-from-home policies and the temporary closure of non-essential businesses. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions and temporarily closing businesses. These emergency measures and restrictions, and future measures and restrictions taken in response to the COVID-19 pandemic or other pandemics,

have caused and may cause material disruptions to businesses globally and are likely to have an adverse impact on global economic conditions and consumer confidence and spending, which could materially adversely affect our business. A pandemic, including the COVID-19 pandemic, may affect the financial viability of our clients, and could cause them to exit certain business lines, or change the terms on which they are willing to purchase services and solutions. Clients may also slow down decision-making, delay planned work, seek to terminate existing agreements, not renew existing agreements or be unable to pay us in accordance with the terms of existing agreements. As a result of increased remote working arrangements due to a pandemic, the exposure to, and reliance on, networked systems and the internet can increase. This can lead to increased risk and frequency of cybersecurity incidents. Cybersecurity incidents can result from unintentional events or deliberate attacks by insiders or third parties, including cybercriminals, competitors, nation-states, and hacktivists. Any of these events could cause or contribute to risk and uncertainty and could adversely affect our business, results of operations and financial condition.

As a result of the COVID-19 pandemic, global equity and capital markets have experienced and may continue to experience significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy and duration of government and central bank interventions. The extent to which the COVID-19 pandemic impacts our future business, including our operations and the market for our securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak, the actions taken to contain the COVID-19 pandemic, and the actions taken to prevent and treat the COVID-19 pandemic. It is not possible to reliably estimate the length and severity of these developments or the negative impact on our financial results, share price and financial condition in future periods. Many of the risks, uncertainties and other risk factors identified are, and will be, amplified by the COVID-19 pandemic. While we have implemented business continuity plans and taken additional steps and measures, there can be no assurance that these actions, in response to the COVID-19 pandemic, will succeed in preventing or mitigating the negative impacts of the COVID-19 pandemic on our Company, members, clients, contractors and business partners, which may continue post COVID-19 pandemic.

### **10.1.2. Risks Related to our Industry**

*The markets in which we operate are highly competitive, and we might not be able to compete effectively.*

CGI operates in a global marketplace in which competition among providers of IT services is vigorous. Some of our competitors possess greater financial, marketing and sales resources, and larger geographic scope in certain parts of the world than we do, which, in turn, provides them with additional leverage in the competition for contracts. In certain niche, regional or metropolitan markets, we face smaller competitors with specialized capabilities who may be able to provide competing services with greater economic efficiency. Some of our competitors have more significant operations than we do in lower cost countries that can serve as a platform from which to provide services worldwide on terms that may be more favourable. Increased competition among IT services firms often results in corresponding pressure on prices. There can be no assurance that we will succeed in providing competitively priced services at levels of service and quality that will enable us to maintain and grow our market share.

We derive significant revenue from contracts awarded through competitive bidding processes, which limit the Company's ability to negotiate certain contractual terms and conditions. Risks related to competitive bidding processes also involve substantial cost and managerial time and effort spent by the Company to prepare bids and proposals for contracts that may or may not be awarded to the Company, as well as expenses and delays that may arise if the Company's competitors protest or challenge awards made to the Company pursuant to competitive bidding processes.

*We may not be able to hire or retain enough qualified IT professionals to support our operations.*

There is strong demand for qualified individuals in the IT industry. Hiring and retaining a sufficient number of individuals with the desired knowledge and skill set may be difficult. Therefore, it is important that we remain able to successfully attract and retain highly qualified professionals and establish an effective succession plan. If our comprehensive programs aimed at attracting and retaining qualified and dedicated professionals do not ensure that we have staff in sufficient numbers and with the appropriate training, expertise and suitable government security clearances required to serve the

needs of our clients, we may have to rely on subcontractors or transfers of staff to fill resulting gaps. If our succession plan fails to identify those with potential or to develop these key individuals, we may be unable to replace key members who retire or leave the Company and may be required to recruit and/or train new employees. This might result in lost revenue or increased costs, thereby putting pressure on our net earnings.

*We may not be able to continue developing and expanding service offerings to address emerging business demands and technology trends.*

The rapid pace of change in all aspects of IT and the continually declining costs of acquiring and maintaining IT infrastructure mean that we must anticipate changes in our clients' needs. To do so, we must adapt our services and our solutions so that we maintain and improve our competitive advantage and remain able to provide cost effective services and solutions. The markets in which we operate are extremely competitive and there can be no assurance that we will succeed in developing and adapting our business in a timely manner nor that we will be able to penetrate new markets successfully. If we do not keep pace, our ability to retain existing clients and gain new business may be adversely affected. This may result in pressure on our revenue, net earnings and resulting cash flow from operations.

*We may infringe on the intellectual property rights of others*

Despite our efforts, the steps we take to ensure that our services and offerings do not infringe on the intellectual property rights of third parties may not be adequate to prevent infringement and, as a result, claims may be asserted against us or our clients. We enter into licensing agreements for the right to use intellectual property and may otherwise offer indemnities against liability and damages arising from third-party claims of patent, copyright, trademark or trade secret infringement in respect of our own intellectual property or software or other solutions developed for our clients. In some instances, the amount of these indemnity claims could be greater than the revenue we receive from the client (see *Indemnity Provisions and Guarantees*). Intellectual property claims or litigation could be time-consuming and costly, harm our reputation, require us to enter into additional royalty or licensing arrangements, or prevent us from providing some solutions or services. Any limitation on our ability to sell or use solutions or services that incorporate software or technologies that are the subject of a claim could cause us to lose revenue-generating opportunities or require us to incur additional expenses to modify solutions for future projects.

*We may be unable to protect our intellectual property rights.*

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to provide our services. Although CGI takes reasonable steps (e.g. available copyright protection and, in some cases, patent protection) to protect and enforce its intellectual property rights, there is no assurance that such measures will be enforceable or adequate. The cost of enforcing our rights can be substantial and, in certain cases, may prove to be uneconomic. In addition, the laws of some countries in which we conduct business may offer only limited intellectual property rights protection. Despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

*We face risks associated with benchmarking provisions within certain contracts.*

Some of our managed IT and business process services contracts contain clauses allowing our clients to externally benchmark the pricing of agreed upon services against those offered by other providers in a peer comparison group. The uniqueness of the client environment should be factored in and, if results indicate a difference outside the agreed upon tolerance, we may be required to work with clients to reset the pricing for their services. There can be no assurance that benchmarks will produce accurate or reliable data, including pricing data. This may result in pressure on our revenue, net earnings and resulting cash flow from operations.

### 10.1.3. Risks Related to our Business

We may not be able to successfully implement and manage our growth strategy.

CGI's Build and Buy growth strategy is founded on four pillars of growth: first, profitable organic growth through contract wins, renewals and extensions with new and existing clients in our targeted industries; second, the pursuit of new large long-term managed IT and business process services contracts; third, metro market acquisitions; and fourth, large transformational acquisitions.

Our ability to achieve organic growth is affected by a number of factors outside of our control, including a lengthening of our sales cycle for major managed IT and business process services contracts.

Our ability to grow through metro market and transformational acquisitions requires that we identify suitable acquisition targets that we correctly evaluate their potential as transactions that will meet our financial and operational objectives, and that we successfully integrate them into our business. There can, however, be no assurance that we will be able to identify suitable acquisition targets and consummate additional acquisitions that meet our economic thresholds, or that future acquisitions will be successfully integrated into our operations and yield the tangible accretive value that had been expected.

If we are unable to implement our Build and Buy growth strategy, we will likely be unable to maintain our historic or expected growth rates.

We may experience fluctuations in our financial results, making it difficult to predict future results.

Our ability to maintain and increase our revenue is affected not only by our success in implementing our Build and Buy growth strategy, but also by a number of other factors, which could cause the Company's financial results to fluctuate. These factors include: (i) our ability to introduce and deliver new services and business solutions; (ii) our potential exposure to a lengthened sales cycle; (iii) the cyclical nature of the purchases of our technology services and solutions; (iv) the nature of our client's business (for example, if a client encounters financial difficulty (including as a result of external risks such as climate change or a pandemic), it may be forced to cancel, reduce or defer existing contracts with us); and (v) the structure of our agreements with clients (for example, some of CGI's agreements with clients contain clauses allowing the clients to benchmark the pricing of services provided by CGI against the prices offered by other providers). These, and other factors, make it difficult to predict financial results for any given period.

Our revenues may be exposed to fluctuations based on our business mix.

The proportion of revenue that we generate from shorter-term system integration and consulting projects (SI&C), versus revenue from long-term managed IT and business process services contracts, will fluctuate at times, affected by acquisitions or other transactions. An increased exposure to revenue from SI&C projects may result in greater quarterly revenue variations, as the revenue from SI&C projects does not provide long-term consistency in revenue.

Our current operations are international in scope, subjecting us to a variety of financial, regulatory, cultural, political and social challenges.

We manage operations in numerous countries around the world including offshore delivery centers. The scope of our operations (including our offshore delivery centers) subjects us to issues that can negatively impact our operations, including: (i) currency fluctuations (see *Foreign exchange fluctuations*); (ii) the burden of complying with a wide variety of national and local laws (see *Changes in the laws and regulations within the jurisdictions in which we operate*); (iii) the differences in and uncertainties arising from local business culture and practices; (iv) and political, social and economic instability. Any or all of these risks could impact our global business operations and cause our profitability to decline.

*If we are unable to manage the organizational challenges associated with our size, we may not be able to achieve our growth and profitability objectives.*

Our culture, standards, core values, internal controls and our policies need to be instilled across newly acquired businesses as well as maintained within our existing operations. To effectively communicate and manage these standards throughout a large global organization is both challenging and time consuming. Newly acquired businesses may be resistant to change and may remain attached to past methods, standards and practices which may compromise our business agility in pursuing opportunities. Cultural differences in various countries may also present barriers to introducing new ideas or aligning our vision and strategy with the rest of the organization. If we cannot overcome these obstacles in maintaining a strategic bond throughout the Company worldwide, we may not be able to achieve our growth and profitability objectives.

*Changes in our tax levels, as well as reviews, audits, investigations and tax proceedings or changes in tax laws or in their interpretation or enforcement, could have a material adverse effect on our net income or cash flow.*

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities and we are subject to ongoing audits, investigations and tax proceedings in various jurisdictions. These tax authorities determine the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Tax authorities have disagreed and may in the future disagree with our income tax positions and are taking increasingly aggressive positions in respect of income tax positions, including with respect to intercompany transactions.

Our effective tax rate in the future could be adversely affected by challenges to intercompany transactions, changes in the value of deferred tax assets and liabilities, changes in tax law or in their interpretation or enforcement, changes in the mix of earnings in countries with differing statutory tax rates, the expiration of tax benefits and changes in accounting principles. Tax rates in the jurisdictions in which we operate may change as a result of shifting economic conditions and tax policies.

A number of countries in which the Company does business have implemented, or are considering implementing, changes in relevant tax, accounting and other laws, regulations and interpretations and the overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions.

Any of the above factors could have a material adverse effect on our net income or cash flow by affecting our operations and profitability, our effective tax rate, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses.

*Reductions, eliminations or amendments to government sponsored programs from which we currently benefit may have a material adverse effect on our net earnings or cash flow.*

We benefit from government sponsored programs designed to support research and development, labour and economic growth in jurisdictions where we operate. Government programs reflect government policy and depend on various political and economic factors. There can be no assurance that such government programs will continue to be available to the Company in the future, or will not be reduced, amended or eliminated. Any future government program reductions or eliminations or other amendments to the tax credit programs could increase operating or capital expenditures incurred by the Company and have a material adverse effect on its net earnings or cash flow.

*We are exposed to credit risks with respect to accounts receivable and work in progress.*

In order to sustain our cash flow from operations, we must invoice and collect the amounts owed to us in an efficient and timely manner. Although we maintain provisions to account for anticipated shortfalls in amounts collected from clients, the provisions we take are based on management estimates and on our assessment of our clients' creditworthiness which may prove to be inadequate in the light of actual results. To the extent that we fail to perform our services in accordance with our

contracts and our clients' reasonable expectations, and to the extent that we fail to invoice clients and to collect the amounts owed to the Company for our services correctly in a timely manner, our collections could suffer, which could materially adversely affect our revenue, net earnings and cash flow. In addition, a prolonged economic downturn may cause clients to curtail or defer projects, impair their ability to pay for services already provided, and ultimately cause them to default on existing contracts, in each case, causing a shortfall in revenue and impairing our future prospects.

*Material developments regarding our major commercial clients resulting from such causes as changes in financial condition, mergers or business acquisitions could impair our future prospects and growth strategy.*

Consolidation among our clients resulting from mergers and acquisitions may result in loss or reduction of business when the successor business' IT needs are served by another service provider or are provided by the successor company's own personnel. Growth in a client's IT needs resulting from acquisitions or operations may mean that we no longer have a sufficient geographic scope or the critical mass to serve the client's needs efficiently, resulting in the loss of the client's business and impairing our future prospects. There can be no assurance that we will be able to achieve the objectives of our growth strategy in order to maintain and increase our geographic scope and critical mass in our targeted markets.

*We face risks associated with early termination of our contractual agreements.*

If we should fail to deliver our services according to contractual agreements, some of our clients could elect to terminate contracts before their agreed expiry date, which would result in a reduction of our earnings and cash flow and may impact the value of our backlog of orders. In addition, a number of our managed IT and business process services contractual agreements have termination for convenience and change of control clauses according to which a change in the client's intentions or a change in control of CGI could lead to a termination of these agreements. Early contract termination can also result from the exercise of a legal right or when circumstances that are beyond our control or beyond the control of our client prevent the contract from continuing. In cases of early termination, we may not be able to recover capitalized contract costs and we may not be able to eliminate ongoing costs incurred to support the contract.

*We may not be able to successfully estimate the cost, timing and resources required to fulfill our contracts, which could have a material adverse effect on our net earnings.*

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term managed IT and business process services contracts, which can be based on a client's bid specification, sometimes in advance of the final determination of the full scope and design of the contract. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated efforts to be incurred over the duration of the respective contract. These estimates reflect our best judgement regarding the efficiencies of our methodologies and professionals as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework (CPMF), a framework that contains high standards of contract management to be applied throughout the Company. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately estimating the time or resources required to fulfill our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have a material adverse effect on our expected net earnings.

*We rely on relationships with other providers in order to generate business and fulfill certain of our contracts; if we fail to maintain our relationships with these providers, our business, prospects, financial condition and operating results could be materially adversely affected.*

We derive revenue from contracts where we enter into teaming agreements with other providers. In some teaming agreements we are the prime contractor whereas in others we act as a subcontractor. In both cases, we rely on our relationships with other providers to generate business and we expect to continue to do so in the foreseeable future. Where we act as prime contractor, if we fail to maintain our relationships with other providers, we may have difficulty attracting suitable participants in our teaming agreements. Similarly, where we act as subcontractor, if our relationships are impaired,

other providers might reduce the work they award to us, award that work to our competitors, or choose to offer the services directly to the client in order to compete with our business. In either case, if we fail to maintain our relationship with these providers or if our relationship with these providers is otherwise impaired, our business, prospects, financial condition and operating results could be materially adversely affected.

*Our profitability may be adversely affected if our partners are unable to deliver on their commitments*

Increasingly large and complex contracts may require that we rely on third party subcontractors including software and hardware vendors to help us fulfill our commitments. Under such circumstances, our success depends on the ability of the third parties to perform their obligations within agreed upon budgets and timeframes. If our partners fail to deliver, our ability to complete the contract may be adversely affected, which could have an unfavourable impact on our profitability.

*Indemnity provisions and guarantees in various agreements to which we are party may require us to compensate our counterparties.*

In the normal course of business, we enter into agreements that may provide for indemnification and guarantees to counterparties in transactions such as consulting and managed IT and business process services, business divestitures, lease agreements and financial obligations. These indemnification undertakings and guarantees may require us to compensate counterparties for costs and losses incurred as a result of various events, including breaches of representations and warranties, intellectual property right infringement, claims that may arise while providing services or as a result of litigation that may be suffered by counterparties.

*We may be unable to maintain our human resources utilization rates.*

In order to maintain our net earnings, it is important that we maintain the appropriate availability of professional resources in each of our geographies by having a high utilization rate while still being able to assign additional resources to new work. Maintaining an efficient utilization rate requires us to forecast our need for professional resources accurately and to manage recruitment activities, professional training programs, attrition rates and restructuring programs appropriately. To the extent that we fail to do so, or to the extent that laws and regulations restrict our ability to do so, our utilization rates may be reduced; thereby having an impact on our revenue and profitability. Conversely, we may find that we do not have sufficient resources to deploy against new business opportunities in which case our ability to grow our revenue would suffer.

*If the business awarded to us by various U.S. federal government departments and agencies is limited, reduced or eliminated, our business, prospects, financial condition and operating results could be materially and adversely affected.*

We derive a significant portion of our revenue from the services we provide to various U.S. federal government departments and agencies. We expect that this will continue for the foreseeable future. There can be, however, no assurance that each such U.S. federal government department and agency will continue to utilize our services to the same extent, or at all in the future. In the event that a major U.S. federal government department or agency were to limit, reduce, or eliminate the business it awards to us, we might be unable to recover the lost revenue with work from other U.S. federal government departments or agencies or other clients, and our business, prospects, financial condition and operating results could be materially and adversely affected. Although IFRS considers a national government and its departments and agencies as a single client, our client base in the U.S. government economic sector is in fact diversified with contracts from many different departments and agencies.

Changes in government spending policies or budget priorities could directly affect our financial performance. Among the factors that could harm our government contracting business are: the curtailment of governments' use of consulting and IT services firms; a significant decline in spending by governments in general, or by specific departments or agencies in particular; the adoption of new legislation and/or actions affecting companies that provide services to governments; delays in the payment of our invoices by government; and general economic and political conditions. These or other factors could cause government agencies and departments to reduce their purchases under contracts, to exercise their right to terminate contracts, to issue temporary stop work orders, or not to exercise options to renew contracts, any of which would cause us to lose future revenue. Government spending reductions or budget cutbacks at these departments or agencies could



materially harm our continued performance under these contracts, or limit the awarding of additional contracts from these agencies.

*Changes in the laws and regulations within the jurisdictions in which we operate may have a material adverse effect on our global business operations and profitability.*

Our global operations require us to be compliant with laws and regulations in many jurisdictions on matters such as: anti-corruption, trade restrictions, immigration, taxation, securities, antitrust, data privacy, labour relations, and the environment, amongst others. Complying with these diverse requirements worldwide is a challenge and consumes significant resources. The laws and regulations frequently change and some may impose conflicting requirements which may expose us to penalties for non-compliance and harm our reputation. Furthermore, in some jurisdictions, we may face the absence of effective laws and regulations to protect our intellectual property rights and there may be restrictions on the movement of cash and other assets, on the import and export of certain technologies, and on the repatriation of earnings. Any or all of these risks could impact our global business operations and cause our profitability to decline.

Our business with the U.S. federal government departments and agencies also requires that we comply with complex laws and regulations relating to government contracts. These laws and regulations relate to the integrity of the procurement process, impose disclosure requirements, and address national security concerns, among other matters. For instance, we are routinely subject to audits by U.S. government departments and agencies with respect to compliance with these rules. If we fail to comply with these requirements we may incur penalties and sanctions, including contract termination, suspension of payments, suspension or debarment from doing business with the federal government, and fines.

*Changes to, and delays or defects in, our client projects and solutions may subject us to legal liability, which could materially adversely affect our business, operating results and financial condition and may negatively affect our professional reputation.*

We create, implement and maintain IT solutions that are often critical to the operations of our clients' business. Our ability to complete large projects as expected could be adversely affected by unanticipated delays, renegotiations, and changing client requirements or project delays. Also, our solutions may suffer from defects that adversely affect their performance; they may not meet our clients' requirements or may fail to perform in accordance with applicable service levels. Such problems could subject us to legal liability, which could materially adversely affect our business, operating results and financial condition, and may negatively affect our professional reputation. While we typically use reasonable efforts to include provisions in our contracts which are designed to limit our exposure to legal claims relating to our services and the applications we develop, we may not always be able to include such provisions and, where we are successful, such provisions may not protect us adequately or may not be enforceable under some circumstances or under the laws of some jurisdictions.

*We are subject to stringent and changing privacy laws, regulations and standards, information security policies and contractual obligations related to data privacy and security. Our actual or perceived failure to comply with such obligations could expose us to government sanctions and cause damage to our brand and reputation.*

Our business often requires that our clients' applications and information, which may include their proprietary information and personal information they manage, be processed and stored on our networks and systems, and in data centers that we manage. We also process and store proprietary information relating to our business, and personal information relating to our members. The Company is subject to numerous laws and regulations designed to protect information, such as the European Union's General Data Protection Regulation (GDPR), various laws and regulations in Canada, the U.S. and other countries in which the Company operates governing the protection of health or other personally identifiable information and data privacy. These laws and regulations are increasing in number and complexity and are being adopted and amended with greater frequency, which results in greater compliance risk and cost. The potential financial penalties for non-compliance with these laws and regulations have significantly increased with the adoption of the GDPR. The Company's Chief Data Protection Officer oversees the Company's compliance with the laws that protect the privacy of personal information. The Company faces risks inherent in protecting the security of such personal data which have grown in complexity, magnitude and frequency in recent years. Digital information and equipment are subject to loss, theft or

destruction, and services that we provide may become temporarily unavailable as a result of those risks, or upon an equipment or system malfunction. The causes of such failures include human error in the course of normal operations (including from advertent or inadvertent actions or inactions by our members), maintenance and upgrading activities, as well as hacking, vandalism (including denial of service attacks and computer viruses), theft, and unauthorized access, as well as power outages or surges, floods, fires, natural disasters and many other causes. The measures that we take to protect against all information infrastructure risks, including both physical and logical controls on access to premises and information may prove in some circumstances to be inadequate to prevent the improper disclosure, loss, theft, misappropriation of, unauthorized access to, or destruction of client information, or service interruptions. Such events may expose the Company to financial loss arising from the costs of remediation and those arising from litigation from our clients and third parties (including under the laws that protect the privacy of personal information), claims and damages, as well as expose the Company to government sanctions and damage to our brand and reputation.

*We could face legal, reputational and financial risks if we fail to protect our and/or client data from security incidents or cyberattacks.*

In the current environment, the volume, velocity and creativity of security threats and cyber-attacks continue to grow, this includes criminal hackers, hacktivists, state-sponsored organizations, industrial espionage, employee misconduct, and human or technological errors. As a worldwide IT and business consulting firm providing services to both the private and public sectors, we process and store increasingly large amounts of data for our clients, including proprietary information and personal information. Consequently, our business could be negatively impacted by physical and cyber threats, which could affect our future sales and financial position or increase our costs and expenses.

An unauthorized disclosure of sensitive or confidential client or member information, including cyber-attacks or other security breaches, could cause a loss of data, give rise to remediation or other expenses, expose us to liability under federal and state laws, and subject us to litigation and investigations, which could have an adverse effect on our business, cash flows, financial condition and results of operations. These security risks to the Company include potential attacks not only of our own solutions, services and systems, but also those of our clients, contractors, business partners, vendors and other third parties. Any local issue in a business unit could have a global impact on the entire Company, thus visibility and timely escalation on potential issues are key.

The Company's Chief Security Officer is responsible for overseeing the security of the Company. We seek to detect and investigate all security incidents and to prevent their occurrence or recurrence, by: (i) developing and regularly reviewing policies and standards related to information security, data privacy, physical security and business continuity; (ii) monitoring the Company's performance against these policies and standards; (iii) developing strategies intended to seek to mitigate the Company's risks, including through security trainings for all employees to increase awareness of potential cyber threats; (iv) implementing security measures to ensure an appropriate level of control based on the nature of the information and the inherent risks attached thereto, including through access management, security monitoring and testing to mitigate and help detect and respond to attempts to gain unauthorized access to information systems and networks; and (v) working with the industry and governments against cyber threats. However, because of the evolving nature and sophistication of these security threats, there can be no assurance that our safeguards will detect or prevent the occurrence of material cyber breaches, intrusions or attacks.

We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. If security protection does not evolve at the same pace as threats, a growing gap on our level of protection will be created. Technology evolution and global trends like digital transformation, cloud and mobile computing amongst others are disrupting the security operating model, thus security should evolve to address new relevant security requirements and build new capabilities to address the changes. Increasing detection and automated response capabilities are key to improve visibility and contain any negative potential impact. Automating security processes and integrating with IT, business and security solutions could address shortage of technical security staff and avoid introducing human intervention and errors.

Insider or employee cyber and security threats are increasingly a concern for all large companies, including ours. CGI is continuously working to install new, and upgrade its existing, information technology systems and provide member awareness training around phishing, malware, and other cyber risks to ensure that the Company is protected, to the greatest extent possible, against cyber risks and security breaches. While CGI selects third-party vendors carefully, it does not control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor could adversely affect our ability to deliver solutions and services to our customers and otherwise conduct business. Furthermore, while our liability insurance policy covers cyber risks, there is no assurance that such insurance coverage will be sufficient in type or amount to cover the costs, damages, liabilities or losses that could result from security breaches, cyber-attacks and other related breaches. As the cyber threat landscape evolves, the Company may find it necessary to make further significant investments to protect data and infrastructure. Occurrence of any of the aforementioned security threats could expose the Company, our clients or other third parties to potential liability, litigation, and regulatory action, as well as the loss of client confidence, loss of existing or potential clients, loss of sensitive government contracts, damage to brand and reputation, and other financial loss.

*Damage to our reputation may harm our ability to obtain new clients and retain our existing clients.*

CGI's reputation as a capable and trustworthy service provider and long-term business partner is key to our ability to compete effectively in the market for IT services. The nature of our operations exposes us to the potential loss, unauthorized access to, or destruction of our clients' information, as well as temporary service interruptions. Depending on the nature of the information or services, such events may have a negative impact on how the Company is perceived in the marketplace. Under such circumstances, our ability to obtain new clients and retain existing clients could suffer with a resulting impact on our revenue and net earnings.

*We may be unable to integrate new operations, which could impact our ability to achieve our growth and profitability objectives.*

The successful integration of new operations arising from our acquisition strategy or from large managed IT and business process services contracts requires that a substantial amount of management time and attention be focused on integration tasks. Management time that is devoted to integration activities may detract from management's normal operations focus with resulting pressure on the revenues and earnings from our existing operations. In addition, we may face complex and potentially time-consuming challenges in implementing uniform standards, controls, procedures and policies across new operations when harmonizing their activities with those of our existing business units. Integration activities can result in unanticipated operational problems, expenses and liabilities. If we are not successful in executing our integration strategies in a timely and cost-effective manner, we will have difficulty achieving our growth and profitability objectives.

*Our revenue and profitability may decline and the accuracy of our financial reporting may be impaired if we fail to design, implement, monitor and maintain effective internal controls.*

Due to the inherent limitations of internal controls including the circumvention or overriding of controls, or fraud, there can only be reasonable assurance that the Company's internal controls will detect and prevent a misstatement. If the Company is unable to design, implement, monitor and maintain effective internal controls throughout its different business environments, the efficiency of our operations might suffer, resulting in a decline in revenue and profitability, and the accuracy of our financial reporting could be impaired.

*Future funding requirements may affect our business and growth opportunities and we may not have access to favourable financing opportunities in the future.*

The Company's future growth is contingent on the execution of its business strategy, which, in turn, is dependent on its ability to grow the business organically as well as through business acquisitions. In the event we would need to raise additional funds through equity or debt financing to fund any currently unidentified or unplanned future acquisitions and other growth opportunities, there can be no assurance that such financing will be available in amounts and on terms acceptable to us. Factors such as capital market disruptions, political, economic and financial market instability,

government policies, central bank monetary policies, and changes to bank regulations, could reduce the availability of capital or increase the cost of such capital. Our ability to raise the required funding depends on prevailing market conditions, the capacity of the capital markets to meet our equity and/or debt financing needs in a timely fashion and on the basis of interest rates and/or share prices that are reasonable in the context of our commercial objectives. Increasing interest rates, volatility in our share price, and the capacity of our current lenders to meet our additional liquidity requirements are all factors that may have a material adverse effect on any acquisitions or growth activities that we may, in the future, identify or plan. If we are unable to obtain the necessary funding, we may be unable to achieve our growth objectives.

*The inability to service our debt and other financial obligations, or our inability to fulfill our financial covenants, could have a material adverse effect on our business, financial condition and results of operations.*

The Company has a substantial amount of debt and significant interest payment requirements. A portion of cash flows from operations goes to the payment of interest on the Company's indebtedness. The Company's ability to service its debt and other financial obligations is affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. We may be unable to generate sufficient cash flow from operations and future borrowings or other financing may be unavailable in an amount sufficient to enable us to fund our future financial obligations or our other liquidity needs. In addition, we are party to a number of financing agreements, including our credit facilities, and the indentures governing our senior unsecured notes, which agreements, indentures and instruments contain financial and other covenants, including covenants that require us to maintain financial ratios and/or other financial or other covenants. If we were to breach the covenants contained in our financing agreements, we may be required to redeem, repay, repurchase or refinance our existing debt obligations prior to their scheduled maturity and our ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. Our inability to service our debt and other financial obligations, or our inability to fulfill our financial or other covenants in our financing agreements, could have an adverse effect on our business, financial condition and results of operations.

*We may be adversely affected by interest rate fluctuations.*

Although a significant portion of the Company's indebtedness bears interest at fixed rates, the Company remains exposed to interest rate risk under certain of its credit facilities. If interest rates increase, debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and net income and cash flows would decrease, which could materially adversely affect the Company's financial condition and operating results.

*Changes in the Company's creditworthiness or credit ratings could affect the cost at which the Company can access capital or credit markets.*

The Company and each of the U.S. dollar denominated and Canadian dollar denominated senior unsecured notes received credit ratings. Credit ratings are generally evaluated and determined by independent third parties and may be impacted by events outside of the Company's control, as well as other material decisions made by the Company. Credit rating agencies perform independent analysis when assigning credit ratings and such analysis includes a number of criteria. Such criteria are reviewed on an on-going basis and are therefore subject to change. Any rating assigned to the Company or to our debt securities may be revised or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Real or anticipated changes in the perceived creditworthiness of the Company and/or in the credit rating of its debt obligations could affect the market value of such debt obligations and the ability of the Company to access capital or credit markets, and/or the cost at which it can do so.

*We may be adversely affected by currency fluctuations.*

The majority of our revenue and costs are denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations impact the results of our operations as they are reported in Canadian dollars. This risk is partially mitigated by a natural hedge in matching our costs with revenue denominated in the same currency and through the use of derivatives in our global hedging strategy. However, as we continue our global expansion, natural hedges may begin to diminish and the

use of hedging contracts exposes us to the risk that financial institutions could fail to perform their obligations under our hedging instruments. Furthermore, there can be no assurance that our hedging strategy and arrangements will offset the impact of fluctuations in currency exchange rates, which could materially adversely affect our business revenues, results of operations, financial condition or prospects. Other than the use of financial products to deliver on our hedging strategy, we do not trade derivative financial instruments.

Our functional and reporting currency is the Canadian dollar. As such, our U.S., U.K., Australian, European and Asian investments, operations and assets are exposed to net change in currency exchange rates. Volatility in exchange rates could have an adverse effect on our business, financial condition and results of operations.

## 10.2. LEGAL PROCEEDINGS

The Company is involved in legal proceedings, audits, claims and litigation arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a material adverse effect on the Company's financial position, results of operations or the ability to carry on any of its business activities.

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