

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING  
AND INSULATION LOCAL 675 PENSION FUND and 0793094 B.C. LTD.

Plaintiffs

- and -

SNC-LAVALIN GROUP INC., IAN A. BOURNE, DAVID GOLDMAN, PATRICIA A.  
HAMMICK, PIERRE H. LESSARD, EDYTHE A. MARCOUX, LORNA R. MARSDEN,  
CLAUDE MONGEAU, GWYN MORGAN, MICHAEL D. PARKER, HUGH D. SEGAL,  
LAWRENCE N. STEVENSON, GILLES LARAMÉE, MICHAEL NOVAK, PIERRE  
DUHAIME, RIADH BEN AÏSSA and STÉPHANE ROY

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF ANTHONY O'BRIEN  
(AFFIRMED OCTOBER 1, 2018)**

I, Anthony O'Brien, of the City of Toronto, in the Province of Ontario, AFFIRM:

1. I am a lawyer at Siskinds LLP ("**Siskinds**") which is, along with Rochon Genova LLP ("**Rochon Genova**"), counsel for the Plaintiffs in the above-captioned proceeding (the "**Action**"). I have specific knowledge of the matters to which I herein depose. Where that knowledge is based on information and belief, I have indicated the source and believe that information to be true.
2. Attached as **Exhibit "A"** is a copy of the executed Settlement Agreement dated August 13, 2018 (the "**Settlement Agreement**"). Where I use capitalized terms not separately defined in the body of this affidavit, those terms have the meanings ascribed to them in the Settlement Agreement.

3. From time to time, where I use terms such as “we”, “us”, “our” or similar indicating the collective views of the counsel team, I am referring primarily to Charles Wright, Michael Robb, Garrett Hunter and myself of Siskinds, and Joel Rochon, Peter Jervis, Douglas Worndl and Ronald Podolny of Rochon Genova.
4. I am swearing this affidavit in support of motions brought:
  - (a) by the Plaintiffs for an Order approving the Settlement Agreement pursuant to section 29 of the *Class Proceedings Act, 1992* (the “CPA”);
  - (b) by the Plaintiffs for an Order approving the Distribution Protocol; and
  - (c) by Class Counsel for an order approving the request for Class Counsel Fees to be paid in accordance with the retainer agreements entered into by the Plaintiffs pursuant to section 32 of the CPA.

## OVERVIEW

5. This Action has been vigorously litigated for over 6 years through preliminary motions, including motions for leave under the Ontario *Securities Act* (“OSA”) and certification that were initially contested but ultimately proceeded unopposed, various motions and an appeal relating to the pleadings, the filing of both Plaintiffs’ and Defendants’ motions for summary judgment, and a motion to determine whether the motions for summary judgment should be heard. The parties have produced and reviewed over 34,000 documents and conducted nearly 40 days of examinations for discovery.
6. In April 2018, the Plaintiffs served a trial record and were preparing for trial when, with the assistance of retired Chief Justice Warren Winkler as mediator, the parties reached an agreement in principle to resolve this Action and the companion class action filed in Québec (“**Québec Action**” and together with this Action, the “**Actions**”).

7. The Settlement Agreement provides that SNC-Lavalin Group Inc. (“SNC”) and its insurers will pay \$110 million to resolve the claims asserted in the Actions.
8. The Settlement was reached between the parties in May 2018 after two multi-day mediation sessions with former Chief Justice Winkler in December 2016 and May 2018.
9. In preparation for the first mediation session in December 2016, Class Counsel had lengthy internal discussions during which we reviewed and debated the risks and obstacles the Actions faced in proceeding through a trial of the common issues, the likelihood of those risks materializing, and how those risks would impact on the recovery that would be achieved for the Class. We also considered how those risks might be mitigated in order to optimize results at trial. These discussions were conducted with the benefit of: (i) the detailed expert evidence relating to liability that had been prepared and filed for the summary judgment motion before the court in early 2016; (ii) an expert preliminary assessment of damages and statutory liability limits prepared for the mediation; and (iii) a detailed consideration of extensive documentary productions and the Crown disclosure received by way of a *Wagg* order. Comprehensive mediation briefs were prepared considering all of this. In addition, Class Counsel considered the mediation briefs prepared by defence counsel. Having carefully considered all of the foregoing, Class Counsel advised the Plaintiffs and took instructions before entering the mediation.
10. In preparation for the second mediation session in May 2018, Class Counsel had the benefit of all of the foregoing, plus an extensive discovery record in which gaps in the evidence had been filled. In addition, Class Counsel had the benefit of observing how the Individual Defendants responded to close questioning, including making several key admissions when pressed to do so. The mediation briefs were updated to reflect the discovery evidence.

Class Counsel also had the benefit of an extensive liability work-up that had been undertaken by them for the purposes of moving the case towards trial, including the preparation of a lengthy trial memorandum that formed the basis for the Plaintiffs' decision to set the matter down for trial in April 2018. Having considered all of this, Class Counsel advised the Plaintiffs and took instructions both before and during the mediation.

11. The case was highly complex and the outcome was uncertain. The certified claims of the Class Members are predicated solely on the statutory secondary market liability regime in Part XXIII.1 of the *OSA*. No case has proceeded to trial or even summary judgment under Part XXIII.1 and there are a number of aspects of the regime that have not been the subject of judicial guidance. That amplified the risk in this case.
12. In addition to the general risks that inhere in all litigation, the critical risks that we identified as specific to this litigation were as follows:
  - (a) the risk that the Court would find that there had been no misrepresentation made by the Defendants either because the alleged misstatements were not untrue or because they were not material;
  - (b) the risk that the Court would find that no public correction of the alleged misrepresentations had occurred, and relatedly that no damages flowed from the misrepresentations, which argument was the basis for the Defendants' summary judgment motion that was stayed without consideration of the merits;
  - (c) the risk that the Defendants would establish a "reasonable investigation" or due diligence defence pursuant to section 138.4(6) and (7) of the *OSA*; and
  - (d) even if the Plaintiffs were successful on those first three issues, the risk that the proportionate (rather than joint and several) liability provisions in Part XXIII.1 of



the *OSA* would result in a finding that significant proportionate liability (50% or greater) would be assigned to individuals who did not have the capacity to satisfy a substantial judgment, resulting in a judgment against SNC of only a fraction of any damages caused.

13. In advance of the mediations, we carefully analyzed each of these risks and how they impacted the prospects of recovery and collection of damages for the Class Members. These issues were the subject of much debate and deliberation in the course of the mediations. We weighed each of these risks in concluding that the proposed settlement is fair, reasonable and in the best interests of the Class Members. The Plaintiffs agreed with Class Counsel's recommendation of the proposed settlement.
14. In this affidavit, on behalf of the Plaintiffs' counsel team, I describe the following:
  - (a) the background facts from which the Actions arose;
  - (b) the procedural history of the Actions and related proceedings;
  - (c) the negotiation of the Settlement and its key terms;
  - (d) the dissemination of the First Notice;
  - (e) the factors supporting the fairness and reasonableness of the Settlement, including the evidence and information available to us when the Settlement was reached, and the key issues and risks to advancing the Action to trial;
  - (f) the proposed dissemination of the Second Notice;
  - (g) the rationale for the proposed Distribution Protocol; and
  - (h) the facts relating to our request for the approval of Class Counsel Fees.

## BACKGROUND OF THE ACTIONS

15. SNC is a Montreal-based engineering, construction and infrastructure company with global operations. SNC is a reporting issuer within the meaning of Canadian securities legislation. Its shares trade on the TSX and on alternative trading platforms in Canada.
16. The market capitalization (“market cap”) of SNC on November 6, 2009 — the first day of the certified class period — was approximately \$6.68 billion.
17. On February 28, 2012, SNC issued a press release in which it announced the following:

SNC-Lavalin Group Inc. (TSX: SNC) announced today that its 2011 net income is expected to be approximately 18% (or approximately \$80 million) below its previously announced 2011 outlook. Of this amount, the following items are expected to be recorded in the fourth quarter of 2011:

- A loss of approximately \$23 million from a revised position of the Company’s net financial exposure on its Libyan projects;
- Unfavourable cost reforecasts on certain projects in its Infrastructure and Environment and Chemicals and Petroleum segments; and
- Period expenses of approximately \$35 million relating to certain payments made in the fourth quarter of 2011 that were documented to construction projects to which they did not relate and, consequently, had to be recorded as expenses in the quarter.

The Company’s Board of Directors initiated an independent investigation, led by its Audit Committee, of the facts and circumstances surrounding the \$35 million of payments referred to above and certain other contracts. Independent legal counsel were retained in this connection. The investigation’s current findings support the Company’s accounting treatment of these payments. The Board of Directors is taking steps to implement changes and further appropriate actions arising from the investigation.

The Company is working with its external auditors and legal advisors to resolve all issues relating to the investigation to permit the auditors to deliver their audit report on a timely basis. The Company is working towards announcing and filing its 2011 fourth quarter and year-end financial results as soon as reasonably possible and in any event prior to March 30, 2012.

18. Following this announcement, the trading price of SNC’s shares declined from a closing price of \$48.37 on February 27, 2012, to \$38.43 on February 28, 2012 and \$37.40 on February 29, 2012, causing a drop in its market capitalization of hundreds of millions of dollars.

19. Following the February 28, 2012 announcement, financial analysts who were covering SNC, appear to have understood that disclosure to suggest that evidence of improper or illegal payments or corruption had been uncovered. Attached as **Exhibit “B”** are copies of analyst reports issued by National Bank Financial, Canaccord Genuity and Scotiabank, respectively.
20. Thereafter, on March 26, 2012, SNC released further disclosures purporting to announce the results of the independent investigation initially announced on February 28, 2012. SNC’s MD&A for the financial year ended December 31, 2011 released on March 26, 2012 (a copy of which is attached as **Exhibit “C”**) disclosed the following regarding an aggregate \$56 million paid under three agency agreements:

During December 2011 and January 2012, information was received as part of an accounting review and numerous internal meetings, held amongst certain members of senior management, with respect to two agency agreements documented to construction projects to which they did not appear to relate. The Chairman of the Board of Directors was briefed on January 19, 2012, requested additional information, and was further briefed on February 3, 2012, at which time Stikeman Elliott LLP was mandated as independent counsel. The investigation commenced of payments aggregating US\$33.5 million made by the Company in the fourth quarter of 2011 under presumed agency agreements (the “**A Agreements**”) documented in respect of Project [Intentionally omitted] (“**Project 1**”) and Project [Intentionally omitted] (“**Project 2**”), but believed in fact to relate to Project [Intentionally omitted] (“**Project A**”). Independent counsel retained investigative advisors to provide business intelligence and related services.

In February 2012, documents were received by the Company’s Chief Financial Officer (the “**CFO**”), and related information was detected as part of year-end accounting processes, with respect to two other contracts. On February 16, 2012, the Chairman of the Board of Directors and the Chairman of the Audit Committee were briefed and the scope of the investigation was widened to include: (a) payments aggregating approximately US\$22.5 million made by the Company in 2010 and 2011 under a presumed agency agreement (the “**B Agreement**”) and together with the A Agreements, the “**Agreements**”) documented in respect of Project [Intentionally omitted] (“**Project 3**”), but believed in fact to relate to Project [Intentionally omitted] (“**Project B**”); and (b) a presumed collection agreement (the “**Collection Agreement**”) and related 2009 invoice (the “**Invoice**”) purporting to relate to the settlement of a dispute relating to Project [Intentionally omitted] (“**Project 4**”), as to which there was no information at the time.

[...]

## **RESULTS OF THE INDEPENDENT REVIEW**

### **PRELIMINARY MATTERS**

The Agreements are based upon the form of representative agreement contemplated in the Company’s Policy on Commercial Agents/Representatives (the “**Agents Policy**”). The Agents

Policy sets out the rules governing the hiring and remuneration of commercial agents or representatives by the Company in various markets around the world. One key feature of the Agents Policy is that all of the hiring and remuneration of agents is the responsibility of SNC-Lavalin International Inc. ("SLII"), a subsidiary of the Company. There are different authorized signatories depending on whether the contract with the agent respects certain limits, but no provision in the Agents Policy allows any person to override the Agents Policy.

## FINDINGS DERIVED FROM INFORMATION OBTAINED

Based upon the information obtained as part of the Independent Review, and although there is no documentary evidence linking the Agreements to Project A or Project B: (a) a presumed agent, representative or consultant appears to have been retained for each of Project A and Project B; (b) the Agreements were respectively documented in respect of Projects 1 and 2 (instead of Project A) and Project 3 (instead of Project B); (c) all or part of the US\$33.5 million paid in 2011 under the A Agreements is more likely than not to relate to Project A; and (d) all or part of the approximately US\$22.5 million paid in 2010 and 2011 under the B Agreement is more likely than not to relate to Project B. No agency agreement other than the Agreements came to light in the context of the Independent Review as being improperly documented in respect of a project to which it did not effectively relate.

The following table summarizes these findings:

	A Agreements	B Agreement
Presumed agents hired	<p>In 2011, the Former EVP Construction said that he had hired an agent to help secure work in respect of Project A.</p> <p>The Independent Review has found no direct and conclusive evidence establishing the nature of the services or actions undertaken by, or the true identity of, any presumed agent. The counterparties named in the A Agreements appear to be without substance, and any individual named on the public registers in relation to the corporate counterparties does not appear to be a true principal.</p>	<p>In 2009, the Former EVP Construction said that he had hired an agent to help secure work in respect of Project B.</p> <p>The Independent Review has found no direct and conclusive evidence establishing the nature of the services or actions undertaken by, or the true identity of, any presumed agent. The counterparty named in the B Agreement appears to be without substance, and any individual named on the public registers in relation to the corporate counterparties does not appear to be a true principal.</p>
Decisions to attribute to other projects	At the same time, a decision was made not to charge the presumed agents' fees to Project A, and not to otherwise associate the presumed agents with Project A.	At the same time, a decision was made not to charge the presumed agent's fees to Project B, and not to otherwise associate the presumed agent with Project B.
Execution of improper documents	The Former EVP Construction co-signed and instructed a senior officer of SLII to co-sign the A Agreements on behalf of SLII. The A Agreements were improperly documented in respect of Projects 1 and 2.	The Former EVP Construction instructed a senior officer of SLII to sign the B Agreement on behalf of SLII. The B Agreement was improperly documented in respect of Project 3.
Agents Policy	The Agents Policy was not complied with in various respects in connection with the A Agreements, including the authorized signatories and the	The Agents Policy was not complied with in various respects in connection with the B Agreement, including the authorized signatories and the

	<b>A Agreements</b>	<b>B Agreement</b>
	aggregate corporate limits on fees attributable to the attributed projects.	aggregate corporate limits on fees attributable to the attributed project.
Payments	The A Agreements contemplated fees of US\$33.5 million in the aggregate. In December 2011, payments of US\$33.5 million under the A Agreements were requested of SLII by the Former EVP Construction. The required signatories (the Chairman of SLII and the CFO) refused to approve the payments. The requests were brought to the Company's Chief Executive Officer (the "CEO"), who authorized or permitted the Former EVP Construction to make the payments through his division.	The B Agreement contemplated fees of \$30 million. Payments aggregating approximately US\$22.5 million were made in 2010 and 2011 through SLII (Tunisia), but were improperly approved on its behalf by the Former EVP Construction and someone within his division.
Use of payments, etc.	The Independent Review has found no direct and conclusive evidence establishing the exact use, purpose or beneficiaries of payments made under the A Agreements. However, as noted above, the decision to hire presumed agents was based on the understanding at the time that it would help secure work in respect of Project A.	The Independent Review has found no direct and conclusive evidence establishing the exact use, purpose or beneficiaries of payments made under the B Agreement. However, as noted above, the decision to hire a presumed agent was based on the understanding at the time it would help secure work in respect of Project B.
Accounting	Payments were to be accounted for in respect of Projects 1 and 2 in accordance with the improper documentation. Accounting entries were not made or were made and reversed in short order in relation to Projects 1 and 2.	Payments were accounted for in respect of Project 3 in accordance with the improper documentation. Accounting entries were made in relation to Project 3 in 2010 and 2011. The entries were subsequently detected in February 2012 as an anomaly and reported to the Senior Vice-President and Controller of the Company.
Disclosure	<p>The agencies on Project A were neither properly disclosed within the Company, nor were they disclosed to its internal or external auditors until shortly before the Independent Review began.</p> <p>In late 2011, the CFO was told at a meeting with the CEO and the Former EVP Construction that agents had been hired on Project A. The CFO objected to any involvement.</p>	<p>The agency on Project B was neither properly disclosed within the Company, nor to its internal or external auditors until shortly before the Independent Review began.</p> <p>In 2010, the CFO was told at a meeting with the CEO and the Former EVP Construction that an agent had been hired on Project B and that its fees would be charged to other projects. The CFO objected to this at the meeting.</p>

21. On or around April 13, 2012, it was disclosed that the RCMP had conducted a search of SNC's headquarters in Montreal.
22. On or around June 25, 2012, it was disclosed that two former employees of SNC had been charged under the *Corruption of Foreign Public Officials Act* relating to SNC's attempt to secure a contract for the construction of the Padma Bridge project in Bangladesh ("**Padma Bridge Project**").
23. On or around November 26, 2012, it was disclosed that Swiss authorities were investigating possible illegal or improper payments by SNC in the approximate amount of \$139 million, in addition to the \$56 million that had been disclosed on February 28, 2012 and March 26, 2012.
24. On or around November 28, 2012, it was disclosed that SNC's former Chief Executive Officer, Pierre Duhaime, had been arrested and charged with fraud and other criminal offences related to the contract awarded to SNC with respect to the construction and operation of the McGill University Health Centre hospital project in Montreal (which was "Project B" referred to in SNC's disclosure on March 26, 2012) ("**MUHC Project**").
25. On or around July 3, 2013, it was disclosed that SNC had paid a secret \$13.5 million commission linked to a froth treatment plant in Alberta, the construction of which had been awarded to SNC in 2011 (which was "Project A" referred to in SNC's disclosure on March 26, 2012) ("**CNRL Project**").

## PROCEDURAL HISTORY OF THE LITIGATION

### Commencement of the Québec Action

26. On March 1, 2012, the Québec Action was commenced in the Superior Court of Québec, styled *Winder v SNC-Lavalin Group Inc., et al.*, Court File No. 200-06-000141-120. The

Québec Action was subsequently re-styled as *Delaire v SNC-Lavalin Group Inc., et al.*, Court File No. 500-06-000650-131.

### **Commencement of the Ontario Action**

27. On May 9, 2012, an action styled *Gray v SNC-Lavalin Group Inc., et al.* (Court File No. CV-12-453236-00CP) was commenced in the Ontario Superior Court of Justice in Toronto by the issuance of a Statement of Claim. Rochon Genova was counsel to the Plaintiff in that action.
28. Also on May 9, 2012, an action styled *The Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund v SNC-Lavalin Group Inc., et al.* (Court File No. CV-12-2014-00) was commenced in the Ontario Superior Court of Justice in Brampton by the issuance of a Statement of Claim. Siskinds was counsel to the Plaintiffs in that action.
29. There were no other cases filed in Canada, other than the cases filed by Rochon Genova and Siskinds, and the Québec Action. Rochon Genova and Siskinds agreed to prosecute the litigation together, which avoided the delay that typically results from carriage motions.
30. On June 29, 2012, this Court approved the consolidation of the two actions commenced on May 9, 2012 to proceed in the Ontario Superior Court of Justice in Toronto under Court File No. CV-12-453236-00CP, as well as the discontinuance of the actions against certain Individual Defendants.

### **Certification of the Actions and the Granting of Leave**

31. The Plaintiffs' motions for certification and leave under Part XXIII.1 of the *OSA* were scheduled to be heard on September 18–20 and 24–25, 2012. The leave motion was scheduled to occur quickly to ensure that the motion was decided prior to November 6, 2012, being three years after the release of the first SNC disclosure document that was

alleged to contain a misrepresentation. At that time, there was significant uncertainty about the operation of the limitation period under Part XXIII.1 of the *OSA* as it then required leave to be granted within three years of the alleged misrepresentations.

32. On June 29, 2012, the Plaintiffs served their motion record for the certification and leave motions. The Plaintiffs' motion record included an affidavit of a Siskinds lawyer attaching, among other things, various public documents; a report from a forensic accounting expert; a report from a financial economist; and affidavits of representatives of the two proposed representative plaintiffs.
33. On July 6, 2012, the Plaintiffs served a supplementary motion record containing a second affidavit of the Siskinds lawyer and a supplementary affidavit of the financial economist whose affidavits were included in the Plaintiffs' first motion record.
34. On August 3, 2012, SNC and the outside director Defendants served a responding motion record, containing an affidavit of Eric Kirzner, a Professor of Finance at the Rotman School of Management, who provided an opinion on whether it could be determined on a class-wide basis that Class Members relied on the alleged misrepresentations.
35. Following negotiations between the parties in the period shortly before the scheduled hearing of the leave and certification motions, the parties reached agreement with respect to the disposition of the motions, and the motions ultimately proceeded unopposed by the Defendants (except Mr. Ben Aissa and Mr. Roy, who had not filed a notice of intent to defend and did not appear on the motions having been served).
36. On September 19, 2012, this Honourable Court certified this Action as a class proceeding and appointed the Trustees ("**DALI Trustees**") of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund ("**DALI Fund**") and 0793094 B.C. Ltd. as



representative plaintiffs, and granted leave to the Plaintiffs to commence an action under Part XXIII.1 of the *OSA*. The Court also approved the discontinuance of the Plaintiffs' common law and statutory claims other than the claims under Part XXIII.1 of the *OSA*.

37. By order dated January 24, 2013, the Québec Court authorized the Québec Action as a class proceeding, appointed Jean-Paul Delaire as representative plaintiff and granted leave to the plaintiff to commence an action under the secondary market liability provisions of the Québec *Securities Act*. Stéphane Roy contested the motion for authorization at the hearing before the Québec Court on January 10, 2013.

### **Opt-Out Process**

38. By way of notice, Class Members were given an opportunity to opt-out of the Actions. The deadline to opt-out passed on May 8, 2013. There were 153 valid opt-outs. Attached as **Exhibit "D"** is an opt-out report from NPT RicePoint Class Action Services, which administered the opt-out process, with Class Member names and addresses redacted.
39. For the purposes of assessing potential class-wide damages, Class Counsel took into account the fact that these individuals would have no right to damages in the Action. They are also not entitled to make a claim for compensation from the Settlement Amount.

### **The Progress of the Action**

40. Following the certification of this Action, documentary discovery commenced. According to evidence filed in this proceeding, SNC reviewed more than 800,000 documents in the course of its document collection efforts. Approximately 34,000 documents were produced by the Defendants to the Plaintiffs in the Action. The Defendants' production came after many months of negotiations between the parties about the scope of production and e-discovery protocols, in respect of which Class Counsel retained a forensic technology

expert to assist. There was ultimately a motion before the Court to resolve a dispute between the parties about aspects of the discovery plan.

41. In addition to the documents produced by the Defendants, the Plaintiffs also accessed material generated by way of the criminal investigations into SNC and certain of the other Defendants. After extensive negotiation, the Plaintiffs obtained *Wagg* Orders providing them with access to certain evidence obtained in the criminal proceedings, subject to terms concerning the use and filing of those documents. The Orders were as follows:
- (a) on July 15, 2013, following negotiations with the Crown, an Order was made by this Court for production of documents from a criminal proceeding in Ontario relating to the Padma Bridge Project;
  - (b) on March 21, 2016, following negotiations with the Crown, an Order was made by this Court for production of documents from the Crown disclosure briefs in criminal proceedings in Québec against SNC, Pierre Duhaime and Stéphane Roy; and
  - (c) on May 11, 2017, an Order was made by this Court for production of additional documents from the criminal proceedings in Québec.
42. The process undertaken by Class Counsel to review the documents produced by the Defendants and obtained under the *Wagg* Orders was time-consuming and expensive. The Plaintiffs' document review process was overseen by Dawn Sullivan Willoughby, e-discovery counsel at Siskinds. Class Counsel employed advanced discovery management platforms to facilitate the document review process and assembled a team of document reviewers to perform the first-level review of the documents. The first-level review team spent over 2,000 hours on that review. The review team included individuals who were capable of reviewing Arabic and French language documents included among the

documents produced to the Plaintiffs. After the first-level review process, documents were reviewed, analyzed and collated by members of the Class Counsel team in preparation for examinations for discovery.

43. During the course of the litigation, there were a number of interlocutory disputes that resulted in motions and appeals.
44. During 2013 through 2015, a number of motions were argued regarding documentary production, the Plaintiffs' pleadings and the proposed discovery plan. One of the pleadings motions resulted in a motion for leave to appeal, another pleadings motion in an appeal to the Court of Appeal. Class Counsel believed that those motions and the appeals were important and necessary to advance the interests of the Class Members, and to provide clarity about the scope of the case before concluding documentary discovery and proceeding to examinations for discovery.
45. Subsequently, in January 2016, SNC and the outside director Defendants delivered a motion for summary judgment that sought the dismissal of the Action. The motion focused on the question of whether a "public correction" is a necessary element of the right of action under Part XXIII.1 of the *OSA*, and whether the Plaintiffs could satisfy that requirement (assuming it existed). A copy of those Defendants' Notice of Motion dated January 14, 2016 is attached as **Exhibit "E"**. The motion was supported by an affidavit sworn by a lawyer from the firm representing SNC and the outside director Defendants, which attached certain SNC disclosure documents and other public documents as exhibits.
46. On June 30, 2016, the Plaintiffs delivered a responding motion record on the summary judgment motion of SNC and the outside director Defendants, and brought their own motion for summary judgment seeking a determination in favour of the Plaintiffs on certain

certified common issues directed at whether the impugned SNC disclosure documents contained misrepresentations within the meaning of the *OSA* and, if so, when and by what means those misrepresentations were publicly corrected.

47. The Plaintiffs' summary judgment motion record contained:

- (a) an affidavit of Professor S.P. Kothari, a financial economist from the Massachusetts Institute of Technology Sloan School of Management, who, in broad terms, opined on whether the alleged corrective disclosures pleaded by the Plaintiffs caused statistically significant changes in the price of SNC securities, whether the information contained in those alleged corrective disclosures that caused the statistically significant price changes corrected the misrepresentations alleged by the Plaintiffs, and whether the Defendants' alleged "preemptive" corrective disclosures were corrective of the alleged misrepresentations;
- (b) an affidavit of Professor Gordon Richardson, the KPMG Professor of Accounting at the Rotman School of Management, University of Toronto, who, in broad terms, opined on whether SNC's financial reporting during the Class Period complied with GAAP or IFRS, whether SNC's representations during the Class Period with respect to internal control over financial reporting ("**ICFR**") and disclosure controls and procedures ("**DC&P**") were materially untrue, and whether the press release issued by SNC on February 28, 2012 disclosed actual or potential deficiencies in SNC's ICFR and DC&P and whether that disclosure was material from an accounting perspective; and

- (c) three affidavits of a Siskinds law clerk attaching, among other things, various documents that were produced by the parties in discovery, documents obtained through the *Wagg* process and a request to admit.
48. The expert reports of Professor Kothari (the “**Kothari Report**”) and Professor Richardson are described in detail in this Court’s reasons dated September 15, 2016 (described below). These reports have not been exhibited to this affidavit because they contain material that is subject to protection from disclosure under Orders of this Court.
49. Class Counsel devoted significant resources and incurred substantial expenses in preparing the evidence, including over \$1 million on the expert reports of Professors Kothari and Richardson, to respond to a motion that was existential for the Plaintiffs.
50. In August of 2016, the Court heard a motion for directions to determine whether either or both of the motions for summary judgment should be heard and determined. The Court decided, in reasons dated September 15, 2016 and reported at 2016 ONSC 5784, that both summary judgment motions should be stayed and ordered that the Action proceed to examinations for discovery and trial.
51. In January of 2017, the Defendant Riadh Ben Aïssa, who had previously been noted in default, delivered a Statement of Defence and had his noting in default set aside. The Plaintiffs also delivered amended Replies.
52. SNC and certain of the other Defendants moved to strike out portions of Mr. Ben Aïssa’s Statement of Defence and the Plaintiffs’ Replies. Certain of the Defendants were also seeking relief with respect to the forthcoming examinations for discovery, including a stay or postponement of the examinations. That motion was heard in March of 2017 and the

decision, reported at 2017 ONSC 2188, was released on April 10, 2017. The Defendants were largely successful in striking the pleadings they sought to have struck.

53. We were successful in resisting the attempt to stay or postpone the examinations for discovery, which meant that the litigation could proceed without further delay through that next phase.
54. Between April and September of 2017, the parties conducted nearly 40 days of examinations for discovery in Toronto and Montreal.
55. In April of 2018, the Plaintiffs delivered a trial record and were preparing to seek the appointment of a trial judge and a trial date when the parties agreed to attend a further two day mediation before the Honourable Warren Winkler which proceeded in May 2018. A settlement in principle was reached in that mediation.

### **Progress of the Québec Action**

56. Following the granting of authorization by the Québec Court, the Québec Action was not actively pursued separately from this Action. It was agreed by the parties that documentary and oral discovery conducted in this Action would also be used in the Québec Action. The Québec Court was provided with updates on the progress of this Action from time to time.

### **Related Proceedings**

57. There were other related proceedings which were monitored by Class Counsel.
58. On February 20, 2017, SNC filed an application in the Québec Superior Court for declaratory judgment against the Defendants' directors and officers liability insurers arising out of a dispute about whether the payment of defence costs served to reduce (waste) the insurers' coverage limits. On March 21, 2017, certain of the insurers filed a

competing application for declaratory judgment in the Québec Superior Court concerning the insurers' obligations under a pre-determined allocation provision for the payment of any indemnity under the policies. In March of 2018, both applications were adjourned *sine die* by Justice Gagnon. The Plaintiffs in this Action and the plaintiff in the Québec Action were *mises-en-cause* in these proceedings in the Québec Superior Court. A copy of SNC's Application for Declaratory Judgment, the insurers' Application for Declaratory Judgment and the insurers' Amended Application for Declaratory Judgment are attached as **Exhibit "F"**.

59. Class Counsel has monitored numerous criminal proceedings, civil proceedings and regulatory proceedings/investigations that concern facts that overlap with or relate to the Actions. The following provides an overview of the related proceedings:

(a) *Criminal charges relating to Libya:*

- (i) On February 19, 2015, fraud and corruption charges were laid against SNC, SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. with respect to payments made to Libyan government officials between 2001 and 2011. The criminal proceedings are ongoing.
- (ii) On October 1, 2014, Riadh Ben Aïssa pled guilty to criminal charges related to his activities in Libya in the Federal Criminal Court of Switzerland. Mr. Ben Aïssa was ordered to pay approximately C\$17.2 million to SNC as part of the settlement.
- (iii) In March 2014, Stéphane Roy was charged with certain offences related to SNC's activities in Libya.

- (iv) Former SNC executive, Sami Bebawi, was charged with crimes related to his activity in Libya and for obstructing justice.
- (b) *Criminal charges related to the MUHC Project:*
  - (i) On November 27, 2012 and February 14, 2013, Pierre Duhaime was charged with criminal offences related to his involvement in procuring the MUHC Project for SNC. A stay of the November 27, 2012 charges was granted on March 1, 2017. The criminal proceedings are continuing in relation to the other charges.
  - (ii) On November 27, 2012 and February 14, 2013, Mr. Ben Aïssa was charged with criminal offences related to the procurement of the MUHC Project for SNC. A stay of the November 27, 2012 charges was granted on March 1, 2017. On July 10, 2018, Mr. Ben Aïssa pleaded guilty to one of the remaining charges in exchange for the other charges being dropped.
  - (iii) On September 14, 2014, Mr. Roy was charged with certain offences with respect to the MUHC Project. On July 10, 2018, Mr. Roy was acquitted after the Crown decided not to present evidence against him.
  - (iv) Criminal proceedings in relation to the MUHC Project also continue against former MUHC manager Yanaï Elbaz and his brother Yohann Elbaz.
  - (v) Arthur Porter, the former Chief Executive Officer of MUHC, was also facing charges prior to his death.
- (c) *Criminal charges with respect to the Padma Bridge Project:* the RCMP conducted a formal investigation into improper payments made in relation to the Padma Bridge Project. The investigation lead to charges against former SNC employees



and others under the *Corruption of Foreign Public Officials Act*. The charges were eventually dropped after an Ontario court found that evidence against the former SNC employees had been improperly obtained.

(d) *Settlements with international organizations:*

(i) On April 17, 2013, SNC reached a settlement with the World Bank in relation to investigations undertaken by the World Bank into the Padma Bridge Project and a project in Cambodia. SNC-Lavalin Inc. accepted a suspension on its right to bid on World Bank projects for 10 years.

(ii) On October 1, 2015, SNC reached a settlement with the African Development Bank related to allegations of former employees of SNC-Lavalin International Inc. ordering illicit payments to public officials in two African countries.

(e) *Civil litigation:* In 2015, SNC filed a civil action in Québec Superior Court against Mr. Ben Aïssa and Mr. Bebawi seeking to recoup losses from money allegedly embezzled by the two former SNC officers between 2001 and 2011. To the best of Class Counsel's knowledge, the proceeding is currently ongoing.

(f) *Other:* The Autorité des marchés financiers ("AMF") is currently investigating SNC in relation to compliance with securities laws and regulations. AMF certification is required for SNC to contract with public bodies in Québec. It is not clear whether the investigation relates to the Actions.

## THE SETTLEMENT

60. All of the negotiations leading to the agreement in principle to settle the Actions and the execution of the Settlement Agreement were conducted on an adversarial, arms-length

basis. Warren Winkler, the retired Chief Justice of Ontario, presided as mediator at two-day mediation sessions in each of December of 2016 and May of 2018.

61. The key terms of the Settlement Agreement are as follows:

- (a) the Settlement is conditional on the approval of the Courts;
- (b) the Settlement does not constitute an admission of liability by the Defendants;
- (c) SNC will pay C\$88,000,000 and shall cause the Defendants' insurers to pay C\$22,000,000, for a total of C\$110,000,000 ("**Settlement Amount**") for the benefit of the Class Members in full and final settlement;
- (d) the amount of C\$1,500,000 shall be paid, within thirty (30) days of execution of the Settlement Agreement, to Siskinds (in trust), to be deposited into an interest bearing trust account ("**Escrow Account**") from which funds shall be paid toward Administration Expenses incurred prior to the issuance of the Approval Orders. This payment was received by Siskinds on September 11, 2018;
- (e) the amount of C\$108,500,000 shall be paid, within ten (10) days of the issuance of the last Approval Order, to the Administrator (in trust), to be held in the Escrow Account for the benefit of the Class Members and disbursed in accordance with the Settlement Agreement and the Approval Orders;
- (f) on the Effective Date, all Defendants will receive a full and final release from all Class Members of all claims made against them in the Actions;
- (g) there is no provision for any reversion of the Settlement Amount to the Defendants or their insurers unless the Settlement is not approved and does not, therefore, become effective;

- (h) the Net Settlement Amount will be distributed to Class Members who file claims in accordance with the Distribution Protocol; and
- (i) the approval of the Distribution Protocol and the request for Class Counsel Fees are not conditions of the approval of the Settlement itself.

## FIRST NOTICE

62. Pursuant to this Court's Order dated August 17, 2018 and the Order of the Québec Court dated September 19, 2018, the following steps were taken or will be taken to disseminate the First Notice, comprising the Short Form Notice of Settlement Approval Hearing ("**Short Form Hearing Notice**") and the Long Form Notice of Settlement Approval Hearing ("**Long Form Hearing Notice**"), in accordance with the Plan of Notice:

- (a) the Short Form Hearing Notice was published in English in the business section of the national weekend edition of *The Globe and Mail* on September 29, 2018;
- (b) the Short Form Hearing Notice was published in English in the *Montreal Gazette* on September 29, 2018;
- (c) the Short Form Hearing Notice was published in French in *La Presse* on September 29, 2018;
- (d) English and French versions of the Short Form Hearing Notice were issued across Canada Newswire on October 1, 2018;
- (e) English and French versions of the Short Form Hearing Notice were sent to Institutional Shareholder Services Inc. (ISS) on October 1, 2018;
- (f) by the time of affirming this affidavit, Siskinds had emailed the Long Form Hearing Notice to those persons who had previously contacted Siskinds for the purposes of

receiving notice of developments in the Action and who provided an email address to Siskinds;

- (g) on October 1, 2018, Siskinds is physically mailing the Long Form Hearing Notice to those persons who had previously contacted Siskinds for the purposes of receiving notice of developments in the Action and who did not provide an email address to Siskinds;
- (h) I am advised by Ron Podolny from Rochon Genova and believe that, by the time of affirming this affidavit, Rochon Genova had mailed, electronically or physically, the Long Form Hearing Notice to those persons who had previously contacted Rochon Genova for the purposes of receiving notice of developments in the Action; and
- (i) on October 1, 2018, after affirming this affidavit, the following will be posted on the websites of Class Counsel at [www.siskinds.com/snc-lavalin-group/](http://www.siskinds.com/snc-lavalin-group/) and [www.rochongenova.com](http://www.rochongenova.com) (together, “**Class Counsel Websites**”):
  - (i) the Settlement Agreement;
  - (ii) English and French versions of the Long Form Hearing Notice;
  - (iii) a short summary of the rationale for the Settlement;
  - (iv) sample calculations of notional entitlement calculated pursuant to the Distribution Protocol;
  - (v) the evidence and written submissions in support of the motion for approval of the Settlement; and

- (vi) the evidence and written submissions in support of the motion for approval of Class Counsel Fees.

- 63. The Long Form Hearing Notice sets out a toll free number and email address that enable Class Members to contact Class Counsel in order that they may, among other things, obtain more information about the Settlement or how to object to it, and/or request that a copy of the Settlement Agreement be electronically or physically mailed to them.
- 64. The First Notice advised Class Members of their right to object to the Settlement as well as to the request to be made by Class Counsel for the payment of Class Counsel Fees. As of the affirming of this affidavit, I am not aware of any objections having been received. Any timely objections received after the date of this affidavit will be provided to the Court.

## **FACTORS SUPPORTING THE FAIRNESS AND REASONABLENESS OF THE SETTLEMENT**

### **Information Available to Class Counsel**

- 65. In assessing the reasonableness of the Settlement, we had access to and considered the following sources of information:
  - (a) all of SNC's relevant disclosure documents and other publicly available information concerning the Defendants;
  - (b) approximately 34,000 documents produced by the Defendants pursuant to their discovery obligations;
  - (c) additional documents arising from the various criminal proceedings obtained pursuant to the *Wagg* Orders issued by the Courts;
  - (d) evidence and information generated by our own investigation into the matters underlying the Action;

- (e) trading data for shares of SNC;
- (f) input from experts retained by Class Counsel as described below:
  - (i) an assessment of the materiality of the alleged misrepresentations, as well as the question of whether the alleged public corrections were corrective of the alleged misrepresentations and constituted new information provided to the market, contained in the affidavit of Professor Kothari sworn in support of the Plaintiffs' summary judgment motion in 2016;
  - (ii) the opinion of Professor Gordon Richardson on the efficacy of SNC's ICFR during the Class Period as set out in his affidavit sworn in support of the Plaintiffs' summary judgment motion in 2016;
  - (iii) an estimate of potential class-wide damages prepared by Professor Joseph Weber from the MIT Sloan School of Management; and
  - (iv) the preliminary input of a corporate governance expert retained by Class Counsel who had begun work on an opinion on the issues raised by the Actions;
- (g) the discovery evidence, taken over nearly 40 days, of all of the parties to the Actions;
- (h) information regarding insurance policies potentially responsive to the claims asserted;
- (i) information disclosed in the course of related criminal proceedings which were monitored by Class Counsel (described above);
- (j) the input of Mr. Winkler in his capacity as mediator;

- (k) the views and observations of the Courts expressed in the various preliminary decisions rendered in this case; and
  - (l) information regarding positions taken by the Defendants and their insurers during the course of the mediations.
66. In our view, we possessed more than adequate information from which to make an informed recommendation concerning resolution of the Action as against the Defendants on the basis upon which it was resolved.
67. In our view, the terms of the Settlement Agreement are fair, reasonable and in the best interests of the Class. The Settlement Agreement delivers a substantial, immediate benefit to Class Members in exchange for the release of their claims which, while we believed them to be meritorious, faced significant challenges.
68. I explain below aspects of our rationale for recommending the Settlement to the Plaintiffs, the Class and to the Court.

### **Litigation Risks**

69. In discussing litigation risks, we refer to both the various generic risks inherent in all litigation that influence the range of outcomes, as well as the risks specific to the particular case.
70. In speaking of the generic risks inherent in litigation, we are referring to the risks arising from the passage of time, and the procedural risks that inhere in litigation of this complexity, such as the risk that witnesses will not appear or will not give the evidence expected of them, and the risk of adverse procedural or evidentiary determinations by the Court.

71. With the passage of time, documentary evidence may no longer be available, and witnesses may die or their memories of the material events may fade, all of which would impact the Plaintiffs' ability to prove their case.
72. That also applies to the Class Members. By the time the trial process, including appeals from the trial judgment, would have concluded, 10 years or more would have passed from the Class Period when the Class Members' purchase transactions took place. With the passage of that amount of time, some Class Members may no longer be alive, corporate Class Members may no longer exist, some Class Members may not have retained the required transaction records to support their claim, and some Class Members may not be inclined to file a claim. It was inevitable that a claims process that occurred 10 years or more after the Class Period would not have 100% participation from Class Members. That would impact the amount ultimately recovered.
73. The more specific risks are those relating to the issues arising in this particular case. The critical risks we identified, which are explained in greater detail below, were as follows:
- (a) the risk that the Court would find that there had been no misrepresentation made by the Defendants either because the alleged misstatements were not untrue or because they were not material;
  - (b) the risk that the Court would find that no public correction of the alleged misrepresentations had occurred, and relatedly that no damages flowed from the misrepresentations;
  - (c) the risk that the Defendants would establish a "reasonable investigation" or due diligence defence pursuant to section 138.4(6) and (7) of the *OSA*; and



(d) even if the Plaintiffs were successful on those first three issues, the risk that the proportionate liability provisions in Part XXIII.1 of the *OSA* would result in liability being assigned to certain Individual Defendants who did not have the capacity to satisfy a substantial judgment.

74. In this particular case, the evidence is voluminous, the facts complex, and the law uncertain. To our knowledge, no action brought under Part XXIII.1 of the *OSA* has been determined on its merits beyond the leave stage. The uncertainty and unpredictability arising from that legal novelty amplified the risk for all parties.

75. Each of the above issues is explored in greater detail below.

***(a) No Misrepresentations / No Materiality***

76. The core of the misrepresentation claims asserted by the Plaintiffs on behalf of the Class pertained to \$56 million in payments which were accounted for as agent payments in respect of projects to which they did not relate. As the evidence disclosed, payments were made in respect of the MUHC Project in 2010 and 2011 and the CNRL Project in 2011 but were accounted for as agent payments in respect of other projects. The Plaintiffs alleged that these payments and their misallocation meant that SNC's Class Period disclosures contained misrepresentations by omitting to disclose the payments and their misallocation, or by falsely representing that:

- (a) SNC was a "socially responsible company" and a "responsible global citizen";
  - (b) SNC had in place controls, policies and practices that were designed to ensure compliance with anti-bribery laws to which SNC is subject;
  - (c) SNC had ICFR and DC&P that were properly designed and operating effectively;
- and

(d) SNC's business was conducted in compliance with its Code of Ethics and Business Conduct.

77. The Plaintiffs had sought to broaden the scope of the alleged wrongdoing underlying the pleaded misrepresentations in a number of respects: to allegations of misconduct in Libya and other countries, to misconduct other than bribes and to misconduct that occurred prior to the Class Period. However, by virtue of the decisions rendered by this Court and the Court of Appeal in 2014 and 2015, the Plaintiffs were prevented from adding the particulars of the broader misconduct, at least for the purposes of determining whether misrepresentations were made in SNC's Class Period disclosure documents.
78. Although this was a case where there were public allegations of unethical, even criminal, behaviour on the part of SNC and certain of its former employees, and criminal charges were laid, there was no public admission that the company's prior disclosures were misleading. This was not an accounting fraud case where there was a public acknowledgement that a company's previously released financial statements were manipulated. This case did not have the hallmark signs of a classic securities fraud case. Rather, the misrepresentations focused on more general statements in SNC's disclosure documents that were alleged to have been rendered false by the alleged wrongful conduct of SNC and the former employees. There was a significant dispute between the parties about the facts relating to the alleged wrongful conduct underpinning the misrepresentation claims. The available information about those facts developed over time as, for example, criminal charges were laid and the criminal proceedings progressed.
79. In relation to the core of the misrepresentation claims that were permitted to proceed — the allegations relating to payments of \$56 million in respect of the MUHC Project and the

CNRL Project in Canada and the intentional misallocation and concealment of these expenses to three unrelated SNC projects — the Defendants contested that there was a misrepresentation made, at all. They contended that the statements made in SNC's disclosure documents, which the Plaintiffs alleged were misrepresentations, were not untrue, for example because statements about compliance with anti-bribery laws and the Code of Ethics did not amount to a guarantee that improper payments would not occur or breaches of the Code of Ethics would not occur. Further, they denied that there was any improper purpose to the payments relating to the MUHC Project and the CNRL Project. The Plaintiffs faced the task of proving that the admitted \$56 million accounting misallocations were in fact material departures from GAAP and ICFR, and that the payments constituted bribes, in circumstances where there had been no admission by SNC of bribery.

80. The timing of the payments relating to the CNRL Project also presented a significant issue for the Plaintiffs. The payments appear to have been made in December 2011, after the release of the last document alleged to contain a misrepresentation on November 4, 2011. Because the improper payments were made after the release of the last pleaded disclosure document, it was arguable that there was no misrepresentation in the pleaded disclosure documents arising from those payments. The Defendants took the position that the CNRL Project payments were disclosed when they ought to have been disclosed: in February 2012 in the course of financial reporting for the fourth quarter of 2011.
81. If that was found to be the case, the success of the Plaintiffs' case would have turned on the failure to disclose the \$22.5 million of payments made by SNC in 2010 and 2011 in respect of the MUHC Project, but allocated to a project in Algeria in 2009. The quantum of that payment, without more, would have presented a challenge in proving its materiality

given the overall size of SNC's business at the time (over \$1 billion in revenue annually) and the fact that this was below the amount of SNC's accounting materiality reporting threshold.

82. Even for the full \$56 million, the Defendants took the position that payments of that amount were not material because they were not of sufficient value, given the value of SNC's overall assets and revenues, to reasonably be expected to have a significant effect on the market price or value of SNC's securities (the test of materiality under the *OSA*).
83. The materiality issue would have been the subject of competing expert evidence at trial. On the summary judgment motion, the Plaintiffs had filed the extensive Kothari Report in support of, among other things, the Plaintiffs' position that the pleaded misrepresentations were material.
84. The Kothari Report concluded that information relating to these payments was material, but we understood that the Defendants had critiques of Professor Kothari's opinion and that this issue would have been challenged.

***(b) No Public Correction or Damages***

85. The Plaintiffs had pled that the alleged misrepresentations were publicly corrected in the news release issued by SNC on February 28, 2012 and through a number of subsequent corrective disclosures that did not emanate from SNC.
86. The Defendants' position was that none of the Plaintiffs' pleaded corrective disclosures constituted "public corrections" of the pleaded misrepresentations as contemplated by *OSA* section 138.3. In particular, the Defendants pleaded that the February 28, 2012 disclosures were not related to, or, corrective of, the pleaded misrepresentations. Their position was that when SNC did make a public disclosure of irregularities relating to the MUHC Project

and CNRL Project payments on March 26, 2012, that disclosure did not result in any material share price correction.

87. Indeed, in January 2016, SNC and the outside director Defendants brought a summary judgment motion focused on that specific issue. They asserted that a public correction is a necessary element of a claim under Part XXIII.1, and the statements alleged to form the public corrections in this case were not corrective of the alleged misrepresentations. The premises of the Defendants' argument were that the information in the alleged corrective disclosures did not logically connect with the alleged falsity of SNC's Class Period disclosure documents, and that the alleged falsity of the disclosure documents had already been publicly disclosed prior to the corrective disclosures alleged by the Plaintiffs.
88. In the Kothari Report, Professor Kothari opined that all but one of the Plaintiffs' alleged corrective disclosures were corrective of the alleged misrepresentations. Professor Kothari also concluded that the information conveyed in the Defendants' alleged "pre-emptive" corrective disclosures was not sufficiently comprehensive to fully pre-empt the information conveyed in the Plaintiffs' alleged corrective disclosures. The conclusions of the Kothari Report gave the Plaintiffs some confidence that they would succeed in proving that one or more of their alleged corrective disclosures constituted a "public correction" for the purposes of Part XXIII.1. However, we understand that the Defendants intended to file competing expert evidence to challenge Professor Kothari's opinion. We expected that this issue would have been vigorously challenged by the Defendants.
89. Separately, the Defendants contended that Part XXIII.1 does not provide for multiple corrective disclosures. The issue of whether it is possible to assert multiple public corrections in an action under Part XXIII.1 is a novel and untested issue. If the Defendants

had been successful in arguing that it is not possible to assert multiple corrective disclosures, the Plaintiffs would have been confined to arguing that the sole public correction was the SNC disclosure released on February 28, 2012. As discussed above, the Defendants would have argued that the February 28, 2012 disclosure was not a valid corrective disclosure.

90. The Defendants' position was that the "public correction" issue was relevant to whether the Plaintiffs had satisfied a constituent element of a claim under Part XXIII.1, as well as to the assessment of damages. Under section 138.5(1) of the *OSA*, the assessment of damages turns, in some circumstances, on the trading price of the securities in the period after the public correction of the misrepresentation. If the Defendants were successful in arguing that the Plaintiffs' alleged corrective disclosures did not constitute public corrections of the misrepresentations, the Defendants would have argued that damages should be assessed at zero under the legislative scheme.
91. Further, section 138.5(3) of the *OSA* provided the Defendants with a mechanism to argue for a reduction in the amount of damages by establishing that news unrelated to the correction of the alleged misrepresentations negatively influenced share prices. In particular, it was anticipated that the Defendants would argue that the decline in the price of SNC shares in the period immediately after the February 28, 2012 disclosure was wholly or partly attributable to information that was unrelated to the alleged misrepresentations. The Kothari Report accepted that a small portion of the price decline on the February 28 and February 29 trading days was attributable to unrelated earnings news. There would have been considerable debate about the extent to which the price decline on those trading days was attributable to the correction of the alleged misrepresentations. That would have been the subject of competing expert evidence.

92. The quantum of damages would also have been impacted by the determination of when the first misrepresentation was made. If the Court determined that a misrepresentation was not made in the disclosure document issued on the first day of the Class Period, but rather in a later document, that would contract the Class Period and reduce the quantum of damages.
93. For the purposes of mediation, the Plaintiffs obtained a preliminary estimate of potential class-wide damages from Professor Weber (which assumed 100% participation by Class Members, including individuals who had opted out of the Actions). Based on certain assumptions, Professor Weber calculated damages under section 138.5(3) to be approximately C\$439.9 million if he used a single trader proportional trading model and approximately C\$294.4 million if he used a multi trader trading model.
94. Professor Weber developed the trading models to estimate the number of “damaged shares” that were acquired by Class Members during the Class Period and retained throughout the Class Period. To estimate damages under the formulae in section 138.5(1), Professor Weber applied his trading model to estimate when the “damaged shares” were sold in the period after the Class Period and their respective selling prices. Professor Weber also incorporated into his damages estimate adjustments to reflect the following two arguments which likely would have been made by the Defendants under section 138.5(3):
- (a) that any drop in the share price prior to the first alleged corrective disclosure on February 28, 2012 was unrelated to the alleged corrective disclosure and the alleged misrepresentations. That would establish a maximum purchase price of \$48.37, being the closing price of SNC shares on February 27, 2012 prior to the first alleged corrective disclosure on February 28, 2012; and

- (b) that the alleged corrective disclosure on February 28, 2012 included earnings news that was unrelated to the alleged misrepresentations and, therefore, some of the decline in the price of SNC shares following the February 28, 2012 disclosure was attributable to that earnings news and not attributable to the correction of the alleged misrepresentations. Professor Weber used a post-correction floor price of \$41.69, computed as the ten trading day volume-weighted average share price after the corrective disclosure on February 28, 2012 of \$38.49, with an uplift of \$3.20 to reflect the percentage of the two-day (February 28 and February 29) abnormal return that Professor Kothari determined was attributable to the unrelated earnings news.
95. As noted below, these adjustments employed by Professor Weber are also reflected in the provisions of the proposed Distribution Protocol.
96. Professor Weber's estimate of the potential class-wide damages also took into account the fact that over time, in the period following the end of the Class Period, the trading price of SNC's shares climbed to levels above the trading prices of the shares during portions of the Class Period. By operation of subsection 138.5(1), when a Class Member disposed of shares at a price higher than their acquisition price, they do not appear to have been entitled to damages under section 138.5, which is also reflected in the Distribution Protocol.
97. The Plaintiffs estimated that SNC's liability limit under Part XXIII.1 was as low as \$334 million and as high as \$424 million, depending on the point in time during the Class Period used for the purposes of calculating SNC's market capitalization, upon which SNC's liability limit is calculated. If the Court used the liability limit based on SNC's market



capitalization on November 6, 2009 — the first day of the Class Period — the calculated liability limit would have been approximately \$334 million.

98. Accordingly, even if Professor Weber's section 138.5(3) damages approach was accepted, his higher estimate of damaged shares was accurate, all Class Members participated, and SNC's proportionate liability was assessed at 100%, all of which was subject to risk, the Plaintiffs would not have been in a position to recover the full amount of the class-wide damages from SNC because of the limits on damages provided by *OSA* section 138.7.

***(c) Reasonable Investigation Defence***

99. All of the Defendants relied on a reasonable investigation defence under sections 138.4(6) and (7) of the *OSA* asserting that they had been duly diligent in spite of the misrepresentations having been made (which was denied).
100. One source of risk for the Plaintiffs as to whether they could overcome the Defendants' reasonable investigation defence arose from the Defendants' position that some pre-Class Period evidence which would assist the Plaintiffs in answering the defence should not be admissible at trial because it did not pertain directly to the transactions alleged to have been the subject matter of the misrepresentations. In particular, there was evidence in the record that, prior to the Class Period, the Board of Directors of SNC was aware of illicit activities on behalf of certain Individual Defendants. This evidence would partially answer SNC's position that it was duly diligent because they had reliable systems in place designed to prevent the pleaded illicit conduct which underlay the pleaded misrepresentations. SNC had taken the position that awareness by SNC and the outside director Defendants of conduct that occurred prior to the Class Period and that concerned payments beyond the MUHC Project, CNRL Project and the Padma Bridge Project was not relevant and, at trial,

they would object to its introduction into evidence. In our view, such evidence would make the answer to the due diligence defence stronger, and its potential exclusion at trial posed some risk.

101. In general, the reasonable investigation defence raised complex legal and factual issues and posed some risk to the Plaintiffs' case. In general, the Defendants asserted that they maintained a complex system of controls and certifications (ICFR and DC&P), designed to avoid the making of the kinds of misrepresentations pleaded in this case, and that they had no knowledge of the particular facts which gave rise to the claims asserted. We believed we had good answers to this affirmative defence, most notably that the CEO and the CFO Defendants who were responsible for certifying the efficacy of SNC's ICFR and DC&P themselves knew of and authorized the misallocation of the \$56 million in project payments which are the subject of this Action. This "management override" of the ICFR and DC&P, in our view, was a complete answer to any due diligence defence as asserted by those members of management directly involved. However, it was less clear that those facts would be sufficient to answer the defence as asserted by SNC. Accordingly, the defence posed a risk that would have to be answered with expert evidence.

*(d) Proportionate Liability and Recovery Risk*

102. The discovery and documentary evidence pointed to certain Individual Defendants who were part of SNC's senior executive management as having the most direct involvement in the pleaded misrepresentations and the alleged misconduct underlying those misrepresentations: the CEO, the CFO and an Executive VP in charge of the relevant projects ("**Senior Executive Management Defendants**"). A critical issue in the case was whether SNC could successfully rely on the proportionate liability provision in section

138.6(1) of the *OSA* such that, if there was any liability on the part of SNC, it would be proportionately small relative to the greater liability of the Senior Executive Management Defendants. SNC argued that this statutory provision enabled it to lay most of any civil liability at the feet of these Senior Executive Management Defendants who may not, on their own, have the financial means to satisfy a substantial damages award.

103. Section 138.6(1) of the *OSA* is untested. There would have been significant dispute about the interpretation of that provision, including in particular the correct approach to determining a “defendant’s responsibility for the damages”. Specifically with respect to SNC, the issue of how a corporate issuer’s “responsibility” is determined separately from the “responsibility” of the individuals who manage and direct the issuer would have been an important issue. While there is established precedent in the form of the corporate identification doctrine that could be applied to answer that question, the application of that doctrine in the specific context of the Part XXIII.1 liability regime is untested and uncertain. The ability of the Plaintiffs to hold SNC responsible for the actions of the Senior Executive Management Defendants was, in our view, strongly arguable, but nevertheless uncertain. Given the novelty of the issue, regardless of the trial result, an appeal would have been inevitable, which would have delayed any recovery to the Class.
104. One unique aspect of this case was the fact that a number of senior executives, including the CEO and an Executive Vice-President (both Defendants in this action and both members of SNC’s “Office of the President”), were alleged by SNC to have been responsible for the pleaded misrepresentations. These individuals have been charged criminally for conduct relevant to the liability issues in this Action. If SNC was successful in proving that these Individual Defendants were acting outside their authority, and that they were principally responsible for the pleaded misrepresentations, there was a risk that

not only might SNC's responsibility for the damages be diminished to something less than 50%, but also that there was little prospect of recovery from those individuals deemed principally responsible, as any insurance coverage may be denied because of criminal findings against them.

105. We understood that SNC's directors' and officers' liability insurance coverage during the relevant policy period was not "entity coverage". Therefore, if SNC was determined to have been responsible for a significant portion of damages, it did not have responsive insurance coverage. SNC's ability to satisfy a substantial damages award was not assured because the resolution of the ongoing criminal proceedings against SNC created some risk for SNC's future viability.
106. If the Senior Executive Management Defendants were determined to be responsible for a significant portion of damages, the prospects of recovery would have been greatly diminished as it is unlikely that those individuals would have the capacity to satisfy a substantial judgment. Further, unless the liability limits of the Senior Executive Management Defendants were lifted pursuant to section 138.7(2), there would be no opportunity for meaningful recovery from those individuals. The liability limits applicable to those individuals would permit only modest recoveries.
107. There was a "tower" of directors' and officers' liability insurance policies with total liability limits of C\$70 million, which would appear to be responsive to the claims against all of the Individual Defendants. Furthermore, the insurers had reserved their rights to deny coverage for some of the Senior Executive Management Defendants and there was an unresolved dispute before the courts in Québec regarding certain other aspects of coverage under those policies; namely, whether the policies were "wasting" (meaning that the limits

of liability were diminishing to cover the very considerable defence costs), or not wasting, in which case the full limits of liability could potentially be called upon to satisfy a judgment. Therefore, there was considerable uncertainty as to whether the Class could meaningfully recover on a damages award against any or all of the Senior Executive Management Defendants. This was a significant consideration given that SNC was arguing that these individuals bore the largest proportionate share of liability for the pleaded misrepresentations.

108. Further, there are criminal proceedings against SNC and certain of the Senior Executive Management Defendants in respect of conduct which was related to the misrepresentations pleaded in this case. Criminal findings against certain of the Senior Executive Management Defendants could complicate the availability of insurance coverage which might otherwise respond to satisfy part of a judgment in this Action.
109. In summary, there was a risk that the Plaintiffs could have lost any or all of the misrepresentation, public correction and reasonable investigation elements of the claim and recovered nothing. Furthermore, if successful on liability, there was a risk that damages could have been reduced or uncollectable if the trial judge disagreed with the Plaintiffs' damages theory or if a large degree of proportionate responsibility was assigned to the Senior Executive Management Defendants.

### **Immediate Benefit**

110. The Settlement eliminates these identified risks to recovery and instead provides an immediate and substantial benefit to Class Members in exchange for the release of their claims.

**SECOND NOTICE**

111. The Settlement Agreement requires that the distribution of the Second Notice, comprising the Short Form Notice of Settlement and the Long Form Notice of Settlement, occur in accordance with the Plan of Notice. Copies of the proposed Short Form Notice of Settlement and Long Form Notice of Settlement are attached as Schedules “E” and “F” to the Settlement Agreement, respectively.
112. Part 2 of the Plan of Notice provides that:
- (a) the Short Form Notice of Settlement will be published in the English language in the business section of the national weekend edition of *The Globe and Mail*, the *Montreal Gazette*, and in the French language in the business section of *La Presse*;
  - (b) the English and French language versions of the Short Form Notice of Settlement will be issued (with necessary formatting modifications) across Canada Newswire, in Stockhouse and also sent to Institutional Shareholder Services Inc. (ISS);
  - (c) the Administrator will send the Long Form Notice of Settlement and the Claim Form directly to Class Members, using the computerized list in the possession of SNC’s transfer agent containing the names and addresses of persons that obtained Eligible Securities during the Class Period, and through coordination with brokerage firms whose clients may be Class Members;
  - (d) electronic publication of the Long Form Notice of Settlement will occur in both the English and French languages on a dedicated SNC class action website; and
  - (e) Class Counsel will mail or email the Long Form Notice of Settlement to those persons who have contacted Class Counsel as of the publication date regarding this litigation and have provided Class Counsel with their contact information.

113. Class Counsel will also make a toll free number and email address available to the public that will enable Class Members to obtain more information about the Settlement, the claims process, and to request that a copy of the Settlement Agreement, Long Form Notice of Settlement and the Claim Form be sent electronically or physically to them directly. Class Counsel will also post the Settlement Agreement and the Long Form Notice of Settlement on Class Counsel's websites.
114. In our experience, providing notice directly to Class Members and through publication will cause it to come to the attention of a substantial portion of the Class.
115. The content and manner of dissemination of the Short Form Notice of Settlement and the Long Form Notice of Settlement are consistent with the programs approved and implemented in a number of other similar cases in which our firm is counsel.
116. I have read the affidavit of David A. Weir, Senior Vice President of Business Development of RicePoint Administration Inc., sworn August 13, 2018, in which he states his opinion on the efficacy of Part 2 of the Plan of Notice, and his estimate of the cost of disseminating the Second Notice in the manner contemplated by Part 2 of the Plan of Notice.
117. I believe that the estimated cost is proportionate to the size of the settlement and consistent with the cost of notice in other securities class action settlements of similar size or complexity.

#### **PROPOSED DISTRIBUTION PROTOCOL**

118. The proposed Distribution Protocol for distributing the Net Settlement Amount is attached as Schedule "J" to the Settlement Agreement.
119. Attached hereto and marked as **Exhibit "G"** is a copy of a Guide to the Distribution Protocol ("**Guide**").

120. Both the Distribution Protocol (as a schedule to the Settlement Agreement) and the Guide will be posted to the Class Counsel Websites on October 1, 2018.
121. The Distribution Protocol employs a damage calculation formula analogous to the formulae set out in section 138.5(1) of the *OSA*.
122. It mirrors the Plaintiffs' damages theory that the value of SNC common shares was artificially inflated during the Class Period and that the artificial inflation was removed, to a significant degree, in the ten trading days after the February 28, 2012 corrective disclosure.
123. The Distribution Protocol also seeks to reflect anticipated arguments that might have been made by the Defendants under section 138.5(3) of the *OSA*. As discussed above, arguments under section 138.5(3) are reflected in the Distribution Protocol in two respects and are supported by the preliminary damages assessment prepared for the Plaintiffs by Professor Weber and the materiality opinion of Professor Kothari:
  - (a) it was anticipated that the Defendants would argue that any drop in the share price prior to the first alleged corrective disclosure on February 28, 2012 was unrelated to the alleged corrective disclosure. As such, the Distribution Protocol uses a maximum purchase price of \$48.37. That maximum purchase price is reflected in the definition of "Acquisition Expense" in the Distribution Protocol; and
  - (b) it was anticipated that the Defendants would argue that the alleged corrective disclosure on February 28, 2012 included negative information unrelated to the alleged misrepresentations and, therefore, some of the decline in the price of SNC shares on February 28, 2012 and February 29, 2012 was attributable to news



unrelated to the pleaded misrepresentations. The Distribution Protocol utilizes a post-correction floor price of \$41.69.

124. The key elements of the Distribution Protocol are as follows (definitions in the Distribution Protocol are applied here):

- (a) the objective of the Distribution Protocol is to equitably distribute the Net Settlement Amount among Authorized Claimants having regard to the issues in the Action;
- (b) the Administrator will administer all claims pursuant to the terms of the Distribution Protocol;
- (c) the Administrator, in the absence of reasonable grounds to the contrary, will assume Claimants to be acting honestly and in good faith;
- (d) Claimants will have 120 days from the date of the publication of notice of approval of the Settlement within which to submit a claim to the Administrator;
- (e) the Administrator will have discretion to correct minor omissions or errors in a Claim Form;
- (f) in the event of a denial of a claim by the Administrator, there is a process whereby a Claimant can request that there be a reconsideration of the claim. Any decision of the Administrator after a reconsideration of the claim is final and binding and not subject to further review or appeal; and
- (g) this is a non-reversionary settlement and, as such, the Net Settlement Amount will be distributed to Authorized Claimants on *pro rata* basis pursuant to the terms of the Distribution Protocol.

125. Based on our knowledge of the facts of this case and our experience in other securities class action settlements, we believe that the Distribution Protocol will achieve its stated objective of equitably distributing the Net Settlement Amount among Authorized Claimants.

## **APPROVAL OF PROPOSED CLASS COUNSEL FEES**

### **Class Counsel Fees Requested**

126. Class Counsel in this Action and the Québec Action seek the approval of Class Counsel Fees of \$25.25 million, plus taxes and disbursements. This fee request is consistent with the retainer agreements executed by the Plaintiffs in 2012.
127. By agreement in 2012, Class Counsel agreed to litigate both this Action and the Québec Action together, sharing in fees of both actions. The time and expenses of Class Counsel in this Action were also for the benefit of Québec Class Members, and the time and expenses of Class Counsel in the Québec Action were also for the benefit of Ontario Class Members.
128. Of the \$25.25 million global fee amount (excluding taxes), \$2 million (excluding taxes) is proposed to be allocated to the Québec Action. Because the Québec Class excludes entities with more than 50 employees, as was required by law at the time the Québec Action was authorized, it is our estimate, based on our experience in other cases, that approximately 7% to 9% of the Class Members are Québec Class Members.
129. In the Ontario Action, Class Counsel are seeking approval from this Court of fees of \$23.25 million, plus taxes and reimbursement for the disbursements of Class Counsel (plus taxes).

130. In the Québec Action, Siskinds Desmeules, on behalf of Class Counsel, will seek approval from the Québec Court of fees of \$2 million, plus taxes and reimbursement for the disbursements of Class Counsel (plus taxes).
131. Siskinds has been assisted in this litigation by Peter Proszanski from Himelfarb Proszanski LLP in Toronto. Mr. Proszanski is corporate counsel to the DALI Fund. He has acted as liaison with the DALI Trustees and Manion Wilkins & Associates Ltd., the administrator of the DALI Fund (“**Manion Wilkins**”). During the course of this litigation, Mr. Proszanski has been regularly communicating with the DALI Trustees and Manion Wilkins, and has discussed strategy with Siskinds. Siskinds has agreed to compensate Mr. Proszanski’s firm for its contributions to the litigation from Siskinds’ approved fee award.

#### **Retainer Agreements**

132. Siskinds entered into a retainer agreement with the DALI Trustees on May 3, 2012.
133. Rochon Genova entered into a retainer agreement with Brent Gray, the principal of 0793094 B.C. Ltd., on August 14, 2012.
134. The operative terms of the two retainer agreements are identical. Those agreements are attached as exhibits to the affidavits of Brent Gray and Lisa Watt, delivered in connection with these motions.
135. I am advised by Karim Diallo, a lawyer at Siskinds Desmeules, and believe that the retainer agreement with the plaintiff in the Québec Action provides for a contingent fee of 25% of any recovery.

### Factors Supporting the Request for Class Counsel Fees

136. As elaborated below, prior to the commencement of the Action, Class Counsel assessed and assumed the following risks of prosecuting this complex securities class action with an uncertain outcome, including exposure to not only our own fees and disbursements, but potentially those of multiple opposing counsel.

137. In my experience as part of Siskinds' securities class actions practice group, the complications and resulting cost of prosecuting a complex securities class action like this one can be very significant.

***(a) Class Counsel's indemnification against adverse costs exposed Class Counsel to significant risk***

138. At the commencement of the Action, Class Counsel agreed to indemnify their clients against adverse costs, reserving their right to obtain, on the Plaintiffs' behalf, indemnification against adverse costs from the Class Proceedings Fund or a third party litigation funder.

139. The indemnification against adverse costs that Class Counsel provided to the Plaintiffs exposed Class Counsel to real and considerable risk. In particular, there is real risk of a substantial costs award in Ontario class actions, as evidenced by a number of recent costs decisions, including *Das v George Weston Limited*, 2017 ONSC 5583 ("**George Weston**") (approximately \$2.3 million in total awarded to two sets of defendants), *Yip v HSBC Holdings plc*, 2017 ONSC 6848 ("**HSBC**") (approximately \$1 million awarded to defendants; reduced to \$800,000 on appeal) and *Hughes v Liquor Control Board of Ontario*, 2018 ONSC 4862 ("**LCBO**") (approximately \$2.3 million in total awarded to multiple sets of defendants). These costs awards were made on preliminary motions. In the present case, we were exposed to adverse costs associated with pleadings motions,

leave and certification motions, production, discovery and other related interlocutory motions, inevitable appeals and costs associated with a trial, and corresponding appeals, which together would likely have been many multiples of the amounts awarded in the *George Weston*, *HSBC* and *LCBO* cases.

140. Siskinds and Rochon Genova had serious discussions on this topic on several occasions over the years, including on the eve of the summary judgment motions and at the time of the second mediation. If the case had proceeded to trial, funding may have been sought as an adverse costs award in favour of the Defendants with six sets of defence counsel would have been very difficult for the firms to bear. However, it was far from guaranteed and clear as to whether funding would have been available, at all, or at what rate, given that it would have been evident to a funder or insurer that settlement had not occurred even after many years of intense litigation.
141. As such, the indemnifications given by Class Counsel carried with them significant value to the Class. Under the retainer agreements with the Plaintiffs, the indemnifications given by Siskinds and Rochon Genova are valued at 5% of the gross Settlement Amount. That compares favourably with the percentage reduction of the overall settlement value that would have resulted if indemnification was obtained from the Class Proceedings Fund (10% of the net settlement amount) or on the open market with a private third party litigation funder (which could range from 7% of the net settlement amount to over 20% depending on the scope of the funding and whether legal fees are being advanced by the funder through the course of the litigation).

*(b) Securities class actions, particularly Part XXIII.1 class actions, are complex, hard fought, expensive and protracted*

142. The Part XXIII.1 secondary market civil liability regime under which the Action has been brought was proclaimed into force in Ontario on December 31, 2005.
143. This is a complex statutory regime, as demonstrated by the fact that very few plaintiff firms have taken on the risk of investigating, analyzing and prosecuting such cases. According to a recent study by NERA Economic Consulting, since its introduction into law until the end of 2017, there have been 81 statutory secondary market cases, or approximately 7 per year. The high water mark was 2014 when 11 such cases were filed, with a marked drop off in 2015 and 2017 with only 4 cases filed in each of those years. Of the 81 cases, 32 (40%) remained unresolved at the end of 2017; 10 have been denied leave and/or certification; and 4 have been discontinued. Attached hereto and marked as **Exhibit “H”** is a copy of “Trends in Canadian Securities Class Actions: 2017 Update” published by NERA Economic Consulting.
144. While the certification and leave motions were eventually unopposed, that outcome could not have been predicted when the Action was commenced. The motions were initially contested with expert reports exchanged and thousands of pages of evidence filed. Before the scheduled hearing, the parties ultimately negotiated the terms of proposed leave and certification orders that would be presented to the Court. The leave motion was granted with lengthy written reasons reported at 2012 ONSC 5288.
145. The requirement that leave of the court be obtained prior to the commencement of an action under Part XXIII.1 is a significant feature of the regime. The leave requirement distinguishes secondary market securities class actions from other class actions where,

generally, a plaintiff may move directly for certification, a step that is not a test of the merits (section 5(5) of the *CPA*).

146. In contrast, a leave motion under the *OSA* requires a preliminary assessment of the merits. To obtain leave, the plaintiff must establish that there is “a reasonable possibility that the action will be resolved at trial in favour of the plaintiff.” There has been considerable case law devoted to this standard, including two decisions of the Supreme Court of Canada.

147. In our experience:

- (a) the leave motion typically requires considerable front-end loading wherein a plaintiff must conduct a thorough investigation and analysis into the available public record, and commission expert opinion or opinions in order to establish that it has a reasonable possibility of establishing the key elements of her case;
- (b) defendants typically challenge the leave motion, often filing responding expert opinion and sometimes fact witnesses;
- (c) cross-examinations, motions arising out of cross-examinations and lengthy hearings are typical for this kind of case;
- (d) success or failure on the leave motion will invariably result in appeals.

148. The leave motion is also typically accompanied by a certification motion where, in a securities case, the contest is typically joined over all of the certification criteria, other than perhaps section 5(1)(e) of the *CPA*. The decision on the certification motion is also often the subject of appeal.

149. Securities class actions in Ontario are generally complex, hard fought, expensive and can be protracted, even more so when claims are advanced under Part XXIII.1. It has been our

experience to date that because the Part XXIII.1 regime, and securities class actions generally, are relatively new to Canada, often the leave and certification motions will raise issues of first impression resulting in multiple interlocutory steps and appeals.

150. By way of example, I point to two ongoing securities class actions where Siskinds is class counsel. The first pleads Part XXIII.1 of the *OSA* and the second pleads Part XXIII of the *OSA* (civil liability arising out of offerings and take-over bids). These examples are referred to in order to demonstrate that, before commencing a securities class action in Ontario, it is anticipated that the prosecution of the case will be extremely hard fought and expensive; will likely take a long time; and will involve significant risks to Class Counsel, all as set out herein. As is apparent in the two cases described below and, indeed, in this case, these are risks freely undertaken by Class Counsel in order that these meritorious cases might be prosecuted.
151. The first case is *Abdula v Canadian Solar Inc.* It involves a financial statement restatement in 2010. The action was commenced by Siskinds in August 2010. Based on my searches, there are 12 reported decisions arising out of interlocutory motions and appeals, including a leading decision of the Court of Appeal for Ontario regarding the jurisdictional reach of Part XXIII.1 with leave to appeal to the Supreme Court of Canada denied.
152. The leave and certification motions were argued over nine days in July, August and October 2014. Siskinds retained and filed reports of three experts in the fields of market efficiency and materiality, accounting and U.S. securities law.
153. The parties have concluded multiple rounds of examinations for discovery. Productions in the case are in the tens of thousands of pages including extensive relevant disclosure obtained pursuant to U.S. Freedom of Information legislation from the U.S. Securities and



Exchange Commission in related proceedings against the issuer and two of its officers. It is expected that the case will be set down for trial, more than 8 years after it was commenced.

154. The second case is *Rooney & Leach v. ArcelorMittal S.A.* It pleads, among other things, circular misrepresentation in respect of a take-over bid. The action was commenced by Siskinds in April 2011 and has been the subject of a number of significant pre-certification motions, including:
- (a) a motion by the defendants seeking to change the venue of the action from London to Toronto (which was denied);
  - (b) a motion by the plaintiffs to have related corporate law valuation proceedings stayed pending certification of the class action (which was opposed by the defendants but granted by the Court);
  - (c) a motion for leave to appeal from the above stay decision; and
  - (d) a rule 21 motion seeking to strike out the claim in its entirety, which was substantially denied, although some aspects of the Statement of Claim were struck, some with leave to amend (this order was appealed, in part successfully to the Court of Appeal by the plaintiffs on an important aspect of the *OSA* section 131 pleading, with reasons reported at 2016 ONCA 630).
155. These motions delayed considerably the prosecution of the case. The defendants' motion to strike was argued over five days in December 2014 and January 2015, with the decision released on July 30, 2015. The appeal of the decision was heard on May 4, 2016, with the decision of the Court of Appeal for Ontario released on August 17, 2016. That decision is now a leading decision on the interpretation of section 131 of the *OSA*.

156. The certification motion was argued in January 2018. The decision of the motion judge was released on May 8, 2018. A motion for leave to appeal brought by certain of the defendants from aspects of the certification decision was dismissed on September 11, 2018. The case is now about to begin the documentary production and discovery stage, more than 7 years after it was commenced.

***(c) The risk that the financial state of the issuer defendant deteriorates as the case moves forward***

157. It has also been our experience that, despite meritorious cases being actively litigated and making their way to trial, the financial state of issuer defendants can deteriorate rapidly and unexpectedly, precluding the likelihood of any meaningful recovery for the class and, by extension, recovery of our fees and self-financed disbursements.
158. The *Canada Lithium* case was a recent instance where, after the granting of leave under Part XXIII.1 of the *OSA* and certification, and shortly before examinations for discovery, the issuer defendant became insolvent. Meanwhile, the limits of responsive insurance held by certain of the defendants had been substantially eroded by defence costs.
159. As a result, the *Canada Lithium* action was settled for a modest sum (the remaining insurance limits). The class was precluded from meaningful recovery and Siskinds, as class counsel, did not recover our docketed time. The settlement approval decision of the Ontario Superior Court of Justice is reported at 2016 ONSC 7354.
160. Insolvency of defendants is a risk always assumed in these actions. At the commencement of this Action, while SNC was in a solid financial position owing to its business success in the past, it was apparent that it was about to become embroiled in a number of controversies that could have had a material adverse impact on SNC's future business prospects. The risk of insolvency was present in this case.

161. At the commencement of this Action, Class Counsel was faced with the above risks and other risks inherent to the prosecution of a securities class action in Ontario. It was anticipated that:

- (a) this case would be hard fought by multiple defence firms all of whom are expert in the defence of securities cases;
- (b) there would be resistance to the leave and certification motions;
- (c) if successful on the leave and certification motion, following appeals, there would be production of tens of thousands of documents and weeks of examinations for discovery;
- (d) if the case did not settle, there would be a very lengthy trial with an uncertain outcome; and
- (e) the exposure to potential adverse costs awards, including the fees and disbursements of multiple defence firms and their various experts, would be considerable, most certainly in the millions of dollars.

**Fees and disbursements financed to date**

162. As described in more detail below, Siskinds and Rochon Genova have collectively docketed fees of C\$9,114,909.50 and HST on those fees of C\$1,184,938.24, and they have financed disbursements of C\$2,393,423.69 and HST on those disbursements of C\$256,006.24.

***(a) Siskinds time and disbursements***

163. Since the commencement of the Action up to and including October 1, 2018, Siskinds has docketed fees of C\$6,099,030.50 and HST on those fees of C\$792,873.97. Since the

commencement of the Action up to and including September 19, 2018, Siskinds has financed disbursements of C\$1,752,641.58 and HST on those disbursements of C\$213,883.57.

164. The docketed time of Siskinds Desmeules lawyers on the Québec Action is currently approximately \$535,000 (excluding taxes) and the docketed time of Siskinds LLP lawyers on the Québec Action is currently approximately \$112,000.

165. The hourly rates and hours expended since the commencement of the Action up to and including October 1, 2018 by the primary Siskinds lawyers involved in this file are as follows:

LAWYER	HOURLY RATE	HOURS
Michael Robb (2002 ON Call)	\$500.00	5.7
	\$525.00	14.3
	\$550.00	0.1
	\$575.00	1.8
	\$660.00	317.3
	\$700.00	454.4
	\$750.00	278.7
Anthony O'Brien (2008 ON; 2006 AU Calls)	\$375.00	595
	\$395.00	801.50
	\$415.00	597
	\$445.00	314.1
	\$450.00	145.4
	\$500.00	191
	\$500.00	436.2

LAWYER	HOURLY RATE	HOURS
Douglas Worndl (1989 ON Call)	\$590.00	2,178.8
Ronald Podolny (2009 ON; 2010 NY Calls)	\$325.00	1,205.4
	\$425.00	1,164.7
	\$450.00	44.2
Charles Wright (1995 ON Call)	\$650.00	58
	\$675.00	4.7
	\$700.00	1
	\$800.00	28.2
	\$850.00	2.9
	\$900.00	32.3
Dimitri Lascaris (2004 ON; 1992 NY Calls)	\$600.00	193.4
	\$650.00	216.4
	\$675.00	134.9
	\$775.00	109.3
Elizabeth deBoer (2003 ON Call)	\$400.00	308.1
	\$425.00	153.6
Garett Hunter (2017 ON Call)	\$150.00	130.5
	\$165.00	310
	\$200.00	150.3
Dawn Sullivan (1999 ON Call)	\$325.00	597.6
	\$350.00	307
	\$450.00	98.3
	\$475.00	140.1

LAWYER	HOURLY RATE	HOURS
	\$500.00	3

166. The following chart sets out the disbursements that have been financed by Siskinds in pursuing the Action, up to September 19, 2018:

TYPE	TOTAL
Courier	\$7,997.30
Parking	\$161.10
Copies	\$86,934.22
Long Distance Telephone Charge	\$4,044.84
Postage	\$114.71
Research/Resource Material	\$26,554.98
Binding Supplies	\$882.65
Media (USB Keys/Hard Drives)	\$811.80
Agents Fees	\$46,214.69
Corporate Profile Search	\$55.57
Adverse Cost Awards	\$105,916.01
Expert Reports	\$922,058.20
Mileage/Travel/Meals	\$55,423.35
Mediation	\$65,853.79
Non-Expert Reports	\$169,746.83
PR/Media	\$2,971.50
Service of Documents	\$12,083.18
Stationary Supplies	\$48.97
Transcripts and Court Reporting	\$83,048.78

Translation Services	\$27,338.19
eDiscovery Services	\$132,728.92
Court Fees	\$1,652.00
TOTAL BEFORE TAX:	\$1,752,641.58
TAX:	\$213,883.57
<b>TOTAL INCLUDING TAX:</b>	<b>\$1,966,525.15</b>

***(b) Rochon Genova time and disbursements***

167. I am advised by Joel Rochon and believe that, since the commencement of the Action up to September 24, 2018, Rochon Genova has docketed fees of C\$3,015,879.00 and HST on those fees of C\$392,064.27, and Rochon Genova has financed disbursements of C\$640,782.11 and HST on those disbursements of C\$42,122.67.

168. I am advised by Mr. Rochon and believe that the hourly rates and hours expended since the commencement of the Action up to and including September 24, 2018 by the primary Rochon Genova lawyers involved in this file are as follows:

<b>LAWYER</b>	<b>HOURLY RATE</b>	<b>HOURS</b>
Joel Rochon (1988 ON Call)	\$925.00	1,244.43
Peter Jervis (1983 ON Call)	\$925.00	1,168.25
Douglas Worndl (1989 ON Call)	\$925.00	213.2
Ronald Podolny (2009 ON; 2010 NY Calls)	\$500.00	41.4
John Archibald (2003 ON; 2014 BC Calls)	\$500.00	511.6

LAWYER	HOURLY RATE	HOURS
Remissa Hirji (2012 ON Call)	\$350.00	282.5

169. I am advised by Mr. Rochon and believe that the following chart sets out the disbursements that have been financed by Rochon Genova in pursuing the Action, up to September 24, 2018:

TYPE	TOTAL
Courier	\$507.20
Facsimiles	\$356.63
Copies	\$39,216.10
Long Distance Telephone Charge	\$1,071.95
Postage	\$83.48
Research/Resource Material	\$17,458.58
Binding Supplies	\$817.04
Expert Reports	\$471,186.99
Mileage/Travel/Meals	\$12,486.37
Navigant Consulting	\$45,304.92
Corporate search	\$28.50
Translation	\$1,160.56
ASAP Reporting Services Inc.	\$1,133.34
Cross-examinations (Neesons)	\$34,287.45
Mediation	\$15,000.00
Service of Documents	\$234.00
Court Fees	\$449.00



TOTAL BEFORE TAX:	\$640,782.11
TAX:	\$42,122.67
<b>TOTAL INCLUDING TAX:</b>	<b>\$682,904.78</b>

#### **Summary of Siskinds and Rochon Genova's fee and disbursement request**

170. Siskinds and Rochon Genova's legal fee and disbursement request may be summarized as follows:

<b>ITEM</b>	<b>TOTAL</b>
Fee Request:	\$23,250,000.00
HST on Fee Request:	\$3,022,500.00
Disbursements:	\$2,393,423.69
Taxes on Disbursements:	\$256,006.24
Interest on Disbursements:	\$0
<b>Total Fee/Disbursement Request (including applicable taxes):</b>	<b>\$28,921,929.93</b>

#### **Anticipated fees and disbursements to be incurred**

171. Considerable work remains to be done by Siskinds and Rochon Genova. Their involvement following the execution of this affidavit will include:


- (a) preparing for and attending the settlement approval motion;
- (b) facilitating implementation of Part 2 of the Plan of Notice;
- (c) liaising with the Administrator to ensure the fair and efficient administration of the Settlement; and
- (d) responding to inquiries from Class Members and their lawyers regarding the Settlement.

172. We estimate that we will incur an additional \$150,000 (approximate) in time at our current hourly rates before our work on this matter is completed.

**SWORN OR AFFIRMED** before me )  
 at the City of Toronto, in the Province )  
 of Ontario, this 1<sup>st</sup> day of October, )  
 2018. )

  
 \_\_\_\_\_  
 A Commissioner, etc. )

**LAURA MARIE PAYNTER, a Commissioner, etc.,**  
 Province of Ontario, for Siskinds <sup>LLP</sup>  
 Barristers and Solicitors. Expires: April 5, 2021

  
 \_\_\_\_\_  
 Anthony O'Brien

This is Exhibit "A" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.

**SNC-LAVALIN GROUP INC. SECURITIES LITIGATION  
SETTLEMENT AGREEMENT**

Made as of August 13, 2018

BETWEEN

**THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING AND INSULATION  
LOCAL 675 PENSION FUND, 0793094 B.C. LTD. and JEAN-PAUL DELAIRE**

**("Plaintiffs")**

**- and -**

**SNC-LAVALIN GROUP INC., IAN A. BOURNE, DAVID GOLDMAN, PATRICIA A.  
HAMMICK, PIERRE H. LESSARD, EDYTHE MARCOUX, LORNA R. MARSDEN,  
CLAUDE MONGEAU, GWYN MORGAN, MICHAEL D. PARKER, HUGH D. SEGAL,  
LAWRENCE N. STEVENSON, GILLES LARAMEE, MICHAEL NOVAK, PIERRE  
DUHAIME, RIADH BEN AISSA and STEPHANE ROY**

**("Defendants")**

## TABLE OF CONTENTS

SECTION 1 - RECITALS .....	5
SECTION 2 - DEFINITIONS .....	8
SECTION 3 - APPROVAL AND NOTICE PROCESS.....	15
3.1    Best Efforts .....	15
3.2    First Notice Motion .....	16
3.3    Approval Motion and Notice .....	16
SECTION 4 - SETTLEMENT BENEFITS.....	16
4.1    Payment of Settlement Funds .....	16
4.2    Settlement Funds to be Held in Trust .....	18
4.3    Taxes on Interest .....	18
SECTION 5 - NO REVERSION.....	19
SECTION 6 - DISTRIBUTION OF THE SETTLEMENT FUNDS.....	19
SECTION 7 - EFFECT OF SETTLEMENT .....	20
7.1    No Admission of Liability .....	20
7.2    Agreement Not Evidence.....	20
7.3    Restrictions on Further Litigation.....	21
SECTION 8 - TERMINATION OF THE AGREEMENT.....	21
8.1    General.....	21
8.2    Allocation of Monies in the Escrow Account Following Termination.....	23
8.3    Disputes Relating to Termination.....	23
8.4    No Right to Terminate.....	23
SECTION 9 - DETERMINATION THAT THE SETTLEMENT IS FINAL.....	24
SECTION 10 - RELEASES AND JURISDICTION OF THE COURTS.....	24

10.1	Release of Releasees .....	24
10.2	No Further Claims .....	24
10.3	Dismissal of the Actions.....	25
SECTION 11 - ADMINISTRATION.....		25
11.1	Appointment of the Administrator .....	25
11.2	Information and Assistance from the Defendants .....	25
11.3	Claims Process.....	26
11.4	Disputes Concerning the Decisions of the Administrator .....	26
11.5	Conclusion of the Administration .....	27
SECTION 12 - THE FEE AGREEMENT AND CLASS COUNSEL FEES.....		28
12.1	Motion for Approval of Class Counsel Fees .....	28
12.2	Payment of Class Counsel Fees.....	29
SECTION 13 - MISCELLANEOUS.....		29
13.1	Motions for Directions.....	29
13.2	Defendants Have No Responsibility or Liability for Administration.....	29
13.3	Headings, etc. ....	29
13.4	Governing Law.....	30
13.5	Severability.....	31
13.6	Entire Agreement.....	31
13.7	Binding Effect .....	31
13.8	Survival.....	32
13.9	Negotiated Agreement.....	32
13.10	Recitals.....	32
13.11	Acknowledgements .....	32

13.12	Counterparts .....	33
13.13	Notice .....	33
13.14	Date of Execution .....	35

## SETTLEMENT AGREEMENT

Subject to the approval of both of the Courts as provided herein, the Plaintiffs and the Defendants hereby agree that in consideration of the promises and covenants set forth in this Agreement and upon the Approval Orders becoming Final Orders, these Actions will be settled and compromised, and the Settlement implemented, pursuant to the terms and conditions contained herein.

### SECTION 1- RECITALS

#### WHEREAS:

- A. On March 1, 2012, the Québec Plaintiff commenced the Québec Action on behalf of the Québec Class against SNC and the Individual Defendants alleging, among other things, material misrepresentations in certain of SNC's public disclosures released during the Class Period.
- B. On June 29, 2012, the Ontario Court consolidated the actions of the Ontario Plaintiffs into a single action brought on behalf of the Ontario Class, alleging misrepresentations made in certain of SNC's public disclosures released during the Class Period (now, the **Ontario Action**).
- C. By order dated September 19, 2012, the Ontario Court granted the Ontario Plaintiffs leave under Part XXIII.1 of the Ontario *Securities Act* and certified the Ontario Action as a class proceeding and appointed the Ontario Plaintiffs as representative plaintiffs.



- D. By order dated January 24, 2013, the Québec Court authorized the Québec Plaintiff to pursue the Québec Action under the secondary market liability provisions of the Québec *Securities Act* and as a class proceeding.
- E. By orders of the Courts, the right for putative Class Members to opt out of the Actions expired on May 8, 2013.
- F. 153 persons who would otherwise have been Class Members validly exercised the right to opt out of the Actions, excluding them from further participation in the Actions and the Settlement.
- G. The Parties have engaged in years of hard-fought litigation in the Ontario Court, including numerous contested motions, appeals, the production of voluminous documentary discovery, and the completion of more than 40 days of oral discovery.
- H. The Parties have engaged in hard-fought arm's length negotiations, including multiple mediation sessions before the Honourable Warren K. Winkler (ret.).
- I. The Defendants have denied and continue to deny the Plaintiffs' claims in the Actions, have vigorously denied any wrongdoing or liability of any kind whatsoever, have asserted and would have actively and diligently pursued affirmative defences and other defences had these Actions not been settled.
- J. The Plaintiffs, with the benefit of advice from Class Counsel and based upon an analysis of the facts and law applicable to the issues in this Actions, taking into

account the burdens, complexities, risks and expense of continued litigation, the estimated total damages suffered by Class Members, legal limitations on the value of the claims advanced, the value of an early settlement as well as the fair, cost-effective and assured method of resolving the claims of the Class, have concluded that settlement on the terms set out in this Agreement is fair, reasonable and in the best interests of the Class.

- K. The Defendants, similarly, have concluded that settlement on the terms set out in this Agreement is desirable in order to avoid the time, risk and expense of continuing with the Actions, including any potential appeals, and to resolve finally and completely the pending claims raised in the Actions.
- L. As hereinafter provided, the Parties intend to and hereby do finally resolve these Actions and all the claims that were or could have been asserted in the Actions against the Defendants, without any admission of liability or wrongdoing whatsoever by the Defendants, or any of them, with prejudice and without costs, subject to the approval of this Agreement by the Courts.

**NOW THEREFORE**, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree that this Agreement represents the agreement between the Parties to resolve and release, fully and finally, in accordance with the terms more particularly set out herein, all Released Claims, and subject to the approval of the Courts as provided herein, to obtain Approval Orders that are Final

Orders dismissing the Ontario Action as against the Defendants with prejudice and without costs and declaring the Quebec Action settled out of Court in capital, all applicable taxes, interest and costs.

## **SECTION 2 - DEFINITIONS**

In this Settlement Agreement, including the Recitals and Schedules hereto:

- (1) *Action* or *Actions* means, as the context requires, either or both of the Ontario Action and the Québec Action.
- (2) *Administration Expenses* means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable in relation to the notice, approval, implementation and administration of the Settlement, including the costs of publishing and delivery of notices, fees, disbursements and taxes paid to the Administrator, and any other expenses approved by the Courts which shall be paid from the Settlement Funds in accordance with Section 4.1. For greater certainty, Administration Expenses do not include Class Counsel Fees.
- (3) *Administrator* means the third party professional firm and any employees of such firm, selected at arm's length by Class Counsel, and appointed by the Courts to do any one or more of the following:
  - (a) facilitate dissemination of the First Notice;
  - (b) facilitate dissemination of the Second Notice;
  - (c) receive and review claims and administer the Settlement Fund in accordance with the Distribution Protocol; and

- (d) report to the Parties and the Courts on the administration of the Settlement.
- (4) *Agreement* means this settlement agreement.
- (5) *Approval Motion* or *Approval Motions* means, as the context requires, one or both of the Ontario Approval Motion and the Québec Approval Motion.
- (6) *Approval Order* or *Approval Orders* means, as the context requires, the orders made by each of the Courts:
  - (a) approving the Settlement;
  - (b) approving the form of the Second Notice;
  - (c) approving the Plan of Notice for the purpose of the publication and dissemination of the Second Notice;
  - (d) approving a Distribution Protocol; and
  - (e) dismissing the Ontario Action as against the Defendants without costs and with prejudice or declaring the Quebec Action settled out of court in capital, all applicable taxes, interest and costs on the Effective Date or as fixed by the Court.
- (7) *Authorized Claimant* means any Class Member who has submitted a completed Claim Form which, pursuant to the terms of the Agreement and the Distribution Protocol, has been approved for compensation by the Administrator in accordance with the Distribution Protocol.
- (8) *Claim Form* means the form to be approved by the Court which, when completed and submitted in a timely manner to the Administrator,

constitutes a Class Member's claim for compensation pursuant to the Settlement.

- (9) *Claims Bar Deadline* means the date by which each Class Member must file a Claim Form and all supporting documentation with the Administrator; which date shall be one hundred and twenty (120) days after the Second Notice Date or such other date as may be fixed by the Courts.
- (10) *Class* or *Class Members* means, as the context requires, members of either or both of the Ontario Class or the Québec Class.
- (11) *Class Counsel* means Siskinds LLP, Siskinds Desmeules Avocats s.e.n.c.r.l. and Rochon Genova LLP.
- (12) *Class Counsel Fees* means the fees, disbursements, costs, interest thereon in accordance with, as the context requires, the *Class Proceedings Act, 1992*, SO 1992, c 6, s 33(7)(c), and/or the *Code of Civil Procedure*, chapter C-25.01 plus HST and other applicable taxes or charges of Class Counsel as approved by the Courts.
- (13) *Class Period* means the period from and including November 6, 2009 to and including February 27, 2012.
- (14) *Court* or *Courts* means, as the context requires, the Ontario Court and/or the Québec Court.
- (15) *CPA* means the *Class Proceeding Act, 1992*, S.O. 1992, c. 6, as amended.
- (16) *Defendant* means any of the defendants named in the Ontario Action, which includes any of the Defendants named in the Québec Action.

- (17) *Distribution Protocol* means the distribution plan stipulating the proposed distribution of the Net Settlement Amount in the form approved by the Courts.
- (18) *Effective Date* means the first date on which each of the Approval Orders has become a Final Order.
- (19) *Eligible Securities* means the common shares of SNC listed on the Toronto Stock Exchange that were acquired by a Class Member during the Class Period and still held at the close of trading on the Toronto Stock Exchange on February 27, 2012.
- (20) *Escrow Account* means an interest bearing trust account at a Canadian Schedule 1 bank in Ontario initially under the control of Siskinds, until such time as the last Approval Order is entered following which it shall be transferred to the Administrator appointed pursuant to the First Notice Order.
- (21) *Escrow Settlement Funds* means the Settlement Amount plus any interest accruing thereon in the Escrow Account.
- (22) *Excluded Persons* means SNC's past and present subsidiaries, affiliates, officers, directors, legal representatives, heirs, predecessors, successors and assigns, and any spouse or child of the Individual Defendants, and any person who validly opted out of the Classes.
- (23) *Final Order* means any order contemplated by this Agreement from which no appeal lies or in respect of which any right of appeal has expired without the initiation of proceedings in respect of that appeal such as the delivery of a notice of motion for leave to appeal or a notice of appeal.

- (24) *First Notice* means the Notice of the pendency of the Approval Motions substantially in the forms attached as **Schedules “A”** and **“B”** hereto.
- (25) *First Notice Motion* or *First Notice Motions* means a motion to be brought by the Plaintiff in each of the Courts for the First Notice Orders.
- (26) *First Notice Order* means, as the context requires, the Ontario First Notice Order and/or the Québec First Notice order, each of which shall contain provisions:
- (a) appointing the Administrator;
  - (b) approving the form, content and method of dissemination of the First Notice; and
  - (c) fixing the date for the Approval Motion in the Court issuing the First Notice Order.
- (27) *Individual Defendants* means the Defendants other than SNC.
- (28) *Long Form Notice of Settlement* means notice to the Class of the Approval Orders substantially in the form attached as **Schedule “F”** hereto or as fixed by the Courts.
- (29) *Net Settlement Amount* means the amount available in the Escrow Account for distribution pursuant to the Distribution Protocol after payment of all Class Counsel Fees and Administration Expenses and other amounts contemplated by paragraphs 6(1)(a)-(d) hereof.
- (30) *Ontario Action* means the Action in the Ontario Court in Court File No. CV-12-453236-00CP.

- (31) *Ontario Approval Motion* means the motion by to be brought by the Ontario Plaintiffs for the Ontario Approval Order.
- (32) *Ontario Approval Order* means the Approval Order to be sought from the Ontario Court substantially in the form attached as **Schedule "H"**.
- (33) *Ontario Class* means the class certified by the Ontario Court in the Ontario Action, namely all persons, wherever they may reside or be domiciled, who acquired securities of SNC during Class Period, except for Québec Class Members and Excluded Persons.
- (34) *Ontario Court* means the Ontario Superior Court of Justice.
- (35) *Ontario First Notice Order* means the First Notice Order to be sought from the Ontario Court substantially in the form attached as Schedule **"C"**.
- (36) *Ontario Plaintiffs* means The Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and 0793094 B.C. Ltd.
- (37) *Parties* mean the Plaintiffs and the Defendants.
- (38) *Plaintiff* or *Plaintiffs* means, as the context requires, the Ontario Plaintiffs and/or the Québec Plaintiff.
- (39) *Plan of Notice* means the plan for disseminating the First Notice and Second Notice to the Class substantially in the form attached as **Schedule "G"** hereto or as fixed by the Courts.
- (40) *Québec Action* means the Action in the Québec Court in Court File No. 500-06-000650-131.



- (41) *Québec Approval Motion* means the motion to be brought by the Québec Plaintiff for the Québec Approval Order.
- (42) *Québec Approval Order* means the Approval Order to be sought and obtained from the Québec Court, substantially in the form attached as **Schedule “I”**.
- (43) *Québec Class* means the class certified by the Québec Court in the Québec Action, namely all persons who acquired securities of SNC during the Class Period, who were resident or domiciled in the Province of Québec at the time they acquired such securities, and who are not precluded from participating in a Québec class action by virtue of Article 999 of the *Québec Code of Civil Procedure*, except for the Excluded Persons.
- (44) *Québec Court* means the Superior Court of Québec.
- (45) *Québec First Notice Order* means the First Notice Order to be sought from the Québec Court substantially in the form attached as Schedule **“D”**.
- (46) *Québec Plaintiff* means Jean-Paul Delaire, the plaintiff in the Québec Action.
- (47) *Released Claims* (or Released Claim in the singular) means any and all claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, including assigned claims, whether known or unknown, asserted or unasserted, regardless of the legal theory, existing now or arising in the future by any and all of the Plaintiffs or the Class Members, arising out of or relating in any way to the acquisition, purchase, sale, retention, pricing, marketing or distribution of Eligible Securities during the Class Period and any claims which were raised or could have been raised in the Actions. Released Claims include, without limitation, all claims for damages including, but not limited to punitive,

aggravated, statutory and other multiple damages or penalties of any kind; or remedies of whatever kind or character, known or unknown, that are now recognized by law or equity or that may be created and recognized in the future by statute, regulation, judicial decision, or in any other manner; injunctive and declaratory relief; economic or business losses or disgorgement of revenues or profits; costs or lawyers' fees; and prejudgment and post-judgment interest.

- (48) ***Releasees*** means the Defendants and, as applicable, each of their respective direct and indirect subsidiaries, affiliates, and divisions, along with each of their respective current and former officers, directors, employees, trustees, representatives, lawyers, agents, insurers, and re-insurers; any and all predecessors, successors, and/or shareholders of the Defendants and each of their direct and indirect subsidiaries, affiliates, and divisions; and each of the Defendants' respective heirs, executors, trustees, administrators and assigns.
- (49) ***Releasors*** means the Plaintiffs, the Class Members, including any person having a legal and/or beneficial interest in the Eligible Securities purchased or acquired by Class Members, and their respective heirs, executors, trustees, administrators, assigns, attorneys, representatives, partners and insurers and their predecessors, successors, heirs, executors, trustees, administrators and assignees.
- (50) ***Second Notice*** means the Short Form Notice of Settlement and the Long Form Notice of Settlement.
- (51) ***Settlement*** means the settlement provided for in this Agreement.
- (52) ***Settlement Amount*** means CAD\$110,000,000.00, inclusive of Administration Expenses, Class Counsel Fees, and any other costs or

expenses otherwise related to the Actions, of which \$88,000,000 is being contributed by SNC on its own behalf and \$22,000,000 is being contributed by the Defendants' insurers on behalf of the Individual Defendants, each on a several basis.

(53) *Short Form Notice of Settlement* means summary notice to the Class of the Approval Order substantially in the form attached as **Schedule "E"** hereto or as fixed by the Courts.

(54) *Siskinds* means Siskinds LLP.

(55) *SNC* means the Defendant SNC-Lavalin Group Inc.

### **SECTION 3 – APPROVAL AND NOTICE PROCESS**

#### **3.1 Best Efforts**

- (1) The Parties shall use their best efforts to implement this Settlement, secure the prompt complete and final dismissal of the Actions, and to secure the Approval Orders.
- (2) Until the Approval Orders become Final Orders or the termination of this Agreement, whichever occurs first, the Parties agree to hold in abeyance all steps in the Actions, other than the motions provided for in this Agreement and such other matters required to implement the terms of this Agreement.

#### **3.2 First Notice Motion**

- (1) The Plaintiffs will, as soon as is reasonably practicable, bring the First Notice Motions. The Defendants will consent to the issuance of the First Notice Orders. The First Notice Order in the Ontario Action shall be substantially in the form attached as Schedule "C". The First Notice Order

in the Québec Action shall mirror, to the extent possible, the substance of the First Notice Order in the Ontario Action.

- (2) Upon entry of the last First Notice Order, the Administrator shall cause the First Notice to be published in accordance with the Plan of Notice and the directions of the Courts. The costs of publishing the First Notice shall be paid from the Escrow Account as and when incurred.

### **3.3 Approval Motion and Notice**

- (1) The Plaintiffs will thereafter bring the Approval Motions before the Courts in accordance with the Courts' directions. The Defendants will consent to the issuance of the Approval Order. The Approval Order in the Ontario Action shall be substantially in the form attached as Schedule "H". The Approval Orders in the Québec Action shall mirror, to the extent possible, the substance of the Approval Orders in the Ontario Action.
- (2) Upon the granting of the Approval Orders, the Administrator shall cause the Second Notice to be published and disseminated in accordance with the Plan of Notice as approved by the Courts. The costs of publishing the Second Notice shall be paid from the Escrow Account as and when incurred.

## **SECTION 4 - SETTLEMENT BENEFITS**

### **4.1 Payment of Settlement Amount**

- (1) SNC shall pay \$88,000,000 and it shall cause the Defendants' insurers to pay \$22,000,000 (in total, the **Settlement Amount**) for the benefit of the Class Members in full and final settlement of the Released Claims, as follows, in proportion to their respective contributions to the Settlement Amount:

- (a) the amount of \$1,500,000.00 shall be paid within thirty (30) days of execution of the Agreement, to Siskinds, in trust, to be deposited into the Escrow Account from which funds shall be paid toward Administration Expenses incurred prior to the issuance of the Approval Orders; and
  - (b) the amount of \$108,500,000.00 shall be paid within ten (10) days of the issuance of the last Approval Order to the Administrator, in trust, to be held in the Escrow Account for the benefit of the Class Members and disbursed in accordance with this Agreement and the Approval Orders.
- (2) Upon the issuance of the Approval Orders, Siskinds shall transfer control of the Escrow Account to the Administrator.
  - (3) The Settlement Amount and other valuable consideration set forth in the Agreement shall be provided in full satisfaction of the Released Claims against the Releasees.
  - (4) Neither the Defendants nor the Defendants' insurers or re-insurers shall have any obligation to pay any further amount to the Plaintiffs, the Class Members or Class Counsel with respect to this Agreement or the Actions for any reason whatsoever, including any amount for damages, interest, legal fees (including Class Counsel Fees), disbursements, taxes of any kind, costs and expenses relating in any way to the Action, the Released Claims, the Settlement, and Administration Expenses.
  - (5) Siskinds shall account to the Administrator for all payments made from the Escrow Account prior to the transfer of the Escrow Account to the Administrator. The Administrator shall provide an accounting to the Parties for all payments made from the Escrow Account, whether made by Siskinds or the Administrator. In the event this Agreement is terminated, Siskinds or the Administrator, whichever then has control of the Escrow

Account, shall deliver an accounting to the Parties no later than ten (10) days after the termination.

- (6) Siskinds shall not pay out any of the monies in the Escrow Account except in accordance with this Agreement, or in accordance with an order of the Courts obtained after notice to the Parties.
- (7) Any dispute concerning the entitlement to or quantum of expense incurred in the publication and dissemination of First Notice, or by the Administrator subsequently, shall be dealt with by a motion to the Ontario Court on notice to the Parties.

#### **4.2 Settlement Amount to be Held in Trust**

- (1) Prior to the issuance of the Approval Orders, Siskinds shall maintain the Escrow Account and hold the Settlement Amount in trust as provided for in this Agreement. After the date that is ten (10) days after the issuance of the last Approval Order, the Administrator shall maintain the Escrow Account in an account at a Canadian Schedule 1 bank in Ontario under the control of the Administrator and hold the Settlement Amount in trust as provided for in this Agreement. No amount shall be paid out from the Escrow Account by either Siskinds or the Administrator, except in accordance with this Agreement, or in accordance with an order of the Court obtained on notice to the Parties.

#### **4.3 Taxes on Interest**

- (1) Except as expressly provided herein all interest earned on the Settlement Amount shall accrue to the benefit of the Class and shall become and remain part of the Escrow Account.
- (2) Subject to subsection 4.3(3), all taxes payable on any interest which accrues on or otherwise in relation to the Settlement Amount in the

Escrow Account shall be the exclusive responsibility of the Class. The Administrator shall be responsible for fulfilling all tax reporting and payment requirements arising from the Settlement Amount in the Escrow Account, including any obligation to report taxable income and make tax payments. All taxes (including interest and penalties) due with respect to the income earned by the Settlement Amount shall be paid from the Escrow Account.

- (3) The Defendants and their insurers shall have no responsibility to make any filings relating to the Escrow Account, to pay tax on any income earned by the Settlement Amount, or to pay any taxes on the monies in the Escrow Account, unless this Agreement is terminated, in which case any interest earned on the Settlement Amount in the Escrow Account shall be paid to SNC and the Defendants' insurers in accordance with and in proportion to their respective contributions to the Settlement Amount who, in such case, shall be responsible for the payment of any taxes on such interest not previously paid.

#### **SECTION 5 - NO REVERSION**

- (1) Unless this Agreement is terminated as provided herein, SNC and the Defendants' Insurers shall not be entitled to the repayment from the Plaintiffs of any portion of the Settlement Amount. In the event this Agreement is terminated, SNC and the Defendants' Insurers shall be entitled to the repayment only to the extent of and in accordance with the terms provided herein.

#### **SECTION 6 - DISTRIBUTION OF THE SETTLEMENT AMOUNT**

- (1) On or after the Effective Date, the Administrator shall distribute the Net Settlement Amount in accordance with the following priorities:

- (a) to pay Class Counsel Fees as awarded by the Courts;
  - (b) to pay all of the costs and expenses reasonably and actually incurred in connection with the provision of the Second Notice;
  - (c) to pay all of the Administration Expenses. For greater certainty, the Defendants and the Class are specifically excluded from eligibility for any payment of costs and expenses under this subsection;
  - (d) to pay any taxes required by law to be paid to any governmental authority; and
  - (e) to pay a *pro rata* share of the balance of the Settlement to each Authorized Claimant in proportion to his, her or its claim as recognized in accordance with the Distribution Protocol.
- (2) Class Counsel shall propose for approval by the Courts a Distribution Protocol in the form attached as Schedule “J” or such other form as Class Counsel may advise. The approval of the Distribution Protocol may be considered separately from the approval of the Settlement and is not a condition of the approval of the Settlement itself.

## **SECTION 7 - EFFECT OF SETTLEMENT**

### **7.1 No Admission of Liability**

- (1) Whether or not this Agreement is terminated, this Agreement, anything contained in it, any and all negotiations, discussions, and communications associated with this Agreement, shall not be deemed, construed or interpreted as a concession or admission of wrongdoing or liability by the Releasees, or as a concession or admission by the Releasees of the truthfulness of any claim or allegation asserted in this Action. Neither this Agreement nor anything contained herein shall be used or construed as an



admission by the Releasees of any fault, omission, liability or wrongdoing in connection with any disclosure document or oral statement at issue in the Action.

## **7.2 Agreement Not Evidence**

- (1) The Parties agree that, whether or not it is terminated, unless otherwise agreed, this Agreement and anything contained herein, any and all negotiations, documents, discussions and proceedings associated with this Agreement, and any action taken to implement this Agreement, shall not be referred to, offered as evidence or received as evidence or interpreted in this Action or in any other current or future civil, criminal, quasi-criminal, administrative action, disciplinary investigation or other proceeding as any presumption, concession or admission:
  - (a) of the validity of any claim that has been or could have been asserted in the Actions by the Plaintiff against the Defendants, or the deficiency of any defence that has been or could have been asserted in the Actions;
  - (b) of wrongdoing, fault, neglect or liability by the Defendants; and
  - (c) that the consideration to be given hereunder represents the amount that could be or would have been recovered in the Actions after trial.
- (2) Notwithstanding Section 7.2(1), this Agreement may be referred to or offered as evidence in order to obtain the orders or directions from the Courts contemplated by this Agreement, in a proceeding to approve or enforce this Agreement, to defend against the assertion of Released Claims, in any coverage litigation or proceeding, between or among SNC, any Individual Defendants, any other past, present or future directors or

officers of SNC on the one hand, and the Defendants' insurers, on the other hand, or as otherwise required by law.

### **7.3 Restrictions on Further Litigation**

- (1) Upon the Effective Date, the Releasors and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any Releasee or any other person who may claim contribution or indemnity or other claims over for relief from any Releasee in respect of any Released Claim.

## **SECTION 8- TERMINATION OF THE AGREEMENT**

### **8.1 General**

- (1) This Agreement shall automatically terminate if:
  - (a) following the return of each of the Approval Motions, the Courts issue orders which are not substantially in the form of the Approval Orders, and such orders become Final Orders; or
  - (b) an Approval Order is reversed on appeal and the reversal becomes a Final Order.
- (2) In the event this Agreement is terminated in accordance with its terms:
  - (a) the Parties will be restored to their respective positions prior to the execution of this Agreement;
  - (b) any Approval Order which has been granted will be null and void and set aside on the consent of the Parties;

- (c) the Escrow Settlement Funds will be returned to SNC and the Defendants' insurers in proportion to their respective contributions to the Settlement Amount;
  - (d) this Agreement will have no further force and effect and no effect on the rights of the Parties except as specifically provided for herein;
  - (e) any costs reasonably incurred and paid out of the Escrow Account for performing the services required to prepare to implement this Settlement, and amounts paid for the publication and dissemination of notices are non-recoverable from the Plaintiffs, the Class Members, the Administrator or Class Counsel; and
  - (f) this Agreement will not be introduced into evidence or otherwise referred to in any litigation against the Defendants.
- (3) Notwithstanding the provisions of Section 8.2(2)(d), if this Agreement is terminated, the provisions of this Section 8 and Sections 1, 2, 4.1(4), 4.3(2), 4.3(3), 5, 7.1, 7.2, and 13 shall survive termination and shall continue in full force and effect.

## **8.2 Allocation of Monies in the Escrow Account Following Termination**

- (1) In the event this Agreement is terminated, Siskinds or the Administrator, whichever then has control of the Escrow Account, shall deliver an accounting to the Ontario Plaintiffs, the Québec Plaintiff and SNC no later than ten (10) days after the termination.
- (2) If this Agreement is terminated, SNC shall apply to the Courts for orders:
  - (a) declaring this Agreement null and void and of no force or effect except for the provisions listed in subsection 8.1(3);

- (b) giving directions as to whether a notice of termination shall be sent out to the Class Members and, if so, the form and method of disseminating such a notice including who should pay for such notice; and
- (c) authorizing the repayment of all remaining funds in the Escrow Account, including accrued interest, to SNC and the Defendants' Insurers, less any amounts required for the dissemination of notice to the Class, if any, under subsection 8.2(2)(b), in proportion to their respective contributions to the Settlement Amount.

### **8.3 Disputes Relating to Termination**

- (1) If there is any dispute about the termination of this Agreement, the Ontario Court shall determine any dispute by motion made by a Party on notice to the other Parties.

### **8.4 No Right to Terminate**

- (1) For greater certainty, no dispute or disagreement among the Plaintiff and/or members of the Class or any of them about the proposed distribution of the Settlement Funds or the Distribution Protocol shall give rise to a right to terminate this Agreement.

## **SECTION 9- DETERMINATION THAT THE SETTLEMENT IS FINAL**

- (1) The Settlement shall be considered final on the Effective Date.

## **SECTION 10 - RELEASES AND JURISDICTION OF THE COURTS**

### **10.1 Release of Releasees**

- (1) As of the Effective Date, and in consideration of payment of the Settlement Amount and for other valuable consideration set forth in this Agreement, the Releasors forever and absolutely release, waive and

discharge the Releasees from the Released Claims that any of them, whether directly, indirectly, or in any other capacity ever had, now have or hereafter can, shall or may have.

- (2) The Releasors acknowledge that they may hereafter discover facts in addition to or different from those facts which they know or believe to be true with respect to the Actions and the subject matter of this Agreement, and that it is their intention to release fully, finally and forever all Released Claims, and in furtherance of such intention, this release and, subject to the provisions of Section 8, this Agreement shall be and remain in effect notwithstanding the discovery or existence of any such additional or different facts.

## **10.2 No Further Claims**

- (1) As of the Effective Date, the Releasors and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any of the Releasees or any other person who may claim contribution or indemnity from any of the Releasees in respect of any Released Claim.
- (2) For further certainty, nothing in this Agreement shall be construed as releasing any claim that each of the Releasees may have against any other Releasee.

## **10.3 Dismissal of the Actions**

- (1) As of the Effective Date, the Ontario Action shall be dismissed as against the Defendants with prejudice and without costs and the Quebec Action shall be declared settled out of court in capital, all applicable taxes, interest and costs.

## **SECTION 11- ADMINISTRATION**

### **11.1 Appointment of the Administrator**

- (1) By order of the Court, the Administrator will be appointed to serve until such time as the Settlement Funds are distributed in accordance with the Distribution Protocol, to implement this Agreement and the Distribution Protocol, on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Distribution Protocol.

### **11.2 Information and Assistance from the Defendants**

- (1) SNC shall, forthwith and prior to the hearing of the First Notice Motions, authorize and direct its transfer agent to deliver an electronic list of all persons identified in its records who may be Class Members, along with such information as may be available to facilitate the delivery of notice to those persons to the Administrator. The reasonable fees and expenses required to be paid to SNC's transfer agent so as to accomplish this shall be paid as an Administration Expense from the Escrow Account.
- (2) The Administrator may use the information obtained under Section 11.2(1) for the purpose of delivering the First Notice and Second Notice and for the purposes of administering and implementing this Agreement, the Plan of Notice and the Distribution Protocol.
- (3) Any information obtained or created in the administration of this Agreement is confidential and, except as required by law, shall be used and disclosed only for the purpose of distributing notices and the administration of this Agreement and the Distribution Protocol.

### **11.3 Claims Process**

- (1) In order to seek payment from the Settlement Funds, a Class Member shall submit a completed Claim Form to the Administrator, in accordance with the provisions of the Distribution Protocol, on or before the Claims Bar Deadline. From and after the Effective Date, Class Members shall be bound by the terms of the Settlement regardless of whether they submit a completed Claim Form or receive payment from the Settlement Funds.
- (2) In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of sixty (60) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within this period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court to the contrary, but will in all other respects be subject to and bound by the provisions of this Agreement and the releases contained herein.
- (3) By agreement between the Administrator and Class Counsel and on Notice to Counsel for SNC, the Claims Bar Deadline may be extended. Class Counsel and the Administrator shall agree to extend the Claims Bar Deadline if, in their opinions, doing so will not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

### **11.4 Disputes Concerning the Decisions of the Administrator**

- (1) In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, an Ontario Class Member may appeal the decision to the Ontario Court and a Québec Class Member may appeal the

decision to the Québec Court. The decision of the Court will be final with no right of appeal. If the Class Member is both an Ontario Class Member and a Québec Class Member, the Class Member may elect to appeal to either Court.

- (2) No action shall lie against Class Counsel or the Administrator for any decision made in the administration of this Agreement and Distribution Protocol without an order from a Court authorizing such an action.

### **11.5 Conclusion of the Administration**

- (1) Following the Claims Bar Deadline, and in accordance with the terms of this Agreement, the Distribution Protocol, and such further approval or order of the Court as may be necessary, or as circumstances may require, the Administrator shall distribute the Net Settlement Amount to Authorized Claimants.
- (2) No claims or appeals shall lie against Class Counsel or the Administrator based on distributions made substantially in accordance with this Agreement, the Distribution Protocol, or with any other order or judgment of the Courts.
- (3) If the Escrow Account is in a positive balance (whether by reason of tax refunds, un-cashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of the Net Settlement Amount to the Authorized Claimants, any balance sufficient, in the opinion of Class Counsel and the Administrator acting reasonably, to warrant further distribution shall be allocated among the Authorized Claimants to the extent reasonably possible. In the event that the balance remaining in the Escrow Account is not sufficient to warrant a further distribution, the balance shall be distributed *cy pres* to a recipient approved by the Courts.



- (4) Upon conclusion of the administration, the Administrator shall provide an accounting to the Parties for all payments made from the Escrow Account.

## **SECTION 12 -- THE FEE AGREEMENT AND CLASS COUNSEL FEES**

### **12.1 Motion for Approval of Class Counsel Fees**

- (1) Immediately following the Approval Motions, Class Counsel may seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Funds. Class Counsel are not precluded from making additional applications to the Courts for expenses incurred as a result of implementing the terms of the Agreement.
- (2) The Defendants acknowledge that they are not parties to the motions concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees and they will not take any position or make any submissions to the Courts concerning Class Counsel Fees, except as requested and required by a Court.
- (3) The procedure for and the allowance or disallowance by the Courts of any requests for Class Counsel Fees to be paid out of the Settlement Funds are not part of the Settlement provided for herein, except as expressly provided in SECTION 6, and are to be considered by the Courts separately from its consideration of the fairness, reasonableness, and adequacy of the Settlement provided for herein.
- (4) Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Agreement or affect or delay the finality of the Approval Orders and the Settlement of this Action provided herein.

## **12.2 Payment of Class Counsel Fees**

- (1) In accordance with SECTION 6(1)(a) herein, on or after the Effective Date the Administrator shall pay from the Escrow Account to Class Counsel in trust the Class Counsel Fees approved by the Court.

## **SECTION 13 - MISCELLANEOUS**

### **13.1 Motions for Directions**

- (1) Any one or more of the Parties, Class Counsel, or the Administrator may apply to the Courts for directions in respect of any matter in relation to this Agreement and the Distribution Protocol. Unless a Court orders otherwise, motions for directions that do not relate to matters specific to the Québec Action shall be determined by the Ontario Courts.
- (2) All motions contemplated by this Agreement shall be on notice to the Parties.

### **13.2 Defendants Have No Responsibility or Liability for Administration**

- (1) Except for the obligations in respect of the performance of the obligations under subsections 4.1(1) and 11.2(1), the Defendants and their insurers shall have no responsibility for and no liability whatsoever with respect to the administration or implementation of this Agreement and the Distribution Protocol, including, without limitation, the processing and payment of claims by the Administrator.

### **13.3 Headings, etc.**

- (1) In this Agreement:
  - (a) the division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

- (b) the terms “the Agreement”, “this Agreement”, “herein”, “hereto” and similar expressions refer to this Agreement and not to any particular section or other portion of the Agreement;
  - (c) all amounts referred to are in lawful money of Canada; and
  - (d) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies, by whatever name in the jurisdiction in which the person is domiciled.
- (2) In the computation of time in this Agreement, except where a contrary intention appears:
- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
  - (b) only in the case where the time for doing an act expires on a statutory holiday recognized in the Province of Ontario or Quebec, the act may be done on the next day that is not such a holiday.

#### **13.4 Governing Law**

- (1) This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.
- (2) The Parties agree that the Courts shall retain exclusive and continuing jurisdiction over the Actions, the Parties and the members of the Classes to interpret and enforce the terms, conditions and obligations under this Agreement and the Approval Orders.

### **13.5 Entire Agreement**

- (1) This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment which is material to the substance of the Settlement is subject to the approval of the Courts.

### **13.6 Binding Effect**

- (1) If the Settlement is approved by the Courts and becomes final as contemplated in SECTION 9(1), this Agreement shall be binding upon and enure to the benefit of the Plaintiffs, the Class Members, the Defendants, Class Counsel, the Releasees and the Releasors, the insurers, or any of them, and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiff shall be binding upon all Releasors and each and every covenant and agreement made herein by the Defendants shall be binding upon all of the Releasees.

### **13.7 Survival**

- (1) The representations and warranties contained in this Agreement shall survive its execution and implementation.

### **13.8 Negotiated Agreement**

- (1) This Agreement and the Settlement have been the subject of arm's length negotiations between the Parties through their representatives and on the advice of counsel. Each of the Parties has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of this Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of the Agreement shall have no bearing upon the proper interpretation of this Agreement.
- (2) The Parties acknowledge that they have required and consented that this Agreement and all related documents be prepared in English; les parties reconnaissent avoir demandé que le présent règlement et tous les documents connexes soient rédigés en anglais. Nevertheless, if required by the Courts, Class Counsel and/or a translation firm selected by Class Counsel shall prepare a French translation of the Agreement, the cost of which shall be paid from the Settlement Amount. In the event of any dispute as to the interpretation or application of this Agreement, only the English version shall govern.
- (3) The present Agreement constitutes a transaction in accordance with Articles 2631 and following of the Civil Code of Quebec and the Parties are hereby renouncing any errors of fact, of law and/or calculation.

### **13.9 Recitals**

- (1) The recitals to this Agreement are true, constitute material and integral parts hereof and are fully incorporated into and form part of this Agreement.

### **13.10 Schedules**

- (1) The schedules annexed hereto form part of this Agreement.

### **13.11 Acknowledgements**

- (1) Each Party hereby affirms and acknowledges that:
  - (a) its signatory has the authority to bind the Party for which it is signing with respect to the matters set forth herein and has reviewed this Agreement; and
  - (b) the terms of this Agreement and the effects thereof have been fully explained to it by counsel;
  - (c) he, she or its representative fully understands each term of this Agreement and its effect; and
  - (d) no Party has relied upon any statement, representation or inducement (whether material, false, negligently made or otherwise) of any other Party beyond the terms of the Agreement, with respect to the Party's decision to execute this Agreement

### **13.12 Counterparts**

- (1) This Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a signature delivered by email or facsimile shall be deemed an original signature for purposes of executing this Agreement.

### **13.13 Notice**

- (1) Any notice, instruction, motion for Court approval or motion for directions or Court orders sought in connection with this Agreement or any other report or document to be given by any party to any other party shall be in writing and delivered personally, by facsimile or e-mail during

normal business hours, or sent by registered or certified mail, or courier  
postage paid:

**For the Ontario Plaintiffs:**

Michael G. Robb  
**Siskinds LLP**

Telephone: (519) 660-7872

Joel P. Rochon  
**Rochon Genova LLP**

Telephone: (416) 367-1867

Facsimile: (416) 594-4377  
Email: michael.robbs@siskinds.com

Facsimile: (416) 363-0263  
Email: jrochon@rochongenova.com

**For the Québec Plaintiff:**

Michael G. Robb  
**Siskinds LLP**

Telephone: (519) 660-7872  
Facsimile: (519) 660-7873  
Email: michael.robbs@siskinds.com

Karim Diallo  
**Siskinds Desmeules Avocats s.e.n.c.r.l**

Telephone: (418) 694-2009  
Facsimile: (418) 694-0281  
Email: karim.diallo@siskindsdesmeules.com

**For SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, and Lawrence N. Stevenson**

Linda Fuerst  
**Norton Rose Fulbright Canada LLP**

Telephone: (416) 216-2951  
Facsimile: (416) 216-3930  
Email: linda.fuerst@nortonrosefulbright.com

**For Gilles Laramee**

Clifford Lax Q.C.  
Paul Fruitman  
**Lax O'Sullivan Lisus Gottlieb LLP**

Telephone: (416) 598-0988  
Facsimile: (416) 598-3730  
Email: clax@counsel-toronto.com

**For Michael Novak**



Patricia Jackson  
Rebecca Wise  
**Torys LLP**

Telephone: (416) 865-7323  
Facsimile: (416) 865-7380  
Email: tjackson@torys.com

**For Pierre Duhaime**

Steven Sofer  
Scott Kugler  
**Gowling WLG**

Telephone: (416) 369-7240  
Facsimile: (416) 862-7661  
Email: steven.sofer@gowlingwlg.com

**For Riadh Ben Aissa**

Paul Guy  
**Thornton Grout Finnigan LLP**

Telephone: (416) 304-0538  
Facsimile: (416) 304-1313  
Email: pguy@tgf.ca

**For Stephane Roy**

Laura Young

Telephone: (416) 366-4298  
Facsimile: (416) 850-5134  
Email: laura.young@lylaw.ca

**13.14 Date of Execution**

- (1) The Parties have executed this Agreement as of the date on the cover page.

**For the Ontario Plaintiffs:**

Per:   
Name: ROCHON GENOUA  
Title: MANAGING PARTNER

**For the Québec Plaintiff:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

**For the Defendant Gilles Laramee:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Michael Novak:**

**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

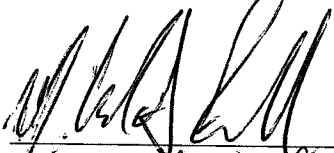
**For the Defendant Riadh Ben Aissa:**

**For the Defendant Stephane Roy:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For the Ontario Plaintiffs:

Per:   
Name: Michael G. Robb  
Title: Partner / Siskind LLP

For the Québec Plaintiff:

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:

For the Defendant Gilles Laramee:

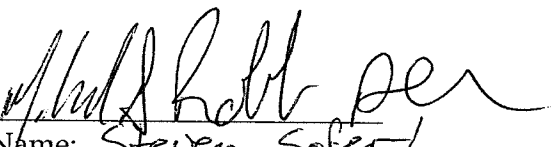
Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For the Defendant Michael Novak:

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For the Defendant Pierre Duhaime:

Per:   
Name: Steven Sofer  
Title: Partner, Gowling WLG

For the Defendant Riadh Ben Aissa:

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For the Defendant Stephane Roy:

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Ontario Plaintiffs:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Michael Novak:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Riadh Ben Aissa:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Québec Plaintiff:**

Per:   
Name: Karim Diallo  
Title: Lawyer

**For the Defendant Gilles Laramée:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Stephane Roy:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Ontario Plaintiffs:**

**For the Québec Plaintiff:**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

**For the Defendant Gilles Laramee:**  
  
Per: \_\_\_\_\_  
Name:  
Title:

Per: Linda Fierst, Norton Rose Fulbright  
Name: Linda Fierst Canada LLP  
Title: Partner,  
Norton Rose Fulbright Canada LLP

**For the Defendant Michael Novak:**

**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Riadh Ben Aissa:**

**For the Defendant Stephane Roy:**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**For the Ontario Plaintiffs:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Michael Novak:**

Per: \_\_\_\_\_  
Name:  
Title:


**For the Defendant Riadh Ben Aissa:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Québec Plaintiff:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Gilles Laramee:**

Per:  \_\_\_\_\_  
Name: PAUL FRUITMAN  
Title: COUNSEL, LAX O'SULLIVAN  
LISJS GOTTLIEB LLP

**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name:  
Title:

**For the Defendant Stephane Roy:**

Per: \_\_\_\_\_  
Name:  
Title:

For the Ontario Plaintiffs:

For the Québec Plaintiff:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

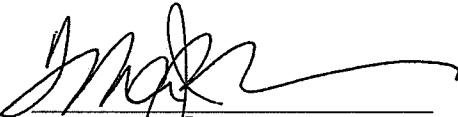
For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:

For the Defendant Gilles Laramee:  
  
Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

For the Defendant Michael Novak:

For the Defendant Pierre Duhaime:

Per:   
Name: PATRICIA D JACKSON, ~~TOO~~  
Title: Counsel for  
Mr. Novak

Per: \_\_\_\_\_  
Name:  
Title:

For the Defendant Riadh Ben Aissa:

For the Defendant Stephane Roy:

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**For the Ontario Plaintiffs:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Michael Novak:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Riadh Ben Aissa:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Québec Plaintiff:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_


**For the Defendant Gilles Laramee:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Stephane Roy:**

Per:   
Name: LAURA YOUNG  
Title: Counsel



**For the Ontario Plaintiffs:**

**For the Québec Plaintiff:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendants SNC-Lavalin Group Inc., Ian A Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson:**

**For the Defendant Gilles Laramee:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Michael Novak:**


**For the Defendant Pierre Duhaime:**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For the Defendant Riadh Ben Aissa:**

**For the Defendant Stephane Roy:**

Per:   
Name: Paul Guly  
Title: HORTON GROUPT FINNIGAN LLP  
Counsel to MR. BEN AISSA

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

# Schedule "A"

**Did you purchase shares of SNC-Lavalin (“SNC”) between November 6, 2009 to and including February 27, 2012?**

A settlement has been reached in the class actions against SNC and certain of its former officers and directors alleging misrepresentations made in certain of SNC-Lavalin’s public disclosures released between November 6, 2009 and February 27, 2012. The settlement provides for the payment by SNC and its insurers of the total amount of CAD \$110,000,000 to resolve those claims. The settlement is a compromise of disputed claims and is not an admission of liability or wrongdoing by SNC or any of the other Defendants.

The Settlement must be approved by both the Ontario and Québec Courts. Settlement approval hearings have been set for ●, 2018 in Toronto and ●, 2018 in Montreal. At the hearings, the Court will also address motions to approve Class Counsel’s fees, which will not exceed ●% of the recovery plus reimbursement for expenses incurred in the litigation.

Class Members may express their views about the proposed settlement to the Courts. If you wish to do so, you must act by ●, 2018. For more information about your rights and how to exercise them, see the long-form notice available online at ● or call toll-free: ●.

# Schedule "B"

## SNC-LAVALIN ("SNC") SECURITIES CLASS ACTIONS NOTICE OF SETTLEMENT APPROVAL HEARINGS

### **Read this notice carefully as it may affect your legal rights**

**This notice is directed to:** All persons, wherever they may reside or be domiciled, who acquired common shares of SNC listed on the Toronto Stock Exchange during the period from and including November 6, 2009 to and including February 27, 2012 (the "Class Period") and still held at the close of trading on the Toronto Stock Exchange on February 27, 2012 other than certain **Excluded Persons**\* and those who validly opted out pursuant to the notice of certification issued on ●, 2013 ("Class Members").

\***Excluded Persons** include SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson, Gilles Laramee, Michael Novak, Pierre Duhaime, Riadh Ben Aissa, Stephane Roy (collectively, the "Defendants") and each of their past and present subsidiaries, affiliates, officers, directors, legal representatives, heirs, predecessors, successors and assigns, and any spouse or child of the Individual Defendants.

### **Purpose of this Notice**

Two class actions brought on behalf of Class Members have settled, subject to Court Approval. This Notice provides Class Members with information about the Settlement and their rights to participate in the court proceedings considering whether to approve it.

### **The Actions**

In 2012, class proceedings were commenced in the Ontario Superior Court of Justice (the "Ontario Action") and the Québec Superior Court (the "Québec Action", together with the Ontario Action, the "Actions") against the Defendants.

The Actions alleged that SNC misrepresented or failed to disclose certain material information relating to the making of improper payments in respect of contracts SNC pursued for projects in Montreal, Québec, Alberta and elsewhere in its securities filings during the Class Period. The Actions alleged that those payments were not properly accounted for, and SNC's financial statements and management's discussion and analysis released during the Class Period contained statements that were false or materially misleading. It was alleged that SNC's securities therefore traded at artificially inflated prices during the Class Period, resulting in damage to Class Members when information relating to those alleged misrepresentations was publicly disclosed.

On September 19, 2012, the Ontario Superior Court of Justice (“Ontario Court”) certified the Ontario Action as a class action on behalf of the Ontario Class Members.

On January 24, 2013, the Superior Court of Québec (“Québec Court”) authorized the bringing of a class action on behalf of the Québec Class Members.

Pursuant to those orders, Class Members were afforded the right to exclude themselves or “opt out” of the Classes no later than May 8, 2013. **Persons who validly exercised the right to opt out are not Class Members, are not affected by this notice and may not participate in the Settlement.**

Since then, the Ontario Action has been vigorously litigated, and the Québec Action has been held in abeyance. On ●, the Plaintiffs and SNC executed a Settlement Agreement providing for the settlement of both Actions (the “Settlement”), which is subject to approval by the Courts. The Settlement Agreement provides for the payment of CAD\$110,000,000.00 (the “Settlement Amount”) in consideration of the full and final settlement of the claims of Class Members. The Settlement Amount includes all legal fees, disbursements, taxes and administration expenses.

The Settlement provides that if it is approved by the Courts, the claims of all Class Members asserted or which could have been asserted in the Actions will be fully and finally released and the Actions will be dismissed. The Settlement is not an admission of liability, wrongdoing or fault on the part of the Defendants, all of whom have denied, and continue to deny, the allegations against them.

#### **Settlement Approval Hearings:**

The Settlement is conditional on approval by the Courts. The Settlement will be approved if the Courts determine that it is fair and reasonable and in the best interests of Class Members to approve it.

The Ontario Court will hear a motion for approval of the Settlement on ●, 2018 at ● a.m. at the Courthouse of the Ontario Court, ●, Toronto, ON, M5G 1E6.

The Québec Court will hear a motion for approval of the Settlement on ●, 2018 at ● a.m. at the Courthouse of the Québec Court, ●, Montreal.

#### **Release of Claims and Effect on Other Proceedings**

If the Settlement Agreement is approved by the Courts, the claims of Class Members which were asserted or which could have been asserted in the Actions will be released and the Actions will be dismissed. Class Members will not be able to pursue individual or class actions in relation to the matters alleged in the Actions regardless of whether or not they file a claim for compensation from the Settlement. **If approved, the Settlement will therefore represent the only means of compensation available to Class Members in respect of the claims asserted in the Actions.**

### **Distribution Protocol**

If the Settlement Agreement is approved by the Courts, the Settlement Amount, after deduction of Class Counsel Fees and Administration Expenses (the “Net Settlement Amount”) will be distributed to Class Members in accordance with the Distribution Protocol, subject to the Courts’ approval.

The Settlement provides that to qualify for compensation, Class Members will be required to submit a properly completed Claim Form to the Administrator within the time prescribed by the Courts. Each Class Member who submits a valid and timely Claim Form will be entitled to receive compensation calculated in accordance with the Distribution Protocol. If the Settlement is approved by the Courts, a further notice will be published which will include instructions on how Class Members can file their Claim Forms and the deadline for doing so.

The proposed Distribution Protocol provides that in order to determine the individual entitlements of Class Members who make claims, the losses of each claimant will be calculated in accordance with a formula based on the statutory damages provisions contained in the securities legislation of Ontario and Québec. Once the notional losses of all Class Members who have filed valid claims have been calculated, the Net Settlement Amount will be allocated to those Class Members in proportion to their percentage of the total notional losses calculated for all valid claims filed. Because the Net Settlement Amount will be distributed *pro rata*, it is not possible to estimate the individual recovery of any individual Class Member until all the claims have been received and reviewed.

In the event any amounts remain undistributed 180 days after the distribution of the Net Settlement Amount (because of uncashed cheques or for other administrative reasons), those amounts will be distributed to eligible Class Members (if sufficient to warrant a further distribution) or allocated in a manner approved by the Courts. In Québec, *The Act Respecting the Fonds d'aide aux actions collectives*, CQLR c F-3.2.0.1.1 will apply to the portion of any remaining balance, if any, attributable to Québec Class Members.

The approval of the Settlement is not contingent on the approval of the Distribution Protocol. The Court may still approve the Settlement even if it does not approve the Distribution Protocol or approves amendments to the Distribution Protocol.

### **Approval of Class Counsel Fees and Expenses:**

In addition to seeking the Courts’ approval of the Settlement Agreement, Class Counsel will seek the Courts’ approval of legal fees not to exceed ●% of the Settlement Fund (“Class Counsel Fees”), plus disbursements not exceeding \$● and applicable taxes. This fee request is consistent with the retainer agreements entered into between Class Counsel and the Representative Plaintiffs at the beginning of the litigation. As is customary in such cases, Class Counsel conducted the class actions on a contingent fee

basis. Class Counsel was not paid as the matter proceeded and funded the expenses of conducting the litigation.

The approval of the Settlement is not contingent on the approval of the Class Counsel Fees requested. The Settlement may still be approved even if the requested Class Counsel Fees are not approved.

The fees of the Administrator, together with any other costs relating to approval, notification, implementation and administration of the settlement (“Administration Expenses”), will also be paid from the Settlement Fund.

### **Class Members’ Right to Participate in the Motions for Approval**

Class Counsel has posted or will post the following material on its website (www.●.com) on or before the dates set out below:

1. The Settlement Agreement (including the proposed Distribution Protocol) ([posted prior to or at time of notice publication]);
2. A summary of the basis upon which Class Counsel recommends the Settlement and Distribution Protocol [at time of notice publication];
3. Sample calculations of notional entitlement calculated using the Distribution Protocol [at time of notice publication];
4. The Plaintiffs’ evidence and written argument in support of the approval of the Settlement and Distribution Protocol [30 days before first approval hearing]; and
5. Class Counsel’s evidence and written argument in support of the request for approval of Class Counsel’s fees and disbursements [30 days before the first approval hearing].

Class Members who wish to comment on, or make an objection to, the approval of the Settlement Agreement, Distribution Protocol, or Class Counsel Fees requested may deliver a written submission to Class Counsel, at the address listed below, no later than [2 weeks before the first approval hearing]●, 2018. Any objections delivered by that date will be filed with the Courts.

Class Members may attend at the hearings whether or not they deliver an objection. The Courts may permit Class Members to participate in the hearings whether or not they deliver an objection. Class Members who wish a lawyer to speak on their behalf at those hearings may retain one to do so at their own expense.

### **Class Counsel**

For further information please visit www.●.com or contact Class Counsel at:

● Siskinds LLP 680 Waterloo Street	Jon Sloan Rochon Genova LLP 121 Richmond Street	● Siskinds, Desmeules, sencrl 43 Rue Buade, Bur 320
--	---	---



London, ON N6A 3V8 Tel: 1-877-672-2121 x 2380 Fax: 519-672-6065  Email: ●	West #900 Toronto, ON M5H 2K1 Tel: 1-866-881-2292 Email: ●	Québec City, Québec G1R 4A2 Tel : 418-694-2009 Fax: 418-694-0281  Email: ●
--	---	--

### **Interpretation**

If there is a conflict between the provisions of this Notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

PUBLICATION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO  
SUPERIOR COURT OF JUSTICE AND THE QUÉBEC SUPERIOR COURT.

# Schedule "C"

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE	)	●, THE
	)	
JUSTICE PERELL	)	
	)	DAY OF ●, 2018

B E T W E E N :

THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING  
AND INSULATION LOCAL 675 PENSION FUND and 0793094 B.C. LTD.

Plaintiffs

- and -

SNC-LAVALIN GROUP INC., IAN A. BOURNE, DAVID GOLDMAN, PATRICIA A.  
HAMMICK, PIERRE H. LESSARD, EDYTHE A. MARCOUX, LORNA R. MARSDEN,  
CLAUDE MONGEAU, GWYN MORGAN, MICHAEL D. PARKER, HUGH D. SEGAL,  
LAWRENCE N. STEVENSON, GILLES LARAMÉE, MICHAEL NOVAK, PIERRE  
DUHAIME, RIADH BEN AÏSSA and STÉPHANE ROY

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION**, made by the Plaintiffs for, *inter alia*, an Order fixing the date of a settlement approval motion, appointing an administrator and approving the form, content and method of dissemination of the Notices of Settlement Approval Hearing, was heard this day, at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the materials filed, including the Settlement Agreement, dated ●, 2018, attached hereto as **Schedule “A”** (the “Settlement Agreement”) and on hearing the submissions of Counsel for the Plaintiffs and Counsel for the Defendants; and

**AND ON BEING ADVISED** that the Defendants consent to this Order.

1. **THIS COURT ORDERS** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Settlement Agreement.
2. **THIS COURT ORDERS** that the hearing of the Plaintiffs' motion to approve the Settlement and the hearing of the Plaintiffs' motion for approval of Class Counsel Fees shall take place on \_\_\_\_\_, 2018.
3. **THIS COURT ORDERS** that the form and content of the Short Form Notice of Settlement Approval Hearing, substantially in the form attached hereto as **Schedule "B"**, is hereby approved.
4. **THIS COURT ORDERS** that the form and content of the Long Form Notice of Settlement Approval Hearing, substantially in the form attached hereto as **Schedule "C"**, is hereby approved.
5. **THIS COURT ORDERS** that the Short Form Notice of Settlement Approval Hearing and the Long Form Notice of Settlement Approval Hearing shall be published and disseminated in accordance with the Plan of Notice attached hereto as **Schedule "D"**.
6. **THIS COURT ORDERS** that Class Members who wish to file with the Court an objection or comment on the Settlement, Plan of Allocation or the request for approval of Class Counsel Fees shall deliver a written statement to Class Counsel no later than 14 days prior to the earlier of the Approval Motions.

7. **THIS COURT ORDERS** that ● is appointed as the Administrator pursuant to the Settlement Agreement.
8. **THIS COURT ORDERS** that this Order is contingent upon a parallel order being made by the Québec Superior Court, and the terms of this Order shall not be effective unless and until such an order is made by the Québec Superior Court.

●, 2018

---

The Honourable Justice Perell

THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING  
AND INSULATION LOCAL 675 PENSION FUND V SNC-LAVALIN GROUP  
INC., ET AL.

Court File No.: CV-12-453236-00CP

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto  
Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

**Siskinds LLP**

Barristers & Solicitors  
680 Waterloo St  
London, ON N6A 3V8

**Michael G. Robb**  
**(LSO#: 45787G)**  
**Anthony O'Brien**  
**(LSO#: 56129U)**

Tel.: (519) 660-7872  
Fax: (519) 672-6065

**Rochon Genova LLP**

121 Richmond Street West  
Suite 900  
Toronto, ON M5H 2K1

**Joel Rochon**  
**(LSO#: 28222Q)**  
**Peter Jervis**  
**(LSO#: 22774A)**  
**Douglas Worndl**  
**(LSO#: 30170P)**  
**Ronald Podolny**  
**(LSO#: 56908C)**

Tel: 416-363-1867  
Fax: 416-363-0263

**Lawyers for the Plaintiffs and the Class**

# Schedule "D"

**COUR SUPÉRIEURE**  
(Chambre des actions collectives)

CANADA  
PROVINCE DE QUÉBEC  
DISTRICT DE QUÉBEC

N° : 500-06-000650-131

DATE : ● 2018

---

**SOUS LA PRÉSIDENCE DE L'HONORABLE ROBERT MONGEON, j.c.s.**

---

**JEAN-PAUL DELAIRE**

Demandeur

c.

**SNC-LAVALIN GROUP INC.**

et

**IAN A. BOURNE**

et

**DAVID GOLDMAN**

et

**PATRICIA A. HAMMICK**

et

**PIERRE H. LESSARD**

et

**EDYTHE A. MARCOUX**

et

**LORNA R. MARSDEN**

et

**CLAUDE MONGEAU**

et

**GWYN MORGAN**

et

**MICHAEL D. PARKER**

et

**HUGH D. SEGAL**

et



**LAWRENCE N. STEVENSON**

et

**GILLES LARAMÉE**

et

**PIERRE DUHAIME**

et

**RIADH BEN AÏSSA**

et

**STÉPHANE ROY**

Défendeurs

et

**FONDS D'AIDE AUX ACTIONS COLLECTIVES**

Mis en cause

---

**JUGEMENT SUR DEMANDE POUR AUTORISER LA PUBLICATION DES  
AVIS AUX MEMBRES**

---

[1] **ATTENDU** que les parties sont impliquées dans un litige de la nature d'une action collective;

[2] **ATTENDU** qu'une entente de règlement a été conclue entre le Demandeur et les Défendeurs SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson, Gilles Laramée, Michael Novak, Pierre Duhaime, Riadh Ben Aïssa et Stéphane Roy, soit l'Entente SNC-Lavalin, jointe en Annexe « A »;

[3] **ATTENDU** que le Demandeur demande au Tribunal :

- a) de fixer la date d'audience de la Demande pour obtenir l'approbation de l'Entente SNC-Lavalin et l'approbation des honoraires des Avocats du Groupe;
- b) d'approuver les Avis aux membres pour les informer, notamment, qu'une audience sera tenue pour l'approbation de l'Entente SNC-Lavalin;
- c) d'ordonner la publication des Avis aux membres selon le Plan de diffusion proposé par les parties à l'Entente SNC-Lavalin; et
- d) de nommer la firme ● à titre d'Administrateur.

- [4] **VU** la demande sous étude;
- [5] **VU** l'absence de contestation;
- [6] **VU** les articles 579, 581 et 590 du *Code de procédure civile*;
- [7] **APRÈS EXAMEN**, il y a lieu de faire droit à la demande;

**POUR CES MOTIFS, LE TRIBUNAL :**

- [8] **ACCUEILLE** la demande;
- [9] **DÉCLARE** qu'aux fins du présent jugement et sauf disposition contraire, les définitions figurant dans l'Entente SNC-Lavalin s'appliquent et sont intégrées au présent jugement;
- [10] **FIXE** la date d'audience de la Demande pour obtenir l'approbation de l'Entente SNC-Lavalin et l'approbation des honoraires des Avocats du Groupe au ● 2018;
- [11] **APPROUVE** substantiellement la forme et le contenu des Avis aux membres, en versions abrégée et détaillée (en français et en anglais), joints en annexe « B » au présent jugement;
- [12] **APPROUVE** le Plan de diffusion des Avis aux membres (en français et en anglais), joint en annexe « C » au présent jugement et **ORDONNE** que la diffusion des Avis aux membres soit effectuée conformément à ce Plan de diffusion;
- [13] **ORDONNE** que les Membres du Groupe qui désirent déposer, auprès du Tribunal, une objection ou un commentaire concernant l'Entente SNC-Lavalin, le Protocole de Distribution ou la demande d'approbation des honoraires des Avocats du Groupe, doivent transmettre une déclaration écrite aux Avocats du Groupe, au plus tard 14 jours avant la tenue de la première audience d'approbation de l'Entente SNC-Lavalin;
- [14] **DÉCLARE** qu'en vertu de l'Entente SNC-Lavalin, la firme ● est nommée Administrateur;
- [15] **DÉCLARE** que le présent jugement est rendu sous réserve qu'une ordonnance similaire soit rendue par le Tribunal de l'Ontario et que les dispositions du présent jugement seront sans effet tant que cette ordonnance ne sera pas rendue;
- [16] **LE TOUT**, sans frais de justice.

Siskinds, Desmeules, Avocats, Casier #15  
Me Karim Diallo  
43, rue de Buade, bureau 320  
Québec (Québec) G1R 4A2  
Avocats du Demandeur

Langlois Avocats s.e.n.c.r.l.  
Me Sean Griffin  
Me Daniel Baum  
1240, boulevard René-Lévesque Ouest, 20<sup>e</sup> étage  
Montréal (Québec) H3B 4W8  
Avocats de Gilles Laramée

Norton Rose Fulbright Canada LLP  
Me François Fontaine  
1, Place Ville Marie, bureau 2500  
Montréal (Québec) H3B 1R1  
Avocats de SNC-Lavalin Groupe Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Eric Siegel et Lawrence N. Stevenson

Woods s.e.n.c.r.l.  
Me Patrick Ouellet  
2000, avenue McGill College, bureau 1700  
Montréal (Québec) H3A 3H3  
Avocats de Riadh Ben Aissa

Duggan Avocats  
Me James R.K. Duggan  
1100, avenue des Canadiens-de-Montréal Ouest, bureau 900  
Montréal (Québec) H3B 2S2  
Avocats de Stephane Roy

Gowling Lafleur Henderson s.e.n.c.r.l., s.r.l.  
Me Michaël Garellek  
1, Place Ville Marie, 37<sup>e</sup> étage  
Montréal (Québec) H3B 3P4  
Avocats de Pierre Duhaime

Fonds d'aide aux actions collectives  
Me Frikia Belogbi  
1, rue Notre-Dame Est, bureau 10:30  
Montréal (Québec) H2Y 1B6

Date d'audience : ● 2018

Annexe A : Entente SNC-Lavalin

Annexe B : Avis aux membres

Annexe C : Plan de diffusion

# Schedule "E"

**Did you purchase shares of SNC-Lavalin Group Inc. ("SNC") between November 6, 2009 to and including February 27, 2012?**

A settlement has been reached in the class actions against SNC and certain of its former officers and directors alleging misrepresentations made in certain of SNC-Lavalin's public disclosures released between November 6, 2009 and February 27, 2012.

SNC and its insurers have agreed that the total amount of CAD\$110,000,000 shall be paid in settlement of the class actions. The settlement is a compromise of disputed claims and is not an admission of liability or wrongdoing by SNC or any of the other Defendants.

The Settlement has been approved by both the Ontario and Québec Courts. The Courts have appointed ● as the Administrator of the Settlement. To be eligible for compensation, Class Members must submit a completed Claim Form to [the Administrator](#) no later than ●. If you do not file a claim by this deadline, you may not be able to claim a portion of the Settlement and your claim will be extinguished.

For more information about your rights and how to exercise them, see the long-form notice available online at ● or call toll-free at: ●.

# Schedule "F"

## NOTICE OF SETTLEMENT APPROVAL IN THE SNC-LAVALIN GROUP INC. ("SNC") SECURITIES CLASS ACTIONS

**This notice is directed to:** All persons, wherever they may reside or be domiciled, who acquired common shares of SNC listed on the Toronto Stock Exchange that were acquired during the period from and including November 6, 2009 to and including February 27, 2012 (the "Class Period") and still held at the close of trading on the Toronto Stock Exchange on February 27, 2012 other than certain **Excluded Persons\*** and those who validly opted out pursuant to the notice of certification issued on February 7, 2013 ("Class Members").

**\*Excluded Persons** include SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson, Gilles Laramee, Michael Novak, Pierre Duhaime, Riadh Ben Aissa, Stephane Roy (collectively, the "Defendants") and each of their past and present subsidiaries, affiliates, officers, directors, legal representatives, heirs, predecessors, successors and assigns, and any spouse or child of the individual Defendants.

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR LEGAL RIGHTS.  
YOU MAY NEED TO TAKE PROMPT ACTION.**

### Important Deadline

**Claims Bar Deadline** (to file a claim for 11:59 pm Toronto (Eastern) time compensation): on ●

*Claims Forms may not be accepted after the Claims Bar Deadline. As a result, it is necessary that you act without delay.*

### Purpose of this Notice

The purpose of this Notice is to advise Class Members of the approval of the Settlement of two class proceedings brought on behalf of Class Members. The notice provides Class Members with information about how to apply for compensation from the Settlement. **Class Members who wish to do so must do so by 11:59 pm Eastern time on [date].**

### Court Approval of the Settlement

In 2012, class proceedings were commenced in the Ontario Superior Court of Justice (the "**Ontario Action**") and the Québec Superior Court (the "**Québec Action**", together with the Ontario Action, the "**Actions**") against the Defendants.

The Actions alleged that SNC misrepresented or failed to disclose certain material information relating to the making of improper payments in respect of contracts SNC



pursued for projects in Montreal, Québec, Alberta and elsewhere. The Actions alleged that those payments were not properly accounted for, and SNC's financial statements and management's discussion and analysis released during the Class Period contained statements that were false or materially misleading. As a result, it was alleged that SNC's securities traded at artificially inflated prices during the Class Period, resulting in damage to Class Members when information relating to those alleged misrepresentations was publicly disclosed.

On September 19, 2012, the Ontario Superior Court of Justice ("**Ontario Court**") certified the Ontario Action as a class action on behalf of the Ontario Class Members.

On January 24, 2013, the Superior Court of Québec ("**Québec Court**") authorized the bringing of a class action on behalf of the Québec Class Members.

Pursuant to those orders, Class Members were afforded the right to exclude themselves or "opt out" of the Classes no later than May 8, 2013. This notice does not affect persons who validly exercised the right to opt out. Persons who opted out are not entitled to participate in the Settlement.

Since then, the Ontario Action has been vigorously litigated and the Québec Action has been held in abeyance. On ●, the Plaintiffs and SNC executed the Settlement Agreement providing for the settlement of the Actions (the "**Settlement**"). The Settlement Agreement provides for the payment of CAD\$110,000,000.00 (the "**Settlement Amount**") in consideration of the full and final settlement of the claims of Class Members. The Settlement Amount includes all legal fees, disbursements, taxes and administration expenses.

In return for the payment of the Settlement Amount, the Settlement provides that the claims of all Class Members asserted or which could have been asserted in the Actions will be fully and finally released and the Actions will be dismissed. The Settlement is not an admission of liability, wrongdoing or fault on the part of the Defendants, all of whom have denied, and continue to deny, the allegations against them.

On ●, 2018 the Ontario Court approved the Settlement and ordered that it be implemented in accordance with its terms. On ●, 2018 the Québec Court approved the Settlement and ordered that it be implemented in accordance with its terms.

The Québec and Ontario Courts also awarded Siskinds LLP, Rochon Genova LLP and Siskinds, Desmeules, Avocats, sncrl (together, "**Class Counsel**") total legal fees, expenses and applicable taxes in the amount of \$● ("**Class Counsel Fees**") inclusive of disbursements of \$●, plus HST. As is customary in such cases, Class Counsel conducted the class actions on a contingent fee basis. Class Counsel was not paid as the matter proceeded and funded the expenses of conducting the litigation. Class Counsel Fees will be deducted from the Settlement Amount before it is distributed to Class Members.

Expenses incurred or payable relating to approval, notification, implementation and administration of the Settlement ("**Administration Expenses**") will also be paid from the Settlement Amount before it is distributed to Class Members.

### **Class Members' Entitlement to Compensation**

Pursuant to the Court orders approving the Settlement, the claims of Class Members which were or could have been asserted in the Actions are now released and the Actions have been dismissed. Class Members may not pursue individual or class actions for those claims, regardless of whether or not they file a claim for compensation from the Settlement. **The Settlement therefore represents the only means of compensation available to Class Members in respect of the claims raised in the Actions.**

Class Members will be eligible for compensation pursuant to the Settlement if they submit a completed Claim Form, including any supporting documentation, with the Administrator, and their claim satisfies the criteria set out in the Plan of Allocation.

To be eligible for compensation under the Settlement, Class Members must submit their Claim Form **no later than** 11:59 ET on ● (the "**Claims Bar Deadline**"). Only Class Members are permitted to recover from the Settlement.

After deduction of Class Counsel Fees and Administration Expenses, the balance of the Settlement Amount (the "**Net Settlement Amount**"), will be distributed to Class Members in accordance with the Plan of Allocation.

Each Class Member who has filed a valid claim will receive a portion of the Net Settlement Amount calculated in accordance with the Plan of Allocation. In order to determine the individual entitlements of Class Members who make claims, the Plan of Allocation provides for the calculation of the notional losses of each claimant in accordance with a formula based on the statutory damages provisions contained in the securities legislation of Ontario and Québec. Once the notional allocations of all Class Members who have filed valid claims have been calculated, the Net Settlement Amount will be allocated to those Class Members in proportion to their percentage of the total notional allocations calculated for all valid claims filed. Because the Net Settlement Amount will be distributed *pro rata*, it is not possible to estimate the individual recovery of any individual Class Member until all the claims have been received and reviewed.

In the event any amounts remain undistributed 180 days after the distribution of the Net Settlement Amount (because of uncashed cheques or for other administrative reasons), those amounts will be distributed to eligible Class Members (if sufficient to warrant a further distribution) or allocated in a manner approved by the Courts. In Québec, *The Act Respecting the Fonds d'aide aux actions collectives*, CQLR c F-3.2.0.1.1 will apply to the portion of any remaining balance, if any, attributable to Québec Class Members..

### **Administrator**

The Courts have appointed ● as the Administrator of the Settlement. The Administrator will, among other things: (i) receive and process the Claim Forms; (ii) determine Class Members' eligibility for and entitlement to compensation pursuant to the Plan of Allocation; (iii) communicate with Class Members regarding claims for compensation; and (iv) manage and distribute the Settlement Amount in accordance with the Settlement Agreement and the orders of the Courts. The Administrator can be contacted at:

Telephone:

Mailing Address:

Website:

## Filing a Claim

All claims for compensation from the Settlement must be received by no later than [date].

The most efficient way to file a claim is to visit the Administrator's website at [site]. The website provides step by step instructions on how to file a claim. In order to verify claims, the Administrator will require supporting documentation, including brokerage statements or confirmations evidencing the claimed transactions in SNC securities. Accordingly, Class Members should visit the Administrator's site as soon as possible so that they have time to obtain the required documentation prior to the Claims Bar Deadline.

The Claims Administrator will also accept Claim Forms filed by mail or courier. To obtain a copy of the Claim Form, Class Members may print one from the Administrator's website or contact the Administrator to have one sent by email or regular mail. Claim Forms sent by mail or courier should be sent to:



Class Members with questions about how to complete or file a Claim Form, or the documentation required to support a claim should contact the Administrator at the above coordinates.

## Copies of the Settlement Documents

Copies of the Settlement Agreement, the Plan of Allocation, sample calculations demonstrating how the Plan of Allocation works, the Claim Form and the orders of the Courts approving the Settlement and Class Counsel's fees may be found on the Administrator's website above, at Class Counsel's website (●) or by contacting Class Counsel at the contact information provided below.

## Class Counsel

The law firms of Siskinds LLP, Rochon Genova LLP and Siskinds, Desmeules, Avocats, sencrl are Class Counsel. Inquiries may be directed to:

Siskinds LLP (Toronto) ● 100 Lombard Street, Suite 302 Toronto, Ontario M5C 1M3 Tel: 1-877-672-2121 x ● Fax: 416-362-2610 Email: ●	Rochon Genova LLP Jon Sloan 121 Richmond Street West Suite 900 Toronto, ON M5H 2K1 Tel: 1-866-881-2292 Fax: 416-363-0263
--	--

Siskinds, Desmeules, Avocats, sncrl Karim Diallo 43 Rue Buade, Bur 320 Québec City, Québec G1R 4A2 Tel : 418-694-2009 Fax: 418-694-0281	Email: <a href="mailto:jsloan@rochongenova.com">jsloan@rochongenova.com</a>
--	---

### **Interpretation**

If there is a conflict between the provisions of this notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

PLEASE DO NOT CONTACT THE COURTS WITH INQUIRIES ABOUT THE CLASS ACTIONS OR THE SETTLEMENT. All inquiries should be directed to the Administrator or Class Counsel.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO SUPERIOR COURT OF JUSTICE AND THE SUPERIOR COURT OF QUÉBEC

# Schedule "G"

## PLAN OF NOTICE

Capitalized terms used in this Plan of Notice have the meanings ascribed to them in the Settlement Agreement.

*Subject to such alternative or additional direction by the Court, notices provided for as contemplated in the Settlement Agreement will be disseminated as follows:*

### **PART 1 – NOTICE OF SETTLEMENT APPROVAL HEARING**

**The Short Form Notice of Settlement Approval Hearing will be disseminated as follows:**

#### Newspaper Publication

Print publication of the Short Form Notice of Settlement Approval Hearing will be at least a ¼ page in size and will occur as soon as possible following the issuance of the Pre-Approval Orders. Print publication will be made in Canada, in the English language in the business section of the national weekend edition of *The Globe and Mail*, the *Gazette*, and in the French language in the business section of *La Presse*.

#### NewsWire Publication

The English and French language versions of the Short Form Notice of Settlement Approval Hearing will also be issued (with necessary formatting modifications) across *Canadian Newswire*, a major business newswire in Canada and sent to *Institutional Shareholder Services Inc. (ISS)*.

**The Long Form Notice of Settlement Approval Hearing will be disseminated as follows:**

#### Internet Publication

Electronic publication of the Long Form Notice of Settlement Approval Hearing will occur in both the English and French languages on a dedicated SNC-Lavalin Group Inc. (“SNC”) class action website maintained by class counsel.

#### Class Counsel

The Long Form Notice of Settlement Approval Hearing will be mailed, electronically or physically, as may be required, to those persons and entities who have previously contacted Class Counsel for the purposes of receiving notice of developments in the Action.

In addition, Class Counsel shall make a toll free number and email address available to the public that will enable Class Members to contact Class Counsel in order that they may, amongst other things:

- (a) obtain more information about the Settlement or how to object to it; and/or
- (b) request that a copy of the Settlement Agreement be electronically or physically mailed to them.

Class Counsel will also post:

1. the Settlement Agreement;
2. the Long-Form Notice of Settlement Approval Hearing;
3. a short summary of the rationale for the Settlement;
4. sample calculations of notional entitlement calculated pursuant to the Plan of Allocation;
5. its evidence and written submissions in support of the motion for approval of the Settlement (no less than 30 days prior to the motion to approve the Settlement); and
6. its evidence and written submissions in support of the motion for approval of Class Counsel Fees and disbursements (no less than 30 days prior to the motion to approve Class Counsel Fees and disbursements);

on Class Counsel's websites.

## **PART 2 – NOTICE OF SETTLEMENT**

### **The Short Form Notice of Settlement will be disseminated as follows:**

#### Newspaper Publication

Print publication of the Short Form Notice of Settlement will be at least a ¼ page in size and will occur as soon as possible following the date of the last Approval Order becoming a Final Order, and, in any event, no later than fourteen (14) days following that date. Print publication will be made in Canada, in the English language in the business section of the national weekend edition of *The Globe and Mail*, the *Gazette*, and in the French language in the business section of *La Presse*.

#### Newswire Publication

The English and French language versions of the Short Form Notice of Settlement will also be issued (with necessary formatting modifications) across *Canada Newswire*, a major business newswire in Canada, in *Stockhouse*, an online investing forum and community, and sent to *Institutional Shareholder Services Inc. (ISS)*.

### **The Long Form Notice of Settlement will be disseminated as follows:**

#### Individual Notice

Within thirty (30) days of the date of the last Approval Order becoming a Final Order, Class Counsel shall direct the Administrator to send the Long Form Notice of Settlement and the Claim Form to all putative Class Members as follows:

1. The Administrator shall mail the Long Form Notice of Settlement and the Claim Form to individuals and entities identified as a result of SNC's counsel delivering to Class Counsel and the Administrator of a computerized list in the possession of SNC's transfer agent containing the names and addresses of persons that obtained Shares during the Class Period; and



2. The Administrator shall send the Long Form Notice of Settlement and the Claim Form to the brokerage firms in the Administrator's proprietary databases requesting that the brokerage firms either send a copy of the Long Form Notice of Settlement and the Claim Form to all individuals and entities identified by the brokerage firms as being Class Members, or to send the names and addresses of all known Class Members to the Administrator who shall mail the Long Form Notice of Settlement and the Claim Form to the individuals and entities so identified.

#### Internet Publication

Electronic publication of the Long Form Notice of Settlement will occur in both the English and French languages on a dedicated SNC class action website.

#### Class Counsel

Class Counsel shall mail or email the Long Form Notice of Settlement and the Claim Form to those persons that have contacted Class Counsel as of the publication date regarding this litigation and have provided Class Counsel with their contact information.

Class Counsel shall make a toll-free number and email address available to the public that will enable Class Members to obtain more information about the settlement, the claims process, and to request that a copy of the Settlement Agreement, Long Form Notice of Settlement and the Claim Form be sent electronically or physically to them directly.

Class Counsel will also post the Settlement Agreement and the Long-Form Notice of Settlement Approval Hearing on Class Counsel's websites.

# Schedule "H"

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE	)	
	)	
JUSTICE PERELL	)	
	)	

, THE  
  
DAY OF , 2018

B E T W E E N :

THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING  
AND INSULATION LOCAL 675 PENSION FUND and 0793094 B.C. LTD.

Plaintiffs

- and -

SNC-LAVALIN GROUP INC., IAN A. BOURNE, DAVID GOLDMAN, PATRICIA A.  
HAMMICK, PIERRE H. LESSARD, EDYTHE A. MARCOUX, LORNA R. MARSDEN,  
CLAUDE MONGEAU, GWYN MORGAN, MICHAEL D. PARKER, HUGH D. SEGAL,  
LAWRENCE N. STEVENSON, GILLES LARAMÉE, MICHAEL NOVAK, PIERRE  
DUHAIME, RIADH BEN AÏSSA and STÉPHANE ROY

Defendants

**ORDER**

**THIS MOTION**, made by the Plaintiffs for an Order approving: (i) the Settlement Agreement reached between the Plaintiffs and the Defendants on ●; (ii) approving the Distribution Protocol; (iii) approving the form, method of publication and dissemination of the Notices of Settlement Approval, was heard this day at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the materials filed and on hearing the submissions of Class Counsel and counsel for the Defendants;

**AND ON BEING ADVISED** that the deadline for objecting to the Settlement Agreement has passed and there have been no written objections to the Settlement Agreement;

**AND ON BEING ADVISED** that the Plaintiffs and the Defendants consent to this Order:

1. **THIS COURT ORDERS** that except as otherwise stated, this Order incorporates and adopts the definitions set out in the Settlement Agreement, attached hereto as Schedule “A”.
2. **THIS COURT ORDERS** that the Settlement Agreement is fair, reasonable and in the best interests of the Class.
3. **THIS COURT ORDERS** that the Settlement Agreement is approved pursuant to section 29 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.
4. **THIS COURT ORDERS** that all provisions of the Settlement Agreement (including the Recitals and Definitions) form part of this Order and are binding upon SNC-Lavalin Group Inc. and the Individual Defendants in accordance with the terms thereof, and upon the Plaintiffs and all Class Members that did not opt-out of this Action in accordance with the Order of the Ontario Superior Court of Justice dated ●, including those persons that are minors or mentally incapable.
5. **THIS COURT ORDERS** that in the event of a conflict between this Order and the Settlement Agreement, this Order shall prevail.
6. **THIS COURT ORDERS** that compliance with requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, RRO 1990, Reg. 194 is hereby dispensed with.
7. **THIS COURT ORDERS** that the Settlement Agreement shall be implemented in accordance with its terms.

8. **THIS COURT ORDERS** that the Distribution Protocol, substantially in the form attached hereto as Schedule “B” is fair and appropriate.
9. **THIS COURT ORDERS** that the Distribution Protocol is approved and that the Settlement Amount shall be distributed in accordance with the terms of the Settlement Agreement, following payment of Class Counsel Fees (to be approved) and Administration Expenses.
10. **THIS COURT ORDERS** that the Plan of Notice, substantially in the form attached hereto as Schedule “C”, is hereby approved for the purpose of the publication and dissemination of the Short Form Notice of Settlement, Long Form Notice of Settlement and Claim Form.
11. **THIS COURT ORDERS** that the form and content of the Short Form Notice of Settlement substantially in the form attached hereto as Schedule “D” is hereby approved.
12. **THIS COURT ORDERS** that the form and content of the Long Form Notice of Settlement substantially in the form attached hereto as Schedule “E” is hereby approved.
13. **THIS COURT ORDERS** that the form and content of the Claim Form, substantially in the form attached hereto as Schedule “F” is hereby approved.
14. **THIS COURT ORDERS** that the Plaintiffs and Defendants may, on notice to the Court but without the need for further order of the Court, agree to reasonable extensions of time to carry out any provisions of the Settlement Agreement.

15. **THIS COURT ORDERS** that, other than that which has been provided in Section 5 of the Settlement Agreement, the Releasees have no responsibility for and no liability whatsoever with respect to the administration of the Settlement Agreement.
16. **THIS COURT ORDERS** that, upon the Effective Date, the Releasors under the Settlement Agreement forever and absolutely release, waive, and discharge, and shall be conclusively deemed to have fully, finally and forever released and discharged the Releasees from the Released Claims that any of them whether directly or indirectly or in any other capacity ever had, now have, or hereafter can, shall or will have, as provided by the Settlement Agreement.
17. **THIS COURT ORDERS** that, upon the Effective Date, the Releasors and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any Releasee, or any other person who may claim contribution or indemnity or other claims over relief from any Releasee, in respect of any Released Claim or any matter related thereto.
18. **THIS COURT ORDERS** that the approval of the Settlement Agreement is contingent upon approval of it by the Québec Superior Court, and the terms of this Order shall not be effective unless and until the Settlement Agreement is approved by the Québec Superior Court. If a motion for such an Order is dismissed by the Québec Court, the Defendants may seek an Order vacating this Order, which motion the Plaintiffs shall not oppose.

19. **THIS COURT ORDERS** that upon the Effective Date, the Action shall be dismissed against all Defendants with prejudice and without costs.

●

---

The Honourable Justice Perell

THE TRUSTEES OF THE DRYWALL  
ACOUSTIC LATHING  
AND INSULATION LOCAL 675  
PENSION FUND ET AL.  
Plaintiffs

v. SNC-LAVALIN GROUP INC. et al.  
Defendants

Court File No.: CV-12-453236-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto  
Proceeding under the *Class Proceedings Act, 1992*

**ORDER – SETTLEMENT APPROVAL**

**Siskinds LLP**  
Barristers & Solicitors  
680 Waterloo St  
London, ON N6A 3V8

**Michael G. Robb**  
(LSO#: 45787G)  
**Anthony O'Brien**  
(LSO#: 56129U)

Tel.: (519) 660-7872  
Fax: (519) 672-6065

**Rochon Genova LLP**  
121 Richmond Street West  
Suite 900  
Toronto, ON M5H 2K1

**Joel Rochon**  
(LSO#: 28222Q)  
**Peter Jervis**  
(LSO#: 22774A)  
**Douglas Worndl**  
(LSO#: 30170P)  
**Ronald Podolny**  
(LSO#: 56908C)

Tel: 416-363-1867  
Fax: 416-363-0263

**Counsel for the Plaintiffs and the Class**



# Schedule "I"

**COUR SUPÉRIEURE**  
(Chambre des actions collectives)

CANADA  
PROVINCE DE QUÉBEC  
DISTRICT DE QUÉBEC

N° : 500-06-000650-131

DATE : ● 2018

---

**SOUS LA PRÉSIDENCE DE L'HONORABLE ROBERT MONGEON, j.c.s.**

---

**JEAN-PAUL DELAIRE**

Demandeur

c.

**SNC-LAVALIN GROUP INC.**

et

**IAN A. BOURNE**

et

**DAVID GOLDMAN**

et

**PATRICIA A. HAMMICK**

et

**PIERRE H. LESSARD**

et

**EDYTHE A. MARCOUX**

et

**LORNA R. MARSDEN**

et

**CLAUDE MONGEAU**

et

**GWYN MORGAN**

et

**MICHAEL D. PARKER**

et

**HUGH D. SEGAL**

et

**LAWRENCE N. STEVENSON**

et

**GILLES LARAMÉE**

et

**PIERRE DUHAIME**

et

**RIADH BEN AÏSSA**

et

**STÉPHANE ROY**

Défendeurs

eNt

**FONDS D'AIDE AUX ACTIONS COLLECTIVES**

Mis en cause

---

**JUGEMENT SUR DEMANDE POUR OBTENIR L'APPROBATION DE LA  
TRANSACTION ET DU PROTOCOLE DE DISTRIBUTION**

---

[1] **ATTENDU** que les parties sont impliquées dans un litige de la nature d'une action collective;

[2] **ATTENDU** qu'une entente de règlement a été conclue entre le Demandeur et les Défendeurs SNC-Lavalin Group Inc. (ci-après « **SNC-Lavalin** ») et Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Lawrence N. Stevenson, Gilles Laramée, Michael Novak, Pierre Duhaime, Riadh Ben Aïssa et Stéphane Roy (ci-après les « **Défendeurs Individuels** » et avec SNC-Lavalin, les « **Défendeurs** »), soit l'Entente SNC-Lavalin;

[3] **ATTENDU** que le Demandeur demande au Tribunal :

- a) d'approuver l'Entente SNC-Lavalin;
- b) d'approuver le Protocole de Distribution; et
- c) d'approuver les Avis aux membres et le Plan de diffusion proposé par les parties à l'Entente SNC-Lavalin;

- [4] **CONSIDÉRANT** le jugement rendu le ● par lequel le Tribunal a approuvé la forme et le contenu et a ordonné la publication des Avis aux membres visant à les informer de la tenue de l'audience d'approbation de l'Entente SNC-Lavalin;
- [5] **CONSIDÉRANT** que les Avis aux membres ont été publiés en temps opportun, en français et en anglais;
- [6] **CONSIDÉRANT** l'expiration de l'échéance fixée pour s'opposer à l'Entente SNC-Lavalin, sans qu'il n'y ait eu objection écrite à l'encontre de l'Entente SNC-Lavalin;
- [7] **CONSIDÉRANT** qu'aucun Membre du Groupe visé par le Règlement au Québec ne s'est présenté devant cette Cour afin de s'opposer à l'approbation de l'Entente SNC-Lavalin;
- [8] **CONSIDÉRANT** l'article 590 du *Code de procédure civile*;
- [9] **CONSIDÉRANT** que la demande a dûment été notifiée au Fonds d'aide aux actions collectives;
- [10] **CONSIDÉRANT** que le Demandeur et les Défendeurs consentent au présent jugement;
- [11] **APRÈS EXAMEN**, il y a lieu de faire droit à la demande du Demandeur;
- POUR CES MOTIFS, LE TRIBUNAL :**
- [12] **ACCUEILLE** la demande;
- [13] **DÉCLARE** qu'aux fins du présent jugement et sauf disposition contraire, les définitions figurant dans l'Entente SNC-Lavalin, jointe en annexe « A » au présent jugement, s'appliquent et sont intégrées au présent jugement;
- [14] **DÉCLARE** que l'Entente SNC-Lavalin est équitable, raisonnable et dans le meilleur intérêt des Membres du Groupe;
- [15] **APPROUVE** l'Entente SNC-Lavalin conformément à l'article 590 du *Code de procédure civile*;
- [16] **ORDONNE** que toutes les dispositions de l'Entente SNC-Lavalin (incluant le préambule et les définitions) font partie intégrante du présent jugement et lient SNC-Lavalin et les Défendeurs Individuels, conformément aux modalités de celles-ci, ainsi que le Demandeur et tous les Membres du Groupe qui ne se sont pas exclus de ce recours, et ce, conformément au jugement de la Cour supérieure du Québec daté du 24 janvier 2013, et incluant les personnes mineures ou celles qui sont inaptes;
- [17] **DÉCLARE** qu'en cas de conflit entre le présent jugement et l'Entente SNC-Lavalin, le présent jugement prévaudra;

[18] **ORDONNE** que l'Entente SNC-Lavalin soit mise en œuvre en conformité avec ses termes;

[19] **DÉCLARE** que le Protocole de Distribution, joint en annexe « B » au présent jugement, est juste et équitable;

[20] **APPROUVE** substantiellement le Protocole de Distribution et **ORDONNE** que le Montant de Règlement soit distribué conformément aux modalités de l'Entente SNC-Lavalin, suite au paiement des honoraires des Avocats du Groupe (à être approuvés) et des dépenses d'administration;

[21] **APPROUVE** substantiellement le Plan de diffusion, joint en annexe « C » au présent jugement, aux fins de la diffusion des Avis aux membres, en versions abrégée et détaillée (en français et en anglais) et du Formulaire de Réclamation;

[22] **APPROUVE** substantiellement la forme et le contenu des Avis aux membres, en versions abrégée et détaillée (en français et en anglais), joints en annexe « D » au présent jugement;

[23] **APPROUVE** substantiellement la forme et le contenu du Formulaire de Réclamation, joint en annexe « E » au présent jugement;

[24] **DÉCLARE** que le Demandeur et les Défendeurs peuvent, sur avis donné au Tribunal mais sans qu'il soit nécessaire que le Tribunal rende une ordonnance, convenir de prolongations de délais raisonnables afin de mettre en œuvre les dispositions de l'Entente SNC-Lavalin;

[25] **DÉCLARE** qu'à l'exception de ce qui a été prévu à la section 5 de l'Entente SNC-Lavalin, les Parties Quittancées n'ont aucune responsabilité ou obligation quelconque quant à l'administration de l'Entente SNC-Lavalin;

[26] **DÉCLARE** qu'à compter de la Date d'entrée en vigueur, les Parties donnant quittance, en vertu de l'Entente SNC-Lavalin, libèrent et quittencent, de façon absolue et inconditionnelle et seront réputées avoir donné une quittance complète, générale et finale aux Parties Quittancées, eu égard aux Réclamations Quittancées de l'Entente SNC-Lavalin, que celles-ci aurait pu avoir directement ou indirectement ou selon tout autre titre qu'elles ont eu ou pourrait avoir, tel que prévu dans l'Entente SNC-Lavalin;

[27] **DÉCLARE** qu'à compter de la Date d'entrée en vigueur, les Parties donnant Quittance et les Avocats du Groupe ne pourront, maintenant ou dans le futur, intenter, continuer, maintenir ou faire valoir, directement ou indirectement, au Canada ou ailleurs, pour leur propre compte ou pour le compte de tout groupe ou de toute autre personne, toute action, procédure, cause d'action, réclamation ou demande contre l'une ou l'autre des Parties Quittancées ou toute autre personne qui pourrait réclamer une contribution, une indemnité ou tout autre réclamation de n'importe laquelle des Parties Quittancées, à l'égard des Réclamations Quittancées ou de tout sujet y afférent;

[28] **DÉCLARE** que l'approbation de l'Entente SNC-Lavalin est conditionnelle à l'approbation par le Tribunal de l'Ontario et que les termes du présent jugement seront sans effet tant que cette ordonnance ne sera pas rendue. Si une telle ordonnance n'est pas rendue par le Tribunal de l'Ontario, les Défendeurs pourront demander au Tribunal d'annuler le présent jugement, ce à quoi le Demandeur ne pourra pas s'opposer;

[29] **DÉCLARE** qu'à compter de la Date d'entrée en vigueur, par le présent jugement, le recours du Québec est déclaré réglé hors Cour contre les Défendeurs, sans frais et sans préjudice;

[30] **LE TOUT**, sans frais de justice.

---

**ROBERT MONGEON, j.c.s.**

Siskinds, Desmeules, Avocats, Casier #15  
Me Karim Diallo  
43, rue de Buade, bureau 320  
Québec (Québec) G1R 4A2  
Avocats du Demandeur

Langlois Avocats s.e.n.c.r.l.  
Me Sean Griffin  
Me Daniel Baum  
1240, boulevard René-Lévesque Ouest, 20<sup>e</sup> étage  
Montréal (Québec) H3B 4W8  
Avocats de Gilles Laramée

Norton Rose Fulbright Canada LLP  
Me François Fontaine  
1, Place Ville Marie, bureau 2500  
Montréal (Québec) H3B 1R1  
Avocats de SNC-Lavalin Groupe Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal, Eric Siegel et Lawrence N. Stevenson

Woods s.e.n.c.r.l.  
Me Patrick Ouellet  
2000, avenue McGill College, bureau 1700  
Montréal (Québec) H3A 3H3  
Avocats de Riadh Ben Aissa

Duggan Avocats  
Me James R.K. Duggan  
1100, avenue des Canadiens-de-Montréal Ouest, bureau 900  
Montréal (Québec) H3B 2S2  
Avocats de Stephane Roy  
Gowling Lafleur Henderson s.e.n.c.r.l., s.r.l.  
Me Michaël Garellek  
1, Place Ville Marie, 37<sup>e</sup> étage  
Montréal (Québec) H3B 3P4  
Avocats de Pierre Duhaime

Fonds d'aide aux actions collectives  
Me Frikia Belogbi  
1, rue Notre-Dame Est, bureau 10:30  
Montréal (Québec) H2Y 1B6

Date d'audience : ● 2018

Annexe A : Entente SNC-Lavalin  
Annexe B : Protocole de Distribution  
Annexe C : Plan de diffusion  
Annexe D : Avis aux membres  
Annexe E : Formulaire de Réclamation

# Schedule "J"



## DISTRIBUTION PROTOCOL

This Distribution Protocol should be read in conjunction with the Settlement Agreement dated ● (“Settlement Agreement”).

### DEFINED TERMS

1. The terms “**Administration Expenses**”, “**Administrator**”, “**Claim Form**”, “**Claims Bar Deadline**”, “**Class Counsel Fees**”, “**Class Members**”, “**Class Period**”, “**Distribution Protocol**”, “**Eligible Securities**”, “**Net Settlement Amount**”, “**Settlement Amount**”, and “**SNC**”, as used herein, are defined in the Settlement Agreement, which definitions apply to and are incorporated herein. In addition, the following definitions apply to this Distribution Protocol:

- (a) “**Acquisition Expense**” means the lesser of
  - (i) the price per share paid to acquire Eligible Securities plus brokerage commissions actually paid; and
  - (ii) \$48.37, plus brokerage commissions actually paid;
- (b) “**Authorized Claimant**” means a Claimant who has suffered a net loss in respect of transactions of Eligible Securities;
- (c) “**Claimant**” means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
- (d) “**Disposition Proceeds**” means the price per share actually received by a Claimant on the disposition of Eligible Securities, without deducting any commissions paid in respect of the dispositions;

- (e) “**FIFO**” means “first in, first out”, whereby for the purpose of determining Claimants’ Notional Entitlement, securities are deemed to be sold in the same order that they were purchased (e.g. the first securities of SNC purchased by a Class Member are deemed to be the first securities of SNC sold); and which requires, in the case of a Claimant who acquired SNC securities before the Class Period and held those securities at the commencement of the Class Period, that those securities be deemed to have been sold completely before Eligible Securities are sold or deemed sold;
- (f) “**Net Loss**” means that the Claimant’s total Disposition Proceeds in respect of all Eligible Securities are less than the Claimant’s total Acquisition Expense in respect of all Eligible Securities; and
- (g) “**Notional Entitlement**” means an Authorized Claimant’s notional damages as calculated pursuant to the formulae set forth herein, and which forms the basis upon which each Authorized Claimant’s *pro rata* share of the Net Settlement Amount is determined.

## **OBJECTIVE**

- 2. The objective of this Distribution Protocol is to equitably distribute the Net Settlement Amount among Authorized Claimants in a manner analogous to the damages provisions of the securities legislation of Ontario and Quebec.

## **PROCESSING CLAIM FORMS**

- 3. The Administrator shall review each Claim Form and verify that the Claimant is eligible for compensation from the Net Settlement Amount, as follows:

- (a) For a Claimant claiming as a Class Member, the Administrator shall be satisfied that the Claimant is a Class Member;
  - (b) For a Claimant claiming on behalf of a Class Member or a Class Member's estate, the Administrator shall be satisfied that:
    - (i) the Claimant has authority to act on behalf of the Class Member or the Class Member's estate in respect of financial affairs;
    - (ii) the person or estate on whose behalf the claim was submitted was a Class Member; and
    - (iii) the Claimant has provided all supporting documentation required by the Claim Form or alternative documentation acceptable to the Administrator.
4. The Administrator shall ensure that only claims for compensation in respect of Eligible Securities in the Claim Form are approved.

#### **CALCULATION OF NET LOSS AND NOTIONAL ENTITLEMENT**

5. The Net Settlement Amount will be distributed in accordance with this Distribution Protocol.
6. A Claimant must have sustained a Net Loss in order to be eligible to receive a payment from the Net Settlement Amount. A Claimant that has not suffered a Net Loss as calculated under this Distribution Protocol will not be entitled to receive any portion of the Net Settlement Amount.

7. The Administrator shall first determine whether a Claimant has sustained a Net Loss. If the Claimant has sustained a Net Loss, they become an Authorized Claimant, and the Administrator will go on to calculate the Authorized Claimant's Notional Entitlement.
8. The Administrator will apply FIFO to distinguish the sale of SNC securities held at the beginning of the Class Period from the sale of Eligible Securities and will continue to apply FIFO to determine the purchase transactions which correspond to the sale of Eligible Securities.
9. The date of a purchase, sale or deemed disposition shall be the trade date, as opposed to the settlement date of the transaction or the payment date.
10. The Administrator shall account for any splits or consolidations that occurred during and may occur after the Class Period, such that Claimants' holdings for the purposes of the calculations are completed in units equivalent to those traded during the Class Period.
11. The Administrator will use the data, derived from applying FIFO, in the calculation of an Authorized Claimant's Notional Entitlement according to the formulae below.
12. An Authorized Claimant's Notional Entitlement will be calculated as follows:
  - I. **For Eligible Securities disposed of during the 10 trading days following the alleged corrective disclosure, that is, disposed of on or between February 28, 2012 and March 12, 2012, the Notional Entitlement shall be an amount equal to the number of Eligible Securities thus disposed of, multiplied by the difference between the Acquisition Expense and the Disposition Proceeds for those securities;**

- II. For Eligible Securities disposed of after the close of trading on the Toronto Stock Exchange on March 12, 2012, the Notional Entitlement shall be the lesser of A and B, as calculated below:**
- A. an amount equal to the number of Eligible Securities thus disposed of, multiplied by the difference between the Acquisition Expense and the Disposition Proceeds in respect of those securities; and**
- B. an amount equal to the number of Eligible Securities thus disposed of, multiplied by the difference between the Acquisition Expense for those securities and \$41.69.**
- III. For Eligible Securities still held by the Claimant, the Notional Entitlement shall be the difference between the Acquisition Expense in respect of those securities and \$41.69, multiplied by the number of Eligible Securities still held.**
13. In determining whether a Claimant has sustained a Net Loss and calculating an Authorized Claimant's Notional Entitlement, transactions in Eligible Shares in any foreign currency shall be converted to Canadian currency, based on the Bank of Canada noon exchange rate between the Canadian dollar and the foreign currency on the date on which the Administrator calculates the Notional Entitlements of Authorized Claimants. All Notional Entitlements shall be recorded in Canadian currency.

## **COMPLETION OF CLAIM FORM**

14. If, for any reason, a Claimant is unable to complete the Claim Form then it may be completed by the Claimant's personal representative or a member of the Claimant's family duly authorized by the Claimant to the satisfaction of the Administrator.

## **IRREGULAR CLAIMS**

15. The claims process is intended to be expeditious, cost effective and "user friendly" to minimize the burden on Claimants. The Administrator shall, in the absence of reasonable grounds to the contrary, assume Claimants to be acting honestly and in good faith.
16. Where a Claim Form contains minor omissions or errors, the Administrator shall correct such omissions or errors if the information necessary to correct the error or omission is readily available to the Administrator.
17. The claims process is also intended to prevent fraud and abuse. If, after reviewing any Claim Form, the Administrator believes that the claim contains unintentional errors which would materially exaggerate the Notional Entitlement awarded to the Claimant, then the Administrator may disallow the claim in its entirety or make such adjustments so that an appropriate Notional Entitlement is awarded to the Claimant. If the Administrator believes that the claim is fraudulent or contains intentional errors which would materially exaggerate the Notional Entitlement to be awarded to the Claimant, then the Administrator shall disallow the claim in its entirety.
18. Where the Administrator disallows a claim in its entirety, the Administrator shall send to the Claimant, at the email or postal address provided by the Claimant or the Claimant's last known email or postal address, a notice advising that the claim has been disallowed and that the Claimant may request the Administrator to reconsider its decision. For greater certainty, a Claimant is not entitled to a notice or a review where a claim is

allowed but the Claimant disputes the determination of Notional Entitlement or his, her or its individual compensation.

19. Any request for reconsideration must be received by the Administrator within 45 days of the date of the notice advising of the disallowance. If no request is received within this time period, the Claimant shall be deemed to have accepted the Administrator's determination and the determination shall be final and not subject to further review by any court or other tribunal.
20. Where a Claimant files a request for reconsideration with the Administrator, the Administrator shall advise Class Counsel of the request and conduct an administrative review of the Claimant's complaint.
21. Following its determination in an administrative review, the Administrator shall advise the Claimant of its determination. In the event the Administrator reverses a disallowance, the Administrator shall send the Claimant, at the email or postal address provided by the Claimant or the Claimant's last known email or postal address, a notice specifying the revision to the Administrator's disallowance.
22. The determination of the Administrator in an administrative review is final and is not subject to further review by any court or other tribunal.
23. Any matter not referred to above shall be determined by analogy by the Administrator in consultation with Class Counsel.

#### **ADDITIONAL RULES**

24. The Administrator shall not make payments to Authorized Claimants whose *pro rata* entitlement under this Plan of Allocation is less than CAD\$10.00. Such amounts shall

instead be allocated *pro rata* to other Authorized Claimants in accordance with the “Final Distribution” section of this Plan of Allocation.

25. Eligible Shares transferred between accounts belonging to the same Claimant(s) during the Class Period shall not be deemed to be Eligible Securities for the purpose of calculating Net Loss unless those securities were initially purchased by the Claimant(s) during the Class Period. The Acquisition Expense shall be calculated based on the price initially paid for the Eligible Securities.
26. The Administrator shall make payment to an Authorized Claimant by either bank transfer or by cheque at the address provided by the Authorized Claimant or the last known postal address for the Authorized Claimant. If, for any reason, an Authorized Claimant does not cash a cheque within six months after the date on which the cheque was sent to the Authorized Claimant, the Authorized Claimant shall forfeit the right to compensation and the funds shall be distributed in accordance with the “Final Distribution” section of this Plan of Allocation.

#### **FINAL DISTRIBUTION**

27. Each Authorized Claimant’s actual compensation shall be the portion of the Net Settlement Amount equivalent to the ratio of his, her or its Notional Entitlement to the total Notional Entitlements of all Authorized Claimants multiplied by the Net Settlement Amount, as calculated by the Administrator.
28. Compensation shall be paid to Authorized Claimants in Canadian currency.
29. If, one hundred eighty (180) days from the date on which the Administrator distributes the Net Settlement Amount to Authorized Claimants, the Escrow Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the



Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable and economic fashion. In the event any such remaining balance is less than may practically be distributed to Authorized Claimants in the opinion of Class Counsel and the Administrator, such balance shall be allocated *cy pres* to one or more recipients to be approved by the Court. The *Act Respecting the Fonds d'aide aux actions collectives*, CQLR c F-3.2.0.1.1 will apply to the portion of any remaining balance, if any, attributable to Quebec Class Members.

30. By agreement between the Administrator and Class Counsel, any deadline contained in this Distribution Protocol may be extended. Class Counsel and the Administrator shall agree to extend a deadline(s) if, in their opinions, doing so will not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

-END-

This is Exhibit "B" mentioned  
and referred to in the Affidavit  
of Anthony O'Brien, sworn or  
affirmed before me at the City of  
Toronto, in the Province of  
Ontario, this 1st day of October,  
2018.



---

A Commissioner, etc.

<b>SNC (T)</b>	<b>Cdn\$39.34</b>
<b>Stock Rating:</b>	<b>Sector Perform</b> (Initiating)
<b>Target:</b>	<b>Cdn\$45.00</b> (Initiating)
<b>Risk Rating:</b>	<b>Average</b> (Initiating)
<b>Est. Total Return</b>	<b>16.5%</b>

**Stock Data:**

Dividend Yield	2.1%
Implied Price Return	14.4%
52-week High-Low	\$59.97-\$36.56
Bloomberg/Reuters:	SNC CN / SNC.TO

**Forecasts:**

FYE Dec. 31	2010a	2011e	2012e
Revenue (mln)	\$6,315.0	\$7,032.6	\$7,593.4
EBITDA (mln)	\$879.5	\$708.6	\$845.6
EPS (IFRS)	\$2.85	\$2.45	\$3.03
EPS (adjusted for ICI)	\$1.93	\$1.63	\$2.19
DCPS	\$3.54	\$2.93	\$3.59
Dividend	\$0.68	\$0.84	\$0.84
Payout Ratio	19%	29%	23%
DC Yield	9.0%	7.5%	9.1%
EV/EBITDA adj.	6.0x	7.5x	6.3x
P/DCPS adj.	7.4x	9.2x	7.0x
P/E adj.	10.0x	11.9x	8.8x

**Financial Data:**

Basic Shares Outstanding (mln)	150.9
Market Capitalization (mln)	\$5,934.7
Balance Sheet Cash (mln)	\$1,000.6
Recourse debt (mln)	\$348.3
Net cash per share (ex-ICI debt)	\$4.32
Amount of Unused Credit (mln)	~\$350

**Industry Rating: Overweight**  
(NBF Economics & Strategy Group)

**Company Profile:**

SNC-Lavalin is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure, and in the provision of operations and maintenance services.

**Trevor Johnson, CFA, MBA - (416) 869-8511**  
trevor.johnson@nbfincfinancial.com

**Associates:**

**Keegan McCormick - (416) 869-7809**  
keegan.mccormick@nbfincfinancial.com  
**Endri Leno - (416) 869-8047**  
endri.leno@nbfincfinancial.com

## SNC-Lavalin Group Inc.

### Initiating Coverage

### Uncertainty Trumps Scope, Scale, Valuation

## HIGHLIGHTS

We are initiating coverage on SNC-Lavalin Group Inc. (SNC) with a Sector Perform rating and \$45.00 per share target price.

Too many unknowns at this stage prompt a conservative bias:

- **Q4 profit warning begs questions:** Including: 1) where is the unaccounted for \$35 mln, and if the expense is questionable, what does it mean for SNC's future business; 2) might there be more unexpected charges from Libya following the \$23 mln hit; 3) could SNC encounter problems with its auditors; and most importantly, 4) how will company reputation weather this storm.
- **Headline risks:** Ties to Gaddafi has SNC in the spotlight.
- **Near-term Libya rebound unlikely:** NBF's geopolitical team has analyzed Libya (~\$900 mln or ~10% of SNC's backlog prior to its removal early 2011), determining it is still too premature to predict the value of the company's operations in this country.

Despite ongoing headwinds, there are reasons to be constructive:

- **Compelling fundamentals:** SNC's investment attributes are consistent with companies we rate Outperform, including its: *visibility*: \$10+ bln growing backlog (8% five-year CAGR) and continuous inflow of new work; 2) *diversification*: cash flows are from a variety of sources, disciplines & geographies; 3) *stability*: typically ROEs are in the 20%+ range & profitability stable; and 4) *financial health*: ~\$1 bln cash, minimal debt, access to inexpensive capital and easily funded 2% dividend yield.
- **Bullish on PPP:** Private-public partnerships are gaining traction across the world, with SNC poised to benefit given its first mover advantage, market share, broad functionality and balance sheet.
- **Compelling valuation:** SNC has ~\$4/share forward net cash and we calculate its 17 infrastructure investments are collectively worth \$16-\$22, implying just 7-9x forward P/E and 6-7x EV/EBITDA for its core engineering/construction portfolio.

### Stock Performance (Reuters)



## Investment Summary


For investors seeking exposure to global infrastructure, there are few companies that can compete with SNC's offering, as no other Canadian firm and only a handful globally are as well positioned to be contenders for large and complex projects throughout the world. With over 25,000 professionals, offices in 45 countries and operations across 60 more, SNC has the ability to perform all aspects of the project life-cycle, be it design, construction, maintenance, financing/investing or any combination therein. Its financial results have been largely stellar outside of 2011's setback, with earnings and cash flows typically increasing at a double-digit pace, profitability stable, backlog steadily upticking and momentum positive.

Positive attributes aside, investors are reluctant to credit SNC with much following a string of recent challenges, beginning with ties to the Gaddafi regime being spotlighted and punctuated by an \$80 million (\$0.53/share) Q4 profit warning and delayed release of financial results. \$22 million of the reduced guidance is from SNC's chemical and infrastructure portfolios, which is disappointing, but not disastrous, as positive performance from the power, mining and infrastructure concession investments (ICI) portfolios are expected to help. \$23 million of the reduced guidance is tied to Libya, which is surprising because SNC stopped working in this country and removed it from backlog early 2011, so an expense of this magnitude was not anticipated. The Libya charge is unfortunate, but at least it would likely be non-recurring given the limited interests SNC now has in the country.

The final \$35 million charge is the most concerning, as it speaks to reputation, which is crucial for SNC's success given its reliance on policy makers, contractors, customers and other stakeholders across the world to get projects from start to finish. The company stated that "...certain payments made in the fourth quarter of 2011 that were documented to construction projects to which they did not relate and, consequently, had to be recorded as expenses in the quarter". This message can be interpreted any number of ways, none of which are favourable for optics. At best the money will be discovered and SNC will simply adopt stricter accounting measures. At worst SNC is illegally using payouts to secure work and got caught, in which case the damage could permanently impair the company going forward. At this stage we can do little but speculate until management provides an update later this month, but our fundamental view is that these incidents will be contained and SNC will be able to get back on track in 2012. The company is too large, connected, well-penetrated and diversified, and its work too valuable for its share price to erode much more meaningfully than we have seen already.

Looking at valuation, SNC has \$4 in net cash, and its ICI portfolio is worth \$16-22 using comparable transactions, public market valuations and SNC's investment-to-date. The current ~\$40 share price therefore implies the engineering and construction (E&C) portfolio is worth \$15-20 per share. Without question SNC's earnings are challenging to forecast on account of the unanswered questions from the Q4 profit warning, but we find it difficult to arrive at less than \$2/share in EPS from the E&C portfolio, implying just ~8x 2013e P/E and ~7x EV/EBITDA. This portfolio normally trades at 15x+ P/E, and SNC's large U.S.-listed peers collectively trade north of 12x, so relative valuation is favourable. Investors may be reluctant to give SNC any value for its cash, and perhaps heavily discount the ICI portfolio to \$10-15, but even after making these adjustments 2013 P/E is still 12x or lower.

With a competing mix of opportunities and headwinds, we initiate coverage with a Sector Perform rating and \$45 target. For investors already owning SNC we suggest holding on; for those on the sidelines we recommend staying put until management can provide more color.

SNC-Lavalin Group Inc.														
<b>Stock Information</b>														
Stock Symbol: SNC-TSX														
Last Closing Price: \$39.34														
Stock Rating: Sector Perform														
Risk Rating: Above Average														
12-Month Target: \$45.00														
12-Month Total Return: 16.5%														
Shares O/S (mln) 150.9														
Market Capitalization: \$5,934.7														
Enterprise Value: \$5,517.6														
2013e Dividend Yield: 2.1%														
<b>NBF Research</b>					<b>Company Contacts</b>									
Trevor Johnson, CFA, MBA trevor.johnson@nbfincfinancial.com					CEO: Pierre Duhaime CFO: Gilles Laramée									
Associate: Keegan McCormick keegan.mccormick@nbfincfinancial.com					Corporate Office: 455 Rene Levesque Boulevard Montreal, QC H2Z 1Z3									
Associate: Endri Leno endri.leno@nbfincfinancial.com					P. 514-393-1000									
<b>Company Profile</b>														
SNC Lavalin is a leading multinational Canadian engineering and construction group providing private and public-sector clients with a comprehensive range of professional services and packages in engineering, construction, and operations and maintenance. The company employs a workforce of over 25,000 professionals, offices in 45 countries and operations across 60 more.														
FYE Dec 31	2008	2009	2010	2011	Q1/12e	Q2/12e	Q3/12e	Q4/12e	2012e	Q1/13e	Q2/13e	Q3/13e	Q4/13e	2013e
<b>Capitalization</b>														
Net Debt Including ICI Investments (C\$mn)	\$1,356.2	\$893.3	\$1,082.3	\$1,564.1	\$1,715.9	\$1,781.3	\$1,611.6	\$1,549.5	\$1,549.5	\$1,644.9	\$1,686.1	\$1,476.3	\$1,380.9	\$1,380.9
Net Debt Excluding ICI Investments (C\$mn)	(\$883.5)	(\$843.4)	(\$886.9)	(\$554.9)	(\$403.1)	(\$337.7)	(\$507.4)	(\$569.5)	(\$569.5)	(\$474.1)	(\$432.9)	(\$542.7)	(\$738.1)	(\$738.1)
Market capitalization (C\$mn)	\$6,850.9	\$6,350.9	\$7,578.9	\$8,020.4	\$5,920.7	\$5,913.7	\$5,906.7	\$5,899.7	\$5,899.7	\$5,892.7	\$5,885.7	\$5,878.7	\$5,871.7	\$5,871.7
Enterprise value (EV) (C\$mn)	\$5,967.3	\$5,507.6	\$6,692.0	\$7,465.4	\$5,517.6	\$5,576.0	\$5,399.2	\$5,330.1	\$5,330.1	\$5,418.6	\$5,452.7	\$5,236.0	\$5,133.6	\$5,133.6
<b>Leverage &amp; Coverage</b>														
Net debt / EBITDA	2.2x	1.2x	1.2x	6.4x	7.1x	7.3x	6.6x	6.4x	1.8x	6.2x	6.4x	5.6x	5.2x	1.5x
Net debt (ex-ICI) / EBITDA	-1.4x	-1.1x	-1.0x	-0.8x	-2.3x	-1.8x	-2.1x	-2.3x	-0.7x	-2.5x	-2.2x	-2.5x	-2.8x	-0.8x
Net debt/Capitalization	19%	14%	14%	17%	24%	24%	23%	23%	23%	23%	24%	22%	21%	21%
<b>Distribution/Payout</b>														
DCFS	\$2.66	\$3.09	\$3.54	\$2.93	\$0.70	\$0.76	\$1.06	\$1.06	\$3.59	\$0.79	\$0.85	\$1.15	\$1.18	\$3.99
DPS	\$0.48	\$0.60	\$0.68	\$0.84	\$0.21	\$0.21	\$0.21	\$0.21	\$0.84	\$0.21	\$0.21	\$0.21	\$0.21	\$0.84
Payout Ratio	18%	19%	19%	29%	30%	28%	20%	20%	23%	26%	25%	18%	18%	21%
<b>Income Statement</b>														
Revenue	\$7,107	\$6,102	\$6,315	\$7,033	\$1,713	\$1,843	\$1,978	\$2,059	\$7,593	\$1,851	\$1,997	\$2,141	\$2,227	\$8,216
y/y % chg.	6%	-14%	3%	11%	4%	11%	11%	6%	8%	8%	8%	8%	8%	8%
EBITDA	\$628	\$736	\$879	\$709	\$176	\$183	\$243	\$243	\$846	\$191	\$200	\$259	\$263	\$913
as % of revenue	8.8%	12.1%	13.9%	10.1%	10.3%	10.0%	12.3%	11.8%	11.1%	10.3%	10.0%	12.1%	11.8%	11.1%
y/y % chg.	69.1%	17.2%	19.6%	-19.4%	17.3%	1.6%	9.2%	56.3%	79.3%	8.6%	8.9%	6.6%	8.3%	8.0%
Net Income	\$312.5	\$359.4	\$437.0	\$380.1	\$90.7	\$97.6	\$142.3	\$138.7	\$469.3	\$99.5	\$106.4	\$152.3	\$152.1	\$510.3
<b>Balance Sheet</b>														
Current asset	\$3,552	\$3,156	\$3,564	\$3,139	\$3,314	\$3,366	\$3,516	\$3,274	\$3,274	\$3,559	\$3,636	\$3,808	\$3,558	\$3,558
Long term assets	\$3,219	\$3,434	\$3,973	\$4,497	\$4,552	\$4,605	\$4,658	\$4,708	\$4,708	\$4,758	\$4,807	\$4,857	\$4,903	\$4,903
Total Assets	\$6,772	\$6,590	\$7,537	\$7,636	\$7,866	\$7,971	\$8,175	\$7,982	\$7,982	\$8,318	\$8,443	\$8,666	\$8,461	\$8,461
Current liabilities	\$3,276	\$2,721	\$2,885	\$3,025	\$3,174	\$3,251	\$3,340	\$3,043	\$3,043	\$3,285	\$3,372	\$3,471	\$3,144	\$3,144
Long term liabilities	\$2,339	\$2,270	\$2,715	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731	\$2,731
Total Liabilities	\$5,615	\$4,990	\$5,600	\$5,757	\$5,905	\$5,982	\$6,071	\$5,774	\$5,774	\$6,017	\$6,103	\$6,202	\$5,875	\$5,875
Shareholders Equity	\$1,089	\$1,518	\$1,835	\$1,879	\$1,961	\$1,995	\$2,106	\$2,213	\$2,213	\$2,313	\$2,366	\$2,477	\$2,586	\$2,586
<b>Cash Flows</b>														
Net increase/decrease for period	(\$100)	\$230	\$72	(\$332)	(\$152)	(\$65)	\$170	\$62	\$15	(\$95)	(\$41)	\$210	\$95	\$169
Operating activities	\$313	\$308	\$491	\$580	(\$37)	\$113	\$316	\$209	\$601	\$20	\$137	\$356	\$242	\$754
Investing activities	(\$311)	(\$512)	(\$1,026)	(\$691)	(\$115)	(\$115)	(\$115)	(\$115)	(\$460)	(\$115)	(\$115)	(\$115)	(\$115)	(\$460)
Financing activities	(\$118)	\$356	\$619	(\$221)	\$0	(\$63)	(\$32)	(\$31)	(\$126)	\$0	(\$63)	(\$31)	(\$31)	(\$126)

Source: Company Reports, NBF, Reuters

## Q4/YE Earnings Preview

SNC is expected to report year-end results before March 30. We forecast Q4 revenue of \$1.94 billion, consolidated basic EPS of \$0.46 and EPS ex-ICI of \$0.25. Under Canadian GAAP SNC reported revenue of \$2.13 billion and consolidated basic EPS of \$0.65 in Q4/10, but under IFRS the comparable period revenue would have been \$1.89 billion and EPS of \$1.08. The anticipated y/y increase in top line is expected to be driven by enhanced contribution across the mining, power and ICI portfolios. We forecast backlog ended 2011 at \$10.2 billion (+8% sequentially and +5% y/y), SNC's cash balance stands at \$903 million (down from \$1 billion last quarter) and recourse debt at \$348 million (flat sequentially). Lastly, we expect management will guide to consolidated y/y EPS growth in the 20-25% range if it provides 2012e guidance.

## Challenge: Q4 Profit Warning Begs Many Questions

On Feb. 28 SNC shocked the market by pre-announcing that Q4 net income would be \$80 million below the previous implied guidance that implied approximately \$150 million. This \$0.55 per share surprise has in turn shaved more than \$10 in share price off of SNC's valuation, an extremely high 20x multiple, which suggests to us that investors are reluctant to believe SNC's Q4 troubles are isolated.

Given the circumstances, it is hard to criticize this hesitation.

- \$22 million of the reduced guidance relates to revisions from the chemicals and infrastructure portfolios. Backlog and cash flow performance from these two segments has been mixed recently, so we have been extremely conservative forecasting 2012e/2013e earnings estimates. The market needs additional colour from management to better determine the nature of the cost reforecasts and what this means for profitability going forward, as these two segments account for ~35% of SNC's backlog.
- \$23 million of the reduced guidance is tied to Libya. SNC was active on a number of projects in this region, including an airport, prison and irrigation system that represented approximately \$900 million of future work. With violence commencing, SNC pulled its professionals out of the region and removed the associated backlog in early 2011. A year-end expense to tidy up Libya can be justified, but its size is the real issue here, and since SNC recently fired two executives believed to have close ties to the Gaddafi regime, the timing adds to the market's unease. Management needs to identify what this Libya charge consists of, if there are any more charges expected for the country, and determine if we could see a repeat in any of the other 100+ countries SNC operates in.
- \$35 million of the reduced guidance is on account of unexplained expenses that many speculate could pertain to questionable financial dealings, again because of the suggested ties to the Gaddafi family and subsequent management terminations. If this money can also be attributed to Libya it would be somewhat of a positive, as at least the issue is isolated to one country. Ideally SNC comes up with an explanation for the missing funds, but if there are any improper dealings management needs to disclose the scale, scope and the measures that will be put in place to ensure it is not happening elsewhere in the organization.
- SNC is an extremely large and complex corporation, so it needs to maintain a close relationship with its auditors and accountants. Given the above issues, SNC may have to work harder going forward on internal controls and accounting checks and balances, which could weigh on productivity and even financial results.

Management is expected to report year-end results and update stakeholders on the Q4 charges later this month (at the latest March 30). After this reference point we will be in a better position to formulate an investment opinion on SNC, but until then uncertainty prevails, and as a result we expect share price upside to be limited.

## Challenge: Potential for Additional Headline Risks

The media has been very active investigating SNC's dealings in Libya, and with 25,000+ employees and operations in 100+ countries, there is a concern that additional negative press could materialize while under the spotlight.

## Challenge: Libya Rebound Unexpected Near Term

In early 2011 SNC management chose to remove approximately \$900 million from its engineering and construction backlog, representing the expected amount of work to be completed in Libya. With the Gaddafi regime now overturned and the nation in dire need of infrastructure investment, the country represents a significant opportunity for SNC given its existing footprint and broad skillset. Moreover, given all the grief SNC is taking because of the country, it would be good to be able to return to generating cash flow from it.

We turned to our Geopolitical Team to get their impressions of SNC's near-term prospects in Libya, and their view suggests we are prudent to not include any contribution from this country in our 2012/2013 financial forecasts.

## The Geopolitics of SNC in Libya: Value under the Rubble?

Pierre Fournier  
Geopolitical Analyst  
(514) 879-2423

Angelo Katsoras  
Senior Associate  
(514) 879-6458

At this time, it is impossible to accurately predict the value of SNC's assets or construction projects in Libya. A number of factors must be considered:

1. **Political stability and uncertainty:** Like most multinational firms, SNC's ongoing projects are currently on hold. The creation of a stable environment will be a complicated and lengthy process. The NTC (National Transitional Council) is largely incapable of asserting its authority over the country. Militias and mercenaries – often representing rival regional or tribal elements – are refusing to lay down their weapons, creating havoc in many cities (including Tripoli), carrying out revenge attacks on former Gaddafi loyalists and engaging in multiple human rights violations. It remains unclear whether the planned summer elections will bring about a degree of stability in the country.
2. **Foreign Multinationals during the Gaddafi years:** Given the Gaddafi's regime's brutal repression of his people in the last year preceding his downfall, it is easy to forget that the global community, including Western powers, had "normalized" relationships with the regime over the last decade. The UN lifted its arms embargo in 2003, the United States resumed business dealings in 2004 and so did most Western allies. In exchange, Gaddafi gave up his nuclear capabilities, renounced terrorism and, in 2008, reached an agreement on the Pan Am bombing over Lockerbie. Canadian Prime Minister Paul Martin led a delegation to Tripoli in 2004, and the conservative government followed with a trade mission in 2008. In the oil and gas sector, Petro-Canada and Suncor established important stakes in Libya. Even in the military sector, many international companies sought to benefit from Libya's new status in the global community.

When the civil war began in February 2011, 40 Canadian companies were present in Libya. Diplomatic relations were halted, as were most construction and other projects, including SNC's controversial detention center. Relations were re-established in November 2011 after the NTC took power. The NTC pledged to respect the contracts which were signed by the previous government.

3. **Canada's role in the overthrow of Gaddafi:** Canada was one of the first countries to urge action against Gaddafi's violent repression of his people. A number of other countries who have important economic interests in Libya - including China - opposed foreign intervention. Canada played a key role in the "liberation" of Libya, flying 10% of the bombing missions in the country. Most Canadian companies will likely benefit over time from this unconditional support.



4. **SNC's daunting challenges in Libya:** SNC's close working relationship with Saadi el-Gaddafi, one the dictator's sons, was not particularly unusual in a country where the Gaddafis controlled much of the state apparatus and relations with multinationals. Even the ongoing construction of a "state of the art prison based on international standards" could have probably been overcome. The latest incident, however, reported in February 2012, which alleges that an SNC consultant had been arrested in Mexico for attempting to smuggle Saadi el-Qaddafi from Niger to Mexico, is potentially the most damaging to SNC's economic interests in Libya. Two senior SNC executives were subsequently fired by the company, "suggesting that they had run afoul of its code of ethics and business conduct." (*NY Times*, Feb. 10, 2012).

While a number of factors continue to play in favour of Canadian companies in Libya, it is likely that SNC's future in the country will largely be determined by the outcome of this latest incident, and more importantly by the perception of the Libyan people and NTC on the involvement of the management of SNC.

### Opportunity: Investment Fundamentals Are Compelling (Ex-2011)

Heading into 2011, very few would have predicted that SNC's year-end net income and earnings momentum would be as weak as they are now expected to be when released later this month. This is because SNC has been a consistent performer, possessing many of the attributes we look for from equities we rate Outperform:

- 1) visibility – forecasting almost double-digit top-line growth, supported by a \$10+ billion growing backlog (8% five-year CAGR) and continuous inflow of new work;
- 2) diversification – cash flows are from a variety of sources (design, maintenance, project management, direct investments), disciplines (infrastructure, energy, mining, environmental, civil) and geographies (work in 100+ countries);
- 3) stability – ROEs have been persistently in the 20%-30% range from 2008-onward, and profitability metrics have been relatively stable; and,
- 4) financial health – SNC has over \$1 billion in cash, minimal recourse debt, access to \$350+ million unused credit and additional sources of inexpensive capital if needed.

SNC's business outlook is promising across most of its segments, particularly its mining portfolio (~5,000 employees / ~14% of 2011e revenue) and its power division (hydro, nuclear, thermal, transmission; collectively ~4,000 employees / ~12% of 2011e revenue). We anticipate 24% y/y consolidated EPS growth in 2012e and 9% in 2013e, adequate in our view to support a positive bias. These estimates are a function of SNC growing its backlog at a 12% CAGR through 2013, or adding close to \$2.5 billion in new work. In our view there is more upside potential to our backlog forecasts than downside, as SNC is positioned for meaningful contracts across the world, including opportunities under U.S. stimulus spending packages, Chinese welfare programmes, Russian transportation infrastructure, Latin American and African developments, the ReNew Ontario Plan and Plan Nord in Quebec.



## Opportunity: Bullish on PPP

SNC's backlog growth and subsequent share price appreciation are highly correlated, which bodes well for future gains, as we believe the upward trajectory we are observing in new work is poised to continue. A reason for this view is the emergence of public private partnerships, or PPPs, as governments look for commercial assistance to finance, develop, construct and maintain buildings and infrastructure that traditionally would only involve public sector participants. The global financial crisis has actually been positive for SNC in this sense, as it prompted nations to explore the benefits of adopting a PPP model, and as a result we are seeing tremendous opportunities not only in Canada (~75% of SNC's backlog) but also in the United States and internationally. SNC has the size, expertise, financial backing and first mover advantage to be governments' natural partner for these types of projects, with a current portfolio of 17 PPPs.

INFRASTRUCTURE CONCESSION INVESTMENT PORTFOLIO				
Concession	%	Held Since	Concession Years	Description
Highways, Bridges, & Rail				
407	16.8%	1999	99	108 km electronic toll road
In Transit BC	33.3%	2005	35	rapid transit line
Okanagan Lake Concession	100.0%	2005	30	floating bridge
TC Dome	51.0%	2008	35	5.3 km electronic cog railway
Chinook Roads partnership	50.0%	2010	33	25 km six-lane road
Rayalseema Expressway	36.9%	2010	30	189 km toll road
Power				
Altalink	100.0%	2002	indefinitely	regulated transmission lines
Astoria 1	21.2%	2004	indefinitely	500 MW power plant
Astoria 2	18.5%	2008	indefinitely	550 MW power plant
Shariket Kahraba Hadjret En Nouss	26.0%	2006	indefinitely	1,227 MW power plant
Others				
Ambatovy Nickel Project	5.0%	2007	indefinitely	nickel and cobalt open-pit mine
Ovation Real Estate Group	100.0%	2009	29	concert hall for the MSO
Malta International Airport	15.5%	2002	65	Malta Airport
McGill University Health Center	60.0%	2010	34	McGill University Health Center
Myah Tipaza	25.5%	2008	indefinitely	seawater desalination plant
Rainbow Hospital	100.0%	2011	33	Restigouche Hospital Centre
Societe d'exploration de Vatry-European	51.1%	1999	21	cargo airport

Source: NBF, Company Reports

The Canadian market for PPPs is mature and competitive, but relatively large given the size of the country. SNC is a dominant player, and the opportunities for additional work remains robust, with an estimated 160+ projects across Canada, encompassing a variety of sectors.

Canadian PPP's By Province		Canadian PPP's By Sector	
Ontario	82	Communications	1
British Columbia	30	Defence	1
Alberta	14	Education	6
Quebec	13	Energy	3
New Brunswick	10	Environmental	17
Manitoba	5	Government Services	4
Nova Scotia	4	Hospitals & Healthcare	59
Prince Edward Island	2	Justice/Corrections	18
Nunavut	1	Real Estate	3
Newfoundland	1	Recreation & Culture	12
Saskatchewan	0	Transportation	38
North West Territories	0	<b>Total</b>	<b>162</b>
Yukon	0		
<b>Total</b>	<b>162</b>		

Source: NBF, Canadian PPP Project Database

Given SNC's existing penetration across the country and its proficiencies in each of the sectors mentioned above, Canada should continue to be the market that generates the majority of company revenues for the foreseeable future (we forecast 55%-65% of 2012e/2013e top line).

Upcoming Canadian PPP or Similar Opportunities				
Project	Province	Sector	Current Stage	Model
Alberta Schools (ASAP III)	AB	Education	Shortlist	Design-Build-Finance-Maintain
AMT Maintenance Center & Garage	QC	Transportation	RFP	Design-Build-Finance
Anothony Henday Drive Northeast	AB	Transportation	RFP	Design-Build-Finance-Maintain
Brady Road Landfill Gas & Resource Recovery Project	MB	Environmental	RFP	Design-Build-Finance-Operate
Champlain Bridge Replacement	QC	Transportation		
CHU Sainte-Justine	QC	Hospitals & Healthcare	RFP	Design-Build-Finance
Evan-Thomas Water and Wastewater Treatment Facility	AB	Environmental	RFP	Design-Build-Finance-Operate-Maintain
Evergreen Line Road Transit Project	BC	Transportation	RFP	Design-Build-Finance
Highway 407 East Extension	ON	Transportation	RFP	Design-Build-Finance-Maintain
Interior Heart and Surgical	BC	Hospitals & Healthcare	RFP	Design-Build-Finance-Maintain
Lac La Biche Biological Nutrient Removal Facility	AB	Government Services	Announced	Build-Finance
Maritime Radio Communications System	PEI, NS, NB	Communications	RFP	Design-Build-Finance-Maintain-Own-Operate
Medication Management System	ON	Hospitals & Healthcare	Shortlist	Design-Build-Finance
Ottawa Light Rail Transit Project	ON	Transportation	RFP	Design-Build-Finance-Maintain
Pan Am Games Aquatics Center & CSIO Project	ON	Recreation & Culture	RFP	Design-Build-Finance
Various Sport Venues	ON	Recreation & Culture	Shortlist	Design-Build-Finance
Sainte-Justine University Hospital Center	QC	Hospitals & Healthcare	Technical Proposal	Design-Build-Finance
Single Room Occupancy (SRO) Renewal Initiative	BC	Real Estate	RFQ	Design-Build-Finance-Maintain
Sorel-Tracy Detention Center	QC	Justice/Corrections	RFP	Design-Build-Finance-Maintain
Sudbury Biosolids Management Facilities	ON	Environmental	RFP	Design-Build-Finance-Operate-Maintain
Turcot	QC	Transportation	RFQ	Design-Build

Indicating SNC is in consideration in bidding process

Source: NBF, Canadian PPP Project Database

PPPs (P3) in the United States are less prevalent, not on account of a reduced need for public infrastructure investments, but rather due largely to political constraints and lack of public awareness. For example, there was only one U.S. transportation P3 to reach financial close in 2011, the PR-22 and PR-5 toll road concession in Puerto Rico. Despite this slow start, there are a number of significant potential deal closings on the horizon, including the Midtown Tunnel P3 in Virginia, Presidio Parkway in California, Goethals Bridge in New York/New Jersey, Luis Muñoz Marín International Airport in Puerto Rico and the Knik Arm Bridge in Alaska. As the table below indicates, SNC can capitalize on these upcoming opportunities, with 98 transportation projects alone worth more than \$110 billion identified across 30 states.

UPCOMING TRANSPORTATION PPP'S IN THE US				
State	# of Projects	Est. Cost (\$Mln)	State	Est. Cost (\$Mln)
Alabama	4	\$74	Minnesota	\$715
Alaska	3	\$1 830	Missouri	\$700
California	10	\$25 834	Nevada	\$930
Colorado	6	\$5 500	New Jersey	\$3 180
District of Columbia	2	\$100	New York	\$3 100
Florida	7	\$9 711	North Carolina	\$4 617
Georgia	7	\$1 100	Ohio	\$4 552
Illinois	4	\$6 753	Puerto Rico	\$4 160
Indiana	2	\$5 800	Rhode Island	\$610
Kentucky	1	\$4 100	South Carolina	\$675
Louisiana	1	\$500	Texas	\$14 129
Maryland	1	\$2 566	Utah	\$2 739
Massachusetts	1	\$385	Virginia	\$8 271
Michigan	1	NA	Washington	\$1 000
<b>Total Projects</b>	<b>98</b>			
<b>Total Est Cost</b>		<b>\$113 631</b>		

Source: NBF, US Department of Transportation

Given the difficult financial circumstances in many U.S. states, the P3 model will need to be considered more seriously as a way to finance, share risk and spur needed upgrades and new projects. A number of states including Arizona, California, Florida, North Carolina, Ohio and Virginia are currently evaluating different highway P3 transactions. Major E&C corporations such as Fluor, Lane Construction and Zachry, among others, have already made direct investments in P3s or have created vehicles for that purpose, and we anticipate SNC will follow suit, as to date all of its ICI investments have been outside of the United States. CFO Gilles Laramée recently stated: “In the past, we’ve focused on Canada and France, but we are starting to look more heavily into India and South America, as well as the U.S.”.

Similar to the United States, the PPP framework has been slower to catch on internationally than in Canada largely due to political and social barriers that lead to less transparency, predictability and accountability. Furthermore, the eurozone sovereign debt crisis has provided funding issues for certain infrastructure programs across the world. Despite ongoing headwinds, a number of Latin American countries have successfully undertaken the PPP model, including Chile, Brazil, Mexico and Colombia. Brazil is arguably the fastest growing market as it continues to boast substantial projects in the airport, high-speed rail, ports and toll road sectors, while Chile is the most developed and mature infrastructure market in the region.

Given the political uncertainty of some developing nations, successful international P3s often are comprised of three key elements: “1) a law that enables the government to award a PPP concession to a private company and sets forth the requirements for that relationship; 2) a new association document – basically, a request for bids – which includes bidding rules and guidelines for the particular project; and 3) the contract, signed by the winning bidder. Together, this bundle of rights establishes the rights and responsibilities of the concession holder and the relevant government agencies with respect to each facility<sup>1</sup>”. The demand for private capital and P3s will likely only grow stronger as there is no shortage of infrastructure needs globally, further bolstered in South America by the upcoming 2014 World Cup and 2016 Olympic Summer Games, both in Brazil. Although barriers exist, ample opportunity abroad remains, as a number of other South American countries offer both greenfield and brownfield P3 opportunities in the near term. A number of these projects are summarized below.

---

<sup>1</sup> Latin American Law & Business Report; Allan Marks

UPCOMING INTERNATIONAL PPP's AND LARGE INFRASTRUCTURE PROJECTS			
LATIN AMERICA			
Location	# of PPP's	Mode	Est. Cost (\$ mln)
Chile	4	Transport/Healthcare	\$3,146
Colombia	4	Transport/Roads	\$4,278
Brazil	4	Transport/Power	\$13,319
Mexico	2	Social Infrastructure/Transport	\$876
Peru	2	Transport	\$2,600
EUROPE			
Location	# of PPP's	Mode	Est. Cost (\$ mln)
Belgium	1	Social Infrastructure/Prisons	€ 400
France	1	Social Infrastructure/Education	€ 200
Italy	4	Transport/Power	€ 8,900
Norway	1	Transport/Roads	€ 13,000
Spain	2	Transport/Rail	€ 2,507
Turkey	3	Transport/Healthcare	\$7,211
Switzerland	1	Transport/Bridges&Tunnels	€ 1,500
AUSTRALIA / ASIA			
Location	# of PPP's	Mode	Est. Cost (\$ mln)
Australia	2	Transport/Power	\$12,500
Indonesia	4	Transport/Environment	\$1,320
New Zealand	1	Transport/Ports	€ 130
Philippines	7	Transport	\$2,419
Vietnam	1	Transport/Roads	\$1,130
AFRICA			
Location	# of PPP's	Mode	Est. Cost (\$ mln)
South Africa	2	Healthcare	Not Available
Mozambique	1	Transport/Roads	\$700

Source: InfraDeals, NBF

## Opportunity: Compelling Valuation

Our view is that the most appropriate way to value SNC is by using a sum-of-parts valuation that includes the company's cash, ICI portfolio and E&C portfolio.

- We calculate SNC has approximately \$550 million, or ~\$4 per share, in forward net cash, based on a 2012 average cash balance of \$900 million less average recourse debt of \$350 million. Note the remaining ~\$2 billion in debt on SNC's balance sheet is tied to the ICI portfolio and deducted from its valuation to determine its NPV. Investors will probably be less inclined to include SNC's net cash balance in its valuation given the Q4 noise and the view that the company requires this cushion to successfully bid on large projects. As such, we have provided sensitivities below.
- The ICI portfolio consists of 17 investments in infrastructure projects throughout the world. To determine their value, we use comparable transactions, SNC's committed equity and publicly traded valuations to determine per share NPV, which we calculate to collectively be \$20 (led by \$10 for the 407 highway in Ontario and \$6 for AltaLink, which is responsible for electricity transmission to 85%+ of Alberta's population).

INFRASTRUCTURE CONCESSION INVESTMENT VALUATION				
Concession	Asset Type	% Own	Val'n Method	Value/Share
407	Road	16.8%	Deal Value	\$10.00
Altalink	Transmission	100.0%	Deal Value	\$6.00
Ambatovy Nickel Project	Mine	5.0%	Commitment	\$4.00
Astoria 1	Power Plant	21.2%	Deal Value/DCF	
Astoria 2	Power Plant	18.5%	Commitment	
Chinook Roads partnership	Road	50.0%	Commitment	
In Transit BC	Rail	33.3%	Commitment	
Malta International Airport	Airport	15.5%	Publicly Traded	
McGill University Health Center	Health Center	60.0%	Commitment	
Myah Tipaza	Desalination Plant	25.5%	Commitment	
Okanagan Lake Concession	Bridge	100.0%	Commitment	\$4.00
Rayalseema Expressway	Road	36.9%	Commitment	
Shariket Kahraba Hadjret En Nouss	Power Plant	26.0%	Commitment	
<b>Total</b>				<b>\$20.00</b>

Source: NBF, Company Reports

While we believe our valuation is reasonable for the ICI portfolio, market reaction suggests investors may want to discount SNC's stake in these assets, as shown in the exhibit below.

IMPLIED PER SHARE VALUE OF E&C PORTFOLIO						
Implied Value of ICI Portfolio						
	\$16	\$18	\$20	\$22	\$24	\$26
Implied Cash Value	\$5	\$19	\$17	\$15	\$13	\$11
	\$4	\$20	\$18	\$16	\$14	\$12
	\$3	\$21	\$19	\$17	\$15	\$13
	\$2	\$22	\$20	\$18	\$16	\$14
	\$1	\$23	\$21	\$19	\$17	\$15
	\$0	\$24	\$22	\$20	\$18	\$16

Source: NBF

Using a range of values for SNC's net cash and ICI portfolio results in an implied price of \$16-\$22 for the E&C portfolio based on today's current ~\$40 share price. In 2009, the E&C portfolio generated \$2.14 in EPS, in 2010 \$1.93, and assuming the profit warning pertains just to this portfolio, an estimated \$1.63 in 2011. After incorporating what we believe to be very conservative assumptions, we are hard pressed to reach sub-\$2 in 2012e/2013e EPS for the E&C portfolio (we forecast \$2.19 and \$2.41, respectively). This belief stems from analyzing SNC's backlog momentum and inventory of new work booked for coming years. As such, the E&C portfolio appears to be trading below 10x forward P/E under most scenarios outlined above, which is inexpensive relative to historical precedent (typically 15x+) and versus large peers AECOM, Fluor, Foster Wheeler and Jacobs (2013 average 14x+). The E&C portfolio's implied EV/EBITDA multiple of just 6.5x 2012e and 6x 2013e further supports a positive relative valuation bias.

## Financial Forecasts

Our revenue and earnings estimates are a function of SNC's backlog, which we forecast for each of its six operating segments and its operations/maintenance portfolio. For the ICI portfolio, only revenue and cash flows are estimated.

Overall backlog growth in 2012e is +17% y/y and +9% in 2013e, led by the mining and power portfolios. This translates to revenue growth of +8% in 2012e and 2013e, and EPS growth of +24% and +9%, respectively, with the elevated 2012 estimate because we believe much of the 2011 hit to earnings is non-recurring.

SNC-LAVALIN FINANCIAL FORECAST						
	2009a	2010a	Q4/11e	2011e	2012e	2013e
<b>Backlog (\$mIn's)</b>						
Infrastructure & Environment	2713	3486	3111	3111	3191	3933
Chemicals & Petroleum	1724	1073	461	461	534	591
Power	690	1560	2953	2953	3366	3125
Mining & Metallurgy	298	441	866	866	1610	2381
Other Industries	238	407	532	532	943	838
O&M	2596	2733	2287	2287	2286	2111
<b>Total</b>	<b>8259</b>	<b>9700</b>	<b>10211</b>	<b>10211</b>	<b>11931</b>	<b>12978</b>
<i>y/y growth</i>	<i>13.9%</i>	<i>17.4%</i>	<i>5.3%</i>	<i>5.3%</i>	<i>16.8%</i>	<i>8.8%</i>
<b>Revenue (\$mIn's)</b>						
Infrastructure & Environment	1603	1797	547	1972	1987	2045
Chemicals & Petroleum	829	905	257	1080	967	1023
Power	922	760	258	809	951	1030
Mining & Metallurgy	765	684	293	960	1325	1570
Other Industries	305	315	110	371	410	421
O&M	1298	1331	345	1362	1373	1510
ICI	380	524	134	480	581	617
<b>Total</b>	<b>\$6,102</b>	<b>\$6,315</b>	<b>\$1,945</b>	<b>\$7,033</b>	<b>\$7,593</b>	<b>\$8,216</b>
<i>y/y growth</i>	<i>-14.1%</i>	<i>3.5%</i>	<i>-8.9%</i>	<i>11.4%</i>	<i>8.0%</i>	<i>8.2%</i>
<i>EBITDA Margin (%)</i>	<i>12.1%</i>	<i>13.9%</i>	<i>8.0%</i>	<i>10.1%</i>	<i>11.1%</i>	<i>11.1%</i>
<b>EBITDA</b>	<b>\$735.6</b>	<b>\$879.5</b>	<b>\$155.5</b>	<b>\$708.6</b>	<b>\$845.6</b>	<b>\$913.2</b>
Less:						
Depreciation	130.1	133.4	35.3	129.1	149.4	164.9
Net financial expenses	128.2	174.9	30.9	115.4	118.3	118.3
Income taxes	108.1	123.4	17.9	83.9	108.6	119.7
Non-controlling interest	9.7	10.8	0.0	0.0	0.0	0.0
<b>Net Income</b>	<b>\$359.4</b>	<b>\$437.0</b>	<b>\$71.4</b>	<b>\$380.1</b>	<b>\$469.3</b>	<b>\$510.3</b>
Shares Outstanding	151.0	151.0	150.9	150.5	150.0	149.3
<b>Basic EPS</b>	<b>\$2.38</b>	<b>\$2.89</b>	<b>\$0.46</b>	<b>\$2.45</b>	<b>\$3.03</b>	<b>\$3.31</b>

Source: NBF Estimates, Company Reports

The infrastructure and environment segment is actively working on the \$1.6 billion McGill University Health Centre, the \$150 million Edmonton Light Rail Transit (LRT), the \$150 million CentrePort Canada Way expressway project in Winnipeg and the Calgary West LRT, amongst a host of other projects.

The chemical and petroleum segment has ongoing projects, including the Kharyaga oilfield project in Russia, PDVSA Offshore work in Venezuela (gas-condensate development) and the GES+ project (general oilfield engineering services in Saudi Arabia), amongst others.

The mining and metallurgy practice is actively working on mining projects throughout the world across a variety of commodities, including copper, gold and potash.

The power business is actively refurbishing nuclear reactors (Embalse station in Argentina), working on hydroelectric developments (Muskrat Falls in Newfoundland) and geothermal opportunities throughout the world, amongst other active projects.

Work in "Other industries" includes upgrading and refurbishing sulphuric acid plants, copper smelting facilities and building grassroots sulphuric/phosphoric acid complex including utilities and a power plant.

## Valuation

We are not giving SNC any credit for its net cash, and assume the ICI portfolio is worth \$20 per share as calculated earlier. Our target 2013e P/E and EV/EBITDA multiples for the E&C portfolio are ~10x and ~7x, respectively, a 33%+ discount to legacy valuation and U.S. peers on account of recent uncertainty. This results in a \$25 value for the E&C portfolio, and an overall target price of \$45 per share.

## Conclusion and Recommendation

With a competing mix of opportunities and headwinds, we initiate coverage with a Sector Perform rating and \$45 per share target price. For investor's already owning SNC we suggest holding on; for those on the sidelines we recommend staying put until management can provide more colour.

## Appendix A: Competitor Summary

SNC often competes with larger infrastructure peers when bidding on E&C and ICI work in the United States, overseas and recently in Canada as the amount of global competition has been increasing domestically of late. Below is a brief snapshot of SNC's major North American competitors and how they rank in relation to one another.

NORTH AMERICAN INFRASTRUCTURE PEER ANALYSIS					
	SNC Lavalin	Fluor	AECOM	Jacobs Engineering	Foster Wheeler
<b>MARKET DATA</b>					
Ticker	SNC	FLR	ACM	JEC	FWLT
Market Capitalization (mln)	\$6,000	\$10,207	\$2,723	\$5,948	\$2,678
Avg. 3-mth Trading Vol.	328.7	1,792.7	776.5	1,275.9	1,830.8
<b>FUNDAMENTALS</b>					
Employees	25,000	42,000	45,000	60,000	12,000
Backlog	\$9,430	\$41,833	\$15,604	\$14,500	\$2,503
<b>FINANCIALS</b>					
Revenue (\$ mln)	\$6,315	\$20,849	\$8,037	\$10,382	\$4,068
Revenue CAGR	12.8%	9.6%	18.6%	6.9%	13.1%
EBITDA	\$879	\$740	\$487	\$614	\$350
EBITDA Margin	13.9%	3.5%	6.1%	5.9%	8.6%
ROE	27.8%	10.5%	12.5%	10.7%	23.9%
Net Debt/EBITDA	1.2x	-3.0x	1.4x	-0.5x	-2.3x
Annual Dividend 5-yr CAGR	24.6%	4.6%	0.0%	0.0%	0.0%
<b>VALUATION</b>					
P/E	8.8x	25.1x	8.4x	16.5x	10.7x
P/CF	6.3x	12.2x	6.5x	12.9x	10.6x
EV/EBITDA	5.9x	6.4x	6.4x	7.7x	6.1x

Source: NBF, Company Reports, Bloomberg, Reuters

Annual Revenue CAGR (last 5 years) | Revenue, EBITDA & ROE - most recent annual

P/E - most recent annual adjusted for ICI, freehold/net cash w here applicable

P/CF & EV/EBITDA - 2012e (Bloomberg)

### AECOM Technology Corporation (NYSE: ACM)

ACM is a provider of professional technical and management support services to government and commercial clients worldwide on a range of projects, including highways, airports, bridges, mass transit systems, government and commercial buildings, water and wastewater facilities, and power transmission and distribution. In its most recent FY (2011), ACM reported top-line revenue of ~US\$8 billion and EBITDA of ~US\$500 million with ~45k professionals. Geographically, ~60% of the company's top line is generated in the United States and ~10% in Canada, with ~22% from direct contracts with the U.S. government. The company's most recent backlog stood at just over US\$15.6 billion, of which ~US\$9 billion was contracted on a firm basis with the remainder awarded but not firmly contracted. ACM has ~240 pending court cases, with ~90% related to personal injury.



**Fluor Corporation (NYSE: FLR)**

FLR is a professional services firm providing engineering, procurement, construction and maintenance as well as global project management services. Fluor serves a diverse set of industries, including oil and gas, chemicals and petrochemicals, transportation, mining and metals, power, life sciences and manufacturing while also being a primary service provider to the U.S. federal government. In its most recent FY (2010), FLR realized top-line revenue of ~US\$21 billion and EBITDA of ~US\$740 million with ~42k employees. Nearly 40% of FLR's top line is generated in the United States and ~12% is derived from Canada. The company's backlog stands at US\$42 billion. FLR has ~4,160 pending court cases, over 50% of which are related to personal injury and ~40% to asbestos-related claims.

**Foster Wheeler AG (NASDAQ: FWLT)**

FWLT is a global conglomerate, headquartered in Geneva, Switzerland, operating through two business groups: Global Engineering & Construction (E&C) and Global Power. The E&C Group designs, engineers and constructs oil and gas processing facilities, natural gas facilities, oil refining, chemical and petrochemical, pharmaceutical and biochemical facilities. The Power Group designs, manufactures and erects steam generators and auxiliary equipment. In its most recent FY (2010), FWLT realized top-line revenue of ~US\$4.1 billion and EBITDA of US\$350 million with ~12k employees of which ~75% are in the Global E&C Group. Only ~5% of FWLT's revenue comes from North America with Europe and South America accounting for almost 50%. The company's backlog stands at ~US\$2.5 billion. The backlog is relatively unconventionally distributed versus its peers as ~35% of it was in Asia, ~26% in Europe and ~18% in South America. FWLT faces ~25k+ pending court cases, almost all asbestos-related claims.

**Jacobs Engineering Group Inc. (NYSE: JEC)**

JEC is a provider of technical, professional and construction services to industrial, commercial and governmental clients globally, in areas including engineering, design and architecture, construction management, operations / maintenance, and scientific / systems consulting services. In its most recent FY (2011), JEC realized top-line revenue of ~US\$10.4 billion and EBITDA of ~US\$615 million with ~60k employees. Revenues generated in the United States contributed +60% of top line whereas ~15% was generated in both Canada and Europe. The company's backlog stands at +US\$14 billion, of which ~US\$9.5 billion was in Technical Professional Services and ~US\$5 billion in Field Services. JEC has ~50 pending court cases, ~30% of them labour contract related.

## Appendix B: Balance Sheet

BALANCE SHEET (\$MLN)						
	2008	2009	2010	2011e	2012e	2013e
<b>ASSETS</b>						
Cash and cash equivalents	988.2	1,191.4	1,235.1	903.3	917.8	1,086.4
Restricted cash	60.0	31.4	39.4	38.3	38.3	38.3
Trade and other receivables	1,675.2	1,042.4	1,273.5	1,069.7	1,132.5	1,224.7
Contracts in progress	708.0	479.6	624.5	673.1	724.4	739.4
Other current financial assets	0.0	278.1	271.1	331.2	331.2	331.2
Other current assets	121.0	132.9	120.1	123.6	130.3	138.1
<b>Total current assets</b>	<b>3,552.4</b>	<b>3,155.9</b>	<b>3,563.8</b>	<b>3,139.2</b>	<b>3,274.5</b>	<b>3,558.1</b>
Property and equipment:						
From infrastructure concession investments	1,750.7	1,725.2	2,072.8	2,490.5	2,674.6	2,851.6
From other activities	123.4	111.7	115.2	146.3	172.8	190.9
Goodwill	496.1	520.9	542.0	568.0	568.0	568.0
ICI accounted for by the equity or cost methods	343.4	575.9	626.9	634.8	634.8	634.8
Deferred tax asset	81.1	139.3	158.4	171.6	171.6	171.6
Non-current financial assets	0.0	287.4	332.4	343.6	343.6	343.6
Other non-current assets	424.4	74.0	125.6	142.1	142.1	142.1
<b>TOTAL ASSETS</b>	<b>\$6,771.5</b>	<b>\$6,590.1</b>	<b>\$7,537.2</b>	<b>\$7,636.1</b>	<b>\$7,982.0</b>	<b>\$8,460.7</b>
<b>LIABILITIES</b>						
Trade and other payables	2,260.7	1,294.8	1,274.7	1,225.5	1,243.1	1,344.2
Down payments on contracts	473.2	397.3	422.9	344.8	444.8	494.8
Deferred revenues	536.4	510.2	728.2	780.9	811.2	855.4
Other current financial liabilities	0.0	240.1	324.9	308.1	308.1	308.1
Other current liabilities	0.0	121.8	95.6	124.8	124.8	124.8
Current portion of long-term debt:						
Recourse	0.0	104.9	0.0	0.0	0.0	0.0
Non-recourse from infrastructure concession investments	5.8	51.6	38.8	241.2	241.2	241.2
<b>Total Current Liabilities:</b>	<b>3,276.0</b>	<b>2,720.6</b>	<b>2,885.1</b>	<b>3,025.4</b>	<b>3,173.2</b>	<b>3,368.6</b>
Long-term debt:						
Recourse	104.7	348.0	348.2	348.3	348.3	348.3
Non-recourse from infrastructure concession investments	2,003.3	1,258.4	1,529.0	1,477.8	1,477.8	1,477.8
Other non-current financial liabilities	230.6	81.7	76.4	91.9	91.9	91.9
Provisions	0.0	131.4	177.1	187.8	205.4	222.3
Non-current deferred revenues	0.0	368.4	422.9	451.4	451.4	451.4
Deferred tax liability	0.0	71.8	151.9	164.6	164.6	164.6
Other non-current liabilities	0.0	10.1	9.3	9.3	9.3	9.3
<b>Total Liabilities</b>	<b>5,614.7</b>	<b>4,990.5</b>	<b>5,599.9</b>	<b>5,756.5</b>	<b>5,922.0</b>	<b>6,134.2</b>
Shareholders' equity	1,089.2	0.0	0.0	0.0	0.0	0.0
Share Capital	0.0	397.7	424.9	442.1	442.1	442.1
Other components of equity	0.0	-4.0	-67.5	-145.2	-145.2	-145.2
Retained earnings	0.0	1,124.5	1,477.2	1,578.9	1,759.3	2,025.8
Equity attributable to the Company's shareholders	1,089.2	1,518.2	1,834.7	1,875.9	2,056.3	2,322.8
Non-controlling interests	67.7	81.5	102.7	3.7	3.7	3.7
<b>Total Equity</b>	<b>1,156.9</b>	<b>1,599.7</b>	<b>1,937.3</b>	<b>1,879.6</b>	<b>2,060.0</b>	<b>2,326.5</b>
<b>TOTAL LIABILITIES + UNITHOLDERS' EQUITY</b>	<b>\$6,771.5</b>	<b>\$6,590.1</b>	<b>\$7,537.2</b>	<b>\$7,636.1</b>	<b>\$7,982.0</b>	<b>\$8,460.7</b>

Source: NBF Estimates, Company Reports

## Appendix C: Income Statement

INCOME STATEMENT (\$MLN)						
	2008	2009	2010	2011e	2012e	2013e
Revenues by activity:						
Services	2,305.4	2,221.4	2,051.9	2,330.2	2,838.0	3,222.5
Packages	3,229.4	2,202.2	2,409.0	2,860.6	2,801.0	2,866.3
Operations and Maintenance	1,225.0	1,297.9	1,330.5	1,362.0	1,373.0	1,510.2
Infrastructure Concession Investments	347.0	380.3	523.6	479.9	581.4	617.0
TOTAL REVENUE	7,106.9	6,101.7	6,315.0	7,032.6	7,593.4	8,216.1
Direct costs of activities	6,094.0	4,950.6	4,983.3	5,806.5	6,208.6	6,722.6
Gross margin	1,012.9	1,151.1	1,331.7	1,226.1	1,384.7	1,493.5
Selling, general and administrative expenses	515.2	545.6	585.6	646.6	688.5	745.2
Net financial expenses	94.5	128.2	174.9	115.4	118.3	118.3
Income before income tax expense and non-controlling interest	403.2	477.3	571.2	464.0	577.9	630.0
Income taxes	85.1	108.1	123.4	83.9	108.6	119.7
Non-controlling interest	5.6	9.7	10.8	0.0	0.0	0.0
<b>Net Income</b>	<b>\$312.5</b>	<b>\$359.4</b>	<b>\$437.0</b>	<b>\$380.1</b>	<b>\$469.3</b>	<b>\$510.3</b>
Net income attributable to:						
Company's shareholders				369.5	455.2	495.0
Non-controlling interests				10.5	14.1	15.3
<b>Net income</b>				<b>\$380.1</b>	<b>\$469.3</b>	<b>\$510.3</b>
Earnings per share from continuing operations						
Basic	\$2.07	\$2.38	\$2.89	\$2.45	\$3.03	\$3.31
Diluted	\$2.05	\$2.36	\$2.87	\$2.42	\$2.92	\$3.19
Earnings per share Ex-ICI Investment						
Basic	\$1.83	\$2.14	\$1.93	\$1.63	\$2.19	\$2.41
Diluted	\$1.82	\$2.13	\$1.93	\$1.63	\$2.18	\$2.40

Source: NBF Estimates, Company Reports

## Appendix D: Cash Flow Statement

CASH FLOW STATEMENT (\$MLN)						
	2008	2009	2010	2011e	2012e	2013e
<b>Operating activities</b>						
Net income	312.5	359.4	437.0	380.1	469.3	510.3
Adjts. to reconcile net income to cash flows from operating activities:						
Dep. of PPE and Amrt. of other assets:						
From ICI	88.1	86.6	93.8	85.2	95.9	103.0
From other activities	41.9	43.5	39.6	43.9	53.5	62.0
Income tax expense recognized in net income	-19.1	89.1	70.3	83.9	108.6	119.7
Income taxes paid	0.0	0.0	0.0	-20.6	-34.1	-37.7
Accrued interest expense on non-recourse LTD from ICI	10.6	20.3	8.9	0.0	0.0	0.0
Net financial expenses recognized in net income	0.0	0.0	0.0	115.4	118.3	118.3
Interest paid:						
From ICI	0.0	0.0	0.0	-79.8	-83.0	-82.6
From other activities	0.0	0.0	0.0	-30.7	-30.6	-30.8
Expense recognized in respect of stock options	9.6	11.8	14.7	16.7	14.0	14.0
Expense recognized in respect of PSU, DSU and RSU plans	0.0	0.0	0.0	8.3	8.0	8.0
Net gain on disposals of ICI, before taxes	0.0	0.0	-29.6	0.0	0.0	0.0
Income/Loss from ICI accounted for by the equity method	3.2	-2.2	-15.1	-113.0	-127.5	-136.1
Finance income on receivables under service concession arrangements	0.0	0.0	0.0	-16.6	-16.0	-16.0
Recovery of finance income on receivables under service arrangements	0.0	0.0	0.0	2.4	0.0	0.0
Non-controlling interest	5.6	9.7	10.8	0.0	0.0	0.0
Other	0.9	3.0	2.8	3.3	0.0	0.0
Dividends and distributions received from ICI using equity method	3.0	24.8	1.6	102.2	127.5	136.1
<b>Operating cash</b>	<b>456.3</b>	<b>646.0</b>	<b>634.7</b>	<b>580.7</b>	<b>704.0</b>	<b>768.1</b>
Net change in non-cash working capital items	-143.0	-247.6	-145.9	-0.9	-103.2	-13.9
<b>Net cash generated from operating activities</b>	<b>\$313.3</b>	<b>\$398.5</b>	<b>\$488.8</b>	<b>\$579.9</b>	<b>\$600.8</b>	<b>\$754.2</b>
<b>Investing activities</b>						
Acquisition of property and equipment:						
From ICI	-193.5	-274.1	-418.7	-444.9	-280.0	-280.0
From other activities	-46.3	-32.4	-46.0	-68.1	-80.0	-80.0
Payments for ICI	-25.9	-130.9	-89.1	-103.1	-80.0	-80.0
Acquisition of businesses	-38.6	-18.4	-40.0	-58.4	0.0	0.0
Change in restricted cash position	6.0	-4.1	-577.5	1.1	0.0	0.0
Increase in loan to Project Operator of Ambatovy project	-6.6	-39.6	-13.7	-0.1	0.0	0.0
Increase in receivables under service concession arrangements	0.0	0.0	0.0	-65.6	0.0	0.0
Recovery of receivables under service concession arrangements	0.0	0.0	0.0	70.1	0.0	0.0
Proceeds from disposals of ICI	0.0	0.0	176.9	0.0	0.0	0.0
Other	-6.0	-12.9	-17.8	-21.7	-20.0	-20.0
<b>Net cash used for investing activities</b>	<b>-\$310.9</b>	<b>-\$512.4</b>	<b>-\$1,025.8</b>	<b>-\$690.6</b>	<b>-\$460.0</b>	<b>-\$460.0</b>
<b>Financing activities</b>						
Repayment of non-recourse long-term debt from ICI	-187.5	-272.5	-340.6	-6.8	0.0	0.0
Acquisition of a subsidiary's debenture related to the AltaLink transaction	0.0	0.0	0.0	-50.0	0.0	0.0
Repayment of non-recourse long-term debt from other activities	-25.8	0.0	-105.0	0.0	0.0	0.0
Increase in recourse long-term debt from ICI	0.0	348.6	0.0	65.6	0.0	0.0
Increase in non-recourse long-term debt from ICI	215.2	388.1	1,187.7	136.9	0.0	0.0
Proceeds from exercise of stock options	16.8	10.9	24.3	15.5	0.0	0.0
Redemption of shares	-47.2	-24.1	-47.9	-36.1	0.0	0.0
Dividends paid to company's shareholders	-72.5	-90.6	-102.7	-126.7	-126.2	-125.6
Acquisition of non-controlling interests of AltaLink	0.0	0.0	0.0	-228.8	0.0	0.0
Other	-17.1	-4.2	3.6	9.6	0.0	0.0
<b>Net cash generated from financing activities</b>	<b>-\$118.1</b>	<b>\$356.2</b>	<b>\$619.4</b>	<b>-\$220.9</b>	<b>-\$126.2</b>	<b>-\$125.6</b>
Increase (decrease) in FX translating cash and eqvts. in foreign currencies	15.3	-12.2	-12.4	-0.1	0.0	0.0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-\$100.4</b>	<b>\$230.0</b>	<b>\$70.0</b>	<b>-\$331.8</b>	<b>\$14.6</b>	<b>\$168.6</b>
Cash and cash equivalents at beginning of period	1,088.6	988.2	1,218.2	1,235.1	903.3	917.8
Cash and cash equivalents at end of period	988.2	1,218.2	1,288.2	903.3	917.8	1,086.4

Source: NBF Estimates, Company Reports

**DISCLOSURES:**

**Ratings And What They Mean:** **PRIMARY STOCK RATING:** NBF has a three-tiered rating system that is relative to the coverage universe of the particular analyst. Here is a brief description of each: **Outperform** – The stock is expected to outperform the analyst's coverage universe over the next 12 months; **Sector Perform** – The stock is projected to perform in line with the sector over the next 12 months; **Underperform** – The stock is expected to underperform the sector over the next 12 months. **SECONDARY STOCK RATING: Under Review** – Our analyst has withdrawn the rating because of insufficient information and is awaiting more information and/or clarification; **Tender** – Our analyst is recommending that investors tender to a specific offering for the company's stock; **Restricted** – Because of ongoing investment banking transactions or because of other circumstances, NBF policy and/or laws or regulations preclude our analyst from rating a company's stock. **INDUSTRY RATING:** NBF has an Industry Weighting system that reflects the view of our Economics & Strategy Group, using its sector rotation strategy. The three tiered system rates industries as **Overweight, Market Weight and Underweight**, depending on the sector's projected performance against broader market averages over the next 12 months. **RISK RATING:** NBF utilizes a four-tiered risk rating system, **Low, Average, Above Average and Speculative**. The system attempts to evaluate risk against the overall market. In addition to sector-specific criteria, analysts also utilize quantitative and qualitative criteria in choosing a rating. The criteria include predictability of financial results, share price volatility, credit ratings, share liquidity and balance sheet quality.

**General** – National Bank Financial (NBF) is an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on Canadian stock exchanges.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein.

**Research Analysts** – The Research Analyst(s) who prepare these reports certify that their respective report accurately reflects his or her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies.

NBF compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of NBF including, Institutional Equity Sales and Trading, Retail Sales, the correspondent clearing business, and Corporate and Investment Banking. Since the revenues from these businesses vary, the funds for research compensation vary. No one-business line has a greater influence than any other for Research Analyst compensation.

**Canadian Residents** – In respect of the distribution of this report in Canada, NBF accepts responsibility for its contents. To make further inquiry related to this report, Canadian residents should contact their NBF professional representative. To effect any transaction, Canadian residents should contact their NBF Investment advisor.

**U.S. Residents** – With respect to the distribution of this report in the United States of America, NBF Securities (USA) Corp., an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, United States residents should contact their NBF Securities (USA) Corp. professional representative. To effect any transaction, United States residents should contact their NBF Securities (USA) Corp. investment advisor.

**UK Residents** – In respect of the distribution of this report to UK residents, NBF has approved this financial promotion for the purposes of Section 21(1) of the Financial Services and Markets Act 2000. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant securities or related financial instruments discussed in this report, or may act or have acted as investment and/or commercial banker with respect thereto. The value of investments can go down as well as up. Past performance will not necessarily be repeated in the future. The investments contained in this report are not available to private customers. This report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to non-private customers in the United Kingdom within the meaning of the rules of the Regulated by the Financial Services Authority.

**Copyright** – This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of National Bank Financial.

**NBF is a member of the Canadian Investor Protection Fund.**

NBF quarterly ratings summary and the total ratings by month can be found on our website under Research and Analysis/Equities/About NBF Research/Quarterly Ratings Summary (link attached) <http://www.nbcn.ca/cmst/site/index.jhtml?navid=803&templateID=249>

The NBF Research Dissemination Policy is available on our website under Legal/Research Policy (link attached) <http://www.nbcn.ca/cmst/site/index.jhtml?navid=712&templateid=243>

Click on the following link to see the company specific disclosures <http://www.nbcn.ca/contactus/disclosures.html>

**If a company specific disclosure is not found herein for a listed company, NBF at this time does not provide research coverage or stock rating for the company in question.**

SNC-Lavalin Group Inc. (SNC) - ADDITIONAL COMPANY RELATED DISCLOSURES

In the past 12 months NBF has not acted as financial advisor, fiscal agent or underwriter for the company that is the subject of this report. NBF may act in such a capacity in the future and receive, or expect to receive, compensation for such activities.

NBF is an indirect wholly owned subsidiary of the National Bank of Canada. From time to time the National Bank of Canada may enter into lending or financial arrangements with companies that are the subject of NBF Research Reports. At the date of this report, National Bank of Canada is a lender to the company which is the subject of this report.

NBF and/or its Affiliates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. On the last day of the month preceding the date of this report, NBF and its Affiliates held in the aggregate less than 1% of the outstanding shares (of any class of equity securities) of this issuer.

NBF is a Registered Trader on the Toronto Stock Exchange for the company that is the subject of this report. (13)

28 February 2012

Today's Changes	Annual EPS	Annual Revenue	Rating/Target
	2011E \$1.62 from \$2.20	2011E No change	BUY (No change)
	2012E No change	2012E No change	C\$58.00 from C\$64.00

## SNC-Lavalin Group Inc.

SNC : TSX : C\$38.43

BUY

Target: C\$58.00 ↓

Yuri Lynk, MSc, CFA 1.514.844.3708  
 ylynk@canaccordgenuity.com  
 Catherine Siu, CFA 1.514.844.3108  
 csiu@canaccordgenuity.com

### COMPANY STATISTICS:

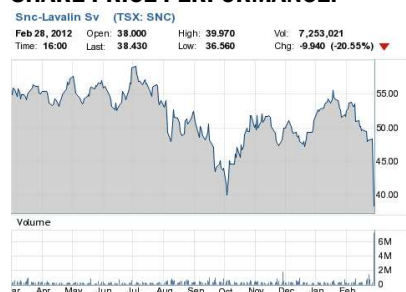
52-week Range: 38.43 - 59.97  
 Avg. Daily Vol. (000s): 333  
 Market Cap (M): C\$5,840  
 Control Block %: Widely Held  
 Managerial Ownership %: 2  
 Net Cash (M): 633

### EARNINGS SUMMARY:

FYE Dec	2010A	2011E	2012E	2013E
Revenue (M):	6,263	6,972	7,444	7,933
EBITDA (M):	827	761	861	942
EV/EBITDA (x):	4.6	5.2	4.4	4.0
EPS:	2.57	2.38	3.23	3.60
EPS (excl. ICI):	2.20	1.62	2.50	2.80
P/E (x):	8.8	12.0	7.8	6.9

EBITDA (M):	Q1	165A	150A		
	Q2	205A	180A		
	Q3	224A	223A		
	Q4	233A	208E		
Total		827	761	861	942
EPS (excl. ICI):	Q1	0.42A	0.33A		
	Q2	0.48A	0.39A		
	Q3	0.60A	0.66A		
	Q4	0.70A	0.25E		
Total		2.20	1.62	2.50	2.80

### SHARE PRICE PERFORMANCE:



Source: Interactive Data Corporation

SNC-Lavalin is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure, and in the provision of operations and maintenance services. SNC-Lavalin has offices across Canada and in over 35 other countries around the world, and its 24,000 employees are currently working in some 100 countries. All amounts in C\$ unless otherwise noted.

### Infrastructure -- Engineering and Construction

## TAKING Q4/11 CHARGES; REITERATING BUY; LOWERING TARGET TO C\$58.00 FROM C\$64.00

### Investment recommendation

SNC has announced the following three items that are expected to impact Q4/11 earnings by \$80 million: (1) A loss of \$25 million from a revised position of the company's net financial exposure on its legacy Libyan projects - we believe this relates to a reduction in AR; a balance sheet charge with no cash earnings impact, (2) \$22 million in cost overruns on I&E and C&P projects, and (3) \$35 million relating to certain payments made in Q4/11 that were documented to construction projects to which they did not relate.

**Details on the third charge are scarce; we are left to assume it is Libyan-related.** Given that SNC had no revenue from Libya in Q4, \$35 million in payments is troubling, especially in the context of recent executive changes. We believe further negative news and perhaps charges related to the ongoing internal investigation on these payments are likely. The company hopes to report Q4 results before the end of March.

**Granted there are still many unknowns, we do not believe SNC's earnings power potential has been permanently impaired.** Thus, we are leaving our 2012 and 2013 estimates unchanged. Due to the charges announced, we take our Q4/11 EPS estimate to \$0.25 from \$0.82.

**We look to KBR (KBR : NYSE | Not rated) to get a sense as to where SNC may trade in the ensuing months.** After improprieties related to an LNG contract in Nigeria were brought against it in 2008, KBR traded at a 13% discount to the E&C Group (from an 8% premium). In-line with this, we reduce our target P/E multiple to 13x from the E&C average of 15x, and thus our target to C\$58.00 from C\$64.00. We advise risk-tolerant investors to buy SNC here noting its solid long-term fundamentals. SNC trades at 8x 2012E EPS, which typically represents trough valuation for E&C stocks.

Canaccord Genuity is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF. : AIM)

The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit Canaccord Genuity's [Online Disclosure Database](#).

## SNC TAKES Q4/11 CHARGES

### **More questions than answers at this point**

**SNC has announced the following three items that are expected to impact Q4/11 earnings by \$80 million:** (1) A loss of \$25 million from a revised position of the company's net financial exposure on its legacy Libyan projects – we believe this relates to a reduction in accounts receivable; a balance sheet charge with no cash earnings impact, (2) \$22 million in cost overruns on Infrastructure & Environment and Chemicals & Petroleum projects – we have no details on these charges in terms of where they are located, but they are not unheard of given the volume of fixed price work SNC performs, and (3) \$35 million relating to certain payments made in Q4/11 that were documented to construction projects to which they did not relate.

**Details on the third charge are scarce; we are left to assume it is Libyan-related.** Given that SNC had no revenue from Libya in Q4, \$35 million in payments is troubling, especially in the context of recent executive changes. We believe further negative news and perhaps charges related to the ongoing internal investigation on these payments are likely. The company hopes to report Q4 results before the end of March.

**The Board has initiated an independent investigation, led by its Audit Committee, of the facts and circumstances surrounding the \$35 million of payments and certain other contracts.** Lawyers have also been hired by SNC. Thus far, the investigation's current findings support the company's accounting treatment of these payments.

**The Q4/11 reporting date, originally scheduled for 2 March, has been postponed.** SNC is currently working with its external auditors and legal advisors to resolve the issues relating to the investigation to permit the auditors to deliver their audit report. The goal of the company is to report fourth quarter results prior to 30 March.

### **What to do with the stock; we look to past precedents for help**

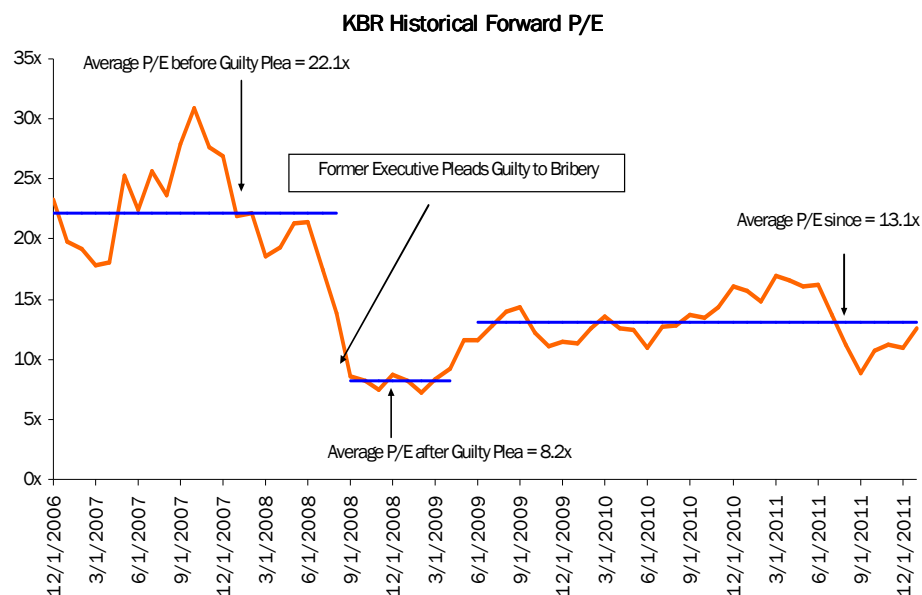
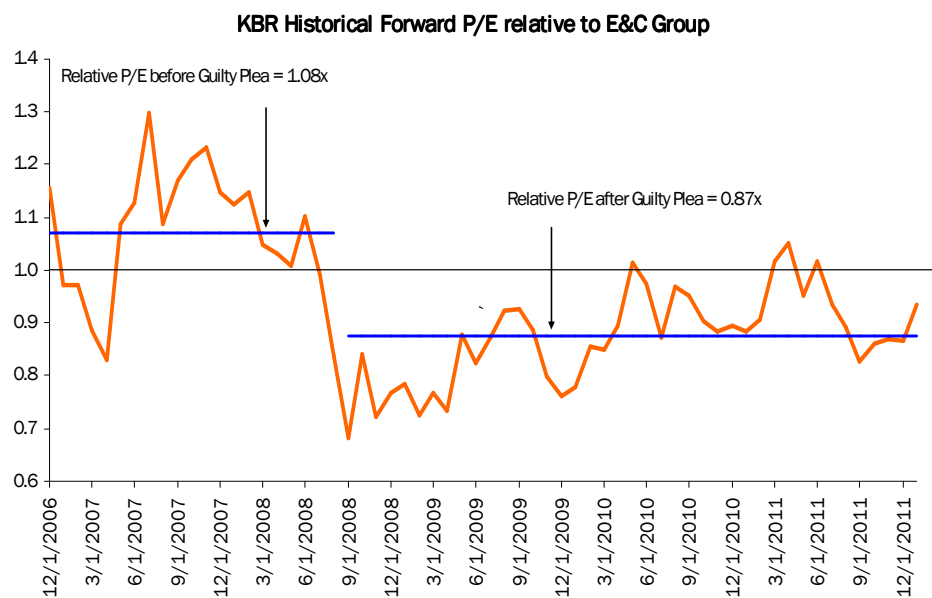
**Granted there are still many unknowns, we do not believe SNC's earnings power potential has been permanently impaired.** Thus, we are leaving our 2012 and 2013 EPS estimates unchanged at \$2.50 and \$2.80 (ex. ICI), respectively. Due to the charges announced, we take our Q4/11 EPS estimate to \$0.25 from \$0.82.

**We look to KBR (KBR : NYSE) to get a sense as to where SNC may trade in the ensuing months.** After improprieties related to a liquefied natural gas (LNG) contract in Nigeria were brought against it in 2008, KBR traded at 8x forward EPS (Figure 1). The multiple then recovered and averaged 13x over the next three years. This represented a 13% discount to the E&C Group (from an 8% premium, Figure 2).

***Note: we are using this KBR analysis as an example only. SNC has not been charged with any improprieties.***

---



**Figure 1: KBR historical forward P/E multiples****Figure 2: KBR historical forward relative P/E multiples**

Source: Thomson Reuters, Canaccord Genuity

E&C Group = Equally weighted average of CBI, Fluor, Foster Wheeler, Granite, Jacobs, McDermott, Shaw Group, Stantec, Tetra Tech, and URS.

**Reducing our valuation multiple to 13x from 15x**

In-line with what we saw occur with KBR, which faced significantly more serious allegation than what SNC faces today in our opinion, we reduce our target P/E multiple to 13x from the E&C average of 15x. Thus, our 12-month target is reduced to C\$58.00 from C\$64.00. Given the 53% total return implied by our target price, inclusive of a 2.2% dividend yield, we advise risk-tolerant investors to buy SNC here noting its solid long-term fundamentals.

**Figure 3: SNC sum-of-the-parts valuation**

	2013E EPS*	Cap. Rate	Million	Per Share
Engineering & Construction Business	\$2.71	13x	\$5,349	\$35.00
16.77% 407 International Inc. Equity Stake (after tax)		DCF 9%	\$1,194	\$8.00
100% AltaLink L.P. Equity Stake (after tax)		DCF 9%	\$645	\$4.00
Other Concession Investments		Book Value	\$1,023	\$7.00
Freehold Cash (12/31/12E)			\$650	\$4.00
1-Year Share Price Target (Rounded)			\$8,861	<b>\$58.00</b>

\*2013 E&C estimate of \$2.80 adjusted to exclude interest income net of tax from freehold cash.

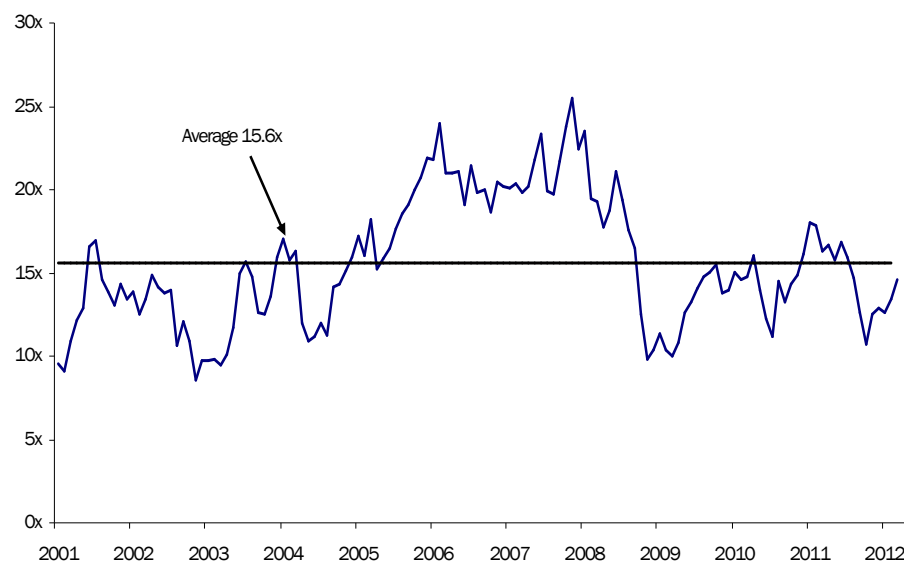
Source: Company reports, Canaccord Genuity estimates

**SNC is trading at an extremely depressed valuation**

SNC is trading at 8x 2012E EPS. As shown in Figure 4, this is a level consistent with past trough multiples witnessed for E&C stocks over the past 10 years. Currently, SNC's comps trade at 14x 2012E EPS and 12x 2013E EPS (Figure 5).

28 February 2012

Figure 4: E&amp;C Index NTM P/E



Source: Thomson Reuters, Canaccord Genuity  
 E&C Group = Equally weighted average of CBI, Fluor, Foster Wheeler, Granite, Jacobs, McDermott, Shaw Group, Stantec, Tetra Tech, and URS.

Figure 5: Comparable company analysis

Company	Ticker	Last 28-Feb-12	Rating	Mkt. Cap. Million	EV Million	EBITDA Margin LTM	Debt/ EBITDA NCY	Net Cash Million	EV/EBITDA		EPS		Y/Y	P/E		PEG	Yield	Estimate Source
									CCY*	NCY*	CCY*	NCY*		CCY*	NCY*	NCY*		
<b>Engineering, Procurement, &amp; Construction</b>																		
Chicago Bridge & Iron Company N.V.	CBI-US	\$47.09	-	\$4,700	\$4,211	9.0%	Net cash of	\$510	8.1x	7.2x	\$2.99	\$3.47	16%	15.8x	13.6x	0.84	0.42%	Consensus
Fluor Corporation	FLR-US	\$62.02	BUY	\$10,593	\$8,429	3.5%	Net cash of	\$2,228	6.2x	5.7x	\$3.85	\$4.25	10%	16.1x	14.6x	1.40	0.81%	Lyrik
Foster Wheeler	FWLT-US	\$25.15	BUY	\$2,891	\$2,368	6.6%	Net cash of	\$570	7.1x	6.2x	\$2.00	\$2.25	13%	12.6x	11.2x	0.89	-	Lyrik
Jacobs Engineering Group Inc.	JEC-US	\$46.96	BUY	\$6,015	\$5,605	5.9%	Net cash of	\$424	7.6x	7.0x	\$3.10	\$3.51	13%	15.1x	13.4x	1.02	-	Lyrik
Kbr, Inc.	KBR-US	\$37.05	-	\$5,595	\$5,028	5.4%	Net cash of	\$514	7.2x	6.5x	\$2.66	\$3.13	18%	13.9x	11.8x	0.67	0.54%	Consensus
McDermott International, Inc.	MDR-US	\$13.60	-	\$3,181	\$2,768	N/A	Net cash of	\$488	7.1x	5.7x	\$0.88	\$1.25	41%	15.4x	10.9x	0.26	-	Consensus
The Shaw Group Inc.	SHAW-US	\$29.58	-	\$2,144	\$1,365	0.7%	Net cash of	\$814	4.3x	3.8x	\$2.25	\$2.62	16%	13.1x	11.3x	0.69	-	Consensus
SNC Lavalin Group Inc. *	SNC-T	\$38.43	BUY	\$5,840	\$5,207	7.9%	Net cash of	\$633	4.4x	4.0x	\$2.50	\$2.80	12%	7.8x	6.9x	0.58	2.19%	Lyrik
Urs Corporation	URS-US	\$44.41	-	\$3,438	\$3,859	6.4%	0.4x	(\$313)	5.0x	4.6x	\$4.00	\$4.33	8%	11.1x	10.2x	1.24	-	Consensus
<b>Mean</b>						<b>5.7%</b>			<b>6.3x</b>	<b>5.6x</b>			<b>16%</b>	<b>13.4x</b>	<b>11.5x</b>	<b>0.84</b>		

\* CCY = Current Calendar Year; NCY = Next Calendar Year.

\*\*SNC Lavalin Group Inc. excludes infrastructure concession investments valued at \$19.00 per share.

Source: Canaccord Genuity estimates; Canaccord Genuity Limited estimates; Thomson Reuters

**Investment risks**

SNC-Lavalin's revenue could potentially be adversely affected by changes in economic conditions and government policies in the international markets in which it operates. As a seasoned company with over 40 years of international experience, SNC-Lavalin has expertise in assessing these various risk factors.

Certain financial, technical, and legal risks may arise for SNC-Lavalin with business conducted under contractual arrangements. The contractual agreements include cost-plus, fixed-fee, and fixed-price contracts, as well as investments in infrastructure concessions. The company has developed risk assessment, mitigation, and management practices to reduce the nature and extent of these risks.

As costs are established on estimates for fixed price contracts, SNC-Lavalin bears the risk for cost overruns. Estimates are subject to a number of assumptions, such as economic conditions, productivity, performance of subcontractors and suppliers, price, availability of labour, equipment, and materials.

In Packages contracts, SNC-Lavalin subcontracts a portion of the project or the supply of material and equipment to third parties and could be adversely affected by subcontractors or suppliers failing to meet these standards.

Failure of a joint venture partner to perform its obligations could potentially have an adverse effect on the company's financial performance.

There can be no assurance that new contracts will be awarded. When awarded, there can be no assurances that backlog will result in earnings due to such risks as cancellations and scope adjustments.

Other risks include, but are not limited to, capital and liquidity, credit, reliance on key personnel, labour markets, currency, interest rates, safety, legal, seasonality, geopolitical, and income tax risks.

---

**APPENDIX: IMPORTANT DISCLOSURES****Analyst Certification:**

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

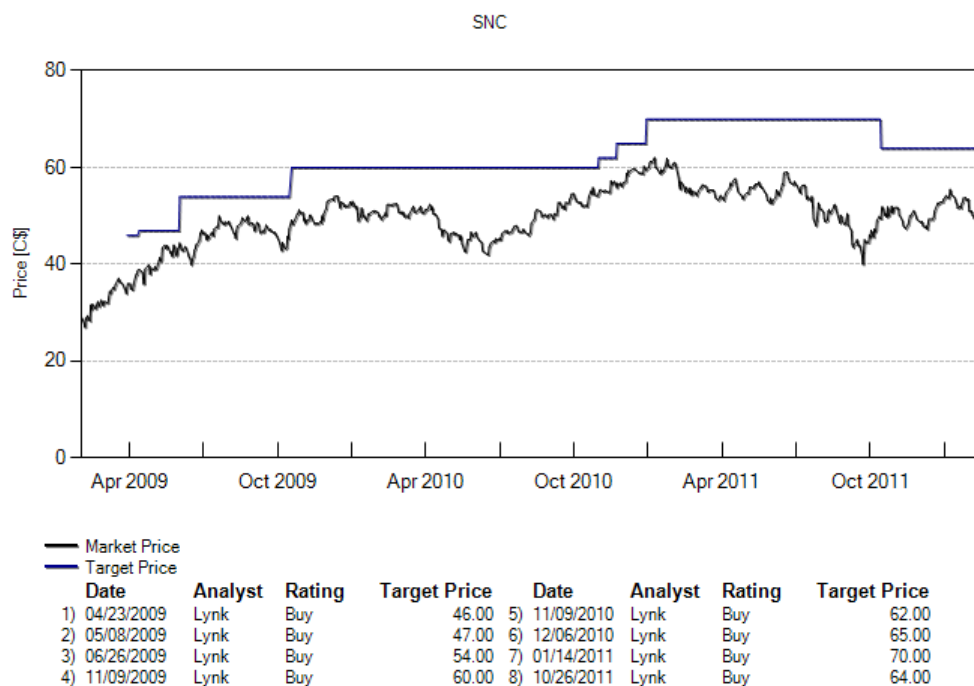
**Site Visit:**

An analyst has visited SNC-Lavalin's head office in Montreal, Quebec. No payment or reimbursement was received from the issuer for the related travel costs.

An analyst has not visited Fluor Corporation's material operations.

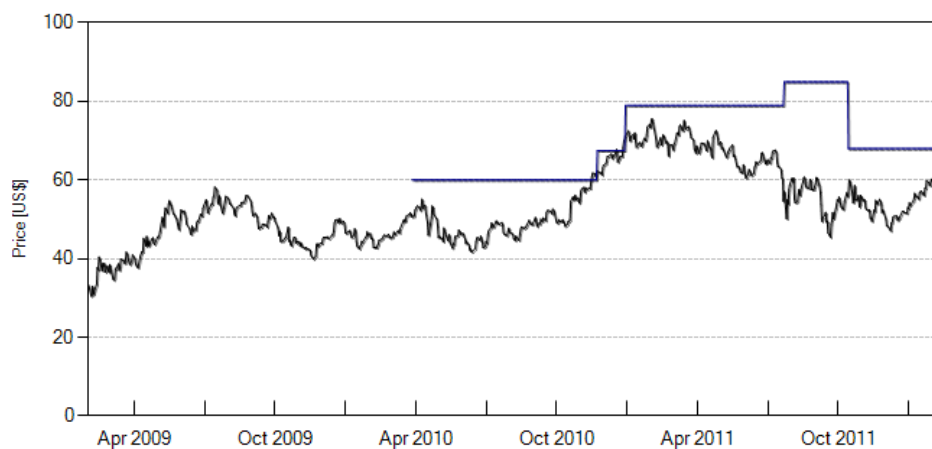
An analyst has not visited Foster Wheeler's material operations.

An analyst has not visited Jacobs Engineering's material operations.

**Price Chart:\***

28 February 2012

FLR

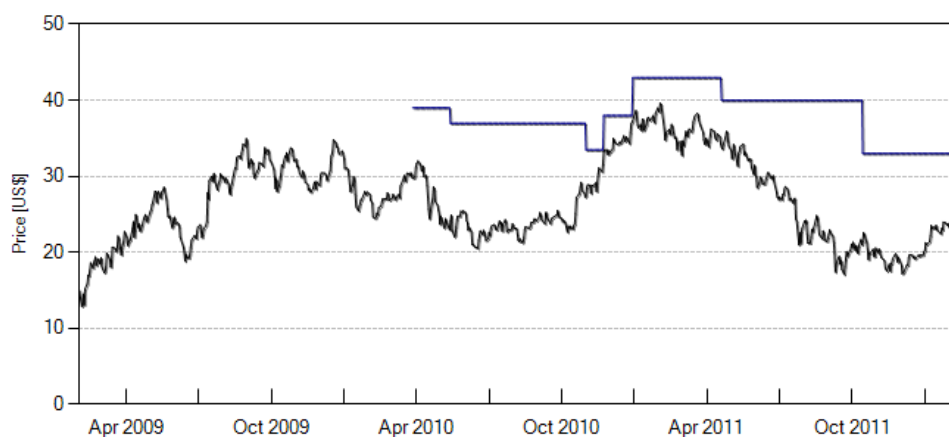


— Market Price  
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 04/16/2010	Lynk	Buy	60.00	4) 08/05/2011	Lynk	Buy	85.00
2) 12/06/2010	Lynk	Buy	67.50	5) 10/26/2011	Lynk	Buy	68.00
3) 01/14/2011	Lynk	Buy	79.00	6) 02/14/2012	Lynk	Buy	70.00

\*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

FWLT

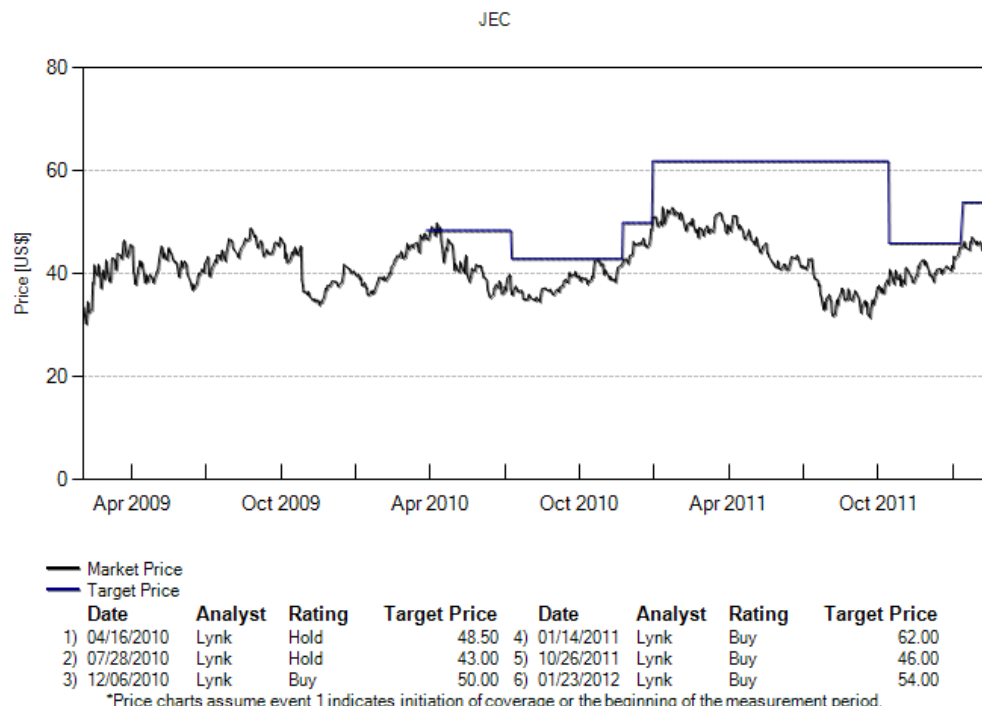


— Market Price  
— Target Price

Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1) 04/16/2010	Lynk	Buy	39.00	5) 01/14/2011	Lynk	Buy	43.00
2) 06/02/2010	Lynk	Buy	37.00	6) 05/04/2011	Lynk	Buy	40.00
3) 11/05/2010	Lynk	Buy	33.50	7) 10/26/2011	Lynk	Buy	33.00
4) 12/06/2010	Lynk	Buy	38.00	8) 02/14/2012	Lynk	Buy	34.00

\*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

28 February 2012

**Distribution of Ratings:**Global Stock Ratings  
(as of 2 February 2012)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	481	60.2%	34	34.9%
Speculative Buy	87	10.9%	56	73.6%
Hold	215	26.9%	13	20.9%
Sell	16	2.0%	6	25.0%
	799	100%		

**Canaccord Ratings System:****BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier:****SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.**Canaccord Research Disclosures as of 28 February 2012**

Company	Disclosure
SNC-Lavalin Group Inc.	7
Fluor Corporation	7
Foster Wheeler AG	7
Jacobs Engineering Group Inc.	7

- 1 The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided the following services to the relevant issuer:
  - A. investment banking services.
  - B. non-investment banking securities-related services.
  - C. non-securities related services.
- 2 In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
- 3 In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
- 4 Canaccord Genuity acts as corporate broker for the relevant issuer and/or Canaccord Genuity or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
- 5 Canaccord Genuity or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
- 6 In the past 12 months, Canaccord Genuity, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
- 7 Canaccord Genuity intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
- 8 The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
- 9 The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
- 10 Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
- 11 A partner, director, officer, employee or agent of Canaccord Genuity and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
- 12 As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, Canaccord Genuity or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the investment research (as disclosed above).
- 13 As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Genuity or any of its affiliated companies.
- 14 Other specific disclosures as described above.

Canaccord Genuity is the business name used by certain subsidiaries of Canaccord Financial Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, and Canaccord Genuity Corp.

The authoring analysts who are responsible for the preparation of this investment research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in Boston, New York, San Francisco and Houston or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London and Edinburgh (UK).

In the event that this is compendium investment research (covering six or more relevant issuers), Canaccord Genuity and its affiliated companies may choose to provide specific disclosures of the subject companies by reference, as well as its policies and procedures regarding the dissemination of investment research. To access this material or for more information, please send a request to Canaccord Genuity Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or [disclosures@canaccordgenuity.com](mailto:disclosures@canaccordgenuity.com).

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and



will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research. Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. This investment research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this investment research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute Canaccord Genuity's judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this investment research.

**For Canadian Residents:** This Investment Research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this Investment Research and its dissemination in Canada. Canadian clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular jurisdiction.

**For United Kingdom Residents:** This investment research is distributed in the United Kingdom, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Services Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom to retail clients, as defined under the rules of the Financial Services Authority.

**For United States Residents:** Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analyst(s) preparing this report that are not employed by Canaccord Genuity Inc are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Such analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**For European Residents:** If this Investment Research is intended for disclosure in any jurisdiction other than the United Kingdom, the US or Canada, then the relevant rules and regulatory requirements of that jurisdiction will apply.

**Additional information is available on request.**

Copyright © Canaccord Genuity Corp. 2012. – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited 2012. – Member LSE, authorized and regulated by the Financial Services Authority.

Copyright © Canaccord Genuity Inc. 2012. – Member FINRA/SIPC

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, and Canaccord Genuity Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.

---

## SNC-Lavalin Group Inc.

(SNC-T C\$40.48)

Anthony Zicha - 514-350-7748  
(Scotia Capital Inc. - Canada)  
[anthony.zicha@scotiabank.com](mailto:anthony.zicha@scotiabank.com)

George Doumet - 514-350-7788  
(Scotia Capital Inc. - Canada)  
Sami Abboud, MBA - 514-350-7737  
(Scotia Capital Inc. - Canada)

**Rating: 2-Sector Perform** **Target** 1-Yr: C\$46.00 **ROR** 1-Yr: 15.7%  
**Risk Ranking: Medium** 2-Yr: C\$51.00 2-Yr: 30.1%  
Valuation: 1-Yr Target: Engineering: (Avg 10x P/E 2013E) + 407 ETR: \$9.50 NPV + AltaLink: \$6.00 + \$4.00 Net Freehold Cash + \$1.00 Other Concessions  
**Key Risks to Target:** Lower commodity prices; country specific risk.

**Est. NTM Div.** C\$0.84  
**Div. (Current)** C\$0.84  
**Yield** 2.1%

### Déjà Vu - A Buying Opportunity?

#### Event

- We compare impacts of the \$35M expense unrelated to construction payments to the impact on SNC multiples during the 1997 Bre-X scandal.

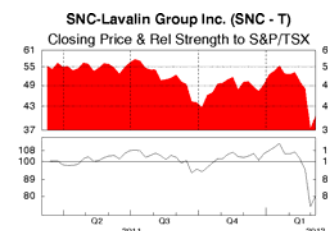
#### Implications

- **Limited downside from current levels...** We believe the current downside risk to further earnings multiple contraction on SNC-Lavalin stock could be limited, supported by its portfolio of infrastructure concession investments and freehold cash valued at \$20.50.
- **...Drawn out multiple recovery.** We believe the recent loss of investor confidence in SNC could potentially result in a depressed stock valuation for up to 12-18 months. However, additional clarity relating to the \$35M expense (possibly provided with the Q4/11 results) could lead to a near-term bump in SNC's multiple.
- **Potential earnings risks.** We believe potential earnings risks that could impact SNC's future earnings include: (1) diminished ability to win new contracts, especially in high-profile P3 projects, (2) potential for more cost overruns, and (3) possible loss of key SNC personnel.

#### Recommendation

- While we believe there is limited downside risk from current levels, SNC multiples could remain depressed in the near to medium term.

Qly EPS (FD)	Q1	Q2	Q3	Q4	Year	P/E
2010A	\$0.42 A	\$0.48 A	\$0.73 A	\$0.70 A	\$2.33	25.69
2011E	\$0.33 A	\$0.39 A	\$0.66 A	\$0.42	\$1.79	28.54
2012E	\$0.45	\$0.49	\$0.59	\$0.58	\$2.11	19.21
2013E	\$0.54	\$0.57	\$0.71	\$0.69	\$2.51	16.12
(FY-Dec.)	2009A	2010A	2011E	2012E	2013E	
Earnings/Share	\$2.29	\$2.33	\$1.79	\$2.11	\$2.51	
Cash Flow/Share	\$4.23	\$4.16	\$3.03	\$3.38	\$3.80	
Price/Earnings	23.6	25.7	28.5	19.2	16.1	
Relative P/E	0.8	1.3	2.0	1.1	0.9	
Revenues	\$6,102	\$5,975	\$7,606	\$7,298	\$7,656	
EBITDA	\$736	\$574	\$854	\$808	\$854	
Current Ratio	1.2	1.4	1.2	1.1	1.1	
Tot. Debt/(Tot.Dbt+Eq.)	0.64	0.66	0.63	0.59	0.54	
IBES Estimates	BVPS12E	\$13.93				
EPS 2011E: \$2.41	ROE12E	15.7%				
EPS 2012E: \$2.85						



Source: Global Insight, Inc.

Capitalization	
Shares O/S (M)	151.8
Total Value (\$M)	6,145
Float O/S (M)	151.8
Float Value (\$M)	6,145
TSX Weight	0.39%
Next Reporting Date	Mar-12

[ScotiaView Analyst Link](#)

Historical price multiple calculations use FYE prices. Source: Reuters; Company reports; Scotiabank GBM estimates.

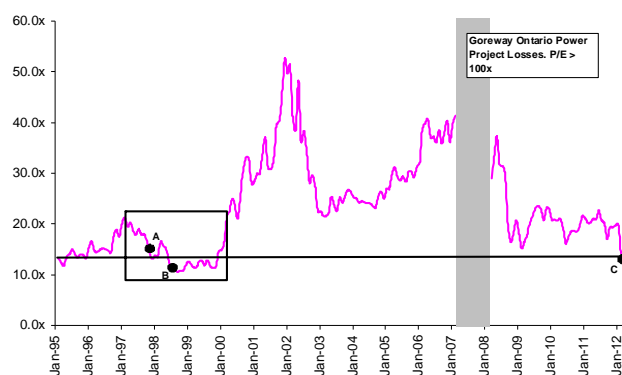
## SNC's Involvement in Bre-X Scandal

- In March 1997, Bre-X, the largest Canadian gold resources company at the time, suffered a market cap loss of approximately 82% to \$600M stemming from fraudulent disclosures regarding an enormous gold deposit at the company's Busang mine in Indonesia.
- SNC-Lavalin Kilborn was the independent consulting company hired by Bre-X to estimate the gold resources in the Busang deposit. By April, seven class action lawsuits by investors were brought forward against Bre-X officials.

## SNC-Lavalin Share Impact of Bre-X

- During the period March 1997 to November 1998 (Bre-X scandal era), SNC-Lavalin's earnings multiple (LTM) contracted ~42% to 11.4x (versus historical average of 15x), and experienced an overhang for up to 2.5 years, after which the company's earnings multiple began to expand (see Exhibits 1 and 2).
- Exhibit 1: Following recently announced events, SNC-Lavalin's P/E contracts 29% to valuation levels not seen since the Bre-X scandal era (box area).
- Exhibit 2: SNC-Lavalin earnings valuation remained depressed for a period of 2-3 years before rebounding to historical trading ranges.

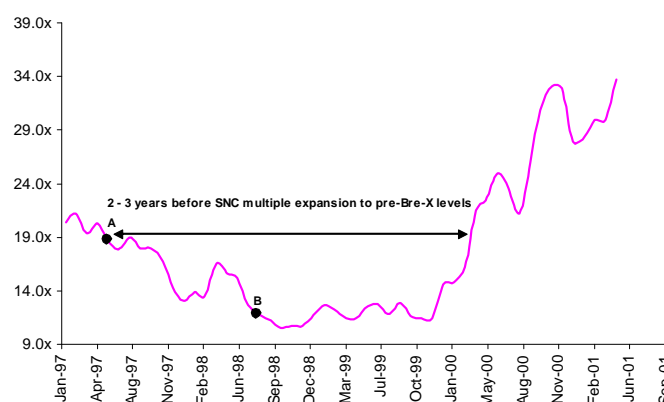
Exhibit 1 - SNC-Lavalin Group Inc. Historical P/E (LTM)



A. Bre-X Mineral scandal made public by Strathcona Mineral Services (May 1997)  
B. Bre-X accuses SNC-Lavalin of falsifying resource findings (July 1998)  
C. SNC announces \$35M expenses unrelated to construction payments

Source: Bloomberg.

Exhibit 2 - SNC-Lavalin Group Inc. Historical P/E (May 1997 - September 2001)



Source: Bloomberg

## SNC-Lavalin: Recent Events' Impact on Stock Valuation

- We believe recent events triggering the loss of investor confidence in SNC similar to the Bre-X incident could potentially result in a depressed stock valuation with an expected overhang of 12-18 months.
- Subsequent to the announcement of the \$35M expense unrelated to construction payments, SNC's 2011 estimated core-engineering earnings multiple contracted ~29% to 9.5x. Currently, SNC is trading at 8x our 2013 core engineering earnings estimate.
- We believe the downside risk to further earnings multiple contraction on SNC-Lavalin stock could be limited (compared to 42% during the Bre-X scandal), supported by its portfolio of infrastructure concession investments and freehold cash valued at \$20.50 (H407: \$9.00; Altalink: \$6.50; Freehold cash: \$4.00; Other concessions: \$1.00).

- We believe potential earnings risks stemming from recent events that could affect SNC-Lavalin's future earnings include: (1) diminished ability to win new contracts, especially in high-profile P3 projects, (2) potential for more cost overruns, and (3) potential loss of key SNC-Lavalin personnel.

#### Recommendation and Valuation

- We remain neutral on SNC-Lavalin shares given decreased earnings visibility stemming from: (1) cost overruns, (2) credibility issues regarding guidance, and (3) resurfacing of Libyan-related issues.
- We continue to value SNC-Lavalin core engineering and construction using 10x P/E on our 2013E. In addition we value H407 at \$9.50/share, Altalink at \$6.00/share, free-hold cash at \$4.00/share, and other concessions at \$1.00/share.

[ScotiaView Analyst Link](#)

## Appendix A: Important Disclosures

Company	Ticker	Disclosures (see legend below)*
SNC-Lavalin Group Inc.	SNC	I

I, Anthony Zicha, certify that (1) the views expressed in this report in connection with securities or issuers that I analyze accurately reflect my personal views and (2) no part of my compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by me in this report.

This research report was prepared by employees of Scotia Capital Inc. and/or its affiliates who have the title of Analyst.

All pricing of securities in reports is based on the closing price of the securities' principal marketplace on the night before the publication date, unless otherwise explicitly stated.

All Equity Research Analysts report to the Head of Equity Research. The Head of Equity Research reports to the Managing Director, Head of Institutional Equity Sales, Trading and Research, who is not and does not report to the Head of the Investment Banking Department. Scotiabank, Global Banking and Markets has policies that are reasonably designed to prevent or control the sharing of material non-public information across internal information barriers, such as between Investment Banking and Research.

The compensation of the research analyst who prepared this report is based on several factors, including but not limited to, the overall profitability of Scotiabank, Global Banking and Markets and the revenues generated from its various departments, including investment banking. Furthermore, the research analyst's compensation is charged as an expense to various Scotiabank, Global Banking and Markets departments, including investment banking. Research Analysts may not receive compensation from the companies they cover.

Non-U.S. analysts may not be associated persons of Scotia Capital (USA) Inc. and therefore may not be subject to NASD Rule 2711 restrictions on communications with subject company, public appearances and trading securities held by the analysts.

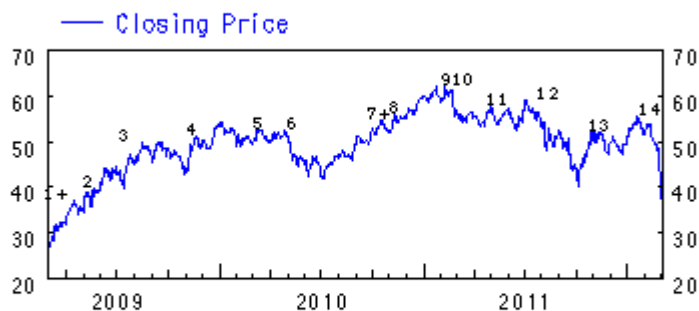
For Scotiabank, Global Banking and Markets Research analyst standards and disclosure policies, please visit <http://www.gbm.scotiabank.com/disclosures>

Scotiabank, Global Banking and Markets Research, 40 King Street West, 33rd Floor, Toronto, Ontario, M5H 1H1.

---

\* *Legend*

I Scotia Capital (USA) Inc. or its affiliates has received compensation for investment banking services in the past 12 months.



Numbers are located to the left of the lines they represent.  
Numbers indicated with a plus sign (+) have more than one target or rating change in the given month.

SNC-Lavalin Group Inc.				
#	Date	Closing Price	Rating	Target-1YR
1	3-Mar-09	\$27.00	* 1-Sector Outperform	*\$42.00
	9-Mar-09	\$28.30	1-Sector Outperform	*\$41.00
2	8-May-09	\$38.97	1-Sector Outperform	*\$43.00
3	31-Jul-09	\$45.46	* 2-Sector Perform	*\$49.00
4	9-Nov-09	\$49.15	2-Sector Perform	*\$52.00
5	8-Mar-10	\$52.34	2-Sector Perform	*\$54.00
6	7-May-10	\$47.47	2-Sector Perform	*\$53.00
7	8-Oct-10	\$52.78	Restricted	Restricted
	29-Oct-10	\$52.10	* 2-Sector Perform	*\$53.00
8	8-Nov-10	\$55.22	* 1-Sector Outperform	*\$62.00
9	14-Feb-11	\$60.02	1-Sector Outperform	*\$73.00
10	7-Mar-11	\$54.66	1-Sector Outperform	*\$69.00
11	6-May-11	\$54.75	1-Sector Outperform	*\$63.00
12	8-Aug-11	\$47.99	1-Sector Outperform	*\$57.50
13	7-Nov-11	\$50.98	1-Sector Outperform	*\$62.00
14	29-Feb-12	\$37.40	* 2-Sector Perform	*\$46.00
* represents the value(s) that has changed.				

## Definition of Scotiabank, Global Banking and Markets Equity Research Ratings & Risk Rankings

We have a three-tiered rating system, with ratings of 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform. Each analyst assigns a rating that is relative to his or her coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

Our risk ranking system provides transparency as to the underlying financial and operational risk of each stock covered. Statistical and judgmental factors considered are: historical financial results, share price volatility, liquidity of the shares, credit ratings, analyst forecasts, consistency and predictability of earnings, EPS growth, dividends, cash flow from operations, and strength of balance sheet. The Director of Research and the Supervisory Analyst jointly make the final determination of all risk rankings.

The rating assigned to each security covered in this report is based on the Scotiabank, Global Banking and Markets research analyst's 12-month view on the security. Analysts may sometimes express to traders, salespeople and certain clients their shorter-term views on these securities that differ from their 12-month view due to several factors, including but not limited to the inherent volatility of the marketplace.

### Ratings

#### 1-Sector Outperform

The stock is expected to outperform the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

#### 2-Sector Perform

The stock is expected to perform approximately in line with the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

#### 3-Sector Underperform

The stock is expected to underperform the average 12-month total return of the analyst's coverage universe or an index identified by the analyst that includes, but is not limited to, stocks covered by the analyst.

### Other Ratings

*Tender* – Investors are guided to tender to the terms of the takeover offer.

*Under Review* – The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

### Risk Rankings

#### Low

Low financial and operational risk, high predictability of financial results, low stock volatility.

#### Medium

Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

#### High

High financial and/or operational risk, low predictability of financial results, high stock volatility.

#### Caution Warranted

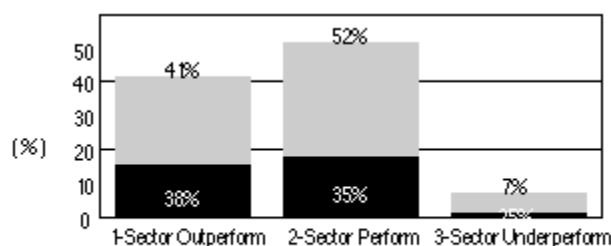
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk-tolerant investors only.

#### Venture

Risk and return consistent with Venture Capital. For risk-tolerant investors only.

## Scotiabank, Global Banking and Markets Equity Research Ratings Distribution\*

### Distribution by Ratings and Equity and Equity-Related Financings\*



■ Percentage of companies covered by Scotiabank, Global Banking and Markets within each rating category.

■ Percentage of companies within each rating category for which Scotiabank, Global Banking and Markets has undertaken an underwriting liability or has provided advice for a fee within the last 12 months.

\* As at February 29, 2012.

Source: Scotiabank GBM.

For the purposes of the ratings distribution disclosure the NASD requires members who use a ratings system with terms different than "buy," "hold/neutral" and "sell," to equate their own ratings into these categories. Our 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform ratings are based on the criteria above, but for this purpose could be equated to buy, neutral and sell ratings, respectively.



## General Disclosures

This report has been prepared by analysts who are employed by the Research Department of Scotiabank, Global Banking and Markets. Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including Scotia Capital Inc.

All other trademarks are acknowledged as belonging to their respective owners and the display of such trademarks is for informational use only.

Scotiabank, Global Banking and Markets Research produces research reports under a single marketing identity referred to as "Globally-branded research" under U.S. rules. This research is produced on a single global research platform with one set of rules which meet the most stringent standards set by regulators in the various jurisdictions in which the research reports are produced. In addition, the analysts who produce the research reports, regardless of location, are subject to one set of policies designed to meet the most stringent rules established by regulators in the various jurisdictions where the research reports are produced.

This report is provided to you for informational purposes only. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any securities and/or commodity futures contracts.

The securities mentioned in this report may neither be suitable for all investors nor eligible for sale in some jurisdictions where the report is distributed.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable, however, Scotiabank, Global Banking and Markets makes no representation or warranty, express or implied, as to their accuracy or completeness.

Scotiabank, Global Banking and Markets has policies designed to make best efforts to ensure that the information contained in this report is current as of the date of this report, unless otherwise specified.

Any prices that are stated in this report are for informational purposes only. Scotiabank, Global Banking and Markets makes no representation that any transaction may be or could have been effected at those prices.

Any opinions expressed herein are those of the author(s) and are subject to change without notice and may differ or be contrary from the opinions expressed by other departments of Scotiabank, Global Banking and Markets or any of its affiliates.

Neither Scotiabank, Global Banking and Markets nor its affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

Equity research reports published by Scotiabank, Global Banking and Markets are available electronically via: Bloomberg, Thomson Financial/First Call - Research Direct, Reuters, Capital IQ, and FactSet. Institutional clients with questions regarding distribution of equity research should contact us at 1-800-208-7666.

This report and all the information, opinions, and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever, nor may the information, opinions, and conclusions contained in it be referred to without the prior express consent of Scotiabank, Global Banking and Markets.

## Additional Disclosures

**Canada:** This report is distributed by Scotia Capital Inc., a subsidiary of The Bank of Nova Scotia. DWM Securities Inc. is a subsidiary of The Bank of Nova Scotia and an affiliate of Scotia Capital Inc. Scotia Capital Inc. and DWM Securities Inc. are members of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. DWM Securities Inc. does not provide investment banking services.

**Hong Kong:** This report is distributed by The Bank of Nova Scotia Hong Kong Branch, which is authorized by the Securities and Future Commission to conduct Type 1, Type 4 and Type 6 regulated activities and regulated by the Hong Kong Monetary Authority.

**Mexico:** This report is distributed by Scotia Inverlat Casa de Bolsa S.A. de C.V., a subsidiary of the Bank of Nova Scotia.

**Singapore:** This report is distributed by The Bank of Nova Scotia Asia Limited, a subsidiary of The Bank of Nova Scotia. The Bank of Nova Scotia Asia Limited is authorised and regulated by the Monetary Authority of Singapore, and exempted under Section 99(1)(a), (b), (c) and (d) of the Securities and Futures Act to conduct regulated activities.

**United Kingdom and the rest of Europe:** Except as otherwise specified herein, this report is distributed by Scotia Capital (Europe) Limited, a subsidiary of the Bank of Nova Scotia. Scotia Capital (Europe) Limited is authorized and regulated by the Financial Services Authority (FSA). Scotia Capital (Europe) Limited research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. Scotia Capital Inc. is regulated by the FSA for the conduct of investment business in the UK.

**United States:** This report is distributed by Scotia Capital (USA) Inc., a subsidiary of Scotia Capital Inc., and a registered U.S. broker-dealer. All transactions by a U.S. investor of securities mentioned in this report must be effected through Scotia Capital (USA) Inc.

Non-U.S. investors wishing to effect a transaction in the securities discussed in this report should contact a Scotiabank, Global Banking and Markets entity in their local jurisdiction unless governing law permits otherwise.

This is Exhibit "C" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.

# 2011 Management's Discussion and Analysis

March 25, 2012<sup>(1)</sup>

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the audited annual consolidated financial statements and accompanying notes, and should therefore be read in conjunction with these documents, and should also be **read together with the text below on forward-looking statements**. Reference in this MD&A to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures.

The Company's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on the Company's website ([www.snclavalin.com](http://www.snclavalin.com)) as well as on SEDAR ([www.sedar.com](http://www.sedar.com)), the system used for electronically filing most securities-related information with the Canadian securities regulatory authorities.

**Unless otherwise indicated, all financial information presented in this MD&A, including tabular amounts, is in Canadian dollars and is prepared in accordance with International Financial Reporting Standards ("IFRS").**

The year 2011 is the first year for which the Company's consolidated financial statements have been prepared in accordance with IFRS. The 2010 comparative figures and the January 1, 2010 ("Date of Transition") opening statement of financial position have been restated as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, ("IFRS 1"). See Note 35 to the Company's 2011 audited annual consolidated financial statements for quantitative reconciliations between Canadian generally accepted accounting principles ("GAAP") and IFRS. The most significant impacts for the Company of adopting IFRS related to: i) the presentation of the net income attributable to SNC-Lavalin shareholders separately from the net income attributable to non-controlling interests; ii) the accounting for its jointly controlled entities for Infrastructure Concession Investments ("ICI"), accounted for under IAS 31, *Interests in Joint Ventures*, ("IAS 31"); and iii) the accounting for the Company's ICI that are accounted for under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). The transition to IFRS had an impact on the Company's ICI, but only a limited impact on the Company's other activities.

## FORWARD-LOOKING STATEMENTS

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes.

Many factors and assumptions could have an impact on the materialization of the Company's projections, including, but not limited to, project performance, cost overruns, performance of joint venture partners, ability to attract and retain qualified personnel, subcontractors and suppliers, economic and political conditions, non-compliance with laws or regulations by the Company's employees, agents, suppliers, and/or partners, and other factors that are beyond its control. Additional risks and uncertainties exist by reason of the identified material weaknesses in the Company's internal control over financial reporting and the matters investigated in connection with the Independent Review (as defined below), which are described in detail in this MD&A. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the section "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and the section "Risks and Uncertainties" in this report.

**The forward-looking statements in this document reflect the Company's expectations as at March 25, 2012, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.**

(1) This Management's Discussion and Analysis is dated March 25, 2012 except with respect to certain announcements made by the Company on March 26, 2012 which are described herein.

# 2011 Management's Discussion and Analysis

## TABLE OF CONTENTS

SECTION	PAGE
<b>1 Recent Developments</b> A description of recent developments	6
<b>2 2011 Highlights</b> A summary of the Company's key results, figures and notable events for 2011	15
<b>3 Overview of Our Business and Strategy</b> A discussion of SNC-Lavalin's business and strategy	18
<b>4 How We Analyze and Report our Results</b> A description of the Company's activities as well as a description of its budget process, and how the Company is generally valued	21
<b>5 Our Key Financial Performance Indicators</b> A discussion of the Company's key financial performance indicators	30
<b>6 Breakdown of Income Statement</b> A detailed analysis of the Company's consolidated income statement	31
<b>7 Revenue Backlog</b> A description and accompanying discussion of the Company's revenue backlog recognition policy and revenue backlog position	39
<b>8 Geographic Breakdown of Revenues by Category of Activity</b> A discussion of the Company's revenues by geographic area	45
<b>9 Operating Results by Segment</b> A detailed discussion of the Company's operating results by industry segment	47
<b>10 Liquidity and Capital Resources</b> A discussion of the Company's financial position, liquidity, cash flows and other financial disclosures	60
<b>11 Related Party Transactions</b> A discussion on the related party transactions entered into by the Company	70
<b>12 Shareholders and Employee Shareholdings</b> A discussion of the Company's shareholders, including the employees' share ownership and share-based compensation programs	71
<b>13 Critical Accounting Judgments and Key Sources of Estimation Uncertainty</b> A description of the Company's critical accounting judgments and the accounting policies to which they relate	72
<b>14 Accounting Policies and Changes</b> A report on the accounting policies adopted during the year, including first-time adoption of IFRS, and those to be adopted in future periods	72
<b>15 Risks and Uncertainties</b> A description of the principal risks and uncertainties facing the Company and the policies and practices in place to mitigate them	74
<b>16 Legal Proceedings</b> A description of legal proceedings	79
<b>17 Fourth Quarter Results</b> An analysis of the Company's operating results for the fourth quarter, and its revenue backlog and financial position as at December 31, 2011	80
<b>18 Controls and Procedures</b> A report on the Company's disclosure controls and procedures and internal control over financial reporting	80
<b>19 Quarterly Information</b> A summary of selected Company financial information by quarter for 2011 and 2010	83

## 2011 Management's Discussion and Analysis

### 1 RECENT DEVELOPMENTS

#### 1.1 INDEPENDENT REVIEW

On February 28, 2012, the Company announced that its 2011 net income was expected to be approximately 18% below its previously announced 2011 outlook. Moreover, the Company announced that its Board of Directors had initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding period expenses of \$35 million relating to certain payments made in the fourth quarter of 2011 that were documented to construction projects to which they did not relate, and certain other contracts, and that independent legal counsel was retained in this connection.

On March 26, 2012, the Company announced the results of the Independent Review and the related findings and recommendations of the Audit Committee to the Company's Board of Directors. The Board of Directors has adopted all of such recommendations, which are directed primarily at reinforcing standards of conduct, strengthening and improving internal controls and processes and reviewing the compliance environment, and has directed management to develop a detailed plan and timetable for their implementation.

The Company intends to separately report these matters to the appropriate authorities and to cooperate fully with such authorities with respect to these and any other matters.

The executive summary of the results of the Independent Review and the related findings and recommendations of the Audit Committee is reproduced below (the "Independent Review Summary").

\*\*\*\*\*

#### EXECUTIVE SUMMARY OF INDEPENDENT REVIEW, FINDINGS AND RECOMMENDATIONS DELIVERED ON MARCH 23, 2012

##### BACKGROUND OF THE INDEPENDENT REVIEW

During December 2011 and January 2012, information was received as part of an accounting review and numerous internal meetings, held amongst certain members of senior management, with respect to two agency agreements documented to construction projects to which they did not appear to relate. The Chairman of the Board of Directors was briefed on January 19, 2012, requested additional information, and was further briefed on February 3, 2012, at which time Stikeman Elliott LLP was mandated as independent counsel. The investigation commenced of payments aggregating US\$33.5 million made by the Company in the fourth quarter of 2011 under presumed agency agreements (the "A Agreements") documented in respect of Project [Intentionally omitted]<sup>1</sup> ("Project 1") and Project [Intentionally omitted] ("Project 2"), but believed in fact to relate to Project [Intentionally omitted] ("Project A"). Independent counsel retained investigative advisors to provide business intelligence and related services.

In February 2012, documents were received by the Company's Chief Financial Officer (the "CFO")<sup>2</sup>, and related information was detected as part of year-end accounting processes, with respect to two other contracts. On February 16, 2012, the Chairman of the Board of Directors and the Chairman of the Audit Committee were briefed and the scope of the investigation was widened to include: (a) payments aggregating approximately US\$22.5 million made by the Company in 2010 and 2011 under a presumed agency agreement (the "B Agreement" and together with the A Agreements, the "Agreements") documented in respect of Project [Intentionally omitted] ("Project 3"), but believed in fact to relate to Project [Intentionally omitted] ("Project B"); and (b) a presumed collection agreement (the "Collection Agreement") and related 2009 invoice (the "Invoice") purporting to relate to the settlement of a dispute relating to Project [Intentionally omitted] ("Project 4"), as to which there was no information at the time.

On January 23, 2012 and on February 16, 2012, the Company informed its external auditor, Deloitte & Touche LLP ("D&T"), of the subject matters of the Independent Review, and has since regularly kept them informed as it has progressed.

1 Because of the private or commercially sensitive nature of such information, neither the projects nor outside parties involved are named in this executive summary.

2 See note 8 below.

## 2011 Management's Discussion and Analysis

Independent counsel has reported periodically to the Audit Committee or the outside members of the Board of Directors on the progress of the Independent Review. Outside Board members were invited to attend Audit Committee meetings. The Chairs of the Audit Committee and of the Board of Directors were briefed regularly to update them on the progress of the Independent Review, as well as to seek instructions on matters arising therefrom.

On February 27, 2012, based upon the analysis to date regarding the A Agreements, the Audit Committee was informed by management that they had concluded, with the concurrence of D&T in the context of their audit of the 2011 financial statements, that the payments thereunder would need to be recorded as period expenses (i.e. not generating any revenues).

On February 28, 2012, before the opening of markets, the Company publicly announced that its 2011 net income is expected to be approximately 18% (or approximately \$80 million) below its previously announced 2011 outlook, including because of period expenses of approximately \$35 million relating to certain payments referred to above made in the fourth quarter of 2011 that were documented to projects to which they did not relate and, consequently, had to be recorded as expenses in the quarter.

### SCOPE OF THE INDEPENDENT REVIEW

The scope of the Independent Review and the processes undertaken were approved by the outside members of the Board of Directors or the Audit Committee, as the case may be. From the outset, the cooperation and support of current senior executive officers was sought and obtained in the Independent Review, including assistance in helping to coordinate requests and to obtain information.

At the direction of independent counsel, electronic and paper documents were collected from Company corporate headquarters in Montreal, Company servers and members of senior management and key employees. The electronic documents were searched using relevant keywords, and documents flagged as a result of the searches performed were reviewed. Independent counsel interviewed members of senior management and other employees identified as possibly having knowledge about the subject matter of the Independent Review or who were otherwise relevant to it, in some cases more than once. In addition, at the direction of independent counsel, background intelligence and other information was sought about various companies and individuals.

Background intelligence work was carried out in respect of the named counterparties to the Agreements and Collection Agreement and other entities where some form of connection was observed to such named counterparties. This consisted primarily of searches of publicly available information, such as company records in the relevant jurisdictions.

The Independent Review has been subject to certain practical limitations, including that: (a) Mr. Riadh Ben Aïssa (the **"Former EVP Construction"**), a former senior executive of the Company, is believed to have direct and significant knowledge about most of the investigated transactions, but has not been met despite a request to his counsel; (b) Mr. Stéphane Roy (the **"Former Controller Construction"**), a former executive of the Company who may have knowledge about some of the investigated transactions, was met prior to his dismissal on February 9, 2012, but has not been met since; (c) the information reviewed is limited to that within the Company's control and information that is publicly available; (d) the relevant counterparties to the Agreements and Collection Agreement are constituted in multiple jurisdictions and public records in certain of these contain limited information which may not be complete, current or accurate; (e) third parties have been unresponsive or reluctant to provide information regarding their operations or their clients' affairs; (f) some former employees have conducted Company affairs using non-corporate email addresses or had password protected devices to which the Company does not have access; (g) the conclusions drawn are limited to the information obtained to date; and (h) the interpretation of improper documentation cannot be definitive, including because it is known to be inaccurate, at least in some respects, and the true arrangement and terms thereof will be inferred from contradicting or supplementing oral or circumstantial evidence.

## 2011 Management's Discussion and Analysis

### RESULTS OF THE INDEPENDENT REVIEW

#### PRELIMINARY MATTERS

The Agreements are based upon the form of representative agreement contemplated in the Company's Policy on Commercial Agents/Representatives (the "**Agents Policy**"). The Agents Policy sets out the rules governing the hiring and remuneration of commercial agents or representatives by the Company in various markets around the world. One key feature of the Agents Policy is that all of the hiring and remuneration of agents is the responsibility of SNC-Lavalin International Inc. ("**SLII**"), a subsidiary of the Company. There are different authorized signatories depending on whether the contract with the agent respects certain limits, but no provision in the Agents Policy allows any person to override the Agents Policy.<sup>3</sup>

#### FINDINGS DERIVED FROM INFORMATION OBTAINED

Based upon the information obtained as part of the Independent Review, and although there is no documentary evidence linking the Agreements to Project A or Project B: (a) a presumed agent, representative or consultant<sup>4</sup> appears to have been retained for each of Project A and Project B; (b) the Agreements were respectively documented in respect of Projects 1 and 2 (instead of Project A) and Project 3 (instead of Project B); (c) all or part of the US\$33.5 million paid in 2011 under the A Agreements is more likely than not to relate to Project A; and (d) all or part of the approximately US\$22.5 million paid in 2010 and 2011 under the B Agreement is more likely than not to relate to Project B. No agency agreement other than the Agreements came to light in the context of the Independent Review as being improperly documented in respect of a project to which it did not effectively relate.

3 The Agents Policy also provides among others for the existence of a written agreement with any agent, the use of an approved master agreement, a progressive payment schedule for commercial fees, percentage or ratio limits on commercial fees, a procedure for approval and signature of agreements and payments thereunder, standard distribution of the agreements once signed, diligence and certification requirements, and an approval process in case an agreement departs from the specified limits

4 Given it is not known precisely what services were rendered, reference is made, for convenience purposes, to a presumed agency or agent throughout this executive summary.

## 2011 Management's Discussion and Analysis

The following table summarizes these findings:

	A Agreements	B Agreement
Presumed agents hired	In 2011, the Former EVP Construction said that he had hired an agent to help secure work in respect of Project A.  The Independent Review has found no direct and conclusive evidence establishing the nature of the services or actions undertaken by, or the true identity of, any presumed agent. The counterparties named in the A Agreements appear to be without substance, and any individual named on the public registers in relation to the corporate counterparties does not appear to be a true principal. <sup>5</sup>	In 2009, the Former EVP Construction said that he had hired an agent to help secure work in respect of Project B.  The Independent Review has found no direct and conclusive evidence establishing the nature of the services or actions undertaken by, or the true identity of, any presumed agent. The counterparty named in the B Agreement appears to be without substance, and any individual named on the public registers in relation to the corporate counterparties does not appear to be a true principal.
Decisions to attribute to other projects	At the same time, a decision was made not to charge the presumed agents' fees to Project A, and not to otherwise associate the presumed agents with Project A	At the same time, a decision was made not to charge the presumed agent's fees to Project B, and not to otherwise associate the presumed agent with Project B.
Execution of improper documents	The Former EVP Construction co-signed and instructed a senior officer of SLII to co-sign the A Agreements on behalf of SLII. The A Agreements were improperly documented in respect of Projects 1 and 2.	The Former EVP Construction instructed a senior officer of SLII to sign the B Agreement on behalf of SLII. The B Agreement was improperly documented in respect of Project 3.
Agents Policy	The Agents Policy was not complied with in various respects in connection with the A Agreements, including the authorized signatories and the aggregate corporate limits on fees attributable to the attributed projects.	The Agents Policy was not complied with in various respects in connection with the B Agreement, including the authorized signatories and the aggregate corporate limits on fees attributable to the attributed project.
Payments	The A Agreements contemplated fees of US\$33.5 million in the aggregate. In December 2011, payments of US\$33.5 million under the A Agreements were requested of SLII by the Former EVP Construction. The required signatories (the Chairman of SLII and the CFO) refused to approve the payments. The requests were brought to the Company's Chief Executive Officer (the "CEO"), who authorized or permitted the Former EVP Construction to make the payments through his division.	The B Agreement contemplated fees of \$30 million. Payments aggregating approximately US\$22.5 million <sup>6</sup> were made in 2010 and 2011 through SLII (Tunisia), but were improperly approved on its behalf by the Former EVP Construction and someone within his division.
Use of payments, etc.	The Independent Review has found no direct and conclusive evidence establishing the exact use, purpose or beneficiaries of payments made under the A Agreements. However, as noted above, the decision to hire presumed agents was based on the understanding at the time that it would help secure work in respect of Project A.	The Independent Review has found no direct and conclusive evidence establishing the exact use, purpose or beneficiaries of payments made under the B Agreement. However, as noted above, the decision to hire a presumed agent was based on the understanding at the time it would help secure work in respect of Project B.
Accounting	Payments were to be accounted for in respect of Projects 1 and 2 in accordance with the improper documentation. Accounting entries were not made or were made and reversed in short order in relation to Projects 1 and 2.	Payments were accounted for in respect of Project 3 in accordance with the improper documentation. Accounting entries were made in relation to Project 3 in 2010 and 2011. The entries were subsequently detected in February 2012 as an anomaly and reported to the Senior Vice-President and Controller of the Company.
Disclosure	The agencies on Project A were neither properly disclosed within the Company, nor were they disclosed to its internal or external auditors until shortly before the Independent Review began. <sup>7</sup>  In late 2011, the CFO was told at a meeting with the CEO and the Former EVP Construction that agents had been hired on Project A. The CFO objected to any involvement.	The agency on Project B was neither properly disclosed within the Company, nor to its internal or external auditors until shortly before the Independent Review began.  In 2010, the CFO was told at a meeting with the CEO and the Former EVP Construction that an agent had been hired on Project B and that its fees would be charged to other projects. The CFO objected to this at the meeting.

5 In correlating this information to similar information obtained, certain relationships have been established through co-directorships or otherwise with other counterparties to other agency agreements.

6 It is assumed that this corresponds to a renegotiated fee arrangement resulting from a change in the project cost, but there is no evidence of this amendment.

7 In 2011, a senior officer was told that a presumed agent had been hired for Project A. He did not, however, see the A Agreements.



## 2011 Management's Discussion and Analysis

### **COLLECTION AGREEMENT**

The Collection Agreement and the Invoice were received together. The Collection Agreement purports to relate to a dispute over an amount owing to the Company under Project 4 and to give rise to a payable of US\$8.25 million. The Invoice appears to have been received by the Company in 2011 only, but payment was refused on the basis that there were no records or other information available about such an arrangement. On March 21, 2012, a demand letter was received from legal counsel to the counterparty demanding payment of Euros (*sic*) 8.25 million. To date, other than these documents, there is no oral, documentary or circumstantial evidence linking the documents to Project 4 or any other project. In addition, there does not appear to be any payment of any amount to the payee thereof since January 2010. Accordingly, no conclusion can be drawn other than that these documents are unlikely to relate to Project 4, including because there is already a collection arrangement in respect of the presumed dispute and there is no obvious reason why there would need to be a second collection agreement on the project. The Independent Review has found no direct and conclusive evidence establishing the nature of the services or actions undertaken by, or the true identity of, the presumed agent. From the business intelligence gathered, the named counterparty appears to be without substance, and the true principal involved in the transaction does not appear to be an individual named on the public registers relating to the counterparty.

### **POTENTIAL SANCTIONS**

In the absence of direct and conclusive evidence, the use and purpose of the payments or nature of the services rendered or actions taken under the Agreements cannot be determined with certainty. However, the absence of conclusive findings does not exclude the possibility that, if additional facts that were adverse to the Company became known, sanctions could be brought against it in connection with possible violations of law or contracts.

### **CODE OF ETHICS AND BUSINESS CONDUCT AND RELATED MATTERS**

#### **INTRODUCTION**

*Code.* The Company's Code of Ethics and Business Conduct (the "**Code**") was considered in light of the findings of the Independent Review. The general policy underlying the Code is expressed as follows:

"Our policy is to maintain ethical standards in the conduct of our business and in our relations with whomever we associate – our colleagues, directors, shareholders, customers, associates and suppliers, as well as governments, the public and the media. Our integrity and reputation for ethical practices are among our most valued assets and are essential aspects of our sustained profitability."

The Code applies to "all members of the Boards of Directors and to all officers and employees of SNC-Lavalin in Canada and abroad." It imposes personal obligations on all directors, officers and employees "[a]s a condition of membership and of employment", and each must acknowledge having read the Code, understanding its contents, and being bound by its provisions.

Each person who authorizes or participates in a breach of the Code breaches the Code ("each one of us is accountable for his or her actions"). However, while it is open to any individual who is aware of a suspected breach of the Code by others to report it, there is no duty to report such a suspected breach, such that a person who has knowledge of a breach of the Code and who does not report it is not himself or herself in breach.

*Whistleblower Policy.* The Procedures for Complaints and Concerns Regarding Accounting, Internal Accounting Controls, Auditing and Other Matters (the "**Whistleblower Policy**") sets out the procedures governing complaints, including matters such as protecting the confidentiality of any whistleblower and ensuring that there be no retaliation against a whistleblower. The Whistleblower Policy does not, however, impose an obligation to report an issue.

*Agents Policy.* The Code provides that "[a]ll transactions are conducted at the level of authority required by SNC-Lavalin policies and procedures", such that a breach of the Agents Policy is a breach of the Code.

## 2011 Management's Discussion and Analysis

### RECORDS RULE

In the present circumstances, the relevant provisions of the Code includes compliance with sound accounting practices and record maintenance (the "Records Rule"):

#### Compliance with Sound Accounting Practices and Record Maintenance

##### "Accurately reflecting our business transactions"

We all have a responsibility to ensure that SNC-Lavalin's books and records accurately and punctually reflect the Company's transactions, assets and liabilities. We adhere to a proper application of accepted accounting standards and practices, rules, regulations and controls. These commitments include the following:

- > Business records, expense reports, invoices, vouchers, payrolls, employee records and other reports are prepared with care and honesty and in a timely fashion.
- > All transactions are conducted at the level of authority required by SNC-Lavalin policies and procedures and in compliance with applicable rules and regulations.
- > No transaction, asset, liability or other financial information is concealed from management or from SNC-Lavalin's internal and external auditors. ...
- > All documents signed are, to the best of our knowledge, accurate and truthful.
- > False or misleading entries and unrecorded bank accounts, for any purpose, whether regarding sales, purchases or other Company activity, are strictly prohibited. ...

The above list is by no means exhaustive. Suspected breaches of our accounting practices and record maintenance and internal controls that appear to be in violation will be investigated." [Emphasis added.]

The Records Rule does not refer to or incorporate materiality thresholds explicitly or implicitly, except where it refers to accounting practices. Accordingly, a finding that the Records Rule has been breached does not require or imply misconduct resulting in a material event on a consolidated basis.

### FINDINGS

In the present circumstances, the Records Rule was not complied with as a result of any one of the following findings: (a) the improper documentation of agency arrangements in respect of projects to which they did not relate, and concealment thereof; (b) incorrect entries relating to payments in the books and records of the Company, and concealment thereof; and (c) non-compliance with the Agents Policy.

Transactions not disclosed. The Code provides that no transaction or other financial information is concealed from management or from internal and external auditors. In December 2009 and in July 2011, presumed agents in respect of Projects A and B respectively were hired by the Former EVP Construction, without complying with the Agents Policy. The agencies on Projects A and B were neither properly disclosed within the Company, nor were they disclosed to its internal or external auditors until shortly before the Independent Review began. The CEO and Former EVP Construction authorized or permitted this course of action until 2012, which did not comply with the Code.

Accuracy of documents and records. The Code provides that the Company's books and records accurately reflect the Company's transactions and that all documents signed are, to the best of one's knowledge, accurate and truthful. The Agreements signed by the Former EVP Construction are neither accurate nor truthful, and thus in breach of the Code. The books and records relating to Project 3 inaccurately reflect fees unrelated to it. The CEO knew that agents were being hired by the Former EVP Construction on Projects A and B in unusual circumstances, and that the Former EVP Construction would cause their fees not to be charged to Projects A and B but rather to other projects.<sup>8</sup> The CEO did not see the Agreements or accounting entries in the Company's books and records, but should have known that contractual documents would refer to projects other than Projects A and B and that incorrect entries would be made, which did not comply with the Code.

Proper levels of authority. The Code provides that all transactions are conducted at the level of authority required by Company policies, and the Agents Policy provides that all payments of agent fees must be made by SLII. In December 2011, the Former EVP Construction requested SLII to make the payments under the Agreements. The Chairman of SLII and the CFO refused to authorize the payments. The matter was brought to the CEO, who authorized or permitted the Former EVP Construction to make the payments through his division. While the CEO thought he had the authority to do so, he should have confirmed his authority but did not. The CEO's authorization of these payments did not comply with the Agents Policy and therefore was in breach of the Code.

<sup>8</sup> No finding is expressed regarding the Former Controller Construction. However, some awareness on his part of the Agreements can be inferred from the fact he handed copies and/or originals thereof to the CFO upon his departure in February 2012.

## 2011 Management's Discussion and Analysis

### SUMMARY OF ACTIONS RECOMMENDED

The Audit Committee has found that the hiring of presumed agents in respect of Projects A and B and the improper documentation results primarily from the following:

- > management override, flawed design or ineffective enforcement of controls in connection with the presumed agencies, including the controls contained in the Agents Policy;
- > non-compliance with the Code and the Agents Policy; and
- > ineffective enforcement or scope of, or controls over compliance with, the Code and the Agents Policy.

The Company is a multi-national organization that has changed organizational structure over the past several years. One legacy of this changing structure is distributed leadership, which has generally served the Company well. The Audit Committee notes that the model could usefully be reviewed over time and within a broader context.

### GOVERNING PRINCIPLES

The Audit Committee considered what governing principles, based on the results of the Independent Review, should be considered to prevent recurrence of inappropriate conduct, and to improve the compliance and control environments. These principles were directed primarily at:

- > reinforcing standards of conduct
- > strengthening and improving internal controls and processes
- > reviewing the compliance environment

### RECOMMENDATIONS

The Audit Committee recommendations are discussed below, for consideration by the Board of Directors. If adopted, management should be directed, where applicable, to develop a detailed plan and timetable for their implementation, subject to the Board of Directors monitoring the implementation thereof by management.

### CODE AND RELATED MATTERS

The Audit Committee recommends the following measures be taken in light of its findings:

- > **Non-compliance with the Code.** The Board of Directors should consider what sanctions if any to apply in connection with non-compliance with the Code<sup>9</sup>. Generally, in exercising its powers with a view to the best interests of the Company, the Board of Directors may consider in assessing breaches of the Code the following factors:
  - > the individual's functions and responsibilities within the Company;
  - > the nature and seriousness of the conduct, including the risk of harm to the Company, whether it was repeated, and whether it constituted a breach of law;
  - > whether the individual devised or was a participant in the conduct, the length of participation, and the motivation in participating;
  - > the timely and voluntary disclosure of the breach and the willingness to cooperate in the investigation;
  - > any loss or risks to the Company resulting from the conduct, and whether there are any illicit gains to an individual;
  - > whether the breach constitutes aberrant behavior in light of an individual's overall history with the Company and character; and
  - > the multiple purposes of enforcing the Code, including sanctioning inappropriate conduct, and specific and general deterrence.
- > **Code and Whistleblower Policy.** The Audit Committee also recommends that the ongoing review and update of the Code, as well as of the Whistleblower Policy, take its findings into account, including to provide for a duty to report violations or possible violations of policies or procedures.

<sup>9</sup> These could include disciplinary, compensation, training or other measures.

## 2011 Management's Discussion and Analysis

### INTERNAL CONTROLS AND PROCESSES, AND COMPLIANCE

Internal controls foster sound monitoring of business operations and corporate assets, accurate financial reporting, and compliance with laws, and correspondingly reduce the risks of misuse, inaccuracies and non-compliance. Accordingly, the Audit Committee recommends the implementation of the following measures (the implementation of some of which has already been initiated):

- > Management departures. The Company should clarify the procedure to be followed in cases of acceptable management departures from policies or procedures.
- > Compliance review. The Board of Directors should hire an independent expert to provide advice on the structure of the organization, guidelines and controls, and communication and training.
- > Agents Policy. The Agents Policy should continue to be reviewed from time to time as legislative changes and commercial practices evolve, including in accordance with the proposed changes presented to the Audit Committee in February 2012. However, the Agents Policy should be further reviewed in light of the findings of the Independent Review.
- > Approval levels. Procedures and approvals should be reinforced regarding levels of authority, with clear reporting obligations on any deviations or proposed deviations therefrom.
- > Divisional controllers. The reporting lines for divisional controllers should be reviewed.
- > Internal audit function. The existing practice of having the head of the internal audit group report directly to the Audit Committee should now be formally documented.
- > Technology. The Company should continue to move forward with the integration of its technology platforms to further facilitate the production of accurate financial information results, as well as the monitoring thereof in a timely and cost effective manner.

### RECOMMENDED ADOPTION

After thorough consideration, the Audit Committee has recommended the adoption by the Board of Directors of each of the recommendations set out above.

### CONCLUSION

The Audit Committee understands that with the delivery of this report, its Independent Review of the Agreements and Collection Agreement is terminated. The Audit Committee will continue to review the Agents Policy and compliance matters, including to assess whether amounts may directly or indirectly have improperly been paid to persons owing fiduciary duties to the Company. The Audit Committee will continue to consider, develop and implement additional remedial measures as appropriate. The Audit Committee would expect its next steps may include such other specific activities as it may deem advisable or the Board may instruct.

\*\*\*\*\*

## 2011 Management's Discussion and Analysis

### 1.2 DEPARTURE OF CEO AND APPOINTMENT OF INTERIM CEO

On March 26, 2012, the Company announced that Mr. Pierre Duhaime has stepped down from his position as chief executive officer of the Company (the "Former CEO") and as a director of the Company and will retire from the Company. At the request of the Board of Directors, Mr. Ian A. Bourne agreed to assume the function of vice-chairman and interim chief executive officer of the Company (the "Interim CEO"). Mr. Bourne has served as a director of the Company and a member of its Audit Committee and Health, Safety and Environment Committee since 2009. Mr. Bourne will remain as a director of the Company but will temporarily step down from the Board Committees. The Company also announced that a search for a new Chief Executive Officer will begin immediately under the direction of the Chairman of the Board. Both internal and external candidates will be considered.

The Board of Directors has struck a Special Transition Committee composed of the Chairman of the Board of Directors, the Interim CEO, and the Chairmen of the Audit and Human Resources Committees to assist with transitional matters, including serving as a resource to the management team.

### 1.3 PROPOSED CLASS ACTION

On March 5, 2012, the Company announced that it had become aware that a "Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative" (the "Motion") had been filed with the Superior Court of Quebec in the Judicial District of Quebec. The Company, its current directors and certain current officers, as well as certain former employees of the Company, have been named as defendants in the proposed action.

The Motion seeks authorization of the Court to bring a class action in connection with alleged misrepresentations on behalf of all persons who acquired securities of the Company from March 13, 2009 to February 28, 2012 and, if so authorized, various declarations and compensatory damages of \$250 million are sought. See section 16 "Legal Proceedings".

### 1.4 BANGLADESH INVESTIGATION

As previously announced on September 6, 2011, the Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa. The Company understands that the investigation is primarily focused on its involvement in a past submission as the Owner's Engineer for the Bangladesh government where the Company would have supervised the contractor responsible for the overall project. The Company's involvement in this matter is also being investigated by the World Bank. The Company understands that the RCMP investigation into this matter is ongoing but no charges have been laid against the Company. The Company also understands that the World Bank investigation is ongoing but no sanctions or proceedings have been initiated against the Company. Due to the nature of these investigations, it is not possible to predict the respective outcomes with any certainty or potential losses, if any, for the Company in connection therewith.

# 2011 Management's Discussion and Analysis

## 2 2011 HIGHLIGHTS

### DECREASE IN 2011 NET INCOME

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)	2011	2010	CHANGE (%)
Net income attributable to SNC-Lavalin shareholders:			
From net gains from the disposals of certain assets and investments	\$ –	\$ 45.7	N/A
Excluding ICI and a net gain from the disposal of certain technology solution assets	247.6	322.2	(23.1%)
From ICI, excluding a net gain from the disposal of investments	131.2	108.8	20.6%
Net income attributable to SNC-Lavalin shareholders	\$ 378.8	\$ 476.7	(20.5%)
Earnings per share (diluted) (in \$)	\$ 2.49	\$ 3.13	(20.5%)

- > For the year ended December 31, 2011, net income attributable to SNC-Lavalin shareholders was \$378.8 million (\$2.49 per share on a diluted basis), compared to \$476.7 million (\$3.13 per share on a diluted basis) for the comparable period in 2010, or \$431.0 million (\$2.83 per share on a diluted basis) excluding the net gains of \$45.7 million from the disposals of certain assets and investments recognized in 2010.
- > The variance reflected a lower net income attributable to SNC-Lavalin shareholders excluding ICI, partially offset by a higher net income attributable to SNC-Lavalin shareholders from ICI, in both cases excluding the net gains from the disposals of certain assets and investments. The decrease in net income attributable to SNC-Lavalin shareholders excluding ICI mainly reflected a lower contribution from Infrastructure & Environment partially offset by higher contributions from all other segments, while the increase in net income attributable to SNC-Lavalin shareholders from ICI reflected higher dividends from 407 International Inc. ("Highway 407").
- > As announced in a press release dated February 28, 2012, in the fourth quarter of 2011, the Company recognized a net loss of \$35 million related to payments made in the fourth quarter of 2011, under what are presumed to be agency agreements (refer to section 1.1 "Recent Developments – Independent Review"). In addition, the Company's 2010 results were adjusted by reducing net income by \$17.9 million to reflect the impact of payments of \$20 million made in 2010, made under what is presumed to be an agency agreement. The Company decided to correct its prior period comparative financial information in its first issuance of annual audited consolidated financial statements prepared in accordance with IFRS (refer to section 1.1 "Recent Developments – Independent Review" and section 14.1 "First-Time Adoption of IFRS").

### HIGHER REVENUES IN 2011

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues	\$ 7,209.9	\$ 5,993.9	20.3%

- > Revenues increased in all the Company's industry segments and in all revenue categories, with Packages revenues growing by 34.3% and Services revenues growing by 18.7%.

### SOLID FINANCIAL POSITION

DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Cash and cash equivalents	\$ 1,231.0	\$ 1,235.1	(0.3%)
Net cash position	\$ 851.7	\$ 870.1	(2.1%)

- > Net cash position (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt) remained solid as at December 31, 2011.
- > Cash and cash equivalents in 2011 remained in line with 2010, mainly reflecting cash generated from operating activities, offset mainly by cash used for investing activities.

## 2011 Management's Discussion and Analysis

- > The freehold cash, a non-IFRS financial measure defined as the amount of cash and cash equivalents that is not committed for its operations, investments in ICI and balance of payment for past business acquisitions, decreased to \$750 million at the end of 2011 compared to \$900 million at the end of 2010, mainly reflecting cash and cash equivalents used for the acquisition of Macquarie Essential Assets Partnership's ("MEAP") 23.08% ownership interest in AltaLink, as well as the acquisition of a subsidiary's debenture as part of the same transaction, as well as the estimated cash requirements to complete existing projects, cash used for business acquisitions, and dividends paid to SNC-Lavalin shareholders. This decrease was partially offset by cash generated from operating activities excluding ICI.

### STRONG REVENUE BACKLOG

DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Services	\$ 2,226.1	\$ 1,410.7
Packages	5,482.8	5,572.4
Operations & Maintenance ("O&M")	2,379.1	2,732.8
<b>Total</b>	<b>\$ 10,088.0</b>	<b>\$ 9,715.9</b>

- > The increase in the Company's overall revenue backlog as at December 31, 2011 compared to December 31, 2010 reflected the 57.8% increase in Services, at an all-time high of \$2.2 billion, partially offset by a decrease in O&M and Packages. The increase in Services was from all the Company's industry segments, mainly in Mining & Metallurgy.

### NOTABLE EVENTS RELATED TO ICI

- > The Company acquired MEAP's 23.08% ownership interest in AltaLink for a total consideration of \$228.8 million in cash. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%. AltaLink has technical expertise and extensive experience in Alberta, Canada, where it owns and operates regulated transmission facilities, such as transmission lines and substations that serves 85% of Alberta's population.
- > Notable additions to ICI took place in 2011. The Company's main additions were Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte") and Rainbow Hospital Partnership ("Rainbow").

### BUSINESS ACQUISITIONS

- > In 2011, SNC-Lavalin completed business acquisitions adding approximately 2,900 people to its workforce, including the acquisition of certain assets of Atomic Energy of Canada Limited's ("AECL") commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. The other business acquisitions were as follows:
- Interfleet Technology, an international rail technology consultancy group headquartered in Derby, United Kingdom, adding approximately 600 employees;
  - Arcturus Realty Corporation, which manages over 35 million square feet of office, retail and industrial properties in Canada, adding over 350 employees;
  - Groupe Stavibel, a multidisciplinary consulting engineering firm based in Abitibi-Témiscamingue, Quebec, adding approximately 300 employees;
  - MDH Engineered Solutions, an engineering consulting and research firm based in Saskatoon, Saskatchewan, adding approximately 175 employees;
  - Aqua Data, a Canadian company specializing in the computerized diagnosis and analysis of water distribution systems and wastewater collection systems for municipal, commercial and industrial clients, adding about 100 employees; and
  - Harder Associates Engineering Consulting, an engineering consulting firm based in Fort St. John, British Columbia, adding 16 employees.

## 2011 Management's Discussion and Analysis

### RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

YEAR ENDED DECEMBER 31	2011	2010	2009 <sup>(1)</sup>
ROASE	19.3%	28.4%	27.3%

(1) In accordance with Canadian GAAP, refer to section 14.1 for more details.

- > In 2011, ROASE significantly surpassed the Company's performance objective of 600 basis points above the long-term Canada Bond Yield, which totalled 9.3% for the year.

### DIVIDEND INCREASE

- > On March 25, 2012, the Company's Board of Directors approved a quarterly dividend of \$0.22 per share, a 4.8% increase over the previous quarterly dividend declared.



## 2011 Management's Discussion and Analysis

### 3 OVERVIEW OF OUR BUSINESS AND STRATEGY

#### 3.1 OUR BUSINESS

SNC-Lavalin is a leading international engineering and construction company, and a leader in O&M in Canada. The Company is also recognized for its select investments in infrastructure concessions.

#### SNC-LAVALIN CONSISTS OF:

A network of offices located across Canada and in over 40 other countries with 28,000 EMPLOYEES working on over 10,000 PROJECTS in some 100 COUNTRIES, offering expertise that meets clients' needs and making selective investments in infrastructure concessions



Engineering and construction expertise offered as **Services or Packages**, to clients in multiple industries:

- › Infrastructure & Environment
- › Hydrocarbons & Chemicals (previously referred to as Chemicals & Petroleum)
- › Mining & Metallurgy
- › Power
- › Other Industries (including agrifood, pharmaceuticals and biotechnology, and sulphuric acid)



**O&M** activities performed to efficiently manage clients' facilities and assets, in various lines of business:

- › Project, property & facility management
- › Industrial
- › Transportation
- › Defence & logistics



Selectively invest in **ICI** that, in general, offer potential complementary engineering and construction, and/or O&M contract opportunities, with a fair return for SNC-Lavalin shareholders, such as:

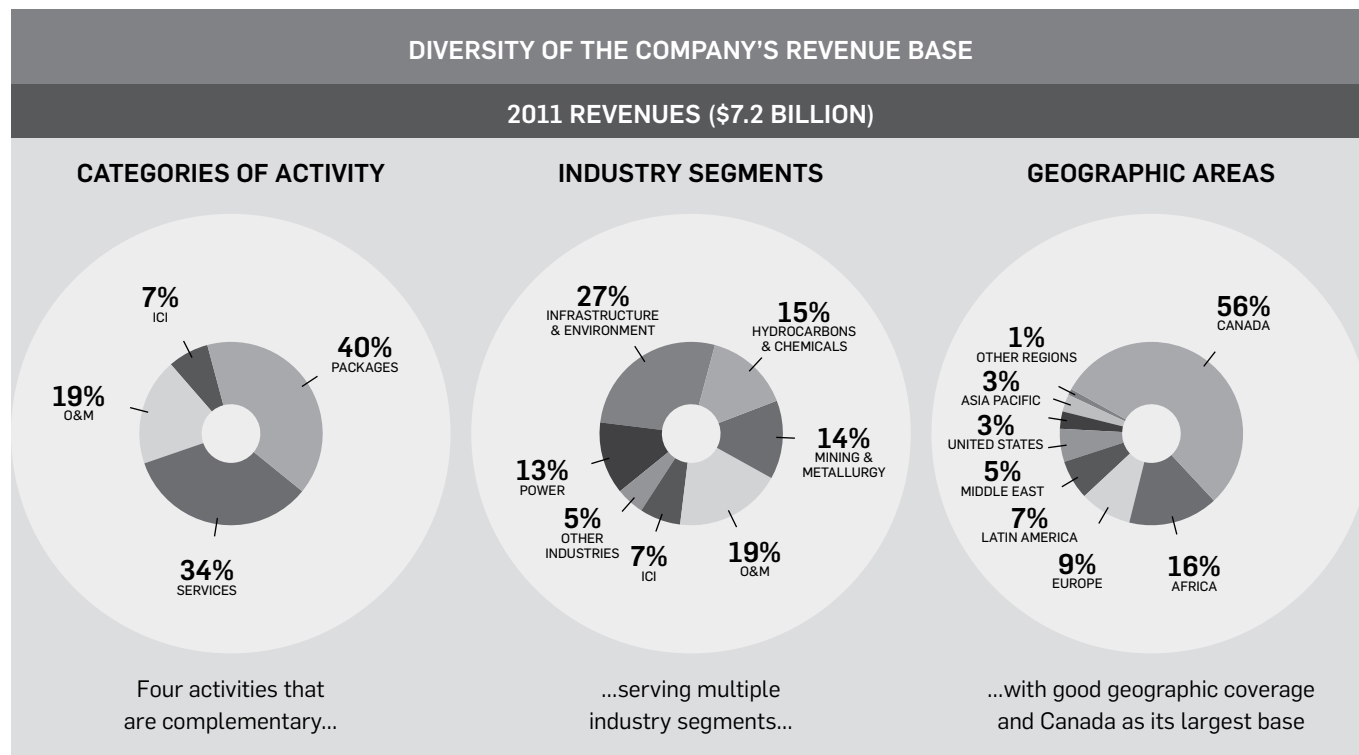
- › Airports
- › Bridges
- › Cultural and public service buildings
- › Mass transit systems
- › Power
- › Roads
- › Water

Hydrocarbons & Chemicals was previously referred to as Chemicals & Petroleum. As petroleum refers only to liquid crude oil, and not to other hydrocarbon sectors such as liquefied natural gas, gas processing and gas-to-liquid, the new name better reflects the Company's full range of activities.

SNC-Lavalin has more than 10,000 ongoing projects in multiple geographic regions and for multiple industry segments, showing the diversity of the Company's operations. The Company's geographic and industry diversification is one of the key factors that allows SNC-Lavalin to differentiate itself from its competitors.

## 2011 Management's Discussion and Analysis

The **diversity of the Company's revenue base** and its capacity to operate in different categories of activity, industry segments and geographic areas are illustrated in the following 2011 revenue charts.



The **diversity of the Company's 28,000 employees workforce**, illustrated below, allows it to maintain the diversity of its revenue base.



## 2011 Management's Discussion and Analysis

### 3.2 OUR BUSINESS STRATEGY

SNC-Lavalin's business strategy is founded on a **strategic vision**:

BE THE WORLD'S FOREMOST DIVERSIFIED PROVIDER OF SUSTAINABLE ENGINEERING  
AND CONSTRUCTION SOLUTIONS DELIVERED LOCALLY

The following seven strategic priorities are the pillars on which the Company's strategic vision rests. Focusing on these priorities ensures that SNC-Lavalin continues to grow and be successful by serving the needs of its clients, employees, shareholders and the communities where it is active.

STRATEGIC PRIORITIES	KEY IMPLICATIONS
<b>Operational excellence</b>	Successful project delivery is at the heart of achieving operational excellence which is required for SNC-Lavalin to retain the trust of its clients, existing and new. Successful project delivery includes first and foremost exceeding targets for health and safety performance, budget, schedule, quality of work, and overall client satisfaction.
<b>Improve competitiveness</b>	A focus on cost-efficiency and product differentiation, supported by strong capabilities and experience, will be key to ensuring that the Company is consistently selected by clients as their partner of choice on projects.
<b>Stronger relationships with clients</b>	Creating strong relationships with clients will ensure that SNC-Lavalin becomes a true partner to its clients.
<b>Geographic diversification and growth of markets and offerings</b>	Expansion of geographic, product and sector coverage will be an important component in accessing new markets where the Company can continue its growth trajectory. The ability to deliver local projects using local resources will be a key component in delivering the geographic growth strategy.
<b>Build sustainable people and organisational capabilities</b>	Through strong leadership and talent development, the Company will continue to identify and groom its future leaders, and strengthen employee engagement.
<b>Financial strength and flexibility</b>	Maintaining a strong financial position is important not only for the Company's shareholders and credit providers but also to provide its clients with the knowledge that it is able to maintain stability while delivering projects it undertakes on their behalf. It also allows the Company to seize strategic business opportunities and investments in infrastructure concessions.
<b>Corporate social responsibility</b>	The Company has deep respect for its social obligations and will act, and be known, as a socially responsible company. This includes engaging itself with the broader community wherever the work is performed.

## 2011 Management's Discussion and Analysis

### 4 HOW WE ANALYZE AND REPORT OUR RESULTS

#### 4.1 RESULTS BY CATEGORY OF ACTIVITY

The Company reports its results under **four categories of activity**, which are **Services** and **Packages** (together these regroup activities from engineering and construction), **O&M**, and **ICI**. The Company regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles.

##### 4.1.1 SERVICES ACTIVITIES

**Services revenues** are derived primarily from cost-plus reimbursable contracts and include contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning. Services revenues from individual contracts are typically lower than those of Packages activities, which are discussed below, as they mainly reflect the professional services rendered and not the cost of the materials, equipment and/or construction. Services activities have historically generated a gross margin yield between 25% and 29%. Services contracts that provide for engineering, procurement and construction management are referred to as "EPCM" contracts.

##### 4.1.2 PACKAGES ACTIVITIES

Packages activities are different from Services activities in that the Company is responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials and equipment, and usually also include construction activities. In particular, Packages contracts that include engineering services, providing materials and equipment, and construction activities are referred to as "EPC" contracts. **Packages revenues** are derived primarily from fixed-price contracts. As such, Packages revenues include the cost of materials, equipment and, in most cases, construction activities. The Company's Packages activities aim to generate a gross margin yield between 7% and 10%.

## 2011 Management's Discussion and Analysis

### UNDERSTANDING THE DIFFERENCE BETWEEN AN EPCM CONTRACT (SERVICES) AND AN EPC CONTRACT (PACKAGES)

Example 1 assumes that the client has awarded a \$10 million EPCM contract to SNC-Lavalin for a project with an estimated capital cost of \$100 million, and that the project generates a gross margin-to-revenue ratio of 27%, in line with the Company's historical range of gross margin yield for Services activities. The nominal gross margin generated on this project would be \$2.7 million on revenues of \$10 million. In this example, revenues generated from the EPCM contract, which would be included under the Services revenues category over the period the services are rendered, are assumed to be 10% of the capital cost of the project. The latter percentage could vary from one project to another.

#### EXAMPLE 1—EPCM SERVICES CONTRACT

(IN MILLIONS OF CANADIAN DOLLARS)

##### Services:

Total revenues	\$	10.0
Total gross margin	\$	2.7
Gross margin-to-revenue ratio		27%

Example 2 assumes that the client has awarded SNC-Lavalin a \$100 million fixed-price EPC contract (i.e., corresponding to the project's capital cost). The Company will recognize the following results over the life of the project based on the percentage of completion method, assuming that the project generates a gross margin-to-revenue ratio of 9%, in line with the Company's target range of gross margin yield for Packages activities.

#### EXAMPLE 2—EPC PACKAGES CONTRACT

(IN MILLIONS OF CANADIAN DOLLARS)

##### Packages:

Total revenues	\$	100.0
Total gross margin	\$	9.0
Gross margin-to-revenue ratio		9%

The higher nominal gross margin generated under Example 2 (i.e., \$9.0 million) compared to Example 1 (i.e., \$2.7 million) reflects the additional risks assumed by the Company related to fixed-price Packages contracts, which are exposed to cost-overruns and other financial performance responsibilities.

### 4.1.3 O&M ACTIVITIES

The Company provides **operations, maintenance and logistics solutions** for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, highways, bridges, light rail transit systems, airports, ships, and camps for construction sites and the military. **O&M revenues** are derived primarily from cost-reimbursable with fixed-fee contracts, and from fixed-price contracts. O&M activities usually involve a high volume of transactions, which are mainly cost-reimbursable by the client, and therefore result in a lower gross margin-to-revenue ratio than Services and Packages activities. O&M activities have historically generated a gross margin yield between 3% and 5%.

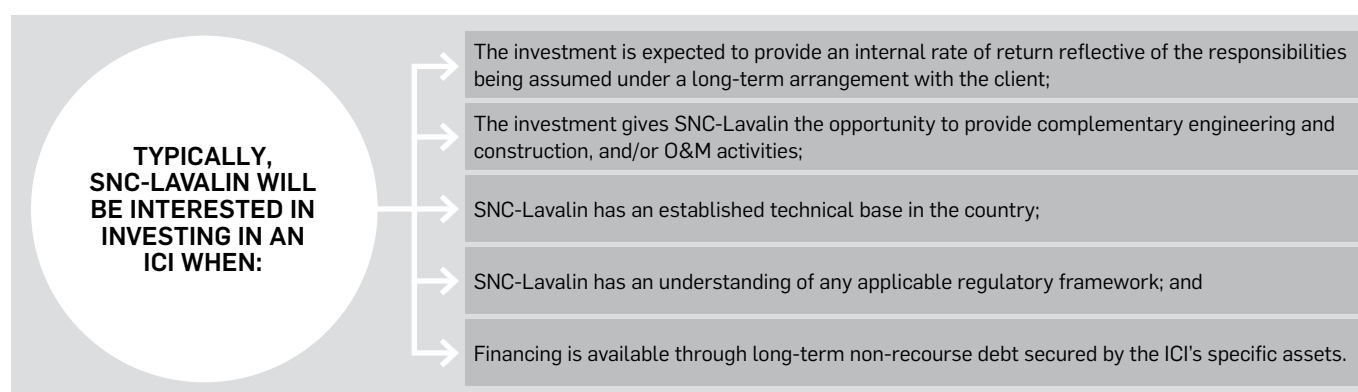
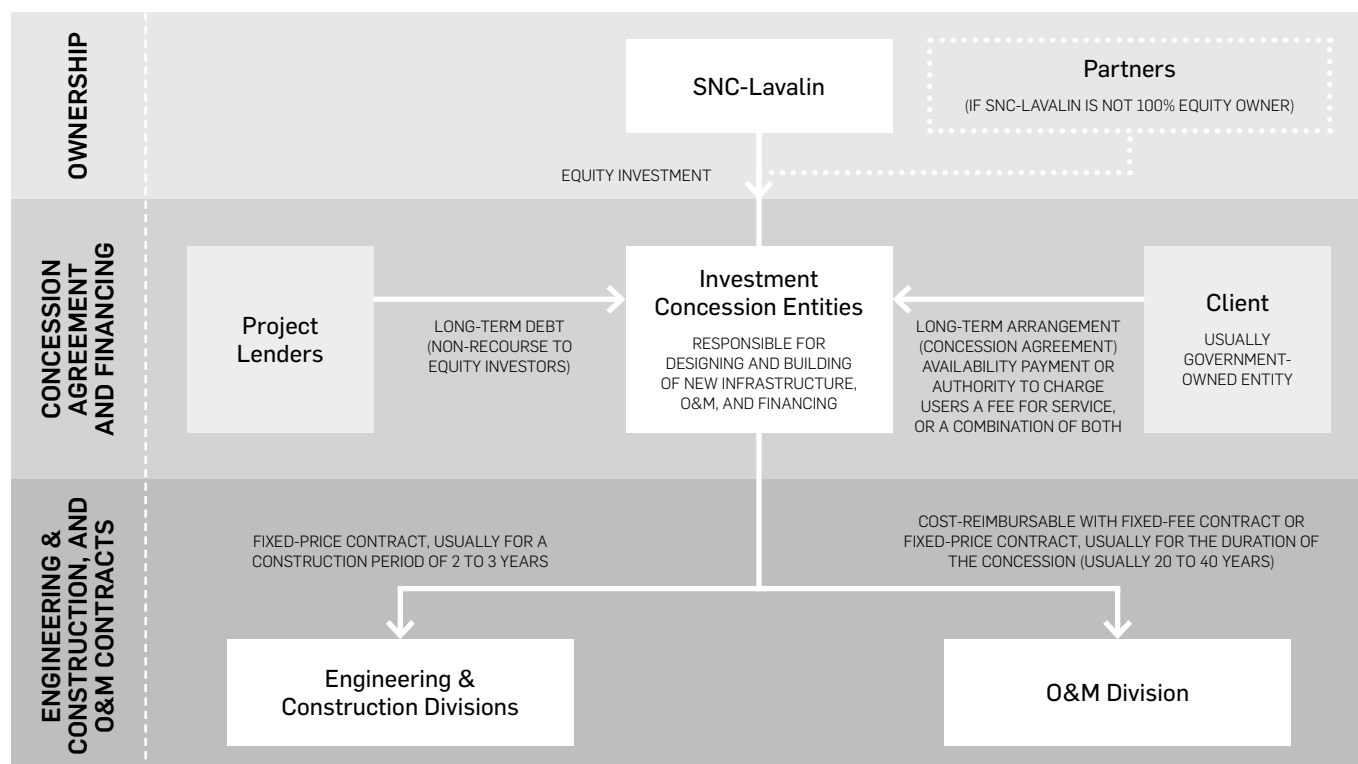
### 4.1.4 ICI ACTIVITIES

The Company's ICI are typically infrastructure for public services, such as **airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water**. These types of infrastructure are commonly provided by government-owned entities, however, many countries are now turning to the private sector to take ownership, finance, operate and maintain the assets, usually for a defined period of time. These public-private partnership arrangements allow for the transfer to the private sector of many of the risks associated with designing, building, operating, maintaining and financing such assets. In return, the government will either: i) commit to making regular payments, usually in the form of availability payments, upon the start of operations of the infrastructure for a defined period of time (typically 20 to 40 years); ii) authorize the infrastructure concession entity to charge users of the infrastructure for a defined period of time; or iii) a combination of both.

## 2011 Management's Discussion and Analysis

ICI revenues are generated mainly from dividends or distributions received by SNC-Lavalin from the investment concession entities, or from all or a portion of an investment concession entity's net results or revenues, depending on the accounting method required by IFRS, summarized in section 4.1.4.2.

For SNC-Lavalin, a typical structure when investing in a "greenfield" infrastructure concession (meaning that the infrastructure needs to be built, as there is none on the site) is illustrated below:



Historically, the Company invested primarily in concessions for "greenfield" projects, meaning that the infrastructure still needs to be built, as there is none on the site. Those projects provide opportunities for SNC-Lavalin to undertake Services, Packages, and/or O&M activities. While the Company's strategy for ICI is to focus mainly on "greenfield" projects, SNC-Lavalin may also participate in more concession investments for "brownfield" projects, where the infrastructure is already built and operational, provided it generates a fair return on investment and has a strategic value for SNC-Lavalin.

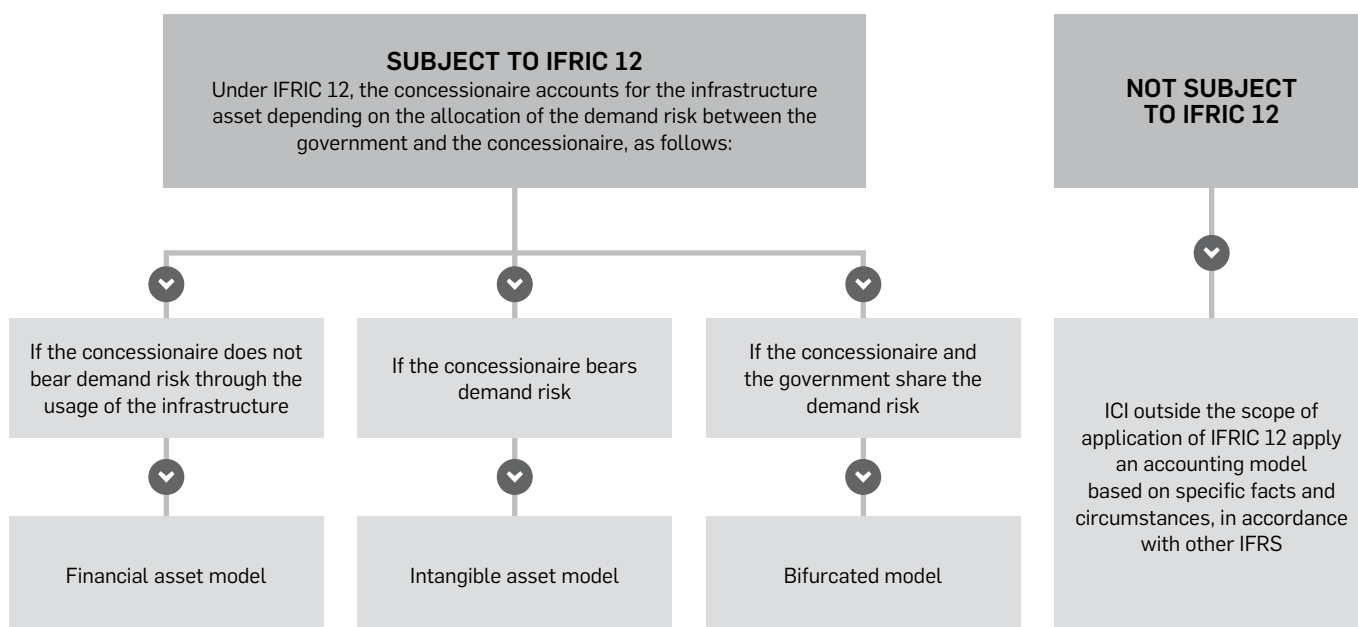
## 2011 Management's Discussion and Analysis

### 4.1.4.1 ACCOUNTING MODELS USED BY CONCESSION ENTITIES

Certain of the Company's ICI that are public-private partnership arrangements qualify for accounting under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"), which provides guidance on the accounting for such arrangements, whereby the grantor (i.e., usually a government):

- > controls or regulates what services the operator (i.e., "the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and
- > controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The contractual arrangement between the government and the concessionaire is referred to as a "concession agreement", under which the government specifies the responsibilities of the concessionaire and governs the basis upon which the concessionaire will be remunerated. The concessionaire is usually responsible for the construction of the infrastructure, its O&M and its rehabilitation, and is usually paid by the government, the users, or both. In certain cases, the concessionaire can receive payments from the government during the initial construction phase. At the end of the term of a concession agreement, the infrastructure is returned to the government, often for no additional consideration. Here are the accounting models used by concession entities, depending if the concession agreement is subject, or not, to IFRIC 12:



The following Company's ICI were identified as being within the scope of IFRIC 12:

	FINANCIAL ASSET MODEL	INTANGIBLE ASSET MODEL	BIFURCATED MODEL
Chinook Roads Partnership	✓		
Groupe Immobilier Santé McGill	✓		
InTransit BC Limited Partnership	✓		
Okanagan Lake Concession Limited Partnership	✓		
Ovation Real Estate Group (Quebec) Inc.	✓		
Rainbow Hospital Partnership	✓		
Rayalseema Expressway Private Limited		✓	
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.			✓
TC Dôme S.A.S.	✓		

## 2011 Management's Discussion and Analysis

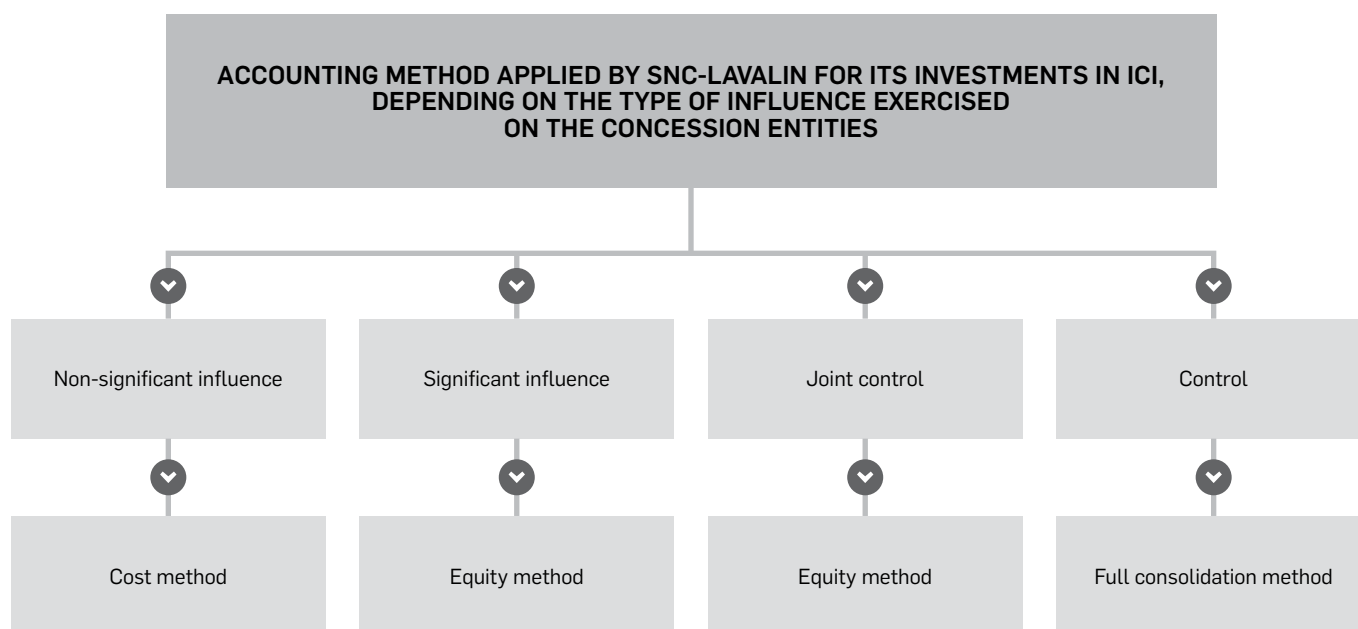
The table below highlights the main characteristics of the accounting of a concession by the Company under the financial asset model, which is used for most of the Company's ICI under IFRIC 12:

<b>Impact on the Company's consolidated statement of financial position</b>	Revenues recognized by the Company under the financial asset model are accumulated in a financial asset, named "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor
<b>Impact on the Company's consolidated income statement</b>	> Recognition of EPC Revenue; and > Cost from EPC contractor
	> Recognition of O&M Revenue; and > Cost from O&M contractor
	Recognition of financial income from the financial asset, using the effective interest method, which is classified as revenue from ICI
	Borrowing costs from the debt

The following ICI are not subject to IFRIC 12: AltaLink, Highway 407, Astoria Project Partners LLC, Astoria Project Partners II LLC, Malta International Airport p.l.c., Myah Tipaza S.p.A., Société d'Exploitation de Vatry Europort S.A. and Shariket Kahraba Hadjret En Nouss S.p.A.

### 4.1.4.2 ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN CONCESSION ENTITIES

For the purposes of the Company's audited annual consolidated financial statements, SNC-Lavalin's Infrastructure Concession Investments ("ICI") are accounted for as follows:





## 2011 Management's Discussion and Analysis

Revenues from ICI regroup the following:

ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN ICI	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
<b>Full consolidation</b>	<b>Revenues</b> that are recognized and reported by the ICI
<b>Equity method</b>	SNC-Lavalin's <b>share of net results</b> of the ICI or <b>dividends</b> from ICI for which the carrying amount is \$nil
<b>Cost method</b>	<b>Dividends and distributions</b> from the ICI

### 4.1.4.3 ADDITIONAL FINANCIAL INFORMATION ON ICI TO BETTER UNDERSTAND OUR FINANCIAL STATEMENTS

The Company's consolidated statement of financial position includes the line by line impact of ICI that are fully consolidated. Unlike Services, Packages, and O&M activities, ICI are often capital intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is non-recourse to the general credit of the Company.

In order to provide the reader with a better understanding of the financial position and results of operations of its ICI, the Company provides additional information on its ICI in its audited annual consolidated financial statements, as follows:

<b>Consolidated statement of financial position</b>	<ul style="list-style-type: none"> <li>&gt; Property and equipment from ICI controlled by the Company;</li> <li>&gt; The net book value of ICI accounted for by the equity or cost methods;</li> <li>&gt; Non-recourse debt from ICI controlled by the Company</li> </ul>
<b>Consolidated statement of cash flows</b>	<p>For the ICI controlled by the Company:</p> <ul style="list-style-type: none"> <li>&gt; Depreciation and amortization from ICI, and acquisition of property and equipment from ICI;</li> <li>&gt; Repayment and increase of non-recourse debt from ICI</li> </ul>
<b>Notes to the annual consolidated financial statements</b>	<ul style="list-style-type: none"> <li>&gt; Main accounts of the statement of financial position impacted by ICI controlled by the Company are shown on separate lines in Note 5;</li> <li>&gt; The net income attributable to SNC-Lavalin shareholders from ICI;</li> <li>&gt; Certain other notes will provide information regarding ICI separately from other activities</li> </ul>

In certain parts of this MD&A, activities from Services, Packages, and O&M are collectively referred to as "from other activities" or "excluding ICI" to distinguish them from ICI activities.

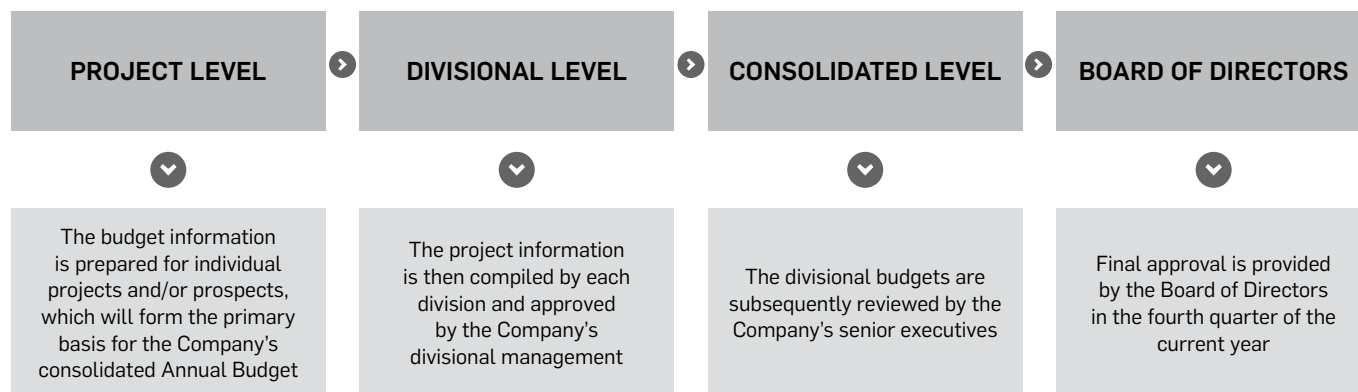
## 4.2 RESULTS BY SEGMENT USED FOR ACCOUNTABILITY

The Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin **consistent with the way management's performance is evaluated**. **Accountability** for the Company's performance rests with members of senior management, wherein a portion of their remuneration is based on the profitability of their respective business segments, as well as their individual objectives and on the Company's overall financial performance.

## 2011 Management's Discussion and Analysis

### 4.3 HOW WE BUDGET AND FORECAST OUR RESULTS

The Company prepares a formal annual budget ("Annual Budget") in the fourth quarter of each year, which is the basis of the Company's financial outlook.



The Annual Budget is a key tool used by management to monitor the Company's performance and progress against key financial objectives. Furthermore, the figures set in the Annual Budget have an impact on management's compensation, as these figures are used in determining part of their performance bonus. The Annual Budget is updated during the year to reflect current information as the Company prepares forecasts of its annual expected results in the first, second and third quarters ("Quarterly Forecasts"), which are presented to the Board of Directors. In addition, the performance of each individual project (i.e., its estimated revenues and costs to complete) is continuously reviewed by its respective project manager and, depending on the size and risk profile of the project, by key management personnel, including the divisional manager, the business segment executive vice-president, the Chief Financial Officer and the Chief Executive Officer.

The key elements taken into account when estimating revenues and gross margin for budget and forecast purposes from Services, Packages and O&M activities are the following:

KEY ELEMENTS	IMPACT ON THE ANNUAL BUDGET
<b>Backlog</b>	Firm contracts used to estimate a portion of future revenues taking into account the execution and expected performance of each individual project
<b>Prospects list</b>	Unsigned contracts that the Company is currently bidding on, and/or future projects for which it intends to bid. For prospects, the Company applies, on the value of a contract, what is referred to as a "Go-Get Percentage", which is the product of the expectation that the client will go forward with the contract (i.e., "Go"), and the probability that it will be awarded to the Company (i.e., "Get")
<b>Execution and expected performance</b>	Revenues and costs (or execution) of projects are determined on an individual project basis, and take into consideration assumptions on risks and uncertainties that can have an impact on the progress and/or profitability of that project, such as, but not limited to, performance of the Company's employees and of subcontractors or equipment suppliers, as well as price and availability of labour, equipment and materials

Budgeted and forecasted **selling, general and administrative expenses, net financial expenses, and income tax expense** are derived from detailed analysis and are influenced by the level of anticipated activities and profitability.

In regards to its ICI budget and forecast, expected results based on assumptions specific to each investment are used.

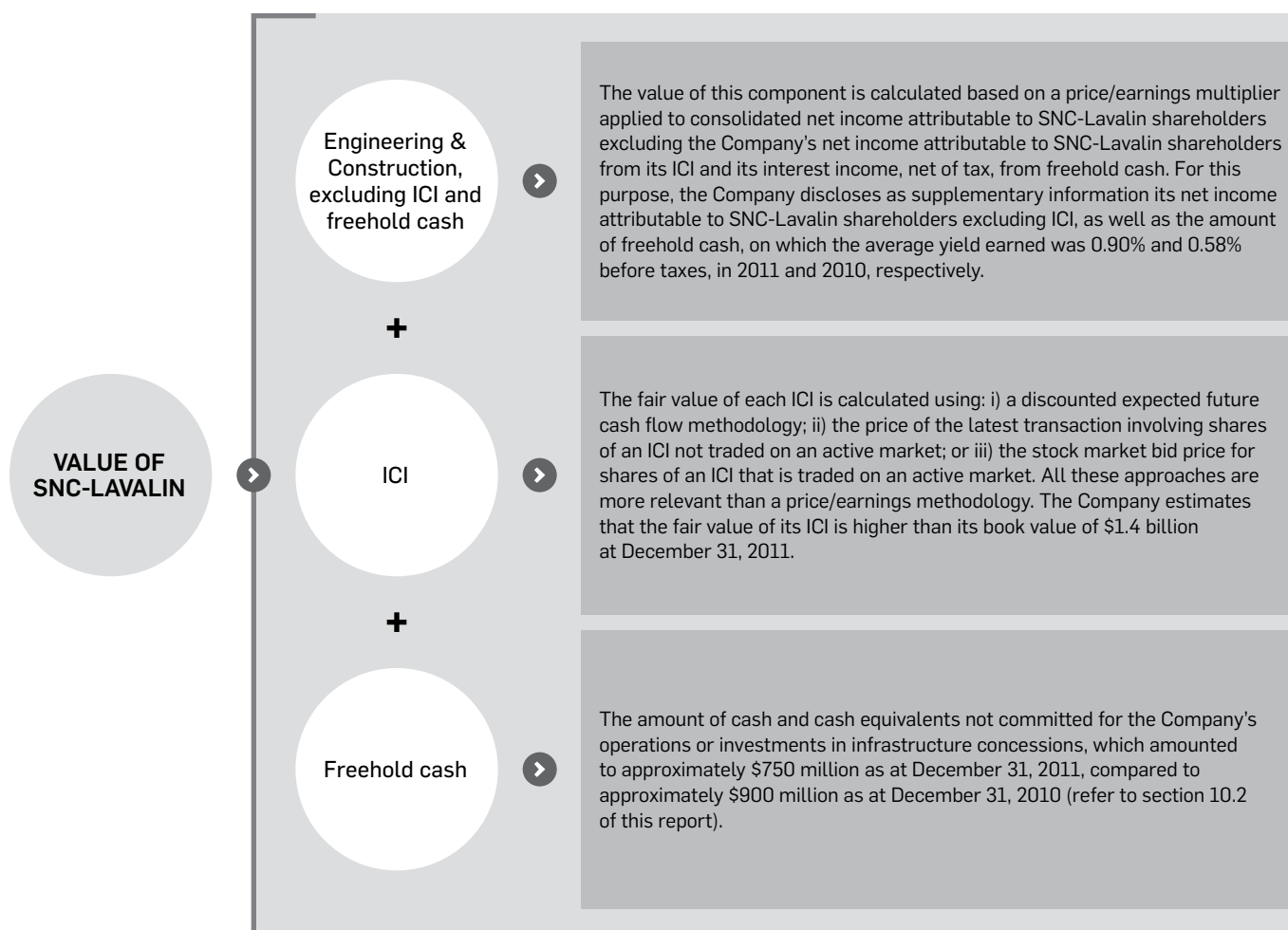
## 2011 Management's Discussion and Analysis

One of the key management tools for monitoring the Company's performance is the monthly evaluation and analysis of actual results compared to the Annual Budget or the Quarterly Forecasts, for revenues, gross margin and profitability. This enables management to analyze its performance and, if necessary, take remedial actions. Variations from plan may arise mainly from the following:

SOURCE OF VARIATION	EXPLANATION
<b>Level of activity for Services, Packages and O&amp;M</b>	Variation depends on the number of newly awarded, ongoing, completed or near-completed projects, and on the progress made on each of these projects in the period. The revenue mix between the categories of activity will also affect, among other elements, the gross margin of the Company
<b>Changes in the estimated revenues and/or costs to complete each individual project ("reforecasts")</b>	Variation of the estimated costs to complete projects for fixed-price contracts result in either a positive or negative impact to a project's results. Increases or decreases in profitability for any given fixed-price project are largely dependent on project execution
<b>Changes in the results of its ICI</b>	Variation in the financial results of each ICI will impact the financial results of the Company. Additions to the Company's ICI portfolio, or divestitures from it, can also impact the Company's results

### 4.4 HOW THE COMPANY IS GENERALLY VALUED

The Company is generally valued based on the nature of its business, and, as such, most financial analysts and investors who monitor the Company's performance estimate its fair value as the sum of the following three components:



## 2011 Management's Discussion and Analysis

It should be noted that, although this methodology is used by most of the financial analysts and investors who monitor the Company's performance, it is not the only way to estimate the Company's fair value. The description of this methodology is intended to provide the reader with a better understanding of how the market generally evaluates the fair value of the Company and to help the reader understand why management discloses certain financial information throughout this MD&A and its audited annual consolidated financial statements.

### 4.5 NON-IFRS FINANCIAL MEASURES

Some of the indicators used by the Company to analyze and evaluate its results represent non-IFRS financial measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that these indicators provide useful information because they allow for the evaluation of the performance of the Company and its components based on various aspects, such as past, current and expected profitability and financial position.

The non-IFRS financial measures include the following indicators:

NON-IFRS FINANCIAL MEASURE	REFERENCE	NON-IFRS FINANCIAL MEASURE	REFERENCE
<b>Performance</b>		<b>Liquidity</b>	
Gross margin by category of activity	Section 6.2	Net cash position	Section 10.2
Revenue backlog	Section 7	Freehold cash	Section 10.2
Booking-to-revenue ratio	Section 7	Working capital	Section 10.4
Operating income by segment	Section 9	Recourse debt-to-capital ratio	Section 10.6
ROASE	Section 10.10		

Definitions of all non-IFRS financial measures are provided in the referenced sections above to give the reader a better understanding of the indicators used by management and, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

## 2011 Management's Discussion and Analysis

### 5 OUR KEY FINANCIAL PERFORMANCE INDICATORS

To enable the Company to continuously strive to create value for its shareholders it regularly evaluates its overall performance using key financial indicators, namely:

- > **Net income attributable to SNC-Lavalin shareholders**, which is used by the Company to evaluate its profitability and communicate its growth objective, as the Company focuses on net income growth as opposed to revenue growth;
- > **ROASE**, which is used as a measure of return on equity; and
- > **Net cash position**, which is a key indicator of the Company's financial capability.

The following table presents a summary of the Company's key financial performance indicators and compares the results achieved as at or for the years ended December 31, 2011, 2010 and 2009, with the Company's corresponding financial objectives.

#### KEY FINANCIAL INDICATORS

FINANCIAL INDICATOR	FINANCIAL OBJECTIVE	ACTUAL RESULTS		
		2011	2010	2009 <sup>(1)</sup>
Growth (decrease) in net income attributable to SNC-Lavalin shareholders	Annual growth between 7% and 12%	✗ (20.5%)	✓ 21.6% <sup>(2)</sup>	✓ 15.0%
ROASE	At least equal to long-term Canada Bond Yield plus 600 basis points (totalling 9.3% for 2011, 9.8% for 2010 and 9.9% for 2009)	✓ 19.3%	✓ 28.4%	✓ 27.3%
Net cash position (cash and cash equivalents less cash and cash equivalents from ICI and recourse debt)	Maintain a strong financial position with a net cash position sufficient to meet expected operating, financing and investing plans	✓ \$851.7M	✓ \$870.1M	✓ \$722.9M

✓ IN LINE OR ABOVE FINANCIAL OBJECTIVE

✗ BELOW FINANCIAL OBJECTIVE

(1) In accordance with Canadian GAAP, refer to section 14.1 for more details.

(2) Growth in net income based on 2009 and 2010 figures prepared in accordance with Canadian GAAP.

**Net income attributable to SNC-Lavalin shareholders in 2011 decreased by 20.5% to 378.8 million** (\$2.49 per share on a diluted basis), compared to \$476.7 million (\$3.13 per share on a diluted basis) in 2010. While the Company expected its 2011 net income to remain in line with 2010 when excluding the gains from the disposals of certain assets and investments recognized in 2010, it decreased by 12.1% when excluding such gains.

The 2011 ROASE of 19.3% exceeded the Company's objective for the year of 9.3%, reflecting a solid performance. The Company was able to achieve such significant ROASE while maintaining a strong cash position (\$1.2 billion of cash and cash equivalents at December 31, 2011). In 2011, an average yield of 0.90% before taxes was obtained on its cash and cash equivalents, as interest rates remained at low levels.

The Company's net cash position of \$851.7 million as at December 31, 2011 is representative of its solid financial position, which allows the Company to meet expected operating, investing and financing plans.

## 2011 Management's Discussion and Analysis

### 6 BREAKDOWN OF INCOME STATEMENT

**\$7.2  
billion**

REVENUES

**\$1.3  
billion**

GROSS MARGIN

**\$378.8  
million**

NET INCOME ATTRIBUTABLE  
TO SNC-LAVALIN  
SHAREHOLDERS

	IFRS				CANADIAN GAAP <sup>(1)</sup>				
YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)	2011		2010		2010		2009		
<b>Revenues by activity:</b>									
Services	\$	2,437.8	\$	2,053.8	\$	2,051.9	\$	2,221.4	
Packages <sup>(2)</sup>		2,871.5		2,137.4		2,409.0		2,202.2	
O&M		1,399.2		1,330.4		1,330.5		1,297.9	
ICI <sup>(3)</sup>		501.4		472.3		523.6		380.2	
	\$	7,209.9	\$	5,993.9	\$	6,315.0	\$	6,101.7	
<b>Gross margin by activity:</b>									
Services	\$	592.5	24.3%	\$ 543.0 <sup>(2)</sup>	26.4%	\$ 539.2 <sup>(2)</sup>	26.3%	\$ 562.7	25.3%
Packages		301.9	10.5%	434.2	20.3%	448.2	18.6%	357.4	16.2%
O&M		78.4	5.6%	59.6 <sup>(3)</sup>	4.5%	59.7 <sup>(3)</sup>	4.5%	50.1	3.9%
ICI		279.3	55.7%	264.2	55.9%	284.6	54.4%	180.9	47.6%
	\$	1,252.1	17.4%	\$ 1,301.0	21.7%	\$ 1,331.7	21.1%	\$ 1,151.1	18.9%
<b>Selling, general and administrative expenses</b>	654.7		581.7		585.6		545.6		
<b>Net financial expenses:</b>									
From ICI	99.7		85.1		151.8		112.2		
From other activities	15.5		26.0		23.1		16.0		
	115.2		111.1		174.9		128.2		
<b>Income before income tax expense</b>	482.2		608.2		571.2		477.3		
<b>Income tax expense</b>	94.9		120.8		123.4		108.2		
<b>Non-controlling interests</b>	–		–		10.8		9.7		
<b>Net income</b>	\$	387.3	\$	487.4	\$	437.0	\$	359.4	
<b>Net income attributable to:</b>									
SNC-Lavalin shareholders	\$	378.8	\$	476.7	\$	437.0	\$	359.4	
Non-controlling interests		8.5		10.7		–		–	
<b>Net income</b>	\$	387.3	\$	487.4	\$	437.0	\$	359.4	
<b>Earnings per share (\$)</b>									
Basic	\$	2.51	\$	3.16	\$	2.89	\$	2.38	
Diluted	\$	2.49	\$	3.13	\$	2.87	\$	2.36	

(1) Refer to section 14.1 for more details on transition from Canadian GAAP to IFRS.

(2) Including the gain on disposal of certain technology solution assets of \$22.8 million before taxes in 2010.

(3) Including the net gain before taxes of \$29.6 million from the disposals of Trencap and Valener in 2010.

## 2011 Management's Discussion and Analysis

### 6.1 NET INCOME ANALYSIS

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	IFRS		CANADIAN GAAP <sup>(1)</sup>	
	2011	2010	2010	2009
Net income attributable to SNC-Lavalin shareholders from ICI:				
From a net gain on disposal of Trencap and Valener <sup>(2)</sup>	\$ –	\$ 26.1	\$ 26.1	\$ –
Excluding the net gain on disposal of Trencap and Valener	131.2	108.8	56.8	36.9
<b>Net income attributable to SNC-Lavalin shareholders from ICI</b>	<b>131.2</b>	134.9	82.9	36.9
Net income attributable to SNC-Lavalin shareholders excluding ICI:				
From a gain on disposal of certain technology solution assets <sup>(3)</sup>	–	19.6	19.6	–
Excluding the gain on disposal of certain technology solution assets	247.6	322.2	334.5	322.5
<b>Net income attributable to SNC-Lavalin shareholders excluding ICI</b>	<b>247.6</b>	341.8	354.1	322.5
<b>Net income attributable to SNC-Lavalin shareholders</b>	<b>\$ 378.8</b>	\$ 476.7	\$ 437.0	\$ 359.4

(1) Refer to section 14.1 for more details on transition from Canadian GAAP to IFRS.

(2) In 2010, SNC-Lavalin sold all of its interests in Trencap and Valener (Note 5B to the Company's 2011 audited annual consolidated financial statements). The transactions resulted in a net gain after taxes of \$26.1 million included in ICI in 2010.

(3) In 2010, SNC-Lavalin concluded an agreement with a third-party to dispose of certain technology solution assets that help manage and optimize the flow of electricity through power grids. The transaction generated a gain before taxes of \$22.8 million included in Packages activities, under Power, resulting in a gain after taxes of \$19.6 million included in net income attributable to SNC-Lavalin shareholders excluding ICI in 2010.

The analysis that follows is for 2011, 2010 and 2009. The Company did not restate its 2009 financial information in accordance with IFRS. Accordingly, the analysis of the variance between 2010 and 2009, in the present MD&A, are based on figures determined in accordance with Canadian GAAP for both 2009 and 2010.

While the Company expected **net income attributable to SNC-Lavalin shareholders** to remain in line in 2011 compared to 2010, **excluding the gains mentioned above**, it **decreased**, mainly reflecting a lower net income attributable to SNC-Lavalin shareholders excluding ICI. The increase in net income in 2010 compared to 2009 was due to the growth in net income in both ICI and excluding ICI.

While the Company expected **net income attributable to SNC-Lavalin shareholders excluding ICI** in 2011 to remain in line with 2010, **excluding the 2010 gain mentioned above**, it **decreased**, mainly reflecting a lower gross margin-to-revenue ratio, primarily in Packages, partially offset by a higher level of activity. The net income increased in 2010 compared to 2009, mainly due to an increase in the gross margin-to-revenue ratio and volume of Packages activities, partially offset by a lower level of Services activity. The Company's gross margin-to-revenue ratio for its Packages activities surpassed its target range for the second consecutive year. This was mainly due to the favourable reforecasts on certain major projects, as well as to the gain of \$22.8 million before taxes on disposal of certain technology solution assets.

While the Company expected **net income attributable to SNC-Lavalin shareholders from ICI** to remain in line in 2011 compared to 2010, **excluding the 2010 net gain after taxes of \$26.1 million from the disposal of Trencap and Valener**, it **increased**. The increase was mainly due to higher dividends from Highway 407, as well as a higher contribution from AltaLink, partially offset by the absence of contributions in 2011 from the Company's investments in Trencap and Valener, which were sold in the fourth quarter of 2010. Net income from ICI increased in 2010 compared to 2009, reflecting the net gain after taxes of \$26.1 million from the disposals of Trencap and Valener, as well as an increased contribution from Shariket Kahraba Hadrjet En Nouss S.p.A. ("SKH"), reflecting its first full year of operations in 2010 compared to six months of operations in 2009.

As announced in a press release dated February 28, 2012, in the fourth quarter of 2011, the Company recognized a net loss of \$35 million related to payments made in the fourth quarter of 2011, under what are presumed to be agency agreements (refer to section 1.1 "Recent Developments – Independent Review"). In addition, the Company's 2010 results were adjusted by reducing net income by \$17.9 million to reflect the impact of payments of \$20 million made in 2010, made under what is presumed to be an agency agreement. The Company decided to correct its prior period comparative financial information in its first issuance of annual audited consolidated financial statements prepared in accordance with IFRS (refer to section 1.1 "Recent Developments – Independent Review" and section 14.1 "First-Time Adoption of IFRS").

## 2011 Management's Discussion and Analysis

### 6.2 REVENUE AND GROSS MARGIN ANALYSIS

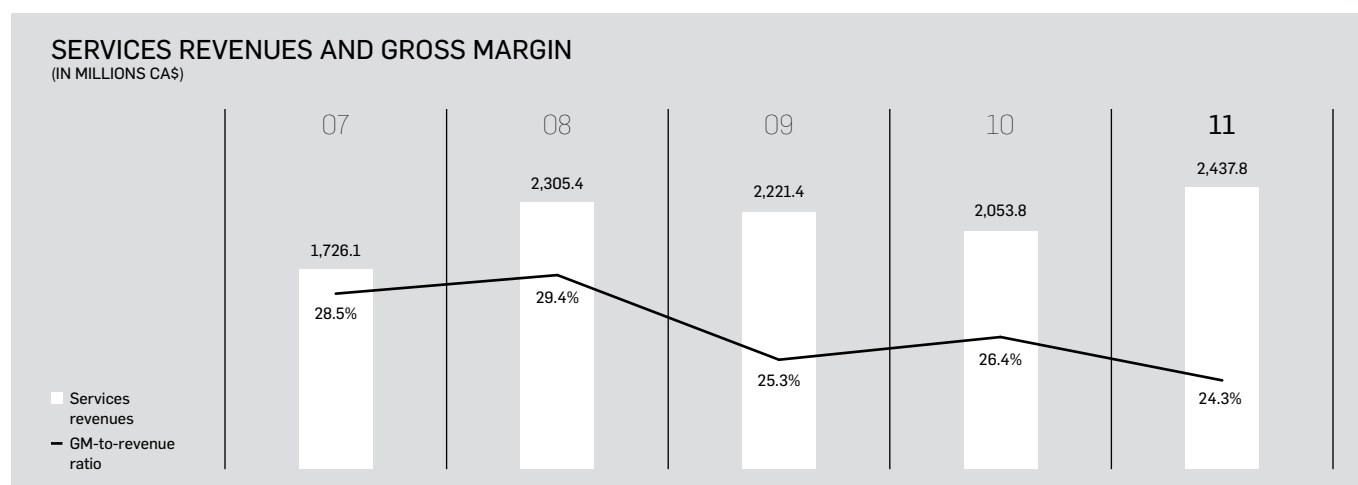
As expected, **revenues increased in 2011** compared to 2010. All the Company's categories of activity increased, with most of the increase from Packages and Services. The increase in 2010 compared to 2009 mainly reflected an increase in Packages and ICI activities, partially offset by a lower level of Services activity.

While the Company expected **gross margin in 2011** to remain in line with 2010, it **decreased**, mainly reflecting a lower gross margin-to-revenue ratio, partially offset by a higher level of activity. The increase in gross margin in 2010, compared to 2009, mainly reflected an increase in the gross margin-to-revenue ratio for all categories of activity combined with a higher level of Packages activity, partially offset by a lower level of Services activity.

#### 6.2.1 SERVICES REVENUES AND GROSS MARGIN

As expected, **services revenues increased in 2011** compared to 2010. The increase is from all the Company's industry segments, notably Mining & Metallurgy.

From 2007 to 2010, Services activities sustained a gross margin-to-revenue ratio between 25% and 29%. In 2011, the gross margin-to-revenue ratio was below the historical range, mainly due to lower gross margins on certain major projects.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

As expected, **Services gross margin increased in 2011** compared to 2010, primarily reflecting a higher level of activity, notably in Mining & Metallurgy, partially offset by a lower gross margin-to-revenue ratio, primarily in Mining & Metallurgy, and Hydrocarbons & Chemicals.

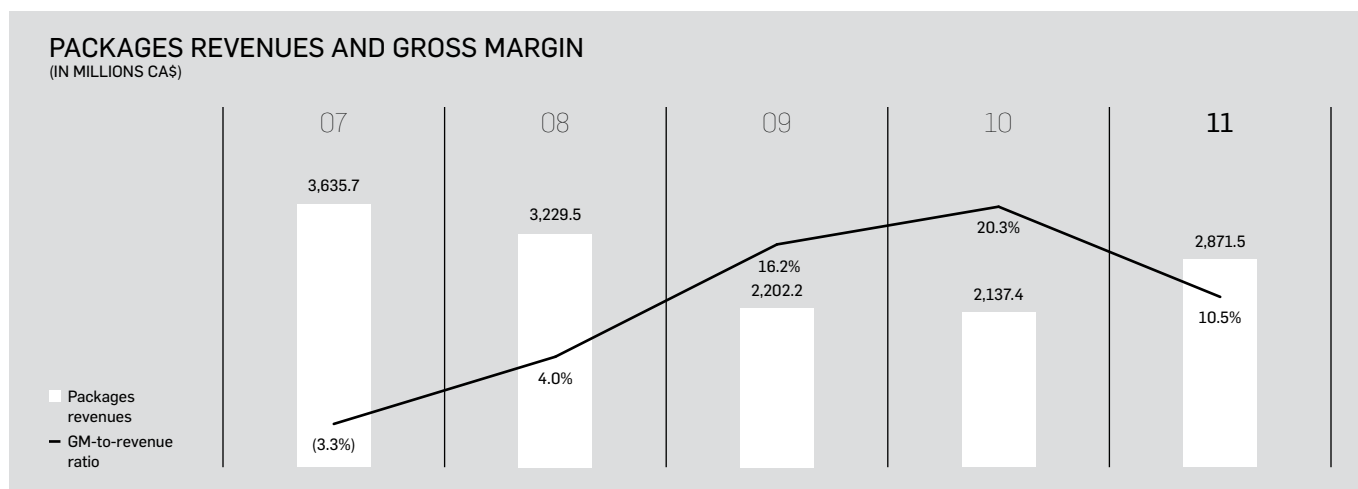


## 2011 Management's Discussion and Analysis

### 6.2.2 PACKAGES REVENUES AND GROSS MARGIN

As expected, **Packages revenues increased in 2011** compared to 2010. The increase is from all the Company's industry segments, notably Power.

Packages activities decreased from 2007 to 2010, as some major projects were completed or nearing completion in 2008 and 2009. The decrease was followed by an increased level of activity in 2011. The Company targets a gross margin-to-revenue ratio between 7% and 10% for Packages activities. However, as illustrated in the table below, this ratio was lower than this range for 2007 and 2008, mainly due to a lower gross margin-to-revenue ratio in Power. In 2009 and 2010, the target range was surpassed, mainly due to favourable reforecasts on certain major projects, while the target range was slightly surpassed in 2011.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

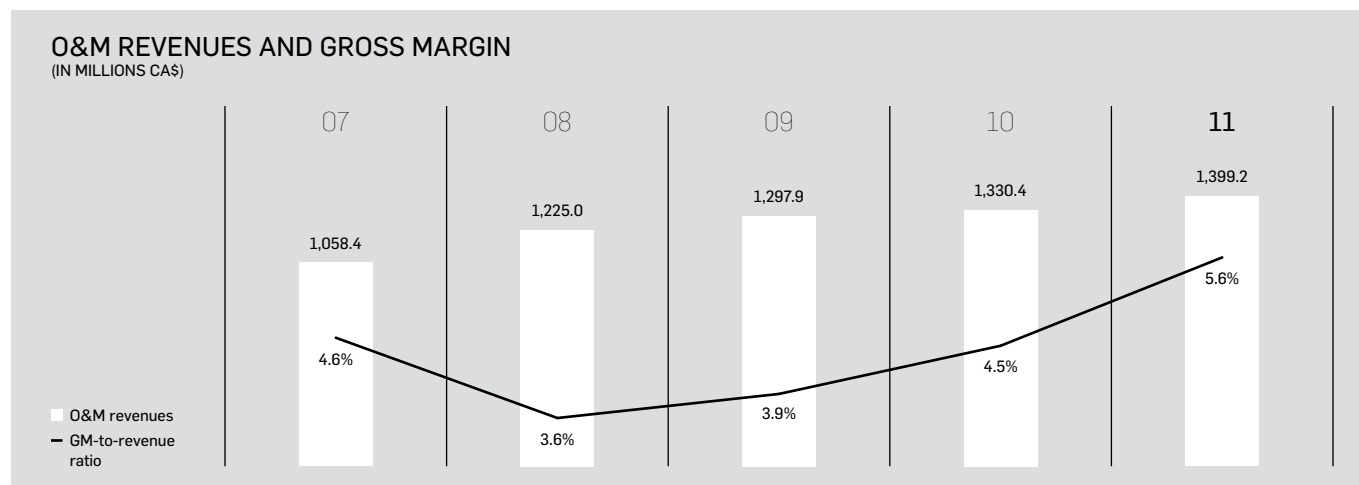
As expected, **gross margin for Packages decreased in 2011** compared to 2010. The decrease was mainly due to a lower gross margin-to-revenue ratio, mainly in Infrastructure & Environment, and Power, partially offset by a higher level of activity, notably in Power. It is noteworthy to mention that the 20.3% gross margin-to-revenue ratio for Packages in 2010 was above the Company's target range of 7% to 10%.

## 2011 Management's Discussion and Analysis

### 6.2.3 O&M REVENUES AND GROSS MARGIN

As expected, **O&M revenues increased in 2011** compared to 2010, due to a higher volume of activity.

As illustrated in the table below, O&M activities have increased steadily over the past five years. From 2007 to 2010, the gross margin-to-revenue ratio varied between the historical range of 3% to 5%, while it was surpassed in 2011:



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

As expected, **O&M gross margin increased in 2011** compared to the previous year, mainly reflecting a higher gross margin-to-revenue ratio on certain ongoing contracts.

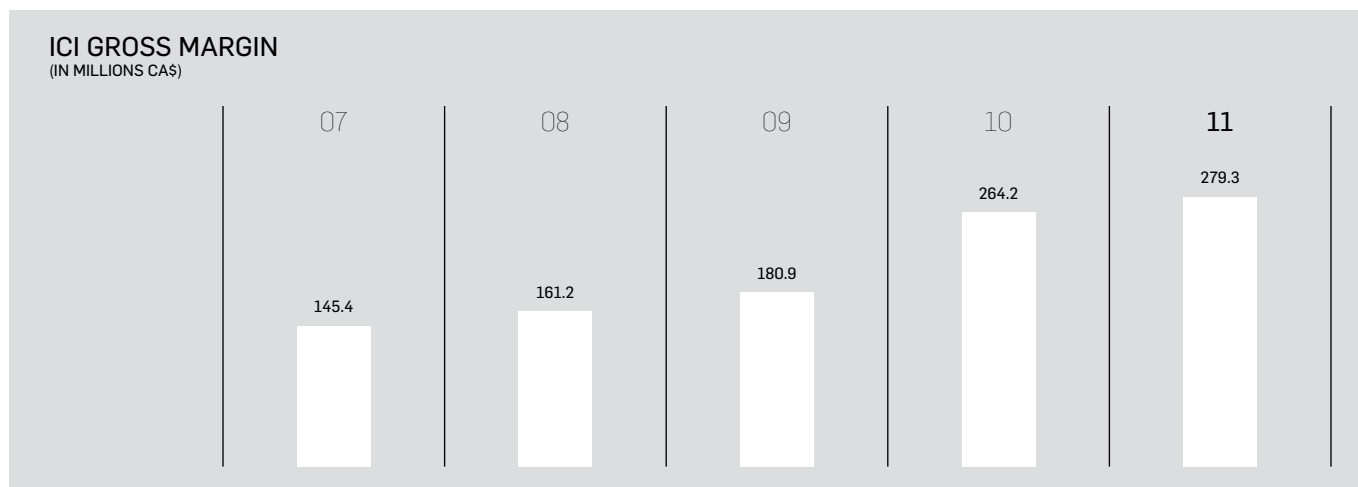
### 6.2.4 ICI REVENUES AND GROSS MARGIN

The relationship between revenues and gross margin for ICI activities is not meaningful, as a significant portion of the investments are accounted for under either the equity or cost methods, which do not reflect the line by line items of the individual ICI's financial results. Management relies on net income attributable to SNC-Lavalin shareholders from ICI as a key indicator when assessing and evaluating the results of its ICI. The analysis presented and discussed in the present section is to provide a better understanding of the gross margin generated from ICI to the reader.

While the Company expected its **2011 ICI revenues** to remain in line with 2010, it **increased**, mainly due to higher revenues from AltaLink and higher dividends from Highway 407, partially offset by the net gain before taxes of \$29.6 million from the disposals of Trencap and Valener in 2010, and by the absence of contributions in 2011 from the Company's investments in Trencap and Valener, which were sold in the fourth quarter of 2010. **Gross margin increased in 2011** compared to 2010, mainly for the same reasons with respect to the revenues increase outlined above.

## 2011 Management's Discussion and Analysis

As illustrated in the table below, the Company's gross margin from ICI has nearly doubled over the past five years, mainly reflecting the growth from AltaLink and Highway 407 in the past years coupled with the commencement of operations of Okanagan Lake Concession in 2008 and SKH in 2009, as well as the net gain from the disposals of Trencap and Valener in 2010.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

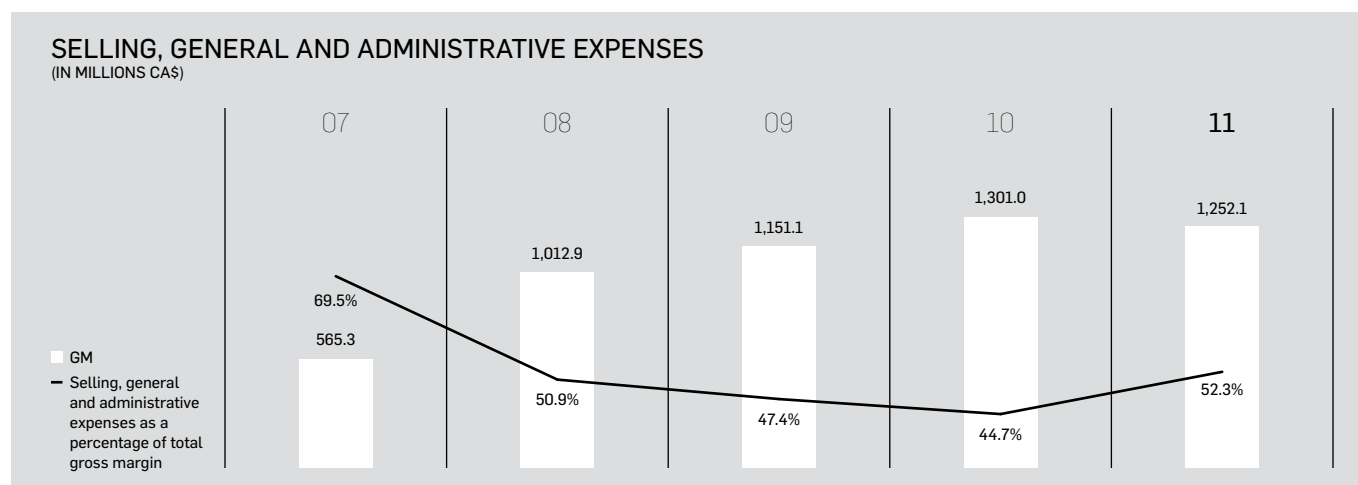
### 6.3 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Selling costs	\$ 191.3	\$ 168.2	13.7%
General and administrative expenses	463.4	413.5	12.1%
Selling, general and administrative expenses	\$ 654.7	\$ 581.7	12.5%

As expected, **Selling, general and administrative expenses increased in 2011** compared to 2010, mainly due to selling, general and administrative expenses of \$44.6 million from businesses recently acquired, as well as a higher volume of activity.

As cost management remains a strategic priority, the Company continues to maintain an appropriate balance between gross margin and selling, general and administrative expenses, while sustaining the necessary investment in selling activities in order to achieve its growth objective.

## 2011 Management's Discussion and Analysis



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

### 6.4 NET FINANCIAL EXPENSES

While the Company expected variances in net financial expenses from ICI and from other activities to offset each other, and **net financial expenses** to remain in line in **2011** compared to 2010, it **increased**, mainly reflecting higher net financial expenses from ICI, that were only partially offset by lower net financial expenses from other activities.

As expected, **net financial expenses from ICI increased in 2011** compared to 2010, mainly due to higher interest on non-recourse debt, primarily from AltaLink.

As expected, **net financial expenses from other activities decreased in 2011** compared to the previous year, mainly reflecting lower interest on recourse debt, as a result of the repayment of unsecured debentures totalling \$105 million at maturity in September 2010, combined with higher interest revenues, mainly due to higher effective yields.

(IN MILLIONS OF CANADIAN DOLLARS)	2011			2010		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	\$ (7.1)	\$ (10.2)	\$ (17.3)	\$ (0.1)	\$ (6.6)	\$ (6.7)
Interest on debt:						
Recourse	–	21.9	21.9	–	27.8	27.8
Non-recourse						
AltaLink	87.9	–	87.9	71.8	–	71.8
Other	7.9	–	7.9	8.6	–	8.6
Other	11.0	3.8	14.8	4.8	4.8	9.6
Net financial expenses	\$ 99.7	\$ 15.5	\$ 115.2	\$ 85.1	\$ 26.0	\$ 111.1

## 2011 Management's Discussion and Analysis

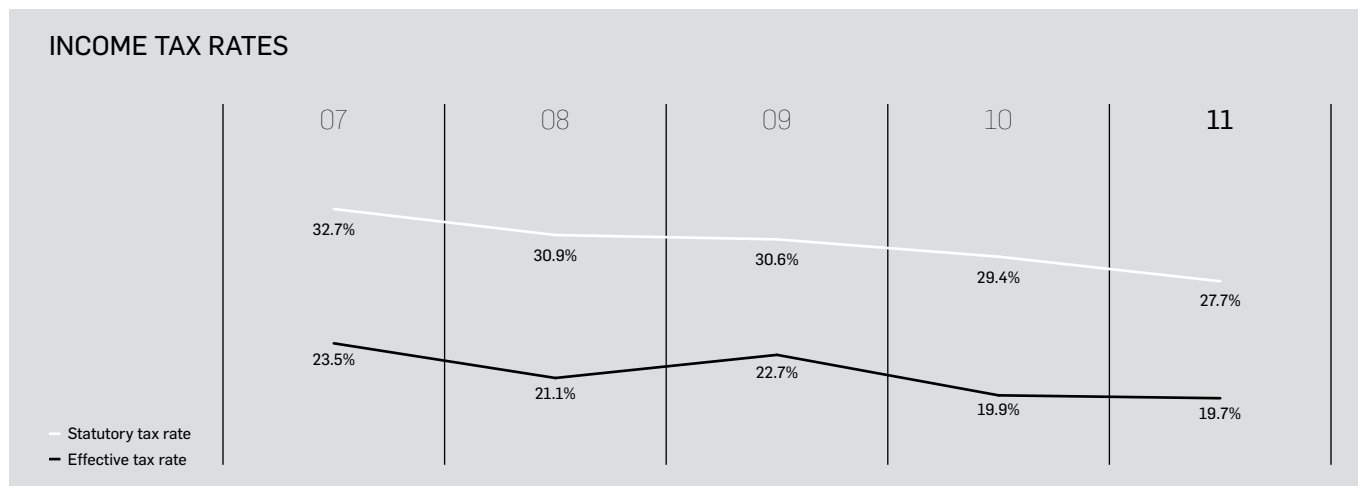
### 6.5 INCOME TAXES ANALYSIS

As expected, the effective income tax rate in 2011 remained in line with 2010.

The following table shows a summary of the Company's effective tax rate presented separately from ICI and from other activities.

(IN MILLIONS OF CANADIAN DOLLARS)	2011			2010		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Income before income tax expense	\$ 151.3	\$ 330.9	\$ 482.2	\$ 158.6	\$ 449.6	\$ 608.2
Income tax expense	\$ 12.6	\$ 82.3	\$ 94.9	\$ 14.4	\$ 106.4	\$ 120.8
Effective tax rate (%)	8.4%	24.9%	19.7%	9.1%	23.7%	19.9%

The Company's effective tax rate has been lower than the statutory Canadian tax rate since 2007, as illustrated below.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

## 2011 Management's Discussion and Analysis

### 7 REVENUE BACKLOG

**\$10.1 billion**  
TOTAL REVENUE BACKLOG

**\$2.2 billion**  
SERVICES

**\$5.5 billion**  
PACKAGES

**\$2.4 billion**  
O&M

The Company reports revenue backlog, which is a non-IFRS financial measure, for the following **categories of activity**: i) **Services**; ii) **Packages**; and iii) **O&M**. Revenue backlog is a **forward-looking indicator of anticipated revenues** to be recognized by the Company. It is determined based on **contract awards** that are considered **firm**.

**O&M** activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) **the contract term awarded**; and ii) **the next five years**. An indication of the total O&M backlog for the period beyond the five-year timeframe, that is not included in the Company's backlog, is disclosed in section 7.3.

The Company aims to provide a revenue backlog that is both meaningful and current. As such, the Company regularly reviews its backlog to ensure that it reflects any modifications, which include awards of new projects, changes of scope on current projects, and project cancellations, if any.

In the following section, the Company presents its "booking-to-revenue ratio" by category of activity, a non-IFRS measure. The ratio is obtained by dividing the contract bookings by the revenues, for a given period. This measure provides a basis for assessing the renewal of business. However, the revenue backlog measure does not include prospects, one of the key elements taken into account when estimating revenues and gross margin for budget and forecast purposes described in section 4.3, which can be a significant portion of the budgeted and/or forecasted revenues.

Considering the impact of IAS 31, *Interests in Joint Ventures*, ("IAS 31") and IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") on its ICI, the **Company decided, starting January 1<sup>st</sup> 2011, to no longer include** its revenue backlog for ICI activities when reporting its financial results under IFRS. All comparative figures herein have been restated accordingly. The Company's ICI revenue backlog disclosed in its 2010 Financial Report, under "Management's Discussion and Analysis", was \$2.9 billion at December 31, 2010.

## 2011 Management's Discussion and Analysis

### REVENUE BACKLOG BY SEGMENT, GEOGRAPHY AND CATEGORY OF ACTIVITY

The following table provides a breakdown of revenue backlog by segment, geographic areas and category of activity.

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
<b>Services and Packages</b>				
Infrastructure & Environment	\$ 804.7	\$ 2,051.2	\$ –	\$ 2,855.9
Hydrocarbons & Chemicals	248.9	971.8	–	1,220.7
Mining & Metallurgy	646.4	476.6	–	1,123.0
Power	360.8	1,601.1	–	1,961.9
Other Industries	165.3	382.1	–	547.4
<b>O&amp;M</b>	–	–	2,379.1	2,379.1
<b>Total</b>	<b>\$ 2,226.1</b>	<b>\$ 5,482.8</b>	<b>\$ 2,379.1</b>	<b>\$ 10,088.0</b>
FROM CANADA AND OUTSIDE CANADA				
From Canada	\$ 727.7	\$ 3,885.1	\$ 1,792.4	\$ 6,405.2
Outside Canada	1,498.4	1,597.7	586.7	3,682.8
<b>Total</b>	<b>\$ 2,226.1</b>	<b>\$ 5,482.8</b>	<b>\$ 2,379.1</b>	<b>\$ 10,088.0</b>

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2010			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
<b>Services and Packages</b>				
Infrastructure & Environment	\$ 665.1	\$ 2,820.6	\$ –	\$ 3,485.7
Hydrocarbons & Chemicals	165.8	923.8	–	1,089.6
Mining & Metallurgy	273.6	167.1	–	440.7
Power	219.6	1,340.4	–	1,560.0
Other Industries	86.6	320.5	–	407.1
<b>O&amp;M</b>	–	–	2,732.8	2,732.8
<b>Total</b>	<b>\$ 1,410.7</b>	<b>\$ 5,572.4</b>	<b>\$ 2,732.8</b>	<b>\$ 9,715.9</b>
FROM CANADA AND OUTSIDE CANADA				
From Canada	\$ 467.3	\$ 3,645.0	\$ 2,213.7	\$ 6,326.0
Outside Canada	943.4	1,927.4	519.1	3,389.9
<b>Total</b>	<b>\$ 1,410.7</b>	<b>\$ 5,572.4</b>	<b>\$ 2,732.8</b>	<b>\$ 9,715.9</b>

The Company's revenue backlog at December 31, 2011 increased compared to the end of 2010, reflecting an increase in Services, partially offset by a decrease in O&M and Packages.

**Backlog from Canada increased**, primarily due to an increase in Hydrocarbons & Chemicals, and Mining & Metallurgy, partially offset by a decrease in Infrastructure & Environment, and O&M.

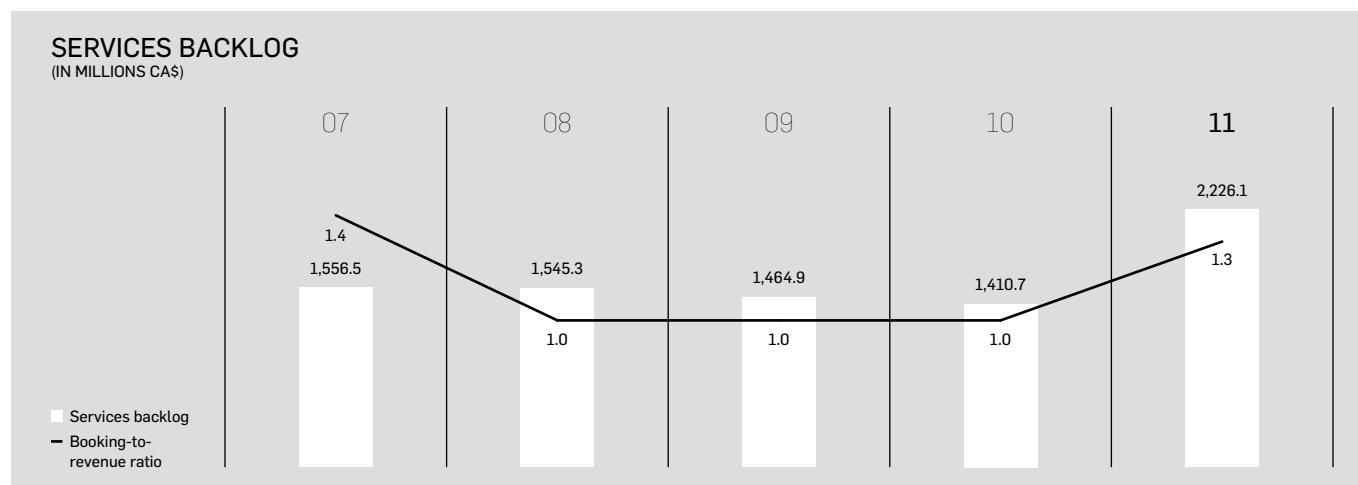
**Backlog from Outside Canada increased**, mainly due to an increase in Power, and Mining & Metallurgy, partially offset by a decrease in Hydrocarbons & Chemicals.

In 2011, SNC-Lavalin acquired certain assets of AECL's commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. Revenue backlog of Candu Energy Inc. amounted to \$161.8 million as at December 31, 2011 and was primarily related to Services activities.

## 2011 Management's Discussion and Analysis

### 7.1 SERVICES BACKLOG

Services backlog increased at the end of 2011 compared to the end of the previous year, in all the Company's industry segments, mainly in Mining & Metallurgy.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

#### RECONCILIATION OF SERVICES BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Opening backlog	\$ 1,410.7	\$ 1,464.9
Add: Contract bookings during the year	3,021.1	1,884.3
Backlog from business acquisitions	232.1	115.3
Less: Revenues recognized during the year	2,437.8	2,053.8
Ending backlog	\$ 2,226.1	\$ 1,410.7

Services bookings included notable additions in 2011 such as:

- > **BHP Billiton Jansen Project** (Mining & Metallurgy/Canada): Definition study phase awarded for Stage 1 of the Jansen Project, a greenfield 2 million tonne per year potash facility located near Lanigan, Saskatchewan. The contract was awarded as part of the multi-year Hub contract signed with BHP Billiton in 2011 for the execution of potash projects to be developed and built mainly in Saskatchewan;
- > **Ecopetrol Projects** (Hydrocarbons & Chemicals/Latin America): Three consulting and project management services contracts awarded for various types of facilities and infrastructure of Ecopetrol S.A., in Colombia;
- > **El Halassa, Mea and Daoui Wash Plants Projects** (Other Industries/Africa): Contracts awarded by the Office Cherifien des Phosphates ("OCP") to provide EPCM-related activities for the El Halassa Wash Plant, and for the Mea and Daoui Wash Plants, located south-east of Casablanca near the City of Khouribga, Morocco. These facilities process, or will process, phosphate rock to prepare a liquid that will be transported by way of a slurry pipeline to the Jorf Lasfar Terminal on the coast of the Atlantic Ocean;
- > **Emirates Aluminium Smelter Complex Phase II** (Mining & Metallurgy/Middle East): EPCM services contract awarded by Emirates Aluminium Company Limited PJSC ("EMAL") for Phase II of its smelter in AL Taweelah, in the Emirate of Abu Dhabi. The contract involves EPCM services for a new aluminum smelter, including a 1,000 MW power plant and a 1.7 km-long potline, the longest ever built. Once completed, the EMAL Phase II smelter will produce 525,000 tonnes of aluminum per year;

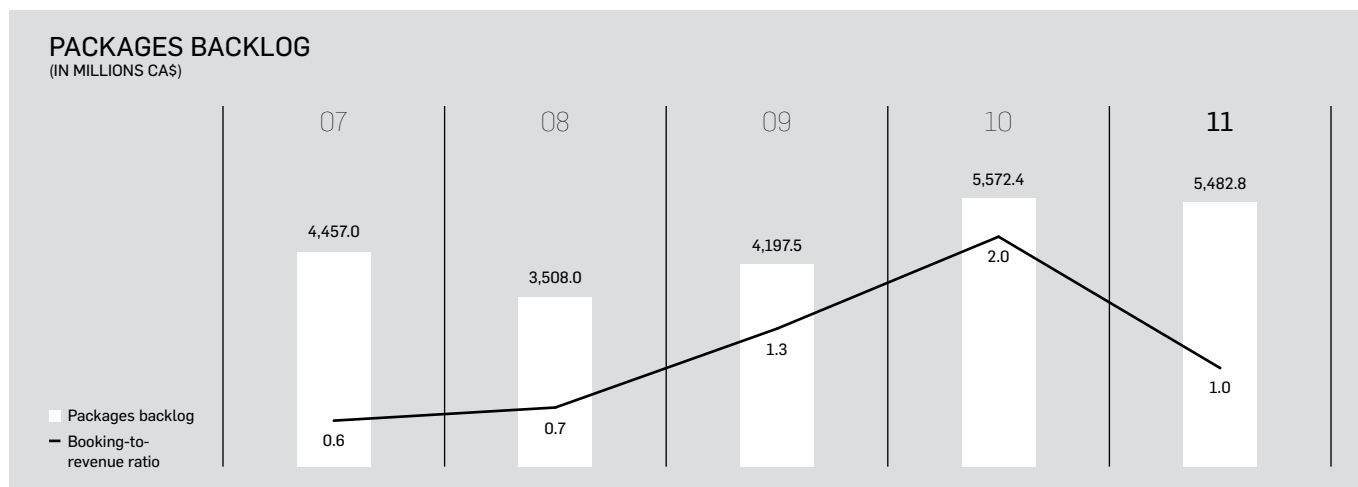


## 2011 Management's Discussion and Analysis

- > **Fenix Power Plant** (Power/Latin America): Contract awarded by Fenix Power Peru S.A. to provide EPCM services for the Fenix Power Plant, located south of Lima, in Chilca, Peru. The project involves completing a 520 MW combined cycle natural gas-fired electrical power generation plant, and building a seawater intake and outtake structure to convey water to and from the Pacific Ocean to a plant's cooling system;
- > **Kharyaga** (Hydrocarbons & Chemicals/Other Regions): Contract awarded by Globalstroy-Engineering to perform detailed engineering and procurement for Phase III Package 4 of the Kharyaga project, situated 60 km north of the Polar Circle, in Russia's oil-rich Timan-Pechora province. SNC-Lavalin will also provide project management support and commissioning services. Phase III involves developing additional reserves, sustaining a daily output of 30,000 barrels a day, achieving 95% associated gas utilization and eliminating flaring;
- > **Mont-Wright Expansion** (Mining & Metallurgy/Canada): Contract awarded by ArcelorMittal to provide EPCM services for the Mont-Wright, brownfield expansion project in Quebec, with a nominal rated capacity of 8 million tonnes of iron ore per year. The project will increase the overall production capacity of the Mont-Wright iron ore concentrator to approximately 24 million tonnes per year; and
- > **Muskrat Falls Hydroelectric Development** (Power/Canada): Agreement signed with Nalcor Energy to deliver EPCM services for Phase I of the Lower Churchill Project, in Newfoundland and Labrador. Phase I of the project will consist of the Muskrat Falls generating facility with a capacity of 824 MW. The transmission system project will include 1,200 km of transmission lines crossing from Labrador to the island of Newfoundland and associated converter stations, as well as transmission lines interconnecting the Muskrat Falls facility to the Churchill Falls generating station.

### 7.2 PACKAGES BACKLOG

Packages backlog decreased at the end of 2011 compared to 2010, resulting primarily from a decrease in Infrastructure & Environment, partially offset by an increase in Mining & Metallurgy, and Power.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

## 2011 Management's Discussion and Analysis

### RECONCILIATION OF PACKAGES BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Opening backlog	\$ 5,572.4	\$ 3,996.8
Add: Contract bookings during the year	2,764.6	4,197.0
Backlog from business acquisitions	17.3	–
Less: Revenues recognized during the year	2,871.5	2,137.4
Removal of backlog from projects in Libya	–	484.0
Ending backlog	\$ 5,482.8	\$ 5,572.4

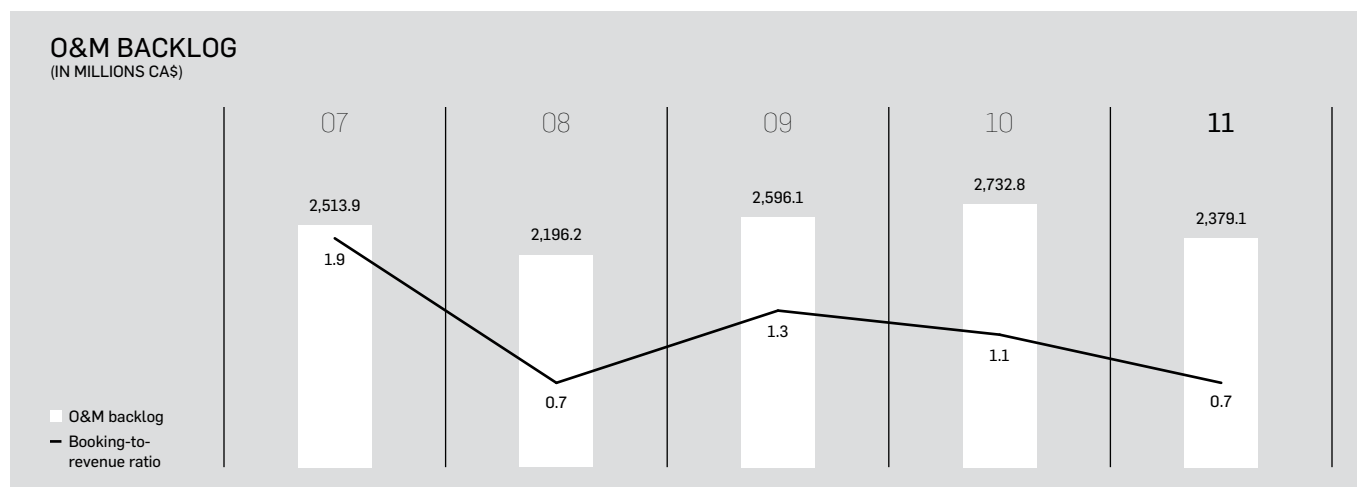
Packages bookings included notable additions in 2011 such as:

- > **Agrium** (Mining & Metallurgy/Canada): EPC cost-plus reimbursable contract awarded in 2009 by Agrium for the expansion of its existing Vanscoy underground potash mine, production hoist, concentrator and infrastructure to increase the production capacity by 1 million tonnes per year, which received full notice to proceed into execution from Agrium in 2011. The infrastructure includes 138 kV power supply systems, a tailings management area, and rail loadout facilities;
- > **Canadian Natural Resources Ltd ("CNRL") Froth Treatment Plant** (Hydrocarbons & Chemicals/Canada): Contract awarded by CNRL, a major oil sands mining producer, to perform EPC-related work for a froth treatment plant that will process 155,000 barrels of bitumen froth per day, in the Fort McMurray region. The engineering phase is underway;
- > **Edmonton North Link** (Infrastructure & Environment/Canada): Contract awarded by the City of Edmonton to the North Link Partnership, a joint venture of the Company, for the Edmonton North light rail transit ("LRT") project to provide construction management services, provision of labour, materials and equipment for all construction work, as well as testing and commissioning of the system for handover to the City of Edmonton. Work on the North LRT project began in 2011;
- > **Matala Dam Rehabilitation Project** (Power/Africa): EPC contract for the design and rehabilitation of a new spillway of an existing hydro power plant, including the supply and construction of new radial gates. The project is underway;
- > **Restigouche Hospital Centre for Psychiatric Care** (Infrastructure & Environment/Canada): EPC-related work, awarded by Rainbow Hospital Partnership, wholly-owned by SNC-Lavalin, for the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick. The hospital will be built by an SNC-Lavalin Construction-led joint venture. It will have 140 beds in seven in-patient units, and facilities for education and research, clinical support, and administration and general support services. It will also serve as the forensic psychiatry facility for the province. Work is underway;
- > **Rudarsko-Topionicarski Basen Bor Grupa ("RTB-Bor") Copper Smelter Modernization** (Other Industries/Europe): EPC contract relating to the RTB-Bor copper smelter upgrade, including a new flash furnace, sulphuric acid plant and effluent treatment plant, and upgrading of the existing facility's key process areas. When the project is completed, the new facility will provide RTB-Bor with 80,000 tonnes of copper anode per year while reducing liquid and gaseous emission levels to European standards. Work has begun;
- > **SaskPower Heat Rejection System** (Power/Canada): EPC contract for the Heat Rejection System of SaskPower's Boundary Dam Power Station that will supply cooling water to the carbon capture sequestration plant, the CO<sub>2</sub> compressor and the flue gas cooler using two closed loop water configurations;
- > **SaskPower BD3 CO<sub>2</sub> Compression Balance of Plant** (Power/Canada): The process entails the installation, at SaskPower's Boundary Dam Power Station, of a CO<sub>2</sub> compressor and dehydration packages, and the equipment developed by SNC-Lavalin during the FEED stage of the project. The scope also includes installation of two redundant 13.8 kV electrical feeds; and
- > **Te Mihi Geothermal Plant** (Power/Asia Pacific): EPC-related work awarded by Contact Energy, based in New Zealand, for the construction of the 166 MW Te Mihi double flash geothermal project in Taupo, New Zealand. Two new geothermal power units of 83 MW each will be built.

## 2011 Management's Discussion and Analysis

### 7.3 O&M BACKLOG

O&M backlog at the end of 2011 decreased compared to 2010, reflecting the normal fluctuations in the timing of the long-term contracts, primarily in Canada.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

#### RECONCILIATION OF O&M BACKLOG

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Opening backlog	\$ 2,732.8	\$ 2,596.1
Add: Contract bookings during the year	1,021.7	1,467.1
Backlog from business acquisitions	23.8	–
Less: Revenues recognized during the year	1,399.2	1,330.4
Ending backlog	\$ 2,379.1	\$ 2,732.8

Notable contract bookings in 2011 included additions such as:

- > Canada's Department of National Defence renewed a support contract for the Canadian Navy's minor warships and auxiliary vessels for another four years, from 2011 to 2015; and
- > Service operating concession contracts for four new airports in France, increasing the Company's network to 12 airports in France and French territories that covers the following, but not exclusively: airport landing strip operations, infrastructure and site maintenance, as well as commercial development for the airports.

A large number of the Company's O&M contracts have been signed for a period that extends well beyond the five-year timeframe that is included in its backlog for this category of activity. The following table indicates the revenue backlog for the O&M category by year for the five years that have been included in backlog, per the Company's booking policy, as well as the anticipated revenues to be derived thereafter, based on its firm contracts, which are not included in backlog.

(IN MILLIONS OF CANADIAN DOLLARS)	INCLUDED IN BACKLOG						NOT INCLUDED IN BACKLOG
	2012	2013	2014	2015	2016	TOTAL	THEREAFTER
O&M backlog	\$ 1,029.6	\$ 566.1	\$ 353.3	\$ 235.8	\$ 194.3	\$ 2,379.1	\$ 2,641.5

## 2011 Management's Discussion and Analysis

### 8 GEOGRAPHIC BREAKDOWN OF REVENUES BY CATEGORY OF ACTIVITY

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
<b>Canada</b>	\$ 981.2	\$ 1,344.7	\$ 1,195.9	\$ 480.7	\$ 4,002.5	56%
<b>Outside Canada</b>						
Africa	237.6	798.2	85.6	19.3	1,140.7	16%
Europe	319.5	252.5	49.7	2.4	624.1	9%
Latin America	443.4	37.5	45.8	–	526.7	7%
Middle East	147.9	240.3	3.0	–	391.2	5%
United States	137.4	110.1	–	(1.0)	246.5	3%
Asia Pacific	147.2	75.0	19.2	–	241.4	3%
Other Regions	23.6	13.2	–	–	36.8	1%
	1,456.6	1,526.8	203.3	20.7	3,207.4	44%
<b>Total</b>	\$ 2,437.8	\$ 2,871.5	\$ 1,399.2	\$ 501.4	\$ 7,209.9	100%

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2010					
	SERVICES	PACKAGES	O&M	ICI	TOTAL	
<b>Canada</b>	\$ 714.7	\$ 734.7	\$ 1,179.7	\$ 445.9	\$ 3,075.0	51%
<b>Outside Canada</b>						
Africa	232.3	891.5	76.7	25.5	1,226.0	20%
Europe	275.0	171.6	24.9	2.2	473.7	8%
Latin America	243.5	99.5	23.7	–	366.7	6%
Middle East	258.2	138.4	2.9	–	399.5	7%
United States	154.8	66.5	–	(1.3)	220.0	4%
Asia Pacific	149.6	9.7	22.5	–	181.8	3%
Other Regions	25.7	25.5	–	–	51.2	1%
	1,339.1	1,402.7	150.7	26.4	2,918.9	49%
<b>Total</b>	\$ 2,053.8	\$ 2,137.4	\$ 1,330.4	\$ 472.3	\$ 5,993.9	100%

Expansion of geographic, product and sector coverage is a strategic priority for the Company. The ability to deliver local projects using local resources is a key component in delivering its geographic growth strategy.

## 2011 Management's Discussion and Analysis

### 8.1 REVENUES IN CANADA

As expected, **revenues in Canada increased in 2011** compared to 2010, mainly due to a higher level of Packages activities.

**Services activities in Canada for 2011 increased** compared to 2010, primarily reflecting a higher level of activity in Mining & Metallurgy, and Power.

**Packages activities in Canada increased in 2011** compared to the previous year, reflecting mainly a higher level of activity from Infrastructure & Environment, Power, and Mining & Metallurgy.

**O&M activities in Canada in 2011 remained in line** with 2010.

The increase in ICI revenues in Canada for 2011 compared to 2010 was mainly from AltaLink and Highway 407.

### 8.2 REVENUES FROM OUTSIDE CANADA

As expected, **the Company's revenue from outside Canada increased in 2011**, compared to 2010. The increase was from all geographic areas, except from Africa, the Middle East, and from Other Regions. The variance is analyzed as follows:

- > **Revenues from Africa decreased in 2011** compared to 2010, due to a decrease in Packages activities, mainly from a lower level of activities from Infrastructure & Environment, partially offset by an increase from Hydrocarbons & Chemicals. The Company generated \$86.2 million of revenues (1.2% of total revenues) from Libya for the year ended December 31, 2011, compared to \$418.2 million (7.0% of total revenues) in 2010.
- > **Revenues from Europe increased in 2011** compared to 2010, mainly due to an increase in Packages activities, primarily in Infrastructure & Environment, and a higher level of Services activity, in all the Company's industry segments.
- > **Revenues in Latin America increased in 2011** compared to the previous year, mainly reflecting increased Services activities from Mining & Metallurgy, and Hydrocarbons & Chemicals, partially offset by decreased Packages activities, mainly in Infrastructure & Environment.
- > **Revenues from the Middle East in 2011 remained in line** with 2010, as the decrease in Services activities, primarily from Hydrocarbons & Chemicals, was offset by a higher level of Packages activity, mainly in Infrastructure & Environment.
- > **United States revenues increased in 2011** compared to 2010, mainly due to increased Packages activities, mainly in Power partially offset by a lower level of Services activity, primarily in Power.
- > **In Asia Pacific, revenues increased in 2011** compared to the previous year, primarily reflecting a higher level of Packages activity, mainly in Power.
- > **In Other Regions, revenues decreased in 2011** compared to 2010, mainly reflecting a lower level of Packages activity.

# 2011 Management's Discussion and Analysis

## 9 OPERATING RESULTS BY SEGMENT

**\$505 million**  
TOTAL OPERATING INCOME

**\$324 million**  
SERVICES AND PACKAGES

**\$50 million**  
O&M

**\$131 million**  
ICI

As mentioned previously, the Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. The Company presents the information in the way management performance is evaluated, and regroups its projects within the related industries.

The following discussion reviews the Company's revenues and operating income by segment. Refer to Note 4 to its 2011 audited annual consolidated financial statements to obtain information on the way the Company determines operating income.

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011			2010		
	REVENUES	OPERATING INCOME	OPERATING INCOME OVER REVENUES	REVENUES	OPERATING INCOME	OPERATING INCOME OVER REVENUES
<b>Services and Packages</b>						
Infrastructure & Environment	\$ 1,945.1	\$ 46.8	2.4%	\$ 1,807.1	\$ 221.3	12.2%
Hydrocarbons & Chemicals	1,075.6	33.8	3.1%	888.7	21.8	2.4%
Mining & Metallurgy	1,022.0	80.6	7.9%	683.8	59.6	8.7%
Power	894.1	119.7	13.4%	496.6	116.4	23.4%
Other Industries	372.5	43.2	11.6%	315.0	38.6	12.3%
<b>O&amp;M</b>	1,399.2	50.1	3.6%	1,330.4	39.4	3.0%
<b>ICI</b>	501.4	131.2	26.2%	472.3	134.9	28.6%
<b>Total</b>	<b>\$ 7,209.9</b>	<b>\$ 505.4</b>	<b>7.0%</b>	<b>\$ 5,993.9</b>	<b>\$ 632.0</b>	<b>10.5%</b>

The summary table below compares the actual contribution of each segment in 2011, in terms of operating income, to the initial expectations expressed in the 2010 annual MD&A.

	2011		
	EXPECTATIONS	ACTUAL	ACTUAL VS. EXPECTATIONS
<b>Services and Packages</b>			
Infrastructure & Environment	↓	↓	×
Hydrocarbons & Chemicals	↑	↑	×
Mining & Metallurgy	↑	↑	✓
Power	↑	—	×
Other Industries	—	↑	✓
<b>O&amp;M</b>	↑	↑	✓
<b>ICI</b>	↓	—	✓
<b>Total operating income</b>	↓	↓	×

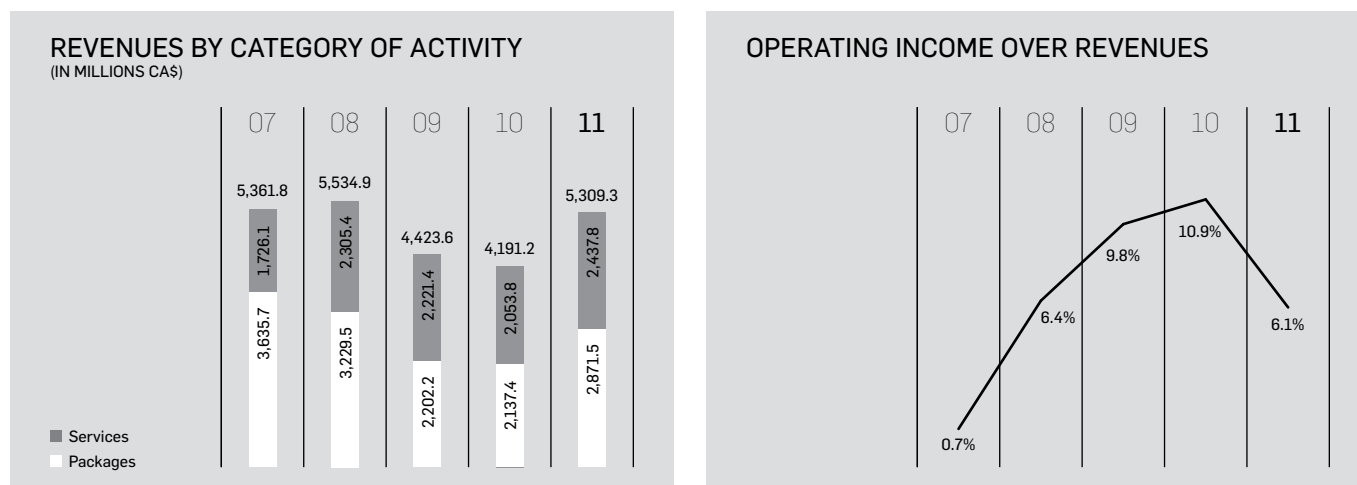
INCREASE COMPARED TO PREVIOUS YEAR    
 DECREASE COMPARED TO PREVIOUS YEAR    
 IN LINE WITH PREVIOUS YEAR    
 IN LINE OR ABOVE EXPECTATIONS    
 BELOW EXPECTATIONS

In 2011, the Company's operating income was below expectations, as the decrease in 2011 compared to 2010 was higher than expected, mainly reflecting a higher than expected decrease in contribution from Infrastructure & Environment, and a lower than expected contribution from Hydrocarbons & Chemicals, and Power.

## 2011 Management's Discussion and Analysis

### 9.1 SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees to clients as either Services or Packages activities. The graphs below illustrate the distribution of revenues between Services and Packages (i.e., Services contracts which are typically cost-plus and Packages contracts which are typically fixed-price) as well as the operating income-to-revenue ratio.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

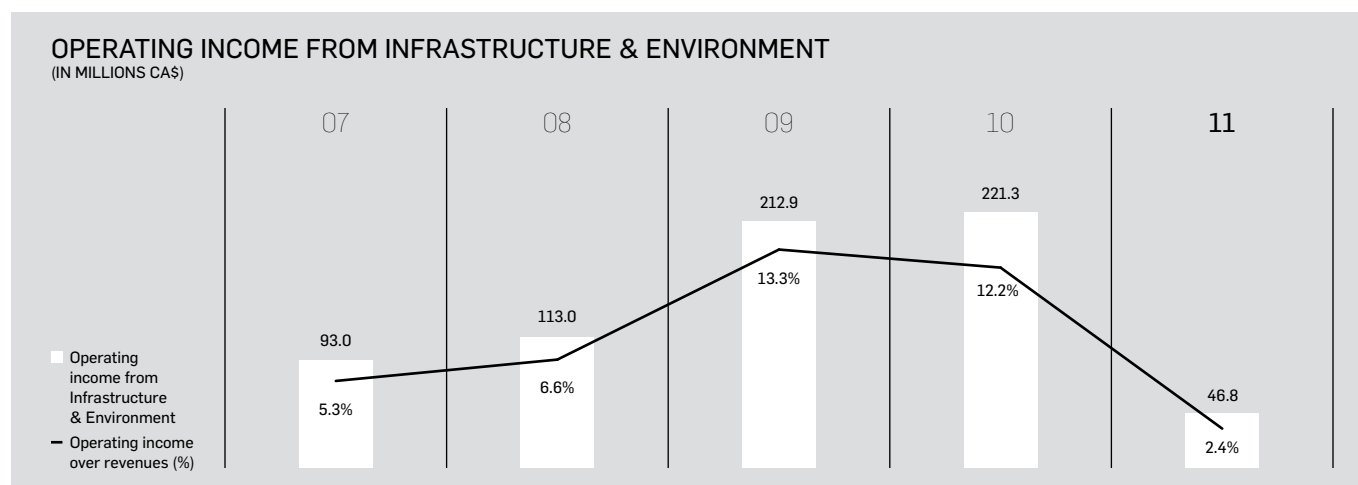
The variation in the operating income-to-revenue ratio is mainly due to: i) the revenue mix as Services and Packages activities generate different gross margin-to-revenue ratios (refer to section 4.1.2, "Understanding the difference between an EPCM contract and an EPC contract"); and ii) the gross margin-to-revenue ratio generated from Packages projects.

The proportion of Services activities in the Services and Packages mix has varied, from 32.2% in 2007, to 41.7% in 2008, 50.2% in 2009, 49.0% in 2010, and 45.9% in 2011. The lower operating income-to-revenue ratio in 2007 was mainly due to a loss in Power, in Packages activities. The higher operating income-to-revenue ratio for 2009 and 2010 is explained by the proportion of Services in the Services and Packages mix combined with favourable reforecasts on certain major Packages projects in both years.

#### 9.1.1 INFRASTRUCTURE & ENVIRONMENT

**Infrastructure & Environment** includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health and care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. It also includes social and environmental impact assessments and studies, community engagement, site assessment, remediation and reclamation, ecological and human health risk assessments, waste management, water resources planning, development and supply, treatment and sanitation, marine and coastal management, geoenvironmental services, climate change, air quality and acoustics, environmental management, geographic information systems, and agriculture and rural development.

## 2011 Management's Discussion and Analysis



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from Infrastructure & Environment			
Services	\$ 708.7	\$ 645.2	9.8%
Packages	1,236.4	1,161.9	6.4%
<b>Total</b>	<b>\$ 1,945.1</b>	<b>\$ 1,807.1</b>	<b>7.6%</b>
Operating income from Infrastructure & Environment	\$ 46.8	\$ 221.3	(78.9%)
Operating income over revenues from Infrastructure & Environment (%)	2.4%	12.2%	N/A
Revenue backlog at year end	\$ 2,855.9	\$ 3,485.7	(18.1%)

**Revenues from Infrastructure & Environment increased in 2011** compared to 2010, mainly reflecting a higher level of activity in both categories of activity. The increase in revenues was, however, lower than anticipated. It should be noted that revenues for the year ended December 31, 2011 included \$86.2 million of revenues from Libya, compared to \$418.2 million in 2010.

The major revenue contributors in 2011 were as follows:

- > **Calgary's Southeast Stoney Trail Ring Road** (Packages/Canada): EPC-related work for the Southeast Stoney Trail Ring Road concession awarded in 2010 by Alberta Transportation to Chinook Roads Partnership. This contract involves the design and construction of 25 kilometres of a six-lane divided road including nine interchanges, one road and two rail flyovers, comprising of 27 bridge structures in the southeast section of Calgary;
- > **Calgary West Light Rail Transit ("LRT")** (Packages/Canada): Contract awarded by the City of Calgary in 2009 to design, procure and build an eight-kilometre extension to the LRT system consisting primarily of six passenger stations, nine traction power substations, a major highway interchange, and two park-and-ride facilities in Calgary;
- > **McGill University Health Centre ("MUHC")** (Packages/Canada): EPC-related work for the new Glen Campus awarded by MUHC to Groupe Immobilier Santé McGill ("MIHG"), in Montreal, Quebec, under a public-private partnership arrangement. The contract involves the design and construction of the facilities, comprised mainly of two hospitals, a cancer centre and a research institute. Construction is underway;
- > **New District Cooling Plants in Riyadh** (Packages/Middle East): Contract awarded in 2010 to design and build two district cooling plants for Rayadah Investment Company which will serve the King Abdullah Financial District in Riyadh, Kingdom of Saudi Arabia;
- > **New District Cooling Plants in Dhahran** (Packages/Middle East): Contract awarded in 2010 by Saudi Tabreed for district cooling facilities in Dhahran, in the Kingdom of Saudi Arabia;



## 2011 Management's Discussion and Analysis

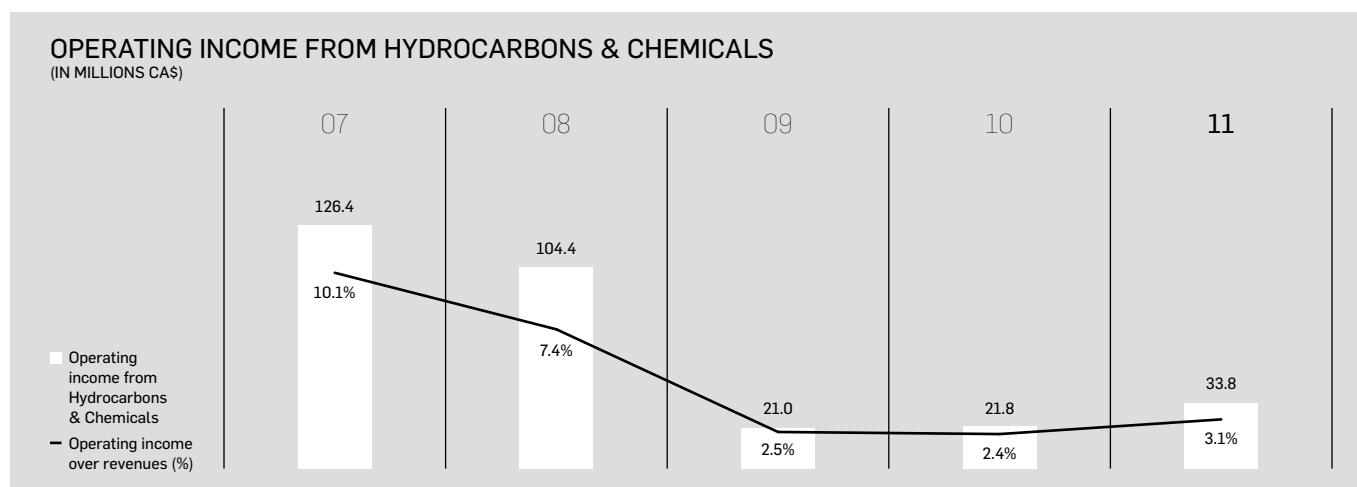
- > **New Maison symphonique Concert Hall of Montreal** (Packages/Canada): EPC portion of a public-private partnership arrangement with the Government of Quebec to design and build a new 2,100-seat concert hall in downtown Montreal, which was substantially completed in 2011;
- > **Puy de Dôme Cog Railway** (Packages/Europe): Contract to design and build a 5.3 km electric cog railway linking the base of the Puy-de-Dôme tourism site, in France, to its summit, and capable of carrying 1,200 passengers per hour; and
- > **Winnipeg's Centreport Canada Way** (Packages/Canada): Contract awarded in 2010 for the design and construction of a four-lane, four-kilometre section of Centreport Canada Way linking Manitoba's 20,000-acre inland port to the James A. Richardson International Airport and the Perimeter Highway.

The Company's **operating income from Infrastructure & Environment** was below expectations, as the **decrease in 2011** was higher than expected when compared to 2010, mainly due to a lower than anticipated gross margin-to-revenue ratio, primarily resulting from unfavourable cost reforecasts on certain major Packages projects in 2011, as well as a fourth quarter 2011 loss related to the Company's financial position related to its Libyan infrastructure projects, combined with a lower than anticipated increase in the volume of activity. The 2010 operating income was positively impacted by favourable cost reforecasts on certain major Packages projects. It should be noted that the 2010 operating income was unfavourably adjusted to reflect a correction related to \$20 million in payments made, under what is presumed to be an agency agreement, that were charged and documented to a construction project to which they did not relate (refer to section 1.1 "Recent Developments – Independent Review" and 14.1 "First-Time Adoption of IFRS"). Because these payments were documented to construction projects to which they did not relate, and that there is no direct and conclusive evidence on the use and purpose of these payments or the nature of the services rendered in connection therewith it was determined that they would need to be recorded as period expenses (i.e., not generating revenues) for accounting purposes.

The Company recorded a loss of \$39.3 million on Libyan projects in 2011, of which \$22.4 million was recognized by the Company in the fourth quarter in order for its net financial position, excluding \$22.9 million of cash and cash equivalents held in a Libyan bank, to be \$nil with respect to projects that were in progress before the Company evacuated Libya in February 2011. This net financial position was determined with the projects being considered on an aggregated basis. As a result, the deferred revenues and advances from these projects are economically offset by trade receivables and contracts in progress on these same projects.

### 9.1.2 HYDROCARBONS & CHEMICALS

**Hydrocarbons & Chemicals** (previously Chemicals & Petroleum) includes projects in the areas of bitumen production, heavy or conventional oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, chemicals, biofuels and green chemicals, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

## 2011 Management's Discussion and Analysis

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from Hydrocarbons & Chemicals			
Services	\$ 375.2	\$ 331.8	13.1%
Packages	700.4	556.9	25.8%
<b>Total</b>	<b>\$ 1,075.6</b>	<b>\$ 888.7</b>	<b>21.0%</b>
Operating income from Hydrocarbons & Chemicals	\$ 33.8	\$ 21.8	55.0%
Operating income over revenues from Hydrocarbons & Chemicals (%)	3.1%	2.4%	N/A
Revenue backlog at year end	\$ 1,220.7	\$ 1,089.6	12.0%

**Hydrocarbons & Chemicals revenues increased in 2011** compared to the previous year, mainly reflecting a higher level of Packages activities.

The major revenue contributors in 2011 were as follows:

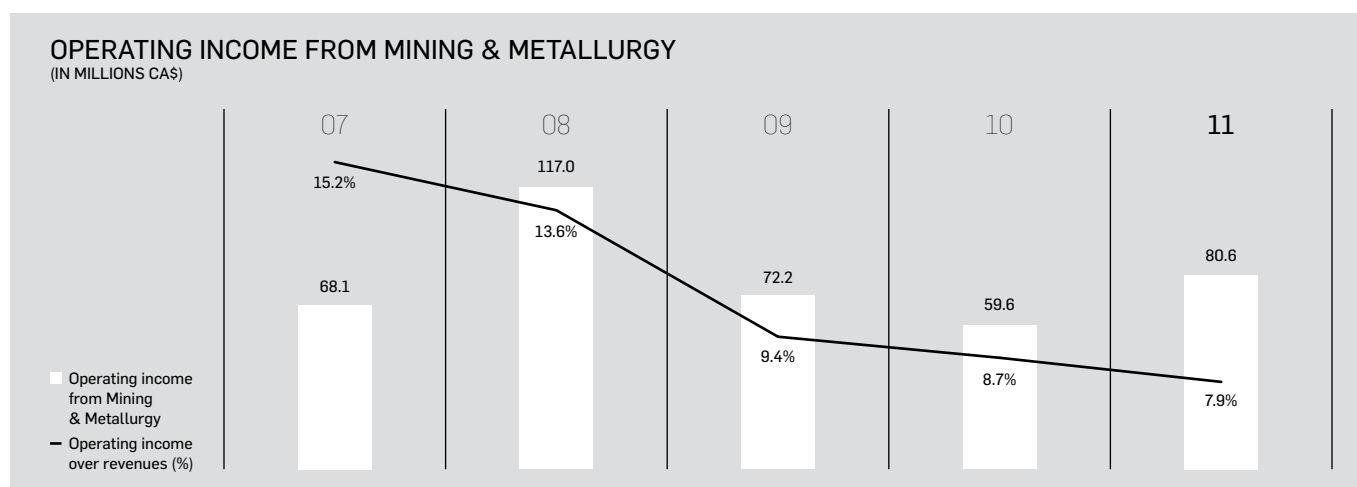
- > **Baytown Refining and Chemical Plant** (Services/United States): Agreement to provide front-end engineering, project management, detailed engineering, construction management and procurement services for a refinery and chemical complex located in Baytown, Texas;
- > **Ecopetrol Projects** (Services/Latin America): Three consulting and project management services contracts awarded for various types of facilities and infrastructure of Ecopetrol S.A., in Colombia;
- > **North Atlantic Refinery Debottleneck Project** (Services/Canada): Project to reduce greenhouse gas emissions and provide for steady crude feed blending and storage, and to optimize the current refinery from 112,900 to 120,000 barrels per day by refurbishing 21 process units and cleaning product yield within existing major equipment constraints at the Come by Chance refinery in Newfoundland and Labrador;
- > **Oscar II** (Packages/Europe): Turnkey EPC and commissioning contract for GRTgaz, a subsidiary of GDF Suez, for two new natural gas compressor and interconnection stations near the towns of Fontenay-Mauvoisin and Saint-Avit, France; and
- > **Rhourde Nouss** (Packages/Africa): EPC contract awarded in 2009 to design and build a gas treatment complex and a natural gas process facility capable of producing and processing 3.5 billion m<sup>3</sup> of natural gas per year in Algeria.

**The operating income from Hydrocarbons & Chemicals in 2011 increased** when compared to 2010, but the increase was below the Company's expectation, mainly due to unfavorable cost reforecasts on certain Packages projects as well as \$35 million of period expenses related to payments made in the fourth quarter of 2011. These payments, made under what are presumed to be agency agreements, were charged and documented to construction projects to which they did not relate (refer to section 1.1 "Recent Developments – Independent Review"). Because these payments were documented to construction projects to which they did not relate, and that there is no direct and conclusive evidence on the use and purpose of these payments or the nature of the services rendered in connection therewith, it was determined that they would need to be recorded as period expenses (i.e., not generating any revenues) for accounting purposes. In 2010, the low level of operating income was mainly due to unfavourable cost reforecasts on certain Packages projects.

## 2011 Management's Discussion and Analysis

### 9.1.3 MINING & METALLURGY

**Mining & Metallurgy** includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, and fertilizers.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from Mining & Metallurgy			
Services	\$ 869.2	\$ 643.4	35.1%
Packages	152.8	40.4	277.6%
<b>Total</b>	<b>\$ 1,022.0</b>	\$ 683.8	49.5%
Operating income from Mining & Metallurgy	\$ 80.6	\$ 59.6	35.4%
Operating income over revenues from Mining & Metallurgy (%)	7.9%	8.7%	N/A
Revenue backlog at year end	\$ 1,123.0	\$ 440.7	154.8%

As expected, **Mining & Metallurgy revenues increased in 2011** compared to 2010, primarily due to a higher level of activity.

The major revenue contributors in 2011 were as follows:

- > **Agrium** (Packages/Canada): EPC cost-plus reimbursable contract awarded in 2009 by Agrium for the expansion of its existing Vanscoy underground potash mine;
- > **Ambatovy Nickel Project** (Services/Africa): Construction continued on this EPCM contract, awarded in 2006, to construct an open-pit mine operation, and a hydrometallurgical processing plant expected to produce mainly nickel and cobalt in Madagascar. SNC-Lavalin has a 5% equity investment in this project accounted for by the cost method, as mentioned in section 9.3;
- > **BHP Billiton Jansen Project** (Services/Canada): Definition study phase awarded for Stage 1 of the Jansen Project, located near Lanigan, Saskatchewan, as part of the multi-year Hub contract signed with BHP Billiton in 2011 for the execution of potash projects to be developed and built mainly in Saskatchewan;
- > **Emirates Aluminum Smelter Complex Phase II** (Services/Middle East): EPCM services contract awarded by Emirates Aluminum Company Limited PJSC (EMAL) in the third quarter of 2011 for Phase II of its smelter in Al Taweelah, in the Emirate of Abu Dhabi;
- > **Ferro Carajas S11D** (Services/Latin America): Detailed engineering and technical services for the project implementation phase including consolidation of the basic design and development of the detailed design, procurement support, construction management and pre-commissioning for a mine that would produce 90 million tonnes of iron ore per year and beneficiation plant facilities;
- > **Mina de Cobre Panama Project** (Services/Latin America): Contract awarded to provide basic engineering and EPCM services for the development of the Cobre Panama copper mine project in Panama. Construction work began in late 2011;

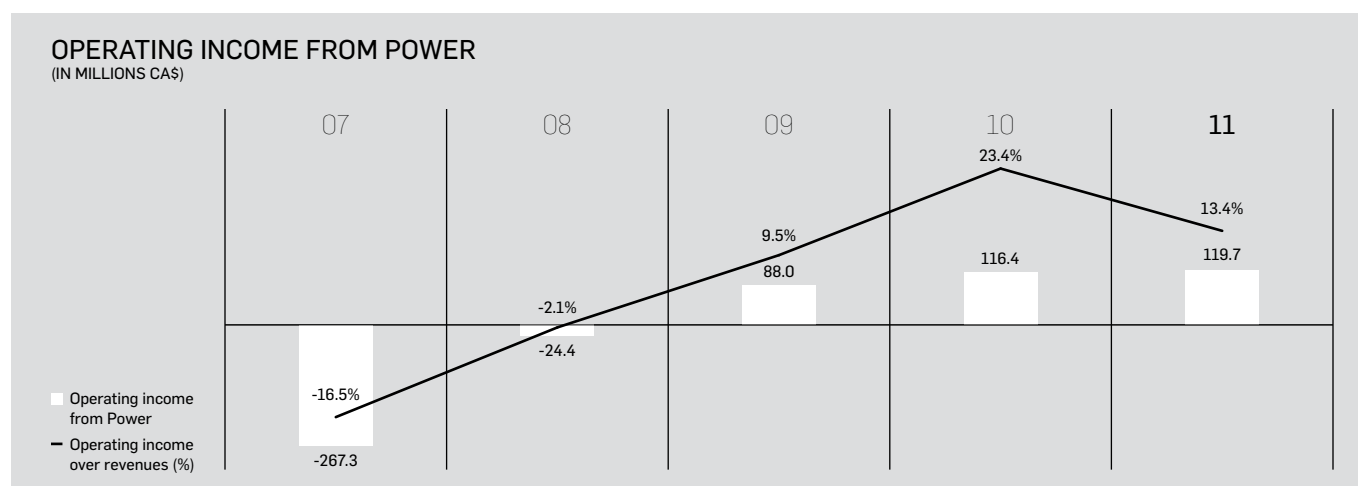
## 2011 Management's Discussion and Analysis

- > **Mont-Wright Expansion Project** (Services/Canada): Contract awarded by ArcelorMittal to provide EPCM services for the Mont-Wright, brownfield expansion project in Quebec;
- > **Potásio Rio Colorado Project** (Services/Latin America): Mandate to provide the detailed design for a potash plant in Argentina, for interconnections with the mine and for the airstrip. The initial rated production capacity of the plant is 2.9 million tonnes per year and a future planned expansion will increase it to 4.3 million tonnes per year; and
- > **Rio Tinto Alcan's AP60 Project** (Services/Canada): Contract awarded to SNC-Lavalin /Hatch Joint Venture providing the preliminary engineering for a new AP60 pilot plant at Alcan's complex in Jonquiere, Quebec. In late 2010, Rio Tinto Alcan awarded the implementation of the first phase providing project management, engineering, procurement, construction, management and pre-commissioning services to implement this new energy-efficient and cost-effective aluminum smelting technology (AP60) aimed at providing a 40% higher output per pot compared to current production.

As expected, the **Company's contribution from Mining & Metallurgy increased in 2011** compared to 2010, primarily reflecting a higher level of activity. The increase was partially offset by a lower gross margin-to-revenue ratio in Services, mainly due to lower gross margins on certain major projects, combined with additional costs on one project in the first quarter of 2011.

### 9.1.4 POWER

**Power** includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from Power			
Services	\$ 322.2	\$ 309.3	4.2%
Packages	571.9	187.3	205.4%
<b>Total</b>	<b>\$ 894.1</b>	<b>\$ 496.6</b>	<b>80.1%</b>
Operating income from Power	\$ 119.7	\$ 116.4	2.8%
Operating income over revenues from Power (%)	13.4%	23.4%	N/A
Revenue backlog at year end	\$ 1,961.9	\$ 1,560.0	25.8%

As expected, **Power revenues increased in 2011** compared to 2010, mainly reflecting an increased level of Packages activity.

In 2011, SNC-Lavalin acquired certain assets of AECL's commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc., a wholly-owned subsidiary of SNC-Lavalin. Revenue backlog of Candu Energy Inc. amounted to \$161.8 million as at December 31, 2011 and was primarily related to Services activities.

## 2011 Management's Discussion and Analysis

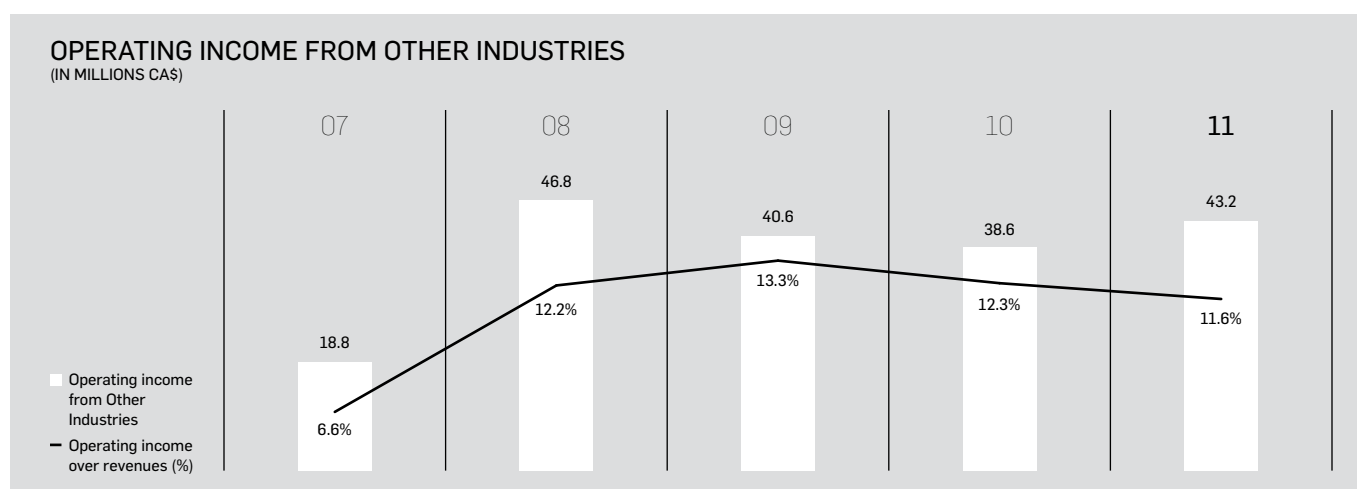
The major revenue contributors in 2011 were as follows:

- > **335 MW Waneta Expansion Project** (Packages/Canada): Contract to design and build a new powerhouse adjacent to the existing Waneta Dam, comprising a 335 MW hydroelectric power facility in British Columbia. Engineering and construction work is underway;
- > **Matala Dam Rehabilitation Project** (Services/Africa): EPC contract for the design and rehabilitation of a new spillway at an existing hydro power plant, including the supply and construction of new radial gates. The project is underway;
- > **Muskkrat Falls Hydroelectric Development** (Services/Canada): Agreement signed with Nalcor Energy to deliver EPCM activities for Phase I of the Lower Churchill Project, in Newfoundland and Labrador;
- > **SaskPower's Boundary Dam Integrated Carbon Capture and Sequestration ("CCS") Plant** (Packages/Canada): Contract for the CCS Demonstration Project, involving the transformation of an aging unit at the coal-fired Boundary Dam Power Station in Saskatchewan into a source of clean electricity and a producer of CO<sub>2</sub> for enhanced oil recovery;
- > **Southcentral Power Project** (Packages/United States): Contract awarded in 2010 by Chugach Electric Association, Inc., Alaska's largest electric utility. The mandate includes engineering, balance of plant procurement, construction and commissioning for a 200 MW natural gas-fired combined cycle power plant in Anchorage, Alaska;
- > **Te Mihi Geothermal Project** (Packages/Asia Pacific): EPC-related work awarded by Contact Energy, based in New Zealand, for the construction of the 166 MW Te Mihi geothermal project in Taupo, New Zealand; and
- > **Thermal Power Plant in Tunisia** (Packages/Africa): Contract awarded by the Société Tunisienne de l'Électricité et du Gaz to design and construct a 420 MW gas-powered combined cycle thermal power plant at Sousse, Tunisia. SNC-Lavalin is responsible for the engineering and the balance of plant work, which includes construction of the power block, gas and water treatment facilities, compressed air works and installation of the power equipment.

While the Company expected its **operating income from Power in 2011** to increase compared to 2010, it **remained in line**, as the higher level of Packages activity was offset mainly by a lower gross margin-to-revenue ratio, primarily reflecting the 2010 gain before taxes of \$22.8 million from the disposal of certain technology solution assets, as well as favourable costs reforecasts in 2010. Refer to section 6.1 for more details on the 2010 gain before taxes.

### 9.1.5 OTHER INDUSTRIES

**Other Industries** combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

## 2011 Management's Discussion and Analysis

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from Other Industries			
Services	\$ 162.5	\$ 124.1	30.9%
Packages	210.0	190.9	10.0%
<b>Total</b>	<b>\$ 372.5</b>	<b>\$ 315.0</b>	<b>18.2%</b>
Operating income from Other Industries	\$ 43.2	\$ 38.6	11.9%
Operating income over revenues from Other Industries (%)	11.6%	12.3%	N/A
Revenue backlog at year end	\$ 547.4	\$ 407.1	34.5%

**Other Industries revenues increased in 2011** compared to 2010, reflecting a higher level of activity in both categories of activity.

While the Company expected its **operating income derived from Other Industries in 2011** to remain in line with 2010, it **increased**, mainly due to a higher level of activity, partially offset by a lower gross margin-to-revenue ratio.

### 9.2 O&M

O&M activities are provided by the Company's employees to clients in the following lines of business:

- > **Project, property & facility management:** includes all aspects of building operations and management, realty management, project delivery and commissioning, energy management and sustainability initiatives, and program management;
- > **Industrial:** includes specialized expertise to oversee the O&M of assets such as turbines, steam generators, boilers, water supply and treatment systems, electrical systems, mechanical systems and manufacturing installations, from start-up mobilization to steady-state operation;
- > **Transportation:** includes operations, maintenance and rehabilitation management for large infrastructure assets including airports, public transit systems, highways, bridges and tunnels; and
- > **Defence & logistics:** includes support to Canada's Navy, servicing many different types of vessels, from research and defence boats to tugs and many other classes of ships, and also includes support to Canada's Armed Forces, as well as large mining, metallurgy, petrochemical, and oil and gas operations by building and maintaining temporary camps and living facilities around the world.

The Company currently manages more than 8,600 facilities that include buildings, workforce lodges, Canada's only air-rail link – the Canada Line, bridges, power plants, ships, highways and airports, spread across 12.6 million square metres of real estate and 250,000 infrastructure sites, making SNC-Lavalin one of the largest facility operations and management providers in Canada.

SNC-Lavalin's expertise in O&M activities, in addition to obtaining stand-alone O&M contracts, allows the Company to expand on its Services, Packages, and ICI activities by offering all-inclusive expertise that meets clients' needs, and complements its ICI.

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from O&M			
Project, property and facility management	\$ 939.9	\$ 977.9	(3.9%)
Industrial	161.7	137.4	17.7%
Transportation	109.5	104.1	5.1%
Defence and logistics	188.1	111.0	69.4%
<b>Total</b>	<b>\$ 1,399.2</b>	<b>\$ 1,330.4</b>	<b>5.2%</b>
Operating income from O&M	\$ 50.1	\$ 39.4	27.1%
Operating income over revenues from O&M (%)	3.6%	3.0%	N/A
Revenue backlog at year end	\$ 2,379.1	\$ 2,732.8	(12.9%)

As expected, **O&M revenues increased in 2011** compared to 2010.

As expected, **operating income increased in 2011** compared to 2010, mainly reflecting a higher gross margin-to-revenue ratio.

## 2011 Management's Discussion and Analysis

### 9.3 INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

As mentioned previously, SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

#### 9.3.1 DESCRIPTIONS OF ICI

The ICI segment includes SNC-Lavalin's ownership interest in the following main investments as at December 31, 2011 (refer to Note 5C to the 2011 audited annual consolidated financial statements for additional disclosure on the impact of these investments on the statement of financial position):

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD			SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	DESCRIPTION OF ACTIVITIES
		FULL CONSO-LIDATION	EQUITY	COST				
407 International Inc. ("Highway 407")	16.77%		✓		No	1999	2098	Operates, maintains and manages highway 407, a 108 km all-electronic toll highway in the Greater Toronto Area, under a 99-year concession agreement.
AltaLink Holdings, L.P. ("AltaLink") <sup>(1)</sup>	100%	✓			No	2002	N/A	Owns and operates approximately 11,800 km of transmission lines and over 275 substations in Alberta on a rate-regulated basis.
Ambatovy Nickel Project ("Ambatovy")	5%			✓	N/A	2007	N/A	An open-pit mine operation, and a hydrometallurgical processing plant in Madagascar that will produce mainly nickel and cobalt once construction is completed.
Astoria Project Partners LLC ("Astoria")	21.0%		✓		No	2004	N/A	Owns and operates a 500 MW natural gas-fired combined cycle power plant in Queens, New York.
Astoria Project Partners II LLC ("Astoria II")	18.5%		✓		No	2008	N/A	Astoria II owns and operates a 550 MW natural gas-fired combined cycle power plant in Queens, New York. Astoria II signed a 20-year firm Power Purchase Agreement with the New York Power Authority ("NYPA").
Chinook Roads Partnership ("Chinook")	50%		✓		Yes	2010	2043	Upon completion of the construction, it will operate and maintain the southeast Stoney Trail, being the southeast leg of the Ring Road for the City of Calgary.
Groupe immobilier santé McGill ("MIHG")	60%		✓		Yes	2010	2044	Once construction is completed, it will operate and maintain the McGill University Health Centre's new Glen Campus.
InTransit BC Limited Partnership ("InTransit BC")	33.3%		✓		Yes	2005	2040	InTransit BC operates and maintains the Canada Line, a 19-kilometre rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport in British Columbia under a 35-year concession agreement.

(1) SNC-Lavalin holds an ownership interest of 100% in AltaLink Holdings, L.P. ("AltaLink"), and ultimately owns 100% of all of its subsidiaries, including AltaLink, L.P., the owner and operator of transmission lines and substations subject to rate regulation.

N/A: not applicable

## 2011 Management's Discussion and Analysis

NAME	OWNERSHIP INTEREST	ACCOUNTING METHOD			SUBJECT TO IFRIC 12	HELD SINCE	MATURITY OF CONCESSION AGREEMENT	DESCRIPTION OF ACTIVITIES
		FULL CONSO-LIDATION	EQUITY	COST				
Malta International Airport p.l.c.	15.5%		✓		No	2002	2067	Has the right to own and manage the Malta International Airport under a 65-year concession agreement.
Myah Tipaza S.p.A. ("Myah Tipaza")	25.5%		✓		No	2008	N/A	Myah Tipaza owns, operates and maintains a 120,000 m <sup>3</sup> pd seawater desalination plant in Algeria and will sell the total capacity of treated water to Sonatrach and l'Algérienne des Eaux ("ADE") under a 25-year take-or-pay agreement.
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	100%	✓			Yes	2005	2035	Operates, maintains and manages the new five-lane, 1.1-km William R. Bennett Bridge in Kelowna, British Columbia, under a 30-year concession agreement.
Ovation Real Estate Group ("Ovation")	100%	✓			Yes	2009	2038	Operates and maintains a 2,100-seat concert hall in downtown Montreal, under a 29-year concession agreement.
Rainbow Hospital Partnership ("Rainbow")	100%	✓			Yes	2011	2041	Designs, builds, commissions, finances and, once construction is completed, will operate and maintain certain functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick.
Rayalseema Expressway Private Limited ("REPL")	36.9%		✓		Yes	2010	2040	Builds and will operate a 189-kilometre section of a toll highway in India, under a 30-year concession agreement.
Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH")	26%		✓		No	2006	N/A	Owns, operates and maintains a 1,227 MW gas-fired thermal power plant in Algeria; the total capacity of electricity is sold to Sonelgaz S.p.A. under a 20-year take-or-pay agreement.
Société d'Exploitation de l'Aéroport de Mayotte S.A.S. ("Mayotte")	100%	✓			Yes	2011	2026	Upgrades the infrastructure, builds a new terminal building, manages and maintain the airport under a 15-year concession agreement.
Société d'Exploitation de Vatry Europort ("SEVE")	51.1%		✓		No	1999	2020	Manages and operates a cargo airport under a 20-year concession agreement.
TC Dôme S.A.S. ("TC Dôme")	51%		✓		Yes	2008	2043	Will operate a 5.3 -km electric cog railway in France once construction is completed.

N/A: not applicable



## 2011 Management's Discussion and Analysis

### 9.3.2 NOTABLE EVENTS RELATED TO ICI

The following notable events related to ICI took place in 2011:

- > In April 2011, Société d'Exploitation de l'Aéroport de Mayotte S.A.S., a wholly-owned subsidiary of the Company, entered into an agreement with the French government to upgrade the infrastructure and build a new terminal building for the Mayotte airport, on a French island located in the Indian Ocean. Société d'Exploitation de l'Aéroport de Mayotte S.A.S. also has the mandate to manage and maintain the airport, in addition to assuming the commercial development, for a 15-year period.
- > In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Assets Partnership's ("MEAP") 23.08% ownership interest in AltaLink for a total consideration of \$228.8 million in cash. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%. AltaLink has technical expertise and extensive experience in Alberta, Canada, where it owns and operates regulated transmission facilities, such as transmission lines and substations that serve 85% of Alberta's population.
- > In September 2011, Rainbow Hospital Partnership ("Rainbow"), wholly-owned by SNC-Lavalin, was awarded a public-private partnership contract by the Government of New Brunswick for the design, construction, commissioning, financing and certain operation and maintenance functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick. Rainbow subcontracted the construction of the new hospital to an SNC-Lavalin-led joint venture. It will have 140 beds in seven in-patient units with facilities for education and research, clinical support, and administration and general support services. It will also serve as the forensic psychiatry facility for the province. SNC-Lavalin Operations & Maintenance will provide the operation and maintenance activities for the centre for a total of 30 years.

### 9.3.3 NET BOOK VALUE OF ICI

Given the significant effect of ICI on the Company's consolidated statement of financial position, the Company provides additional information in Note 5 of its 2011 audited annual consolidated financial statements regarding the net book value of its ICI in accordance with the method accounted for on SNC-Lavalin's consolidated statement of financial position. As at December 31, 2011, the Company estimates that the fair value of its ICI is higher than their net book value, with the Company's investment in Highway 407 and AltaLink having the highest estimated fair values of its ICI portfolio.

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	NET BOOK VALUE	
	2011	2010
<b>Highway 407</b>	\$ –	\$ –
<b>AltaLink</b>	<b>602.0</b>	328.2
<b>Others</b>	<b>763.3</b>	740.2
<b>Total</b>	<b>\$ 1,365.3</b>	\$ 1,068.4

Under the equity method of accounting, distributions from a jointly controlled entity reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a jointly controlled entity when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the jointly controlled entity are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. The excess amount of dividends payable by a jointly controlled entity is recognized in net income of the Company.

As a result, the Company recognized in its income statement dividends from Highway 407 of \$77.2 million in 2011 (2010: \$50.3 million) and did not recognize its share of Highway 407's net income of \$21.5 million (2010: \$12.9 million) in the same period, as the carrying amount of its investment in Highway 407 was \$nil at December 31, 2011, December 31, 2010 and January 1, 2010.

## 2011 Management's Discussion and Analysis

### 9.3.4 REVENUES AND OPERATING INCOME OF THE ICI SEGMENT

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	CHANGE (%)
Revenues from ICI	\$ 501.4	\$ 472.3	6.2%
Operating income from ICI	\$ 131.2	\$ 134.9	(2.7%)

The information relating to periods prior to 2010, established in accordance with Canadian GAAP, is not presented in the table because the most significant impacts for the Company of adopting IFRS relate to its ICI, as outlined in section 14.1.

The Company's investments are accounted for by either the cost, equity or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control (refer to section 4.1.4 for details). The revenues included in the Company's consolidated income statement are influenced by the consolidation method applied to an ICI, as described in section 4.1.4. In evaluating the performance of the segment, the relationship between revenues and operating income (which equals net income for ICI) is not meaningful, as a significant portion of the investments are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual ICI's financial results.

While the Company expected the **operating income from the ICI segment** to remain in line in 2011 compared to 2010, excluding the 2010 net gain after taxes on disposal of Trencap and Valener, it **increased**, mainly due to higher dividends from Highway 407, as well as a higher contribution from AltaLink, partially offset by the absence of contributions in 2011 from the Company's investments in Trencap and Valener, which were sold in the fourth quarter of 2010.

## 2011 Management's Discussion and Analysis

As supplementary information, the Company discloses, in the table below, its 16.77% proportionate share of the dividends paid by Highway 407, its net income attributable to SNC-Lavalin shareholders from other ICI, as well as the dividends and distributions received from ICI, as this information is useful in assessing the value of the Company's share price.

(IN MILLIONS OF CANADIAN DOLLARS)	2011	2010	2009 <sup>(1)</sup>	2008 <sup>(1)</sup>	2007 <sup>(1)</sup>
Net income attributable to SNC-Lavalin shareholders from ICI:					
From Highway 407	\$ 77.2	\$ 50.3	\$ 9.8	\$ 20.0	\$ 10.1
From a net gain on disposal of Trencap and Valener	–	26.1	–	–	–
From other ICI	54.0	58.5	27.1	17.2	13.2
<b>Total</b>	<b>\$ 131.2</b>	<b>\$ 134.9</b>	<b>\$ 36.9</b>	<b>\$ 37.2</b>	<b>\$ 23.3</b>
Dividends and distributions received by SNC-Lavalin:					
From Highway 407	\$ 77.2	\$ 50.3	\$ 31.9	\$ 22.6	\$ 20.1
From other ICI <sup>(2)</sup>	12.2	1.6	41.4	12.8	10.4
<b>Total</b>	<b>\$ 89.4</b>	<b>\$ 51.9</b>	<b>\$ 73.3</b>	<b>\$ 35.4</b>	<b>\$ 30.5</b>

(1) In accordance with Canadian GAAP, refer to section 14.1 for more details.

(2) In 2009, there was a \$24.6 million special distribution from Astoria II.

## 10 LIQUIDITY AND CAPITAL RESOURCES

**19.3%**  
ROASE

**\$852**  
million  
NET CASH  
POSITION

**\$750**  
million  
FREEHOLD  
CASH

As discussed in section 5 of the current MD&A, achieving a ROASE at least equal to the long-term Canada Bond Yield plus 600 basis points, and maintaining a solid financial position with a net cash position sufficient to meet expected operating, investing and financing plans, are two key financial objectives of the Company.

This Liquidity and Capital Resources section has been prepared to provide the reader with a better understanding of the major components of these financial objectives and has been structured as follows:

- > A **financial position** analysis, which has been prepared with the objective of providing additional information on the major changes in the Company's consolidated statement of financial position in 2011 and 2010;
- > A review of the **net cash position** and **freehold cash** of the Company;
- > A **cash flow analysis**, providing details on how the Company generated and used its cash and cash equivalents;
- > A discussion on the Company's **working capital**, **recourse revolving credit facilities**, **credit ratings**, and **recourse debt to capital**, which all represent indicators of the Company's financial strength;
- > A review of the Company's **contractual obligations** and **derivative financial instruments**, which provides additional information for a better understanding of the Company's financial situation; and finally
- > The presentation of the Company's **dividends declared** and **ROASE** over the past five years, as well as **market indices** in which the Company's stock is included.

## 2011 Management's Discussion and Analysis

These elements, as discussed in their corresponding sections below, demonstrate that the Company achieved its key financial objective of maintaining a solid financial position, and has cash and cash equivalents, as well as access to sufficient sources of funds and credit facilities to meet its expected operating, investing and financing plans, including financing of business acquisitions and investments in infrastructure concessions, share repurchases and, business growth, and to satisfying its contractual obligations.

In terms of the shareholders' capital adequacy, the Company seeks to maintain an adequate balance between ensuring sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time optimizing return on equity.

### 10.1 FINANCIAL POSITION ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	DECEMBER 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Current assets	\$ 3,546.3	\$ 3,566.5	\$ 3,157.6
Non-current assets	4,807.7	3,954.3	3,432.5
<b>Total assets</b>	<b>8,354.0</b>	<b>7,520.8</b>	<b>6,590.1</b>
Current liabilities	3,514.3	2,886.6	2,720.6
Non-current liabilities	2,953.0	2,714.7	2,269.9
<b>Total liabilities</b>	<b>6,467.3</b>	<b>5,601.3</b>	<b>4,990.5</b>
<b>Equity attributable to SNC-Lavalin shareholders</b>	<b>1,883.1</b>	<b>1,816.8</b>	<b>1,518.2</b>
<b>Non-controlling interests</b>	<b>3.6</b>	<b>102.7</b>	<b>81.4</b>
<b>Total liabilities and equity</b>	<b>\$ 8,354.0</b>	<b>\$ 7,520.8</b>	<b>\$ 6,590.1</b>

#### 10.1.1 TOTAL CURRENT ASSETS

Total current assets decreased by \$20.2 million between December 31, 2010 and December 31, 2011, reflecting primarily:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of <b>\$45.4 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$30.6 million in trade receivables; and</li> <li>&gt; An increase of \$14.1 million in cash and cash equivalents.</li> </ul>	<p>A decrease of <b>\$65.6 million</b> including mainly:</p> <ul style="list-style-type: none"> <li>&gt; A decrease of \$148.6 million in trade receivables; and</li> <li>&gt; A decrease of \$50.9 million in contracts in progress; partially offset by</li> <li>&gt; An increase of \$101.7 million in other current financial assets; and</li> <li>&gt; An increase of \$44.4 million in other current assets.</li> </ul>

Current assets increased by \$408.9 million between January 1, 2010 and December 31, 2010, reflecting primarily:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of \$22.0 million mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$22.4 million in other current financial assets.</li> </ul>	<p>An increase of \$386.9 million including mainly:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$226.1 million in trade receivables; and</li> <li>&gt; An increase of \$128.5 million in contracts in progress.</li> </ul>

## 2011 Management's Discussion and Analysis

### 10.1.2 TOTAL NON-CURRENT ASSETS

Total non-current assets increased by \$853.4 million from December 31, 2010 to December 31, 2011, mainly due to:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of <b>\$664.5 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$564.9 million in property and equipment, from AltaLink; and</li> <li>&gt; An increase of \$72.0 million in non-current financial assets.</li> </ul>	<p>An increase of <b>\$188.9 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$97.4 million in goodwill resulting from acquisition of businesses in 2011; and</li> <li>&gt; An increase of \$44.7 million in property and equipment.</li> </ul>

Total non-current assets increased by \$521.8 million from January 1, 2010 to December 31, 2010, mainly due to:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of \$422.0 million mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$347.6 million in property and equipment, from AltaLink;</li> <li>&gt; An increase of \$45.0 million in other non-current assets; and</li> <li>&gt; An increase of \$29.4 million in non-current financial assets.</li> </ul>	<p>An increase of \$99.8 million including mainly:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$51.1 million in ICI accounted for by the equity or cost methods; and</li> <li>&gt; An increase \$21.2 million in goodwill.</li> </ul>

### 10.1.3 TOTAL CURRENT LIABILITIES

Total current liabilities increased by \$627.7 million between December 31, 2010, and December 31, 2011, reflecting the following items:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of <b>\$392.6 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$288.6 million in non-recourse short-term debt and current portion of non-recourse long-term debt, primarily from AltaLink; and</li> <li>&gt; An increase of \$97.9 million in trade payables.</li> </ul>	<p>An increase of <b>\$235.1 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$171.1 million in deferred revenues; and</li> <li>&gt; An increase of \$147.9 million in trade payables; partially offset by</li> <li>&gt; A decrease of \$106.2 million of downpayments in contracts.</li> </ul>

Current liabilities increased by \$166.0 million between January 1, 2010, and December 31, 2010, reflecting the following items:

FROM ICI	FROM OTHER ACTIVITIES
<p>A decrease of \$20.5 million including mainly:</p> <ul style="list-style-type: none"> <li>&gt; A decrease of \$12.8 million in non-recourse short-term debt and current portion of non-recourse long-term debt, primarily from AltaLink; and</li> <li>&gt; A decrease of \$7.7 million in other current financial liabilities.</li> </ul>	<p>An increase of \$186.5 million mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$221.4 million in deferred revenues; and</li> <li>&gt; An increase of \$92.6 million in other current financial liabilities; partially offset by</li> <li>&gt; A decrease of \$104.9 million in the short-term debt and current portion of recourse long-term debt following the repayment of unsecured debentures totalling \$105 million at maturity in September 2010.</li> </ul>

## 2011 Management's Discussion and Analysis

### 10.1.4 TOTAL NON-CURRENT LIABILITIES

Total non-current liabilities increased by \$238.3 million from December 31, 2010 to December 31, 2011, mainly reflecting:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of <b>\$135.1 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$57.6 million in other non-current liabilities;</li> <li>&gt; An increase of \$44.0 million in other non-current financial liabilities; and</li> <li>&gt; An increase of \$32.4 million in the non-recourse long-term debt, primarily relating to AltaLink.</li> </ul>	<p>An increase of <b>\$103.2 million</b> mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$49.6 million in deferred income tax liability; and</li> <li>&gt; An increase of \$46.7 million in provisions.</li> </ul>

Total non-current liabilities increased by \$444.8 million from January 1, 2010 to December 31, 2010, mainly reflecting:

FROM ICI	FROM OTHER ACTIVITIES
<p>An increase of \$317.8 million including mainly:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$270.6 million in the non-recourse long-term debt, primarily relating to AltaLink.</li> </ul>	<p>An increase of \$127.0 million mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; An increase of \$80.0 million in deferred income tax liability; and</li> <li>&gt; An increase of \$44.3 million in provisions.</li> </ul>

### 10.1.5 TOTAL FINANCIAL LIABILITIES

The Company's total financial liabilities, as presented in Note 27A to the 2011 audited annual consolidated financial statements, were \$4.5 billion as at December 31, 2011, compared to \$4.1 billion and \$3.8 billion as at December 31, 2010 and January 1, 2010, respectively.

### 10.1.6 TOTAL EQUITY

Equity attributable to SNC-Lavalin shareholders increased by \$66.3 million as at December 31, 2011, compared to December 31, 2010, mainly reflecting the net income attributable to SNC-Lavalin shareholders for 2011, partially offset by the acquisition of non-controlling interests of AltaLink, and by dividends declared to SNC-Lavalin shareholders.

The increase of \$298.6 million from January 1, 2010 to December 31, 2010 mainly reflected the net income attributable to SNC-Lavalin shareholders for 2010, partially offset by dividends declared to SNC-Lavalin shareholders.

Non-controlling interests totalled \$3.6 million as at December 31, 2011, compared to \$102.7 million as at the end of the previous year. The decrease from December 31, 2010 to December 31, 2011 mainly related to the acquisition of MEAP's 23.08% ownership interest in AltaLink, as the carrying value of the non-controlling interests in AltaLink of \$110.8 million was reduced to \$nil upon completion of the transaction.

## 10.2 NET CASH POSITION AND FREEHOLD CASH

The Company's net cash position, which is a non-IFRS financial measure, is arrived at by excluding cash and cash equivalents from ICI and its recourse debt from its cash and cash equivalents, and was as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	DECEMBER 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Cash and cash equivalents	\$ 1,231.0	\$ 1,235.1	\$ 1,191.4
Less:			
Cash and cash equivalents of ICI accounted for by the full consolidation method	30.9	16.8	15.6
Recourse debt	348.4	348.2	452.9
Net cash position	\$ 851.7	\$ 870.1	\$ 722.9
Freehold cash	\$ 750.0	\$ 900.0	\$ 800.0

## 2011 Management's Discussion and Analysis

The net cash position as at December 31, 2011 was in line with December 31, 2010.

In addition to determining its net cash position, the Company estimates its **freehold cash**, a non-IFRS financial measure defined as the amount of cash and cash equivalents not committed for its operations, investments in ICI and balance of payment for past business acquisitions. As such, the freehold cash is derived from the cash and cash equivalents, excluding cash and cash equivalents from fully consolidated ICI at the end of the period, adjusted for estimated cash requirements to complete existing projects and the estimated net cash inflows from major ongoing projects upon their completion, as well as deducting the remaining commitments to invest in ICI, and the balance of payment for past business acquisitions. The freehold cash was **approximately \$750 million as at December 31, 2011**, compared to approximately \$900 million as at December 31, 2010. The decrease was mainly due to cash and cash equivalents used for the acquisition of MEAP's 23.08% ownership interest in AltaLink, and for the acquisition of a subsidiary's debenture as part of the same transaction, as well as the estimated cash requirements to complete existing projects, cash used for business acquisitions, and dividends paid to SNC-Lavalin shareholders. This decrease was partially offset by cash generated from operating activities excluding ICI.

The Company's net cash position as at December 31, 2011 includes \$22.9 million of cash and cash equivalents held in a Libyan bank. Although the Company believes that there is risk to its current ability to repatriate such funds, the Company has no current intention of attempting to do so or ceasing to do business in Libya and, continues to explore opportunities to resume its existing projects in Libya, as well as new business opportunities. Accordingly, the Company believes that such cash and cash equivalents are fully available to fund its business operations in that country. The Company will continue to assess the risks associated with the political conditions in Libya as developments occur or the circumstances otherwise warrant.

### 10.3 CASH FLOWS ANALYSIS

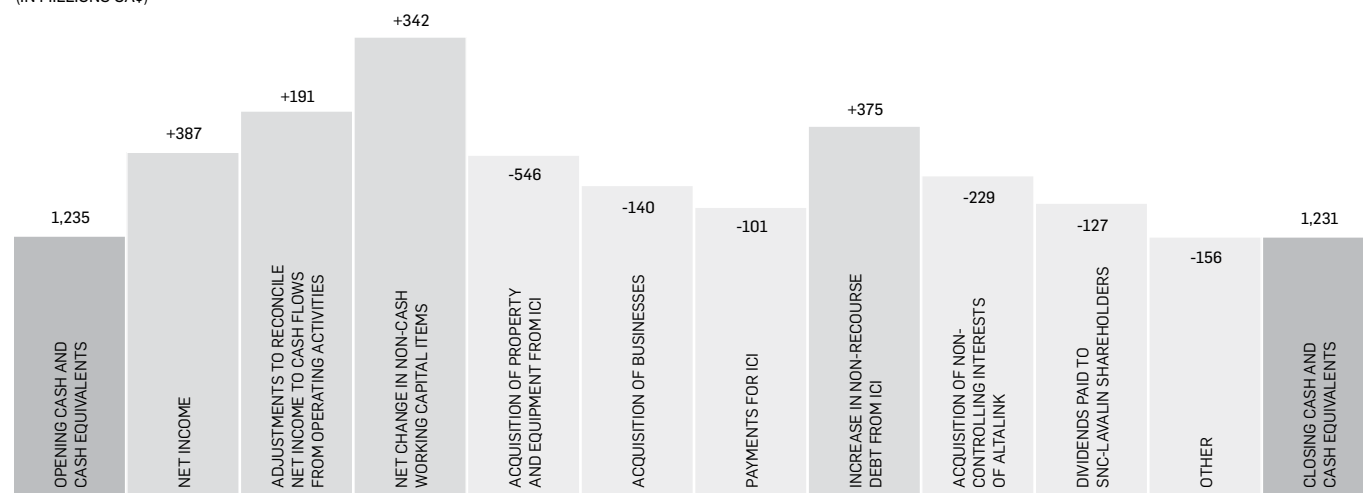
#### SUMMARY OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Cash flows generated from (used for):		
Operating activities	\$ 919.6	\$ 500.1
Investing activities	(863.6)	(475.9)
Financing activities	(56.8)	31.9
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations	(3.3)	(12.4)
Net increase (decrease) in cash and cash equivalents	(4.1)	43.7
Cash and cash equivalents at beginning of year	1,235.1	1,191.4
Cash and cash equivalents at end of year	\$ 1,231.0	\$ 1,235.1

The graph below displays the major cash flow items that impacted the movement of the Company's cash and cash equivalents for the year ended December 31, 2011. These items are further explained below.

#### 2011 VARIATION OF CASH AND CASH EQUIVALENTS

(IN MILLIONS CA\$)



## 2011 Management's Discussion and Analysis

Operating Activities	<p><b>Cash generated from operating activities increased to \$919.6 million in 2011</b>, compared to cash generated of \$500.1 million in 2010, mainly reflecting:</p> <ul style="list-style-type: none"> <li>&gt; Cash generated by the net change in non-cash working capital items, which totalled \$341.8 million in 2011, compared to cash used of \$189.5 million in 2010, primarily reflecting lower working capital requirements; partially offset by</li> <li>&gt; Net income in 2011 of \$387.3 million, compared to net income in 2010 of \$487.4 million.</li> </ul>
Investing Activities	<p><b>Cash used for investing activities increased to \$863.6 million in 2011</b>, compared to cash used of \$475.9 million in 2010. The major investing activities were as follows:</p> <ul style="list-style-type: none"> <li>&gt; The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of \$545.8 million in 2011 compared to \$402.0 million in 2010, due to AltaLink in both years, mainly relating to capital expenditures for transmission projects;</li> <li>&gt; The acquisition of businesses for a total cash outflow of \$140.4 million in 2011, compared to \$39.2 million in 2010;</li> <li>&gt; The cash outflow of \$101.1 million relating to payments for ICI in 2011, reflecting payments for Ambatovy, Astoria II, and REPL, compared to \$92.7 million in 2010, reflecting payments for Astoria II, Ambatovy and REPL; and</li> <li>&gt; The acquisition of property and equipment from other activities used a total cash outflow of \$67.2 million in 2011 compared to \$46.0 million in 2010. Approximately 47% and 54%, in 2011 and 2010 respectively, of the acquisitions of property and equipment from these activities were related to information technology; partially offset by</li> <li>&gt; Proceeds from disposals of two ICI, Valener and Trencap, for a total cash inflow of \$176.9 million, in 2010.</li> </ul>
Financing Activities	<p><b>Cash used for financing activities totalled \$56.8 million in 2011</b>, compared to cash generated from financing activities of \$31.9 million in 2010. The major financing activities were as follows:</p> <ul style="list-style-type: none"> <li>&gt; An increase in non-recourse long-term debt from ICI totaling \$374.8 million in 2011, compared to \$400.6 million in 2010, mainly due to AltaLink in both years;</li> <li>&gt; Dividends paid to SNC-Lavalin shareholders amounted to \$126.8 million in 2011, compared to \$102.7 million in 2010, reflecting an increase in dividends per share. The increase in dividends reflects dividends paid of \$0.84 per share in 2011, compared to \$0.68 per share for 2010;</li> <li>&gt; Under its normal course issuer bid, the Company repurchased shares for a total amount of \$44.3 million in 2011 (819,400 shares at an average redemption price of \$54.03), compared to \$47.9 million in 2010 (901,600 shares at an average redemption price of \$53.18). The Company expects to be as active in repurchasing its shares in 2012. As a general practice, when managing its capital, the Company repurchases its common shares under its normal course issuer bid mainly to offset the dilutive effect of stock issuance under its stock option programs;</li> <li>&gt; The issuance of shares pursuant to the exercise of stock options generated \$26.9 million of cash in 2011 (820,216 stock options at an average price of \$32.84), compared to \$24.3 million in 2010 (902,465 stock options at an average price of \$26.98). As at March 16, 2012, there were 5,167,144 stock options outstanding with exercise prices varying from \$31.59 to \$57.07 per common share. At that same date there were 151,143,903 common shares issued and outstanding; and</li> <li>&gt; The acquisition of MEAP's 23.08% ownership interest in AltaLink for a total consideration of \$228.8 million in cash. As part of that transaction, the Company also acquired a subsidiary's debenture for \$50.0 million.</li> </ul>



## 2011 Management's Discussion and Analysis

### 10.4 WORKING CAPITAL

#### WORKING CAPITAL

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT CURRENT RATIO)	2011	2010
Current assets	\$ 3,546.3	\$ 3,566.5
Current liabilities	3,514.3	2,886.6
Working Capital	\$ 32.0	\$ 679.9
Current Ratio	1.01	1.24

The working capital and current ratio decreased as at December 31, 2011 compared to the previous year, as the increase generated from the variation in non-cash working capital items in 2011 was more than offset by cash used for financing and investing activities such as the acquisition of MEAP's 23.08% ownership interest in AltaLink as well as the acquisition of a subsidiary's debenture as part of the same transaction, business acquisitions, as well as dividends paid to shareholders.

### 10.5 CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between:

- > having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time,
- > optimizing return on average equity attributable to SNC-Lavalin shareholders.

Maintaining sufficient capital and access to satisfactory bank lines of credit is key to the Company's activities, as it demonstrates the Company's financial strength and its ability to meet its performance guarantees on multiple projects, and allows the Company to provide letters of credit as collateral for the fulfillment of its contractual obligations. Maintaining sufficient capital is also a key financial indicator that allows the Company to maintain its investment grade credit rating, which results in, among other things, having access to financing arrangements at a competitive cost.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results mainly from the accounting treatment of cash flow hedges, including the share of comprehensive income of investments accounted for by the equity method, and is not representative of the way the Company evaluates the management of its foreign currency risk. Accordingly, the other components of equity are not representative of the Company's financial position.

Refer to Note 28 to the 2011 audited annual consolidated financial statements for additional details regarding the Company's management of its capital.

## 2011 Management's Discussion and Analysis

### 10.6 RECOURSE DEBT AND NON-RECOURSE DEBT

<b>Recourse debt</b>	Recourse Revolving Credit Facility	The Company has access to committed long-term revolving lines of credit with banks, totalling <b>\$590.0 million</b> , upon which it may either issue letters of credit, or borrow at variable rates not exceeding the prime rate plus 0.0% (2010: 0.2%). As at December 31, 2011, \$145.9 million of these lines of credit remained unused, while the balance of \$444.1 million was exclusively used for the issuance of letters of credit. In addition, the Company has other lines of credit specifically available for the issuance of letters of credit. All the above-mentioned lines of credit are unsecured and subject to negative pledge clauses.
	Recourse Debenture–Credit Rating	On November 30, 2011, <b>Standard &amp; Poor's</b> reconfirmed SNC-Lavalin's debentures' rating of <b>BBB+ with a stable outlook</b> . On September 16, 2011, <b>DBRS improved</b> its outlook for the Company's debentures from BBB (high) with a stable trend to <b>BBB (high) with a positive trend</b> . On February 28, 2012, following the Company's update on the announcement of its 2011 financial results and impact on its 2011 outlook, DBRS placed SNC-Lavalin's debentures' rating at <b>BBB (high) Under Review with Developing Implications</b> . DBRS will maintain the rating under review until it has completed its assessment. On February 29, 2012, Standard & Poor's issued a credit rating bulletin stating that SNC-Lavalin's debentures' rating was unaffected in the near-term.
	Recourse Debt-to-Capital Ratio	This ratio compares the recourse debt balance to the sum of recourse debt and equity attributable to SNC-Lavalin shareholders, excluding other components of equity, and is a measure of the Company's financial capabilities. <b>As at December 31, 2011 and 2010, the Company's recourse debt-to-capital ratio was 15:85 and 16:84, respectively, below the Company's objective, which is not to surpass a ratio of 30:70.</b>
<b>Non-recourse debt</b>	SNC-Lavalin does not consider non-recourse debt when monitoring its capital because such debt results from the full consolidation of certain ICI held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI they finance. The Company's ICI accounted for using the full and equity consolidation methods may, however, be at risk if such investments were unable to repay their non-recourse long-term debt.	

### 10.7 CONTRACTUAL OBLIGATIONS AND FINANCIAL INSTRUMENTS

#### 10.7.1 CONTRACTUAL OBLIGATIONS

In the normal course of business, SNC-Lavalin has various contractual obligations. The following table provides a summary of SNC-Lavalin's future contractual commitments specifically related to short-term debt and long-term debt repayments, commitments to invest in ICI, and rental obligations:

(IN MILLIONS OF CANADIAN DOLLARS)	2012	2013-2014	2015-2016	THEREAFTER	TOTAL
Short-term debt and long-term debt repayments:					
Recourse	\$ –	\$ –	\$ –	\$ 350.0	\$ 350.0
Non-recourse from ICI	327.4	344.1	203.4	1,026.2	1,901.1
Commitments to invest in ICI	159.1	–	–	–	159.1
Rental obligations under long-term operating leases	89.5	145.4	102.8	100.0	437.7
Total	\$ 576.0	\$ 489.5	\$ 306.2	\$ 1,476.2	\$ 2,847.9

Additional details of the future principal repayments of the Company's recourse and non-recourse short-term debt and long-term debt are provided in Note 17D to the Company's 2011 audited annual consolidated financial statements. The commitments to invest in ICI result from SNC-Lavalin not being required to make its contribution immediately when investing, but instead contributing over time, as detailed in Note 5D to its 2011 audited annual consolidated financial statements. The commitments to invest in ICI are recognized for investments accounted for by the equity or cost methods and mainly relate to MIHG, Ambatovy and Chinook. Information regarding the Company's minimum lease payments for annual basic rental under long-term operating leases can be obtained in Note 31 to its 2011 audited annual consolidated financial statements.

## 2011 Management's Discussion and Analysis

### 10.7.2 FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 27 to its 2011 audited annual consolidated financial statements.

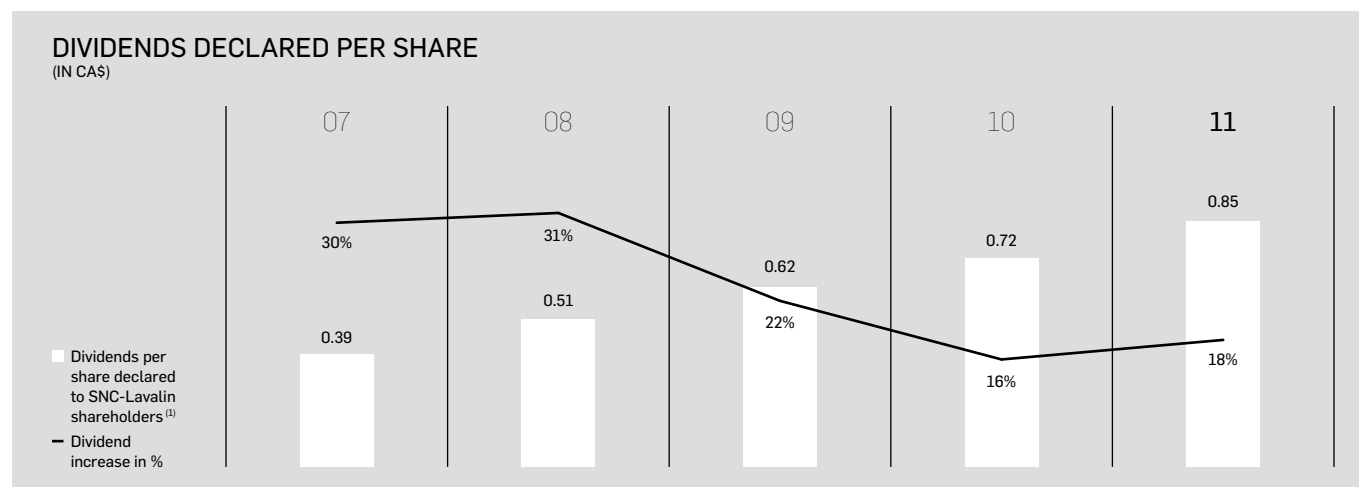
DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL ARRANGEMENT
SNC-Lavalin enters into derivative financial instruments, namely: i) forward currency exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements.	The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of its cash-settled share-based payment arrangements caused by fluctuations in its share price (refer to Note 21C to the 2011 audited annual consolidated financial statements).

All financial instruments are entered into with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

The Company does not hold or issue any derivative instruments for speculative purposes, but rather for hedging purposes only. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures.

### 10.8 DIVIDENDS DECLARED

The Board of Directors has decided to **increase the quarterly cash dividend payable to shareholders from \$0.21 per share to \$0.22 per share for the fourth quarter of 2011, resulting in total cash dividends declared of \$0.85 per share relating to 2011**. The table below summarizes the dividends declared for each of the past five years:



(1) The dividends declared are classified in the period for which the financial results are publicly announced, notwithstanding the declaration or payment date.

**Total cash dividends paid in 2011 were \$126.8 million**, compared to \$102.7 million in 2010. The Company has paid quarterly dividends for 22 consecutive years and has increased its yearly dividend paid per share for each of the past 11 years.

## 2011 Management's Discussion and Analysis

### 10.9 MARKET INDICES

SNC-Lavalin is listed on the Toronto Stock Exchange under the symbol "SNC" and is included in the S&P/TSX Composite Index, which is the principal broad market measure for the Canadian equity markets. In addition, the Company's stock is part of the following two S&P/TSX indices:

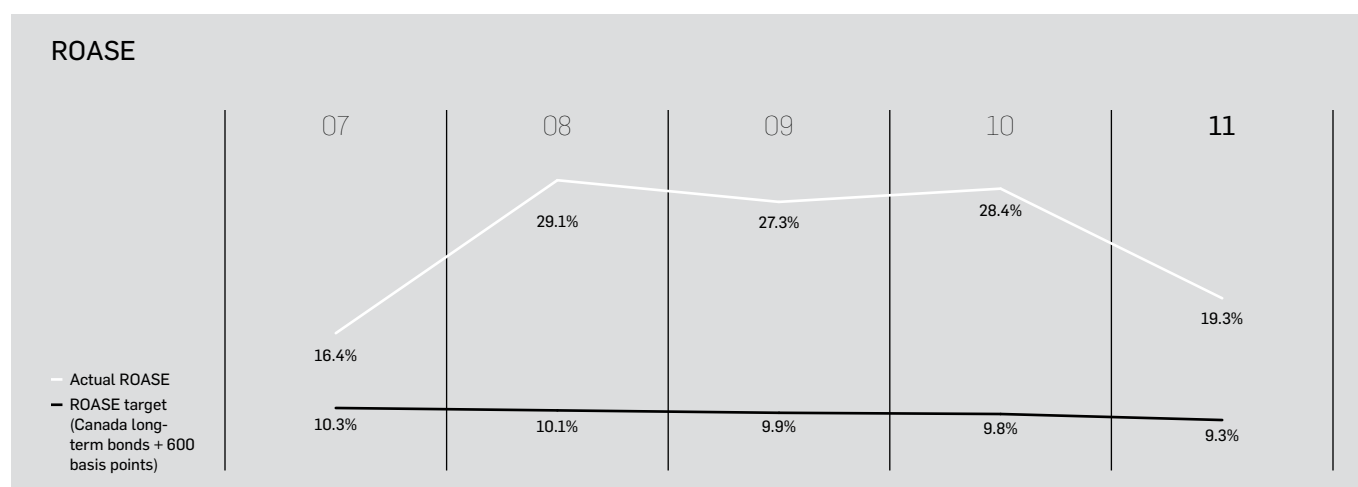
INDICES	DESCRIPTION
<b>S&amp;P/TSX 60 Index</b>	Comprised of 60 large Canadian publicly-traded companies with a view to matching the sector balance of the S&P/TSX Composite Index
<b>S&amp;P/TSX Canadian Dividend Aristocrats Index</b>	Designed to measure the performance of S&P Canada Broad Market Index ("BMI") constituents, which have consistently increased dividends annually for at least five years. The index consists of approximately 40 stocks and tracks Canada's most consistent dividend-raisers. The Company's stable and increasing dividends signal that management has confidence in the Company's strength and growth.

### 10.10 RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE, a non-IFRS financial measure, is a key performance indicator used to measure the Company's return on equity. ROASE, as calculated by the Company, corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

The Company excludes "other components of equity" because it results mainly from the accounting treatment of cash flow hedges, and is not representative of the way the Company evaluates its management of its foreign currency exchange risk, and is not representative of the Company's financial position.

For 2011 and 2010, ROASE was significantly higher than the Company's objective of long-term Canada Bond Yield plus 600 basis points. The graph below illustrates that the Company generated a ROASE of 16.4% or better per year over the past five years, surpassing its target mentioned above by at least an additional 600 basis points each year. The Company strives to position itself to achieve a consistently high ROASE while maintaining a solid financial position, which it has achieved over the last years.



The figures for 2007 to 2009 are in accordance with Canadian GAAP, refer to section 14.1 for more details.

## 2011 Management's Discussion and Analysis

### 11 RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its ICI. Investments in which SNC-Lavalin has significant influence or joint control, which are accounted for by the equity method, are considered related parties, consistent with IFRS.

Consistent with IFRS, intragroup profits generated from revenues with ICI accounted for by the equity or full consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI. Profits generated from transactions with ICI accounted for by the cost method are not eliminated, in accordance with IFRS.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by AltaLink via legislation applied by an independent government regulatory body.
ICI accounted for under IFRIC 12	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
	Equity method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the year ended December 31, 2011, SNC-Lavalin recognized revenues of \$559.5 million (2010: \$306.3 million) from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized income from these ICI, which represents the Company's share of net income from these ICI, of \$102.8 million for the year ended December 31, 2011 (2010: \$76.9 million). Intragroup revenues generated from transactions with AltaLink, which amounted to \$419.6 million for the year ended December 31, 2011 (2010: \$263.7 million), were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to \$43.7 million as at December 31, 2011 (December 31, 2010: \$12.0 million and January 1, 2010: \$102.8 million). SNC-Lavalin's other non-current financial assets receivables from these ICI accounted for by the equity method amounted to \$83.0 million as at December 31, 2011 (December 31, 2010: \$25.5 million and January 1, 2010: \$nil). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$129.0 million at December 31, 2011 (December 31, 2010: \$178.6 million and January 1, 2010: \$78.3 million).

All of these related party transactions are measured at fair value.

## 2011 Management's Discussion and Analysis

### 12 SHAREHOLDERS AND EMPLOYEE SHAREHOLDINGS

The Company's shares are held by a variety of different shareholders, including its employees. The majority of the Company's shares are held by institutional investors and based on the most recent publicly available information as at March 16, 2012, the only investor who owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Company is Jarislowsky, Fraser Limited, a fund manager, representing approximately 14.4% of the outstanding common shares of the Company.

The Company encourages its employees to invest in its shares by offering multiple programs, detailed in the table below:

PLAN	DESCRIPTION	ELIGIBLE PARTICIPANTS
Stock Option Plans	Stock options are granted to selected employees based on recommendations of the executive management and approved by the Board of Directors. Stock options issued since 2007 have a five-year term and are vesting in three equal tranches of two years, three years and four years, respectively, after grant date.	Selected key employees
Employee Share Ownership Program ("ESOP")	The Company's voluntary common share purchase plan, provides for a matching contribution by the Company of 35% of the participant's contribution, up to 10% of the employee's base salary. SNC-Lavalin's contributions are paid in two payments of 15% and 20% respectively in the second and third year following the employee's contribution of a given year.	All regular employees in Canada and some regular employees in the United States, France, Belgium, the United Kingdom, Australia and Saudi Arabia
Management Share Ownership Program ("MSOP")	Plan under which the selected participants can elect to contribute 25% of their gross bonus toward the purchase of the Company's common shares, with the Company matching the participant's contributions in equal installments over a period of five years, which is also the vesting period.	Selected key employees, based on their responsibilities and performance

The Company also provides incentive compensation plans based on the value of its share price to certain of its employees, such as:

PLAN	DESCRIPTION	ELIGIBLE PARTICIPANTS
2009 Deferred Share Unit Plan ("2009 DSU")	Plan under which participants are granted units based on salary and the share price at time of grant. Units vest over a period of five years, at the rate of 20% per year. Vested units are redeemable in cash within 30 days, one year following the participant's last day of employment. The redemption price is based on a 12-week average of the share price, determined one year following the participant's last day of employment. In the event of death or eligibility for retirement, units vest immediately.	Key executives
2009 Performance Share Unit Plan ("2009 PSU")	Plan under which participants are granted units based on salary and the share price at time of grant. Units fully vest at the end of the third calendar year following the date of grant. At that time, the number of units initially granted is adjusted by a multiplier based on the three-year cumulative annualized growth in earnings per share. The redemption price is based on the share price at the time of vesting. Units are redeemable in cash at the redemption price, or convertible to vested units of 2009 DSU. In the event of death or eligibility for retirement, units vest immediately.	Key executives
Restricted Share Unit Plan ("RSU")	Plan under which selected participants are granted units which vest at the end of a three-year period. Vested units are redeemable in cash based on the share price at that time. In the event of death or eligibility for retirement, the units vest on a pro-rata basis, with no payment made until the end of the vesting period.	Selected employees

As at December 31, 2011, the holdings from the ESOP and MSOP plans coupled with private holdings of the reporting insiders, as defined under National Instrument 55-104 *Insider Reporting Requirements and Exemptions of the Ontario Securities Commission* as individuals generally required to file reports disclosing information about transactions involving the Company's securities or related financial instruments, and for which the Company maintains records, totalled 3.8% of the Company's total outstanding shares as at December 31, 2011, compared to 3.6% as at December 31, 2010.

## 2011 Management's Discussion and Analysis

### **13 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 2 to the Company's 2011 audited annual consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in detail in Note 3 to the Company's 2011 audited annual consolidated financial statements.

### **14 ACCOUNTING POLICIES AND CHANGES**

#### **14.1 FIRST-TIME ADOPTION OF IFRS**

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced the changeover from Canadian GAAP to IFRS for Canadian publicly accountable enterprises for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As such, the year 2011 is the first year for which consolidated financial statements have been prepared under IFRS. The 2010 comparative figures and the Date of Transition opening statement of financial position have been restated as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1"). See Note 35 to the Company's 2011 audited annual consolidated financial statements for quantitative reconciliations between Canadian GAAP and IFRS.

The most significant impacts of adopting IFRS related to: i) the presentation of the net income attributable to SNC-Lavalin shareholders separately from the net income attributable to non-controlling interests; ii) the accounting for its jointly controlled entities for ICI, accounted for under IAS 31; and iii) the accounting for the Company's ICI that are accounted for under IFRIC 12. The transition to IFRS had an impact on the Company's ICI, but a limited impact on the Company's other activities.

Following the Independent Review described in section 1.1, the Company adjusted its 2010 IFRS financial information to reflect a correction in 2010 related to certain payments described below.

In 2010, \$20 million in payments made, under what is presumed to be an agency agreement, were charged and documented to a construction project to which they did not relate. Because these payments were documented to a construction project to which they did not relate, and that there is no direct and conclusive evidence on the use and purpose of these payments or the nature of the services rendered in connection therewith, the Company concluded that these payments should be treated as period expenses (i.e., not generating revenues) for accounting purposes.

The 2010 payments accounted for as period expenses, net of the effect resulting from an increased forecasted gross margin following the exclusion of the payments from the project costs on the project that the payments were originally allocated to, resulted in a reduction in net income of \$17.9 million in 2010 (\$0.12 per share on both a basic and diluted basis). The Company decided to correct its prior period comparative financial information in its first issuance of annual audited consolidated financial statements prepared in accordance with IFRS.

## 2011 Management's Discussion and Analysis

While the Company did not apply IFRS to financial information prior to January 1, 2010, the unaudited estimated impact for 2009 of IAS 31, mainly attributable to the change of consolidation method for Highway 407, and IFRIC 12 would have been as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	2009				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Decrease in revenues	\$ (8.9)	\$ (9.4)	\$ (14.6)	\$ (12.9)	\$ (45.8)
Increase in net income	\$ 9.1	\$ 9.3	\$ 8.8	\$ 7.6	\$ 34.8

Based on the quantified impacts of the transition to IFRS on 2010 and 2009, the impact of the transition to IFRS is deemed not significant on the Company's other activities for the comparative figures of 2007 and 2008 disclosed in this MD&A.

The Company established its accounting policies and methods used in the preparation of its 2011 audited annual consolidated financial statements in accordance with IFRS. See Note 2 to the Company's 2011 audited annual consolidated financial statements for more information about the significant accounting principles used to prepare the financial statements.

### 14.2 STANDARDS AND INTERPRETATIONS ISSUED TO BE ADOPTED AT A LATER DATE

The following standards and amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted:

- > IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation—Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.
- > IFRS 11, *Joint Arrangements*, ("IFRS 11") supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.
- > IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.
- > IFRS 13, *Fair Value Measurement*, provides a single source of fair value measurement and disclosure requirements in IFRS.
- > Amended and re-titled IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new IFRS 10, IFRS 11 and IFRS 12.
- > Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.
- > Amendments to IAS 19, *Employee Benefits*, to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans.

The following standard has been issued and is applicable to the Company for its annual periods beginning on or after January 1, 2015, with earlier application permitted:

- > IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities.

The Company is currently evaluating the impact of adopting these standards and amendments on its financial statements.



## 2011 Management's Discussion and Analysis

### 15 RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties in carrying out its activities and you should carefully consider the risks and uncertainties below before investing in its securities. Additional risks not currently known or that the Company currently believes are immaterial may also impair its business, results of operations, financial condition and liquidity.

#### OVERVIEW

SNC-Lavalin's business is conducted under various types of contractual arrangements, including cost-plus, fixed-fee, and fixed-price contracts, as well as investments in infrastructure concessions. SNC-Lavalin has developed and applies rigorous risk assessment, mitigation and management practices to reduce the nature and extent of the financial, technical and legal risks under each of these types of contractual agreements.

Prior to submitting a proposal for a fixed-price project that exceeds a certain revenue threshold and/or contains elements considered to have a high or unusual risk, the proposal must be reviewed and analyzed by a Risk Evaluation Committee ("REC"). The REC is composed of managers with appropriate know-how who are responsible for recommending a course of action to both the proposal team as well as senior management for the project under consideration. In addition, proposals for projects exceeding a certain threshold must also be reviewed by the Company's Bid and Investment Approval Committee ("BIAC"). The BIAC is composed of senior executives and, under certain circumstances, is expanded to include members of the Company's Board of Directors when certain levels are reached or under specific circumstances. The BIAC also reviews proposed acquisitions or dispositions of businesses and ICI.

As a result of the involvement of the REC and BIAC in a wide variety of projects, both committees are capable of bringing to the proposal team all lessons learned from other past and ongoing projects. This is an important method of bringing the latest developments directly to the attention of the proposal team for its consideration and action.

In addition to the REC and BIAC, there are committees in charge of analyzing, among other factors, project proposals and performances at the divisional level, as well as peer reviews scheduled throughout the duration of certain selected projects.

#### SERVICES, PACKAGES, AND O&M

SNC-Lavalin's continued commitment to sound risk management practices when undertaking Services, Packages, and O&M type contracts, includes technical risk assessments, rigorous drafting and legal review of contracts, applying stringent cost and schedule control to projects, the regular review of project forecasts to complete, the structuring of positive cash flow arrangements on projects, securing project insurance, obtaining third party guarantees, being selective when choosing partners, subcontractors and suppliers and other risk mitigating measures. Maintaining insurance coverage for various aspects of its business and operations is an important element in SNC-Lavalin's risk management process. SNC-Lavalin elects, at times, to retain a portion of losses that may occur by applying selective self-insurance practices and professionally managing such retention through its regulated captive insurance companies.

## 2011 Management's Discussion and Analysis

### ICI

In accordance with its business strategy, SNC-Lavalin makes select investments in infrastructure concessions, for which its technical, engineering and construction, project management, and O&M expertise, along with its experience in arranging project financing, represent a distinct advantage.

Such investments give rise to risks and uncertainties, detailed below, that are mitigated by sound risk management practices applied when investing in infrastructure concessions, such as:

- > Independence of the Investment group from the engineering, construction, and O&M groups within SNC-Lavalin;
- > Detailed review and structuring of concession contract arrangements;
- > Detailed analysis of the risks specific to each investment, such as construction, operation, environment, and supply and demand estimates;
- > Ensuring, when applicable, the financial strength of equity partners, as well as ensuring that SNC-Lavalin's interests in the concession are well aligned with those of its equity partners;
- > In-depth financial modelling performed in-house, coupled with independent third party modelling review; and
- > Review by independent third party consultants of financial projections and forecasts performed in-house.

Despite all efforts deployed to mitigate risks and uncertainties, there is no guarantee that such mitigating factors will be effective and that there will be no impact on the Company's financial results and position if such risks or uncertainties materialized.

### COST OVERRUNS

SNC-Lavalin benefits from cost savings, but bears the risk for cost overruns from fixed-price contracts. Contract revenues and costs are established, in part, based on estimates which are subject to a number of assumptions, such as those regarding future economic conditions, productivity, performance of our people and of subcontractors or equipment suppliers, price, availability of labour, equipment and materials and other requirements that may affect project costs or schedule, such as obtaining the required environmental permits and approvals on a timely basis. The risk of cost overruns is mitigated by regular and proactive monitoring by employees with appropriate expertise, regular review by senior management, and by securing the purchase price of certain equipment and material with suppliers. Cost overruns may also occur when unforeseen circumstances arise.

### PROJECT PERFORMANCE

In certain instances, SNC-Lavalin may guarantee a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. As such, SNC-Lavalin may incur additional costs, should the project or facility subsequently fail to meet the scheduled or performance standards.

### LABOUR FACTORS

The success of SNC-Lavalin ultimately depends on its workforce and the ability to attract and retain qualified personnel in a competitive work environment. The inability to attract and retain qualified personnel could result in, among other factors, lost opportunities, cost overruns, failure to perform on projects and inability to mitigate risks and uncertainties. This risk is mitigated by providing diversified and compelling career opportunities, a safe and healthy work environment, as well as competitive compensation and benefits.

Also, a portion of the Company's workforce is unionized, mainly in its O&M and Power segments, and unionized employees are working for various subcontractors. The Company's or its subcontractors' inability to reach satisfactory labour agreements, or a failure in a negotiation process with a union, could result in a strike, partial work stoppages, or other labour actions, potentially affecting the performance and execution of one or more projects.

### JOINT VENTURE PARTNERS

SNC-Lavalin undertakes certain contracts with joint venture partners. The success of its joint ventures depends on the satisfactory performance of SNC-Lavalin's joint venture partners in their joint venture obligations. The failure of the joint venture partners to perform their obligations could impose additional financial and performance obligations on SNC-Lavalin that could result in increased costs.

## 2011 Management's Discussion and Analysis

### **DELIVERY FROM SUBCONTRACTORS AND SUPPLIERS**

SNC-Lavalin undertakes contracts as Packages activities wherein it subcontracts a portion of the project or the supply of material and equipment to third parties. Should the subcontractors or suppliers fail to meet these standards by not delivering their portion of a project according to the contractual terms, including not meeting the delivery schedule or experiencing a deterioration of their financial conditions, the ability of SNC-Lavalin to perform and/or to achieve the anticipated profitability on the project may be impacted. This risk is managed by rigorously selecting the third party subcontractors and suppliers, by proactively monitoring the project schedules and budgets and by obtaining letters of credit or other guarantees.

### **CONCESSIONAIRE RISK**

When SNC-Lavalin holds an ownership interest in an infrastructure concession, it assumes a degree of risk associated with the financial performance of the ICI during the concession period. Erosion of the Company's investment value in such concessions is dependent on the ability of the concession to attain its revenue and cost projections as well as the ability to secure financing, both of which can be influenced by numerous factors, some partially beyond the concessionaire's control, such as, but not limited to, political or legislative changes, lifecycle maintenance, traffic demand, when applicable, operating revenues, collection success and cost management. While ICI often have measures in place to mitigate their own risks, the value of the investments in these infrastructure concessions can be impaired. However, when investing in infrastructure concessions, the Company typically structures such transactions with debt financing that is non-recourse to the general credit of the Company, which also mitigates the potential impact on its financial results and position.

### **CONTRACT AWARDS**

Obtaining new contract awards, which is a key component for the sustainability of profits, is a risk factor in a competitive environment. SNC-Lavalin's globally recognized technical expertise and diversity of activities, segments and geographic base are mitigating factors in this environment.

### **BACKLOG**

Backlog includes contract awards that are considered firm and is thus an indication of future revenues. However, there can be no assurance that cancellations or scope adjustments will not occur, that the revenue backlog will ultimately result in earnings or when revenues and earnings from such backlog will be recognized.

### **FOREIGN CURRENCY RISK**

The Company's activities outside Canada expose SNC-Lavalin to foreign currency exchange risks, which could adversely impact its operating results. SNC-Lavalin has a hedging strategy in place to protect itself against foreign currency exposure. The hedging strategy includes the use of forward foreign exchange contracts, which contain an inherent credit risk related to default on obligations by the counterparty. SNC-Lavalin reduces this credit risk by entering into foreign exchange contracts with sound financial institutions, which SNC-Lavalin anticipates will satisfy their obligations under the contracts.

### **INTEREST RATE RISK**

The Company's non-recourse debt from ICI and recourse debt from other activities are interest-bearing and therefore, can be affected by fluctuations in interest rates.

ICI usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing the interest rates gives the ICI stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows. As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

The Company's recourse debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

## 2011 Management's Discussion and Analysis

### CREDIT RISK AND DELAY IN COLLECTION

Credit risk corresponds to the risk of loss due to the client's inability to fulfill its obligations with respect to trade receivables, contracts in progress and other financial assets. Delay in collection occurs when payments from clients exceed the contractually agreed payment terms. SNC-Lavalin's capability to structure positive cash flow arrangements on projects significantly reduces the credit risk on certain projects. Furthermore, while a client may represent a material portion of trade receivables and contracts in progress at any given time, the concentration of credit risk is limited due to the large number of clients comprising SNC-Lavalin's revenue base, and their dispersion across different industry segments and geographic areas.

SNC-Lavalin's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. SNC-Lavalin internally allocates imputed interest to provide an incentive to project managers to collect trade receivables, as uncollected balances result in an internal cost for the related project, and as such, impacts the profitability of projects and of the associated operating segment, which is used to determine managers' compensation.

### INFORMATION TECHNOLOGY

Information is critical to SNC-Lavalin's success. The integrity, reliability and security of information in all forms are critical to the Company's daily and strategic operations. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or inappropriate disclosure or leaking of sensitive information. The development of policies and procedures pertaining to security access, system development and change management is implemented with a view to enhancing and standardizing the controls to manage the information management risk. Recognizing the value of information, the Company is committed to managing and protecting it wisely, responsibly and cost effectively. The Company strives to improve upon its procedures and software in the control of project budgets and schedules, as well as the overall process of risk management. Important focus is put on continuous training of the Company's employees so they will have the best tools and software to better manage projects.

### INTERNAL CONTROLS

SNC-Lavalin maintains accounting systems and internal controls over financial reporting and disclosure controls and procedures. There are inherent limitations to any control framework, as controls can be circumvented by acts of individuals, intentional or not, by collusion of two or more individuals, by management override of controls, by lapses in judgment and breakdowns resulting from human error. There are no systems or controls that can provide absolute assurance that all fraud, errors, circumvention of controls or omission of disclosure can and will be prevented or detected. Such fraud, errors, circumvention of controls or omission of disclosure could result in a material misstatement of financial information.

As described in the "Controls and Procedures" section of this MD&A, based in part on the Independent Review, management of the Company has identified certain material weaknesses relating to the design and operational effectiveness of the Company's internal control over financial reporting and has determined that the Company's disclosure controls and procedures and internal control over financial reporting were not effective, in both cases, as at December 31, 2011. Management has identified and, in certain instances, begun to implement a number of measures to address these material weaknesses and strengthen the Company's internal control over financial reporting, as more fully described in the "Controls and Procedures" section. However, such measures may not be effective and the Company could face additional risks and/or unknown losses.

### ECONOMIC AND POLITICAL CONDITIONS

A significant portion of SNC-Lavalin's revenues are attributable to projects in international markets, which exposes SNC-Lavalin to a number of risks such as uncertain economic and political conditions in the countries in which SNC-Lavalin does business, restrictions on the right to convert and repatriate currency, political risks, and the lack of well-developed legal systems in some countries, which could make it difficult to enforce SNC-Lavalin's contractual rights. SNC-Lavalin has over 40 years of involvement in international markets, which provides a valuable source of experience in assessing risks related to the international economic and political conditions.

### HEALTH AND SAFETY RISK

SNC-Lavalin's activities encompass a responsibility for health and safety. A lack of strong safety practices by SNC-Lavalin or its subcontractors may expose SNC-Lavalin to lost time on projects, penalties, lawsuits, and may impact future project awards as certain clients will take into account health and safety records when selecting suppliers. SNC-Lavalin has programs in place and policies and procedures that must be followed to ensure all its employees and subcontractors are fully committed to recognizing and understanding the hazards of their work site, assessing the risks with competence and mitigating the potentially harmful outcomes. Furthermore, the Company's Board of Directors has established a Board committee to oversee all aspects of health and safety and environment.

## 2011 Management's Discussion and Analysis

### ENVIRONMENTAL RISK

SNC-Lavalin, in providing engineering and construction, and O&M expertise and investing in infrastructure concession entities, is exposed to various environmental risks and is subject to complying with environmental laws and regulations which vary from country to country and are subject to change. The Company's inability to comply with environmental laws and regulations could result in penalties, lawsuits and potential harm to its reputation. While mitigating its environmental risk through its monitoring of environmental laws and regulations and the expertise of its professionals in the environmental sector, SNC-Lavalin is committed to helping its clients continuously improve the integration of environmental protection issues into all their activities, both in Canada and abroad. Furthermore, the Company's Board of Directors has established a Board committee to oversee all aspects of health and safety and environment.

### REPUTATIONAL RISK

The consequence of reputational risk is a negative impact to the Company's public image, which may influence its ability to obtain future projects. Reputational risk may arise under many situations including, among others, quality or performance issues on the Company's projects, a poor health and safety record, non-compliance with laws or regulations by the Company's employees, agents, subcontractors, suppliers and/or partners, and creation of pollution and contamination. Prior to accepting work on a particular project, the Company mitigates reputational risk by performing due diligence, which includes a review of the client, the country, the scope of the project and local laws and culture. Once the decision to participate in a project has been taken, the corporate risk management process continues to mitigate reputational risk during both the proposal and execution stages through regular reviews including the Company's Risk Evaluation Committee, and Bid and Investment Approval Committee process, and Audit Committee reviews, peer reviews and internal audits.

### BUSINESS ACQUISITIONS

The integration of a business acquisition can be a challenging task that includes, but is not limited to, realization of synergies, cost management to avoid duplication, information systems integration, staff reorganization, establishment of controls, procedures, and policies, as well as cultural alignment. The inability to adequately integrate an acquired business in a timely manner might result in departures of qualified personnel, lost business opportunities and/or higher than expected integration costs. SNC-Lavalin manages this risk by selectively acquiring businesses with strong management and compatible culture and values, performing extensive due diligence procedures prior to completing any business acquisition and using its extensive experience from previous business integrations.

### REGULATORY AND LEGAL RISK

Given the nature of its operations and its global geographic presence, the Company is subject to various rules, regulations, laws, and other legal requirements, enforced by governments or other authorities. Misconduct, fraud, non-compliance with applicable laws and regulations or other improper activities by an employee, agent, supplier, subcontractor and/or partner of the Company or further regulatory developments, namely abrupt changes in foreign government policies and regulations, could have a significant adverse impact on the Company's results. Although it is not possible to predict the changes that may arise, SNC-Lavalin ensures it has in-depth knowledge of the actual rules and regulations of the industries and countries in which it performs activities.

### ANTI-BRIBERY LAWS

As part of the regulatory and legal environments in which it operates, the Company is subject to anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities or persons defined in those anti-bribery laws in order to obtain or retain business or other improper advantages in the conduct of business.

Our policies mandate compliance with anti-bribery laws. Failure by our employees, agents, subcontractors, suppliers and/or partners to comply with anti-bribery laws could impact the Company in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions and could have a significant adverse impact on the Company's results.

### LITIGATION AND LEGAL MATTERS

In the normal course of business, the Company is involved in various litigation, claims, and legal actions and proceedings, which arise from time to time, and that can implicate, although not exclusively, subcontractors, suppliers, employees and clients. Litigation and legal matters are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. SNC-Lavalin mitigates this risk by rigorous drafting and legal review of contracts and agreements, relying on the expertise of both internal and external legal resources, as well as maintaining proper insurance coverage.

## 2011 Management's Discussion and Analysis

### INDEPENDENT REVIEW

In February 2012, the Board of Directors initiated the Independent Review, led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements, the "Representative Agreements") to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, The Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors. The Company's senior management and Board of Directors have been required to devote significant time to the Independent Review and related matters which has been distracting from the conduct of the Company's daily business and significant expenses have been incurred in connection with the Independent review including substantial fees of lawyers and other advisors. In addition, the Company and/or employees of the Company could become the subject of investigations by law enforcement and/or regulatory authorities in respect of the matters that were the subject of the Independent Review which, in turn, could require the devotion of additional time of senior management and other resources. As described in the Independent Review Summary, in the absence of direct and conclusive evidence, the use and purpose of the payments or nature of the services rendered or actions taken under these Representative Agreements could not be determined with certainty. However, the absence of conclusive findings of the Independent Review does not exclude the possibility that, if additional facts that are adverse to the Company became known, including matters beyond the scope of the Representative Agreements that were the subject of the Independent Review, sanctions could be brought against the Company in connection with possible violations of law or contracts. The consequences of any such sanctions or other actions, whether actual or alleged, could adversely affect our business and the market price of our publicly traded securities. In addition, the Independent Review and any negative publicity associated with the Independent Review, could damage our reputation and ability to do business. For more information please refer to section 1.1 "Recent Developments – Independent Review."

### 16 LEGAL PROCEEDINGS

On March 1, 2012, a proposed class action lawsuit was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The Motion for authorization alleges that certain documents issued by SNC-Lavalin between these dates contained misrepresentations. The Motion seeks leave from the Superior Court to bring a statutory misrepresentation claim under Quebec's Securities Act and the equivalent provisions contained in the various other Canadian provinces' securities legislation. The proposed action claims damages equivalent to the decline in market value of the securities purchased by class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as the costs of administering the plan to distribute recovery pursuant to the class action. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of this lawsuit or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class actions or other litigation.

## 2011 Management's Discussion and Analysis

### 17 FOURTH QUARTER RESULTS

For the fourth quarter of 2011, net income attributable to SNC-Lavalin shareholders was \$76.0 million (\$0.50 per share on a diluted basis), compared to \$158.7 million (\$1.04 per share on a diluted basis) for the comparable quarter in 2010, or \$132.6 million (\$0.87 per share on a diluted basis) excluding the 2010 net gain after taxes of \$26.1 million from the disposal of Trencap and Valener. The decrease, excluding the 2010 gain mentioned above, mainly reflected an operating loss in Infrastructure & Environment and in Hydrocarbons & Chemicals, mainly due to unfavourable cost reforecasts on certain projects, a \$22.4 million loss from a revised position of the Company's net financial position that related to its Libyan infrastructure projects and period expenses of \$35 million in Hydrocarbons & Chemicals, partially offset by higher operating income, mainly from Mining & Metallurgy and O&M. The \$35 million of period expenses related to payments made, under what are presumed to be agency agreements that were charged and documented to construction projects to which they did not relate (refer to section 1.1 "Recent Developments – Independent Review"). Because these payments were documented to construction projects to which they did not relate, and that there is no direct and conclusive evidence on the use and purpose of these payments or the nature of the services rendered in connection therewith, it was determined that they would need to be recorded as period expenses (i.e., not generating any revenues) for accounting purposes.

Revenues for the fourth quarter of 2011 totalled \$2.1 billion, compared to \$1.8 billion for the fourth quarter of 2010, as Services and Packages revenues increased by 32.2% and 14.8% respectively.

The Company's backlog increased to \$10.1 billion as at December 31, 2011, compared to \$9.4 billion as at the end of the third quarter of 2011, mainly reflecting an increase in Packages, primarily in Hydrocarbons & Chemicals and Mining & Metallurgy, partially offset by a decrease in Infrastructure & Environment.

At the end of December 2011, the Company's cash and cash equivalents were \$1.2 billion, compared to \$1.0 billion at the end of September 2011, mainly reflecting cash generated from operating activities, primarily from the net change in non-cash working capital items, and from the net cash generated from financing activities, partially offset by the net cash used for investing activities.

### 18 CONTROLS AND PROCEDURES

The Company's chief executive officer ("CEO") and chief financial officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures as well as the internal control over financial reporting, as those terms are defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian securities regulatory authorities.

#### 18.1 DISCLOSURE CONTROLS AND PROCEDURES

The Interim CEO and the CFO have carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as at December 31, 2011. In making this evaluation, the Interim CEO and the CFO considered, among other things:

- > the findings of the Independent Review summarized under section 1.1 "Recent Developments — Independent Review";
- > the material weaknesses in the Company's internal control over financial reporting that have been identified (as more fully discussed under section 18.2);
- > the measures that the Company and its Board of Directors have identified and, in certain instances, begun to implement to address those material weaknesses and to strengthen the Company's internal controls (as more fully described under section 18.3); and
- > the results of the ongoing testing and evaluations carried out by the Company of the design and operating effectiveness of its disclosure controls and procedures and internal control over financial reporting throughout the periods covered by the Company's annual and interim filings.

Based on this evaluation, the Interim CEO and the CFO have concluded that the Company's disclosure controls and procedures, as at December 31, 2011, were not effective to provide reasonable assurance that (i) material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the Company's annual filings under securities legislation are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

## 2011 Management's Discussion and Analysis

### 18.2 INTERNAL CONTROL OVER FINANCIAL REPORTING

The Interim CEO and the CFO have carried out an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2011. As used herein, the term "material weakness" has the meaning prescribed in NI 52-109 and means a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a reporting issuer's annual or interim financial statements will not be prevented or detected on a timely basis.

In carrying out their evaluation, the Interim CEO and the CFO have identified the following material weaknesses relating to the design and operating effectiveness of the Company's internal control over financial reporting as at December 31, 2011 and the impact of such material weaknesses on the Company's financial reporting and internal control over financial reporting:

1. Management override of internal controls contained in the Company's Commercial Agents/Representatives Policy and Procedure (the "Agents Policy"). The Independent Review found that the Former CEO, acting at the request of the Former EVP Construction, overrode controls with respect to the authorization of payments to commercial agents which did not comply with the Agents Policy and was a breach of the Company's Code of Ethics and Business Conduct (the "Code of Ethics").

Disclosure controls and procedures and internal control over financial reporting are subject to inherent limitations, including that management has the ability to override internal controls. The unfettered ability of any member of management to override internal controls exposes the Company to risk by providing an opportunity for such management member and potentially others to engage in and conceal illegal or improper activity or the misuse or misappropriation of corporate assets and possible misrepresentations in financial reporting.

2. Non-compliance with, and ineffective controls over compliance with, the Code of Ethics and the Agents Policy. The Independent Review found that provisions of the Code of Ethics requiring the maintenance of accurate books and records were not complied with by the Former CEO and the Former EVP Construction as a result of any one of the following findings:
  - > the improper documentation of certain agency agreements in respect of projects to which they did not relate and the concealment thereof;
  - > incorrect entries relating to payments under certain agency agreements in the books and records of the Company, and concealment thereof; and
  - > non-compliance with the Agents Policy.

The Interim CEO and the CFO have also concluded that the controls over compliance with the Code of Ethics and the Agents Policy were ineffective.

Non-compliance with and/or ineffective controls regarding the hiring of, appropriate use of, verification of the integrity of, contractual relationship with, and/or supervision of the conduct of, commercial agents exposes the Company to the risk of improper or illegal activities by its employees and agents, the misuse or misappropriation of corporate assets, and the concealment of such activities through falsification of documentation and corporate records, which in turn could impact the reliability of the Company's financial reporting.

In light of these material weaknesses, the Interim CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2011, was not effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

Despite the conclusions of the evaluations discussed above, the Interim CEO and the CFO believe, based on their knowledge (including, but not limited to, their consideration of the scope of the Independent Review) and having exercised reasonable diligence, that (i) the Company's annual filings for the year ended December 31, 2011 do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Company's annual filings, and (ii) the annual financial statements together with the other financial information included in the Company's annual filings for the year ended December 31, 2011 fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented in such annual filings.

### 18.3 REMEDIAL MEASURES

At the recommendation of the Audit Committee, the Board of Directors has adopted the recommendations for remedial measures contained in the Independent Review Summary. These recommendations are directed at reinforcing standards of conduct, strengthening and improving internal controls and processes, and reviewing the compliance environment. In addition, the Company's management has identified and, in certain instances, began to implement a number of measures to address the material weaknesses identified above and to continue to strengthen the Company's financial controls and procedures. The Board of Directors has directed management to develop a plan and timetable for the implementation of all of these measures and will monitor their implementation. A summary of these measures, as well as previously announced personnel actions, is set forth below.



## 2011 Management's Discussion and Analysis

### REMEDIAL MEASURES TO ADDRESS MATERIAL WEAKNESSES

- > Adoption of a clear corporate policy providing procedures to be followed in cases of acceptable management departures from the Company's policies or procedures and anytime management requests or directs others to disregard the Company's policies and procedures;
- > The imposition of a clear duty to report violations or proposed violations of Company policies or procedures, including the Code of Ethics;
- > The Company has recommended, and the Board of Directors has approved, various immediate changes to the Agents Policy, including:
  - > creation of an Agent Review Committee to review and approve the entering into of any agency agreement meeting certain criteria;
  - > annual review of the Agents Policy by the Governance Committee of the Board of Directors;
  - > annual confirmation of compliance with the Agents Policy by the Executive Vice-President responsible for this policy to be presented to the Audit Committee of the Board of Directors;
  - > enhanced due diligence procedures in connection with all potential agency agreements, including completion of a "red flags" warning checklist and integrity certification by senior management following completion of due diligence; and
  - > formal training of the Company's commercial agents on the Code of Ethics.

The Board of Directors, the Audit Committee and management of the Company will continue to consider, develop and implement additional remedial measures as appropriate to address the material weaknesses identified above and the findings of the Independent Review, including any additional measures that the Board of Directors considers to be appropriate to address the conduct of individuals involved in the events in question.

### MEASURES TO CONTINUE TO STRENGTHEN FINANCIAL CONTROLS AND PROCEDURES

- > A continued commitment to and prioritization of ethical business conduct including through :
  - > a communication plan emphasizing compliance with the Code of Ethics as a core value in all aspects of the Company's business and enhanced training programs around the Code of Ethics throughout the organization;
  - > the ongoing review and update of the Code of Ethics initiated in 2011;
  - > the expansion of the scope of complaints and reporting under the Company's Whistleblowing Policy to include all violations of the Code of Ethics; and
  - > the specific monitoring of compliance with the Code of Ethics and administration of the Whistleblowing Policy by the Ethics and Compliance Committee, in addition to existing oversight of the Audit Committee and Human Resources Committee.
- > Ongoing reinforcement of certain financial controls and procedures, including through:
  - > the engagement of an independent expert to provide advice on the structure of the organization, guidelines and controls, and communication and training;
  - > formally document the existing practice of the internal auditors reporting directly to the Audit Committee and continue to consider and revise the mandate of the internal audit function of the Company to the Audit Committee;
  - > further reinforcing financial control reporting lines, including a primary reporting line of business unit controllers to the corporate finance group;
  - > reinforcement of procedures and approvals regarding levels of authority with clear reporting obligations on any deviations or proposed deviations therefrom; and
  - > moving forward with the integration of the Company's technology platforms to further facilitate the production of accurate financial information results, as well as monitoring thereof in a timely and cost-effective manner.

### OTHER MATTERS

The Former EVP Construction, who was found by the Independent Review to have breached the Agents Policy and the Code of Ethics, and the Former Controller Construction, whose conduct also came into question by the Independent Review, have both ceased to be employed by the Company as of February 9, 2012. Further, the Former CEO, who was found by the Independent Review to have breached the Agents Policy and the Code of Ethics, has stepped down from his position as CEO and as a director of the Company and will retire from the Company.

### 18.4 CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. However, the above mentioned proposed changes in the Company's internal control over financial reporting as a result of the implementation of the remedial measures described above are reasonably likely to materially affect the Company's internal control over financial reporting as it relates to the material weaknesses described above. The Company intends to continue to make ongoing assessments of its internal controls and procedures periodically and as a result of the recommendations of the Independent Review.

## 2011 Management's Discussion and Analysis

### 19 QUARTERLY INFORMATION

YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)	2011					2010				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
Revenues by activity:										
Services	480.2	564.4	598.0	795.2	2,437.8	457.2	501.6	493.7	601.3	2,053.8
Packages	634.9	693.9	758.2	784.5	2,871.5	384.1	463.2	606.7	683.4	2,137.4
O&M	426.7	281.7	308.3	382.5	1,399.2	383.1	255.7	308.0	383.6	1,330.4
ICI	101.8	128.7	115.0	155.9	501.4	86.9	127.8	100.8	156.8	472.3
	1,643.6	1,668.7	1,779.5	2,118.1	7,209.9	1,311.3	1,348.3	1,509.2	1,825.1	5,993.9
Gross margin	276.2	316.6	340.4	318.9	1,252.1	263.5	318.1	318.0	401.4	1,301.0
Selling, general and administrative expenses	153.0	166.1	150.7	184.9	654.7	130.3	146.0	132.2	173.2	581.7
Net financial expenses:										
From ICI	23.2	20.1	25.6	30.8	99.7	18.1	21.7	20.8	24.5	85.1
From other activities	4.0	6.3	5.4	(0.2)	15.5	7.5	9.1	4.4	5.0	26.0
	27.2	26.4	31.0	30.6	115.2	25.6	30.8	25.2	29.5	111.1
Income before income tax expense	96.0	124.1	158.7	103.4	482.2	107.6	141.3	160.6	198.7	608.2
Income tax expense:										
From ICI	2.2	1.5	3.3	5.6	12.6	1.4	5.4	2.9	4.7	14.4
From other activities	15.0	17.7	27.9	21.7	82.3	19.5	22.1	32.4	32.4	106.4
	17.2	19.2	31.2	27.3	94.9	20.9	27.5	35.3	37.1	120.8
Net income	78.8	104.9	127.5	76.1	387.3	86.7	113.8	125.3	161.6	487.4
Net income attributable to:										
SNC-Lavalin shareholders	76.1	102.2	124.5	76.0	378.8	84.1	110.1	123.8	158.7	476.7
Non-controlling interests	2.7	2.7	3.0	0.1	8.5	2.6	3.7	1.5	2.9	10.7
Net income	78.8	104.9	127.5	76.1	387.3	86.7	113.8	125.3	161.6	487.4
Basic earnings per share (\$)	0.50	0.68	0.83	0.50	2.51	0.56	0.73	0.82	1.05	3.16
Diluted earnings per share (\$)	0.50	0.67	0.82	0.50	2.49	0.55	0.72	0.81	1.04	3.13
Dividend declared per share (\$)	0.21	0.21	0.21	0.22	0.85	0.17	0.17	0.17	0.21	0.72
Depreciation of property and equipment and amortization of other non-current assets:										
From ICI	19.7	21.2	20.9	31.3	93.1	18.3	21.7	20.8	26.1	86.9
From other activities	10.0	10.6	11.4	13.4	45.4	10.2	9.7	9.5	10.2	39.6
	29.7	31.8	32.3	44.7	138.5	28.5	31.4	30.3	36.3	126.5
Net income attributable to SNC-Lavalin shareholders from ICI:										
From Highway 407	13.8	32.3	13.9	17.2	77.2	9.2	22.7	–	18.4	50.3
From other ICI	10.6	9.4	11.7	22.3	54.0	10.3	21.7	16.4	36.2	84.6
Net income attributable to SNC-Lavalin shareholders excluding ICI	51.7	60.5	98.9	36.5	247.6	64.6	65.7	107.4	104.1	341.8
Net income attributable to SNC-Lavalin shareholders	76.1	102.2	124.5	76.0	378.8	84.1	110.1	123.8	158.7	476.7
Revenue backlog (at end of quarter)										
Services	1,396.0	1,679.9	2,196.6	2,226.1		1,412.7	1,485.4	1,429.1	1,410.7	
Packages	5,558.1	5,331.2	4,852.3	5,482.8		4,288.6	4,134.9	5,520.7	5,572.4	
O&M	2,429.2	2,343.5	2,393.2	2,379.1		2,914.5	2,808.8	2,621.3	2,732.8	
	9,383.3	9,354.6	9,442.1	10,088.0		8,615.8	8,429.1	9,571.1	9,715.9	

Note: The quarterly information presented in the table above has been adjusted compared to the previously reported quarterly results to reflect \$20 million paid in 2010 and \$2.5 million paid in 2011, under what is presumed to be an agency agreement. Payments of \$35 million made in the fourth quarter of 2011, under what are presumed to be agency agreements, did not require any adjustments to the previously reported quarters as they were all attributable to the fourth quarter of 2011 and, therefore, not affecting prior periods (refer to section 1.1 "Recent Developments – Independent Review" and section 14.1 "First-Time Adoption of IFRS").

This is Exhibit "D" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



---

A Commissioner, etc.

## Opt-Out Report

**Administration:** SNC-Lavalin Group Inc. Securities Class Actions

**Court:** Ontario Superior Court of Justice – Court File No. CV-12-453236-00CP  
Québec Superior Court – 200-06-000141-120

**Opt-Out Deadline:** May 8, 2013

**Date of Report:** May 24, 2013

**Prepared For:** A. Dimitri Lascaris – Siskinds LLP  
(via email) Anthony O’Brien – Siskinds LLP  
Joel Rochon – Rochon Genova LLP  
John Archibald – Rochon Genova LLP  
Steve Tenai – Norton Rose Canada LLP  
Jim Hodgson – Norton Rose Canada LLP  
Patricia Jackson – Torys LLP  
Andrew Finkelstein – Torys LLP  
Clifford Lax – Lax O’Sullivan Scott Lisus LLP  
Paul Fruitman – Lax O’Sullivan Scott Lisus LLP  
Scott Kugler – Gowlings LLP  
Steven Sofer – Gowlings LLP  
James Duggan – James R. K. Duggan  
Laura Young – Laura Young Law Offices

**Prepared By:** Ivan Bobanovic

**Contact:** Phone: 519-432-3405 x 328  
Email: [ibobanovic@nptricepoint.com](mailto:ibobanovic@nptricepoint.com)

### Opt Out Breakdown

	Total	Number of Eligible Shares
Valid Opt Out Requests	153	77,058
Invalid Opt Out Requests	57	-

## Opt Out Summary

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
1.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	2/11/2013	
2.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	2,823	Valid	2/27/2013	
3.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	247	Valid	2/28/2013	
4.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	116	Valid	3/4/2013	
5.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	50	Valid	3/6/2013	
6.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	12	Valid	3/8/2013	
7.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	60	Valid	3/5/2013	
8.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	500	Valid	3/12/2013	
9.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	3/18/2013	Incomplete opt out request. Deficiency letter sent March 18, 2013.
10.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	22	Valid	3/12/2013	
11.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	1,000	Valid	3/14/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
12.	██████ ██████	██████████ ██████████ ██████	76	Valid	3/21/2013	
13.	██████ ██████ ██████	██████████ ██████████	260	Valid	3/15/2013	
14.	██████████	██████████ ██████████ ██████████	200	Valid	3/25/2013	
15.	██████████ ██████	██████████ ██████████	350	Valid	3/15/2013	
16.	██████████	██████████ ██████████	150	Valid	3/21/2013	
17.	██████ ██████████	██████████ ██████ ██████████	100	Valid	3/21/2013	
18.	██████████ ██████	██████████ ██████ ██████████	3,650	Valid	3/22/2013	
19.	██████ ██████	██████████ ██ ██████████	142	Valid	3/23/2013	
20.	██████████ ██████ ██████	██████████ ██████████ ██████	100	Valid	3/26/2013	
21.	██████████ ██████	██████████ ██████████ ██████████ ██████	100	Valid	3/29/2013	
22.	██████████ ██████	██████████ ██████████ ██████	-	Invalid	3/27/2013	Incomplete opt out request. Deficiency letter sent April 3, 2013.
23.	██████ ██████████	██████████ ██████████ ██████████	-	Invalid	3/26/2013	Incomplete opt out request. Deficiency letter sent April 3, 2013.

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
24.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	3/28/2013	Incomplete opt out request. Deficiency letter sent April 3, 2013.
25.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	3/23/2013	Duplicate. See #67.
26.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	223	Valid	3/30/2013	
27.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	60	Valid	4/4/2013	
28.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/4/2013	Incomplete opt out request. Deficiency letter sent April 4, 2013.
29.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	645	Valid	4/4/2013	
30.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/4/2013	
31.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	82	Valid	4/2/2013	
32.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	10	Valid	4/3/2013	
33.	[REDACTED]	[REDACTED] [REDACTED]	47	Valid	4/3/2013	
34.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	47	Valid	4/5/2013	

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
35.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	1,000	Valid	4/4/2013	
36.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	15,095	Valid	4/4/2013	
37.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	400	Valid	4/10/2013	
38.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/10/2013	Incomplete opt out request. No trading information for deceased husband.
39.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/10/2013	Incomplete opt out request. No trading information provided.
40.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	185	Valid	4/10/2013	
41.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/8/2013	
42.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	4/8/2013	
43.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	118	Valid	4/2/2013	
44.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/4/2013	Invalid opt out request. Purchased shares outside of the class period.
45.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/4/2013	Incomplete opt out request. Deficiency letter April 17, 2013.



	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
46.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	4/8/2013	
47.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/4/2013	
48.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	22	Valid	4/15/2013	
49.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/25/2013	Incomplete opt out request. Incomplete contact information. No trading information provided.
50.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	343	Valid	4/15/2013	
51.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	60	Valid	4/15/2013	
52.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	1,406	Valid	4/15/2013	
53.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	228	Valid	4/15/2013	
54.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	265	Valid	4/8/2013	
55.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	3	Valid	4/10/2013	
56.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/9/2013	Incomplete opt out request. Has no investment with SNC-Lavalin.

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
57.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/8/2013	Invalid opt out request. Purchased shares outside of the class period.
58.	[REDACTED]	[REDACTED] [REDACTED]	67	Valid	4/6/2013	
59.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	159	Valid	4/5/2013	
60.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/9/2013	Incomplete opt out request. Deficiency letter sent April 18, 2013.
61.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/5/2013	
62.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/1/2013	Invalid opt out request. No purchases during class period.
63.	[REDACTED]	[REDACTED] [REDACTED]	168	Valid	4/5/2013	
64.	[REDACTED]	[REDACTED] [REDACTED]	290	Valid	3/27/2013	
65.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/18/2013	
66.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	100	Valid	4/18/2013	
67.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	210	Valid	4/3/2013	
68.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/8/2013	Invalid opt out request. Purchased shares outside class period.

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
69.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	4	Valid	4/10/2013	
70.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/10/2013	
71.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	73	Valid	4/15/2013	
72.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	4/14/2013	
73.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	16	Valid	4/8/2013	
74.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	150	Valid	4/10/2013	
75.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	245	Valid	4/16/2013	
76.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	8,668	Valid	4/19/2013	
77.	[REDACTED]	[REDACTED] [REDACTED]	1,256	Valid	4/8/2013	
78.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/19/2013	Invalid opt out request. Purchased shares outside class period.
79.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	588	Valid	4/17/2013	
80.	[REDACTED]	[REDACTED] [REDACTED]	315	Valid	3/14/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
81.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	108	Valid	4/19/2013	
82.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/22/2013	Invalid opt out request. Purchased shares outside class period.
83.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	580	Valid	4/22/2013	
84.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/20/2013	Incomplete opt out request. Never owned shares of SNC-Lavalin.
85.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	65	Valid	4/17/2013	
86.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/15/2013	Invalid opt out request. Purchased shares outside class period.
87.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/11/2013	Invalid opt out request. Purchased shares outside class period.
88.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/17/2013	Incomplete opt out request. Never owned shares of SNC-Lavalin.
89.	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED]	1,000	Valid	4/4/2013	
90.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	32	Valid	4/16/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
91.	██████████ ██████████	██████████ ██████████	300	Valid	4/25/2013	
92.	██████████	██████████ ██████████	2	Valid	4/25/2013	
93.	██████████ ██████████	██████████ ██████████ ██████████	-	Invalid	4/25/2013	Invalid opt out request. No purchases during class period.
94.	██████████	██████████ ██████████	-	Invalid	4/25/2013	Incomplete opt out request. No trading information provided.
95.	██████████ ██████████	██████████ ██████████ ██████████	3	Valid	4/24/2013	
96.	██████████ ██████████	██████████ ██████████	74	Valid	4/24/2013	
97.	██████████	██████████ ██████████ ██████████	560	Valid	4/24/2013	
98.	██████████	██████████ ██████████	5	Valid	4/15/2013	
99.	██████████	██████████ ██████████	386	Valid	4/8/2013	
100.	██████████	██████████ ██████████ ██████████	180	Valid	4/11/2013	
101.	██████████ ██████████	██████████ ██████████ ██████████	569	Valid	4/28/2013	
102.	██████████ ██████████	██████████ ██████████ ██████████	703	Valid	4/28/2013	

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
103.	██████ ██████	██████████ ██████████ ██████	-	Invalid	4/2/2013	Invalid opt out request. Purchased shares outside class period.
104.	██████ ████████ ████████ ████████	██████████ ██████████ ██████	-	Invalid	4/2/2013	Incomplete opt out request. No trading information provided.
105.	██████ ██████ ████████ ████████	██████████ ██████████ ██████	-	Invalid	4/2/2013	Incomplete opt out request. No trading information provided.
106.	████████	██████████ ██████████	10	Valid	4/21/2013	
107.	████████ ██████	██████████ ██████████ ██████	-	Invalid	4/24/2013	Invalid opt out request. Purchased shares outside class period.
108.	████████ ████████	██████████ ██████████ ██████	32	Valid	4/18/2013	
109.	████ ██████	██████████ ██████████	9	Valid	4/21/2013	
110.	████████	██████████ ██████████ ██████	3	Valid	4/24/2013	
111.	████████	██████ ██████ ██████████	-	Invalid	4/22/2013	Incomplete opt out request. No trading information provided.
112.	██████ ██████	██████████ ██████████ ██████	100	Valid	4/25/2013	
113.	████████	██████████ ██████████	-	Invalid	5/1/2013	Incomplete opt out request. No trading information. Changed investment advisors.

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
114.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/30/2013	Incomplete opt out request. No trading information provided.
115.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	30	Valid	5/1/2013	
116.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	847	Valid	4/30/2013	
117.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	458	Valid	4/30/2013	
118.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	3	Valid	4/29/2013	
119.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	33	Valid	4/22/2013	
120.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	332	Valid	4/25/2013	
121.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	973	Valid	4/24/2013	
122.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	79	Valid	4/24/2013	
123.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	4/22/2013	Incomplete opt out request. No trading information provided.
124.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	312	Valid	4/29/2013	
125.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	20	Valid	4/30/2013	

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
126.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	4/30/2013	
127.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	210	Valid	4/30/2013	
128.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/1/2013	Invalid opt out request. Purchased shares outside class period.
129.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/2/2013	Invalid opt out request. Purchased shares outside class period.
130.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	300	Valid	5/2/2013	
131.	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/2/2013	Invalid opt out request. Purchased shares outside class period.
132.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	50	Valid	5/2/2013	
133.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	97	Valid	5/2/2013	
134.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	130	Valid	5/3/2013	
135.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	5/3/2013	
136.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	108	Valid	5/1/2013	
137.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	400	Valid	4/30/2013	



	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
138.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	300	Valid	4/30/2013	
139.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	5/02/2013	
140.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	500	Valid	5/03/2013	
141.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/01/2013	Incomplete opt out request. No trading information provided.
142.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	755	Valid	5/01/2013	
143.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	5	Valid	4/05/2013	
144.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	100	Valid	4/28/2013	
145.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	92	Valid	4/29/2013	
146.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	300	Valid	4/27/2013	
147.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	88	Valid	4/23/2013	
148.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	305	Valid	4/28/2013	
149.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	16	Valid	4/28/2013	
150.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	271	Valid	4/30/2013	

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
151.	[REDACTED]	[REDACTED]	87	Valid	5/1/2013	
152.	[REDACTED]	[REDACTED]	2,095	Valid	4/22/2013	
153.	[REDACTED]	[REDACTED]	1,977	Valid	4/23/2013	
154.	[REDACTED]	[REDACTED]	105	Valid	4/22/2013	
155.	[REDACTED]	[REDACTED]	9	Valid	4/23/2013	
156.	[REDACTED]	[REDACTED]	108	Valid	5/7/2013	
157.	[REDACTED]	[REDACTED]	1,620	Valid	5/7/2013	
158.	[REDACTED]	[REDACTED]	53	Valid	5/7/2013	
159.	[REDACTED]	[REDACTED]	735	Valid	5/7/2013	
160.	[REDACTED]	[REDACTED]	-	Invalid	5/7/2013	Invalid opt out request. Purchased shares outside class period.
161.	[REDACTED]	[REDACTED]	50	Valid	5/7/2013	
162.	[REDACTED]	[REDACTED]	6	Valid	5/7/2013	

CONFIDENTIAL

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
163.	██████ ██████ ██████ ██████	██████████ ██████████ ██████████	5	Valid	5/7/2013	
164.	██████ ██████	██████████ ██████████ ██████	210	Valid	4/30/2013	
165	██████ ██████	██████████ ██████████ ██████	513	Valid	5/5/2013	
166.	██████ ██████	██████████ ██████████	54	Valid	5/6/2013	
167.	████████ ██████	██████████ ██████████ ██████	29	Valid	5/6/2013	
168.	████████ ██████	██████████ ██████████ ██████	-	Invalid	5/2/2013	Invalid opt out request. Purchased shares outside class period.
169.	██████ ██████	██████████ ██████████	200	Valid	5/3/2013	
170.	██████ ██████	██████████ ██████████ ██████	236	Valid	5/7/2013	
171.	██████ ██████	██████████ ██████	56	Valid	5/7/2013	.
172.	██████ ██████	██████████ ██████████ ██████████	-	Invalid	5/7/2013	Invalid opt out request. Purchased shares outside class period.
173.	████████ ██████	██████████ ██████████ ██████████	1,530	Valid	5/7/2013	
174.	████████ ██████	██████████ ██████████ ██████	243	Valid	5/8/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
175.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/7/2013	Incomplete opt out request. Unable to locate any records relating to SNC-Lavalin.
176.	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED]	3	Valid	5/8/2013	
177.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	5/8/2013	Invalid opt out request. Purchased shares outside class period.
178.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	724	Valid	5/7/2013	
179.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/8/2013	Incomplete opt out request. Does not show purchase dates, only shows total shares held outside of class period.
180.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	917	Valid	5/8/2013	
181.	[REDACTED]	[REDACTED] [REDACTED]	102	Valid	5/3/2013	
182.	[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	42	Valid	5/5/2013	
183.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	6	Valid	5/1/2013	
184.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/1/2013	Incomplete opt out request. Summary of holdings outside of class period.
185.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	500	Valid	5/2/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
186.	[REDACTED]	[REDACTED] [REDACTED]	200	Valid	5/1/2013	
187.	[REDACTED]	[REDACTED] [REDACTED]	-	Invalid	5/2/2013	Incomplete opt out request. Does not provide amount of shares traded.
188.	[REDACTED] [REDACTED]	-	-	Invalid	5/7/2013	Incomplete opt out request. No contact or trading information provided.
189.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	1,058	Valid	5/3/2013	
190.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	1,000	Valid	5/3/2013	
191.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	136	Valid	5/7/2013	
192.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	5/6/2013	Incomplete opt out request. Does not own any shares.
193.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	-	Invalid	4/24/2013	Incomplete opt out request. Cannot locate records relating to SNC-Lavalin.
194.	[REDACTED]	-	-	Invalid	5/5/2013	Incomplete opt out request. No contact or trading information provided.
195.	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	32	Valid	5/6/2013	

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
196.	██████ ██████	██████████████ ██████████████	2,275	Valid	5/6/2013	
197.	██████ ██████	██████████████ ██████████████ ██████	-	Invalid	5/2/2013	Invalid opt out request. Purchased shares outside class period.
198.	██████ ██████	██████████████ ██████████████ ██████████	-	Invalid	4/25/2013	Incomplete opt out request. No trading information provided.
199.	██████████ ██████	██████████ ██████████ ██████████	65	Valid	5/8/2013	
200.	██████████ ██████	██████████ ██████████ ██████	5	Valid	4/24/2013	
201.	██████████ ██████	██████████ ██████████ ██████	-	Invalid	5/6/2013	Incomplete opt out request. Missing number of shares purchased.
202.	██████ ██████	██████████ ██████████	-	Invalid	5/6/2013	Incomplete opt out request. Missing number of shares purchased.
203.	██████ ██████	██████████ ██████████ ██████	6	Valid	5/6/2013	
204.	██████ ██████	██████████ ██████████ ██████	4,660	Valid	5/6/2013	
205.	██████████ ██████	██████████ ██████████ ██████	240	Valid	5/6/2013	
206.	██████ ██████	██████████ ██████████	-	Invalid	5/8/2013	Incomplete opt out request. No contact or trading information provided.

	Name	Address	# of Eligible Shares	Valid/Invalid	Postmark/Fax Date	Notes
207.	██████████ ██████████	██████████ ██████████	-	Invalid	5/8/2013	Incomplete opt out request. No contact or trading information provided.
208.	██████████ ██████████	-	-	Invalid	4/29/2013	Incomplete opt out request. No contact or trading information provided.
209.	██████████ ██████████	-	-	Invalid	4/29/2013	Incomplete opt out request. No contact or trading information provided.
210.	██████████ ██████████	██████████ ██████████	-	Invalid	3/24/2013	Incomplete opt out request. No trading information provided.

This is Exhibit "E" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN :**

THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING AND INSULATION LOCAL 675  
PENSION FUND and 0793094 B.C. LTD.

Plaintiffs

- and -

SNC-LAVALIN GROUP INC., IAN A. BOURNE, DAVID GOLDMAN, PATRICIA A.  
HAMMICK, PIERRE H. LESSARD, EDYTHE A. MARCOUX, LORNA R. MARSDEN,  
CLAUDE MONGEAU, GWYN MORGAN, MICHAEL D. PARKER, HUGH D. SEGAL,  
LAWRENCE N. STEVENSON, GILLES LARAMÉE, MICHAEL NOVAK, PIERRE  
DUHAIME, RIADH BEN AÏSSA and STÉPHANE ROY

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**NOTICE OF MOTION  
(returnable on a date to be fixed)**

The defendants SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson ("**SNC-Lavalin and the Outside Directors**") will make a motion to The Honourable Justice Perell, on such date and time as directed by the Court, or as soon after that time as the motion can be heard, at 130 Queen Street, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1 An Order dismissing the Action with costs payable by the plaintiffs to SNC-Lavalin and the Outside Directors;

2 In the alternative, directions from this Honourable Court as to the conduct of the balance of the Action following the summary determination of the certified common issue of “when and by what means were the misrepresentations contained in the Impugned Documents publicly corrected?”

3 Costs of this motion; and

4 Such further and other relief as counsel may advise and this Honourable Court permit.

**THE GROUNDS FOR THE MOTION ARE:**

**Overview**

1 The plaintiffs assert a cause of action for misrepresentation pursuant to s. 138.3(1) of the Ontario *Securities Act* and comparable sections in other Canadian provincial securities statutes (collectively “**Securities Legislation**”).

2 A “corrective” public disclosure of the alleged misrepresentation is an essential element to a statutory cause of action for secondary market misrepresentation under Securities Legislation.

3 By Order dated September 19, 2012, this Honourable Court certified as one of the common issues, “... when and by what means were the misrepresentations contained in the Impugned Documents publicly corrected?”

4 None of the pleaded “corrective” disclosures was in fact corrective of the alleged misrepresentations. As such, there is no genuine issue for trial of the claim asserted under Securities Legislation and the plaintiffs’ claim should be dismissed.

5 Determining the common issue of when and by what means the alleged misrepresentations were publicly corrected can be determined before the Court decides any of the other common issues.

6 Moreover, determining this common issue now before further resources are devoted to this Action provides for the most expeditious and least expensive means of proceeding with this Action.

#### **Date Range of Alleged Misrepresentations**

7 The pleaded misrepresentations are alleged to have been made in disclosure documents issued by SNC-Lavalin between November 6, 2009 and November 4, 2011 (the "**Impugned Documents**"), the latter date relating to disclosure documents for the quarter ended September 30, 2011.

#### **Alleged Misrepresentations**

8 The plaintiffs characterize, in their claim, the representations that were false or misleading as follows:

- (a) SNC-Lavalin was a "socially responsible company" and a "responsible global citizen";
- (b) SNC-Lavalin had in place controls, policies and practices that were designed to ensure compliance with anti-bribery laws to which SNC-Lavalin is subject;
- (c) SNC-Lavalin had internal control over financial reporting ("**ICFR**") and disclosure controls and procedures ("**DC&P**") that were properly designed and operating effectively; and

- (d) SNC-Lavalin's business was conducted in compliance with SNC-Lavalin's Code of Ethics and Business Conduct.

9 The plaintiffs further plead SNC-Lavalin omitted to disclose in the Impugned Documents the material fact that SNC-Lavalin made payments to agents in multiple jurisdictions in the amount of \$56 million and engaged in criminal activity connected to the Padma Bridge Project in Bangladesh during the Class Period.

10 The plaintiffs plead these statements were false or misleading because during the Class Period:

- (a) SNC-Lavalin was paying bribes to foreign government officials and/or persons in Canada in relation to:

- (i) the Padma bridge project in Bangladesh ("**Padma Bridge**");
- (ii) purported agent payments of \$33.5 million documented to construction projects to which they did not relate;
- (iii) purported agent payments of \$22.5 million documented to construction projects to which they did not relate but related instead to the McGill University Health Centre ("**MUHC**").

- (b) The payments totalling \$56 million to agents and related agency agreements were in violation of SNC-Lavalin's Policy on Commercial Agents/Representatives ("**Agents Policy**") and its Code of Ethics and Business Conduct ("**Code of Ethics**");

- (c) SNC-Lavalin's ICFR and DC&P were not effective as a result of material weaknesses in the design and operating effectiveness of the ICFR relating to non-compliance with, and ineffective controls over compliance with, the Agents Policy and Code of Ethics as a result of the \$56 million in agent payments; and
- (d) Some or all of SNC-Lavalin's financial statements during the Class Period were not prepared in accordance with GAAP because they did not properly account for the \$56 million in agent payments.

#### **Alleged Corrective Disclosure**

11 The plaintiffs plead the misrepresentations were first "partially" corrected on February 28-29, 2012 following SNC-Lavalin's February 28, 2012 news release ("**February 28, 2012 News Release**").

12 The plaintiffs further plead that there were subsequent additional corrections on:

- (a) April 13, 2012 following the release of information that the RCMP conducted a search of SNC-Lavalin's headquarters in Montreal on April 13, 2012 ("**April 13, 2012 Media Report**");
- (b) June 25, 2012 following the release of information that two former employees of SNC-Lavalin had been charged with criminal offences under the *Corruption of Foreign Public Officers Act* on June 25, 2012 in relation to Padma Bridge ("**June 25, 2012 Media Report**");
- (c) November 26, 2012 as a result of the release of information that Swiss authorities were investigating illegal or improper payment by SNC-Lavalin in the

approximate amount of \$139 million and that such payments were in addition to the \$56 million agent payments ("**November 26, 2012 Media Report**");

- (d) November 28-29, 2012 as a result of the release of information that the defendant Pierre Duhaime had been arrested and charged with fraud and other criminal offences related to the contract awarded to SNC-Lavalin with respect to the construction and operation of MUHC ("**November 28-29, 2012 Media Report**"); and
- (e) July 3, 2013 as a result of the release of information that SNC-Lavalin had paid a secret \$13.5 million "commission" that was linked to the CNRL froth treatment plant project in Alberta awarded to SNC-Lavalin in 2011, the import being that the commission was a bribe ("**July 3, 2013 Media Report**").

#### **Corrective Disclosure**

13 To constitute corrective disclosure, the public disclosure:

- (a) must provide some linkage or connection to the alleged misrepresentation;
- (b) must be reasonably capable of revealing to the market the existence of the alleged misrepresentation; and
- (c) may take any of a number of forms and does not need to have emanated from SNC-Lavalin, but could be through third parties, including media reports.

14 Moreover, the disclosure of an event which follows from a risk already disclosed is not corrective disclosure.

15 Part XXIII.1 of the Ontario *Securities Act* (and other comparable provincial securities statutes) do not provide for claims based on multiple corrections of the same alleged misrepresentation.

**Pleaded Public Information Is Not "Corrective"**

16 The pleaded public information is not corrective disclosure of the alleged misrepresentations.

17 Since March 11, 2011, nearly a year before the first alleged "corrective" disclosure, SNC-Lavalin has publicly disclosed in its Management Discussion & Analysis that it is subject to risks and uncertainties associated with non-compliance with anti-bribery laws.

18 Disclosure of allegations of corruption by SNC-Lavalin employees in relation to Padma Bridge had been publicly disseminated starting as early as September 2011, more than 6 months before the alleged corrective disclosure relied on by the plaintiffs in relation to Padma Bridge.

19 Furthermore, the first "corrective" disclosure relied on by the plaintiffs, namely, the February 28, 2012 News Release, included no information about conduct during the periods covered in the Impugned Documents, nor did it include any information about ICFR, DC&P or previously reported financials.

20 The first public disclosure about conduct during the periods covered by the Impugned Documents, ICFR, DC&P and about previously reported financials, occurred on March 26, 2012 when SNC-Lavalin reported on the results of an internal investigation. The plaintiffs do not allege the March 26, 2012 disclosure was corrective.

## February 28, 2012 News Release Was Not Corrective of the Alleged Misrepresentations

21 On February 28, 2012, SNC-Lavalin issued a news release titled, "SNC-Lavalin Provides Update on Announcement of 2011 Financial Results and Impact on 2011 Outlook", wherein it announced that its 2011 net income was expected to be approximately 18% (or approximately \$80 million) below its previously announced 2011 outlook.

22 Of the approximately \$80 million, it identified three items it expected to be recorded in the fourth quarter of 2011 including, "Period expense of approximately \$35 million relating to certain payments made in the fourth quarter of 2011 that were documented to construction projects to which they did not relate and, consequently, had to be recorded as expenses in the quarter."

23 The February 28, 2012 News Release further announced that an independent investigation had been initiated "of the facts and circumstances surrounding the \$35 million of payments referred to above and certain other contracts" (the "**Independent Review**").

24 The approximately \$35 million of expenses references payments made in the fourth quarter of 2011 and thereby after the disclosure periods covered in the Impugned Documents ending the third quarter of 2011 (September 30, 2011).

25 The February 28, 2012 News Release was not corrective of any of the alleged misrepresentations. It made no reference to, and did not reveal to the public anything about:

- (a) any payments made during the quarters and fiscal year covered by the Impugned Documents nor payments made on or before November 4, 2011;
- (b) payments to agents, let alone the \$22.5 million purported agent payments;



- (c) Padma Bridge;
- (d) material weaknesses in ICFR or DC&P, let alone ICFR or DC&P during the quarters and fiscal year covered by the Impugned Documents; or
- (e) previously reported financial results for the quarters and fiscal year covered by the Impugned Documents.

#### **SNC-Lavalin Announces Results of Investigation on March 26, 2012**

26 On March 26, 2012, SNC-Lavalin released its 2011 Management's Discussion and Analysis dated March 25, 2012 and issued a News Release, announcing the result of the Independent Review (the "**March 26, 2012 Disclosure**").

27 SNC-Lavalin disclosed therein that:

- (a) the approximately \$35 million of expenses made in the fourth quarter of 2011 (specifically, December 2011) were purportedly for agent payments, and were not in compliance with the provisions of the Code of Ethics;
- (b) payments aggregating approximately U.S. \$22.5 million were made by SNC-Lavalin in 2010 and 2011 under a presumed agency agreement documented in respect of one project but believed to relate to another project, and were not in compliance with the provisions of the Code of Ethics; and
- (c) SNC-Lavalin's 2010 year end results previously reported were adjusted by reducing net income by \$17.9 million to reflect the impact of payments of \$20 million made in relation to the U.S. \$22.5 million purported agent payments.

28 The March 26, 2012 Disclosure set forth the following background to the Independent Review:

"... The investigation commenced of payments aggregating US\$33.5 million made by the Company in the fourth quarter of 2011 under presumed agency agreements (the "A Agreements") document in respect of the Project [intentionally omitted] ("Project 1") and Project [intentionally omitted] ("Project 2"), but believed in fact to relate to Project [intentionally omitted] ("Project A") ...

... On February 16, 2011 ... the scope of the investigation was widened to include: (a) payments aggregating approximately US \$22.5 million made by the Company in 2010 and 2011 under a presumed agency agreement (the "B Agreement" and together with the A Agreements, the "Agreements") documented in respect of Project [intentionally omitted] ("Project 3"), but believed in fact to relate to Project [intentionally omitted] ("Project B"); ..."

29 It further summarized the findings of the Independent Review as follows:

"Based upon the information obtained as part of the Independent Review, and although there is no documentary evidence linking the Agreements to Project A or Project B: (a) a presumed agent, representative or consultant appears to have been retained for each of Project A or Project B; (b) the Agreements were respectively documented in respect of Projects 1 and 2 (instead of Project A) and Project 3 (instead of Project B); (c) all or part of the US \$33.5 million paid in 2011 under the A Agreements is more likely than not to relate to Project A; and (d) all or part of the approximately US\$22.5 million paid in 2010 and 2011 under the B Agreement is more likely than not to relate to Project B. ..."

30 It also disclosed, in respect of \$56 million of purported agent payments, that provisions of the Code of Ethics relating to accounting practices and record maintenance were not complied with as a result of any one of the following: (a) the improper documentation of agency agreements in respect of projects to which they did not relate, and concealment thereof; (b) incorrect entries relating to payments in the books and records of the Company, and concealment thereof; and (c) non-compliance with SNC-Lavalin's Policy on Commercial Agents/Representatives (the "**Agents Policy**").

31 Under the risks and uncertainties portion of the 2011 Management's Discussion and Analysis dated March 25, 2012 ("**March 25, 2012 MD&A**"), SNC-Lavalin disclosed:

"As described in the Independent Review Summary, in the absence of direct and conclusive evidence, the use and purpose of the payments or nature of the services rendered or actions taken under these Representative Agreements could not be determined with certainty. However, the absence of conclusive findings of the Independent Review does not exclude the possibility that, if additional facts that are adverse to the Company became known, including matters beyond the scope of the Representative Agreements that were the subject of the Independent Review, sanctions could be brought against the Company in connection with possible violations of law or contracts. The consequences of any such sanctions or other actions, whether actual or alleged, could adversely affect our business and the market price of our publicly traded securities ..."

32 The March 25, 2012 MD&A also identified material weaknesses relating to ICFR as at December 31, 2011.

33 This disclosure does not form part of the plaintiffs' claim of corrective disclosure.

#### **April 13, 2012 Media Report Was Not Corrective of the Alleged Misrepresentations**

34 On April 13, 2012, SNC-Lavalin issued a news release, and various media outlets reported, that RCMP officers were conducting a search at SNC-Lavalin's headquarters in Montreal, and that the warrant related to an investigation of certain individuals who were not employed by, or were no longer employed by, the Company.

35 No further information was revealed at that time as to the subject matter of the warrant. This disclosure did not correct any of the alleged misrepresentations.

## **June 25, 2012 Media Report Was Not Corrective of the Alleged Misrepresentations**

36 On June 25, 2012, various media outlets reported that two former SNC-Lavalin employees would be in court the following year on corruption charges in relation to Padma Bridge.

37 However, there had already been multiple public disclosures of the fact that SNC-Lavalin and its employees were under investigation by Canadian police authorities and the World Bank concerning alleged corruption in relation to Padma Bridge in media publications many months before June 25, 2012.

38 On September 2, 2011, the Wall Street Journal posted on the Internet an article titled "Mounties Raid SNC-Lavalin In Corruption Probe" disclosing that the RCMP had raided SNC-Lavalin offices "in connection with a corruption probe ... on a World Bank-funded bridge project in Bangladesh."

39 The article further attributed to a World Bank spokesman that the "RCMP executed search warrants in 'several locations' following a referral by the Bank's anti-graft unit, which is investigating allegations of corruption in the bidding processes for the Padma Bridge Project in Bangladesh", and that "... the Royal Canadian Mounted Police is investigating employees of SNC-Lavalin for violations of Canada law ..."

40 On September 6, 2011, SNC-Lavalin issued a new release wherein it stated, "On Thursday, September 1, 2011, an investigation was launched in SNC-Lavalin's Oakville office by the Royal Canadian Mounted Police (RCMP). As part of this investigation, we were informed that they were looking into details regarding a project in Bangladesh on which we bid in 2011."

41 In its March 25, 2012 MD&A, SNC-Lavalin included the following disclosure:

"As previously announced on September 6, 2011, the Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa. The Company understands that the investigation is primarily focused on its involvement in a past submission as the Owner's Engineer for the Bangladesh government where the Company would have supervised the contractor responsible for the overall project. The Company's involvement in this matter is also being investigated by the World Bank. The Company understands that the RCMP investigation into this matter is ongoing but no charges have been laid against the Company. The Company also understands that the World Bank investigation is ongoing but no sanctions or proceedings have been initiated against the Company. Due to the nature of these investigations, it is not possible to predict the respective outcomes with any certainty or potential losses, if any, for the Company in connection therewith."

42 Subsequently, on April 2, 2012, SNC-Lavalin issued a news release and various media outlets reported that one of SNC-Lavalin's subsidiaries has been notified by the World Bank that it had been barred temporarily from bidding on new World Bank projects following an investigation into Padma Bridge.

#### **November 26, 2012 Media Report Was Not Corrective of the Alleged Misrepresentations**

43 On November 25 and 26, 2012, media outlets began reporting that prosecutors in Switzerland had formally indicted the defendant Riadh Ben Aissa on allegations he laundered vast sums of money tied to at least \$139 million in mysterious payments by SNC-Lavalin authorized by Mr. Ben Aissa to obtain contracts in Tunisia and Libya.

44 This information does not relate to any of the alleged misrepresentations. As well, as of at least April 29, 2012, it had been publicly disclosed through media reports that Mr. Ben Aissa had been arrested and was being held by Swiss authorities on accusations of corrupting a public official, fraud and money laundering tied to his dealings in North Africa.

### **November 28-29, 2012 Media Report Was Not Corrective of the Alleged Misrepresentations**

45 On November 28, 2012, various media outlets reported that the defendants Pierre Duhaime and Riadh Ben Aissa face charges of fraud, conspiracy to commit fraud and use of false documents stemming from allegations surrounding MUHC.

46 These media reports were not corrective of any of the alleged misrepresentations. For months before this news, various media outlets had reported on the execution of search warrants in September 2012 by Quebec police at the headquarters of the MUHC in relation to the award of the project, and subsequently, at the beginning of October 2012, that approximately \$22.5 million of the previously disclosed \$56 million of unauthorized payments had allegedly been paid by SNC-Lavalin to MUHC to win the project contract, and that such payments had been commissioned by Mr. Ben Aissa and approved by Mr. Duhaime.

### **July 3, 2013 Media Report Was Not Corrective of the Alleged Misrepresentations**

47 On July 3, 2013, various media outlets reported that a "secret" \$13.5 million commission that passed through the books of SNC-Lavalin was linked to the CNRL froth treatment plant project in Alberta. SNC-Lavalin had been awarded in November 2011. Those media reports, however, also noted that this sum was part of the \$33.5 million sum that had been previously identified by SNC-Lavalin in its Internal Review in March 2012.

48 These media reports were not corrective of any of the alleged misrepresentations. News that the \$33.5 million sum had been portrayed as a payment related to this CNRL project had previously been reported by The Globe & Mail more than three months earlier on March 18, 2013. In other words, the identity of "Project A" described in the March 26, 2012 Disclosure as being a CNRL froth treatment plant project in Alberta was publicly known well in advance of the July 3, 2013 media report for which the plaintiff now seeks to plead as "corrective" disclosure.

49 In summary, none of the pleaded disclosures were corrective of the alleged misrepresentations. As such, the plaintiffs' claim cannot be sustained.

50 Sections 138.3 and 138.14(a) of the *Ontario Securities Act*.

51 Sections 12 and 27 of the *Class Proceedings Act, 1992*.

52 Rules 1.04, 20.01(3), 20.04 and 21.01(1)(a) of the *Rules of Civil Procedure*.

53 Such further and additional grounds as counsel may advise and this Honourable Court may consider.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the certification Order dated September 19, 2012;
- (b) the Fourth Fresh as Amended Consolidated Statement of Claim;
- (c) the Statement of Defence of the Defendants SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson;
- (d) the Reply to the Defence of SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson;
- (e) the Affidavit of Andrew McCoomb, sworn January 14, 2016;

(f) such further and other material as counsel may advise and this Honourable Court may permit.

January 14, 2016

**Norton Rose Fulbright Canada LLP**  
200 Bay Street, Suite 3800  
Royal Bank Plaza, South Tower  
P.O. Box 84  
Toronto, Ontario M5J 2Z4

**James Hodgson** LSUC#: 12743P  
james.hodgson@nortonrosefulbright.com  
Tel: 416.216.2989  
**Steve Tenai** LSUC #: 33726R  
steve.tenai@nortonrosefulbright.com  
Tel: 416.216.4023  
Fax: 416.216.3930

Lawyers for the Defendants SNC-Lavalin Group Inc., Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson

TO: **Siskinds LLP**  
680 Waterloo Street  
P.O. Box 2520  
London, Ontario N6A 3V8

**A. Dimitri Lascaris**  
Tel: 519.660.7844  
Fax: 519.660.7845  
**Douglas Worndl**  
Tel: 416.362.8334  
Fax: 416.362.2610

**Rochon Genova LLP**  
121 Richmond Street West  
Suite 900  
Toronto, Ontario M5H 2K1

**Joel Rochon**  
**Peter Jervis**  
Tel: 416.363.1867  
Fax: 416.363.0263

Lawyers for the Plaintiffs



AND TO: **Torys LLP**  
 79 Wellington Street West, Suite 3000  
 Box 270, TD Centre  
 Toronto, Ontario M5K 1N2

**Trisha Jackson**  
 Tel: 416.865.7323  
 Fax: 416.865.7380

Lawyers for the Defendant, Michael Novak

AND TO: **Lax O'Sullivan Scott Lisus LLP**  
 145 King Street West, Suite 1920  
 Toronto, Ontario M5H 1J8

**Clifford Lax, Q.C.**  
**Paul Fruitman**  
 Tel: 416.598.0988  
 Fax: 416.598.3730

Lawyers for the Defendant, Gilles Laramée

AND TO: **Gowling Lafleur Henderson LLP**  
 1 First Canadian Place  
 100 King Street West, Suite 1600  
 Toronto, Ontario M5X 1G5

**Steven Sofer**  
**Scott Kugler**  
 Tel: 416.369.7240  
 Fax: 416.862.7661

Lawyers for the Defendant, Pierre Duhaime

AND TO: **Laura Young**  
 65 Queen Street West, Suite 1000  
 Toronto, Ontario M5H 2M5

Tel: 416.366.4298  
 Fax: 416.850.5134

Lawyer for the Defendant, Stéphane Roy

AND TO: **Wardle Daley Bernstein Bieber LLP**

Suite 2104

401 Bay Street

Toronto, Ontario M5H 2Y4

**Paul Guy**

Tel: 416.351.2770

Fax: 416.351.9196

Lawyers for the Defendant, Riadh Ben Aïssa

THE TRUSTEES OF THE DRYWALL  
ACOUSTIC LATHING AND INSULATION  
LOCAL 675 PENSION FUND et al.  
Plaintiffs

SNC-LAVALIN GROUP INC. et al.  
and  
Defendants

Court File No. CV-12-453236-00CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act*, 1992

**NOTICE OF MOTION  
(SUMMARY JUDGMENT)**

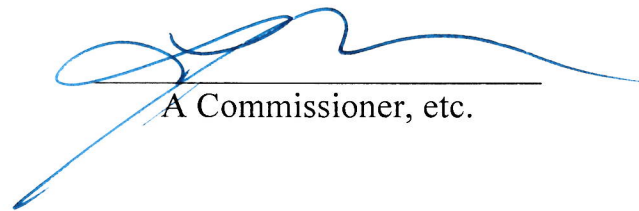
**Norton Rose Fulbright Canada LLP**  
Royal Bank Plaza, South Tower, Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4 CANADA

**James Hodgson** LSUC#: 12743P  
james.hodgson@nortonrosefight.com  
Tel: 416.216.2989

**Steve Tenai** LSUC #: 33726R  
steve.tenai@nortonrosefulbright.com  
Tel: 416.216.4023  
Fax: 416.216.3930

Lawyers for the Defendants SNC-Lavalin Group  
Inc., Ian A. Bourne, David Goldman, Patricia A.  
Hammick, Pierre H. Lessard, Edythe A. Marcoux,  
Lorna R. Marsden, Claude Mongeau, Gwyn  
Morgan, Michael D. Parker, Hugh D. Segal  
and Lawrence N. Stevenson

This is Exhibit "F" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.

**CANADA**

**PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL**

No.:

**SUPERIOR COURT**

**SNC-LAVALIN GROUP INC.**, a company incorporated under the laws of the Province of Quebec, having its head office at 455 René-Lévesque Blvd. West, in the City and District of Montreal, Province of Quebec, H2Z 1Z3

Petitioner

vs.

**CHUBB INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 1250 René-Lévesque Blvd. West, Suite 2700, in the City and District of Montreal, Province of Quebec, H3B 4W8

and

**LIBERTY INTERNATIONAL UNDERWRITERS**, a division of Liberty Mutual Insurance Company, a duly licensed insurance company having a place of business at 1000 de la Gauchetière West, Suite 2400, in the City and District of Montreal, Province of Quebec, H3B 4W5

and

**AIG INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 2000 McGill College Avenue, Suite 1200, in the City and District of Montreal, Province of Quebec, H3A 3H3

and

**ACE-INA INSURANCE COMPANY**, a duly licensed insurance company having a place of business at 1800 McGill College Avenue, Suite 915, in the City and District of Montreal, Province of Quebec, H3A 3J6

Respondents

**ORIGINATING APPLICATION FOR DECLARATORY JUDGMENT****IN SUPPORT OF ITS APPLICATION, THE PETITIONER DECLARES AS FOLLOWS:****I. INTRODUCTION**

1. The Respondent insurance companies issued Directors and Officers liability insurance policies (hereinafter "**D&O Policies**") in favor of Petitioner SNC-Lavalin Group Inc. (hereinafter "**SNC-Lavalin**"), as the *Parent Organization* and *Insured Organization*, and its Directors and Officers, as the *Insured Persons*, for the policy period of September 1, 2011 to September 1, 2012;
2. During this policy period, Class Action proceedings were filed in Quebec (in March 2012) and in Ontario (in May 2012) against SNC-Lavalin and against its past and present Directors and certain Officers, for alleged damages caused by alleged violations of the Quebec Securities Act and the Ontario Securities Act;
3. The Class Actions were authorized/certified to proceed in Quebec and in Ontario, and they are still pending. The Quebec and the Ontario Class Actions raise the same allegations, and the Defendants in the Quebec Class Action are also Defendants in the Ontario Class Action;
4. By agreement of the parties to the Class Actions, the Ontario Class Action has advanced, while the Quebec Class Action has been in abeyance;
5. The Class Actions are being defended by all of the Defendants. Defendants SNC-Lavalin and its Non-Executive Directors, namely Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna A. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stenvenson, have been and still are being defended by the same counsel, namely Norton Rose Fulbright Canada LLP. The other Defendants, namely Executive Directors and/or Officers Gilles Laramée, Michael Novak, Pierre Duhaime, Riadh Ben Aïssa and Stéphane Roy, are being defended by their own separate counsel;
6. In accordance with the D&O Policies and by agreement with SNC-Lavalin, Respondent Chubb Insurance Company of Canada (hereinafter "**Chubb**") has been paying 80% (and SNC-Lavalin has been paying the remaining 20%) of the *Defence Costs* of SNC-Lavalin and its Non-Executive Directors regarding the defence of the Class Actions;
7. There is a dispute between SNC-Lavalin and Chubb, as well as a dispute between Chubb (as Primary Insurer) and the other Respondents (as Excess Insurers), regarding *Defence Costs* under the D&O Policies. Specifically, there is



disagreement as to whether the Respondent Chubb is required to pay *Defence Costs* **over and above** the *Limits of Liability* (i.e. coverage limits) set forth in its Primary D&O Policy, or whether the payment of *Defence Costs* serves to **reduce** (and potentially even exhaust) Chubb's *Limits of Liability*;

8. Examinations on discovery are in the process of being scheduled in the Ontario Class Action. Justice Robert Mongeon, who is managing the Quebec Class Action, has directed that examinations on discovery conducted in the Ontario Class Action shall be treated as examinations on discovery in the Quebec Class Action. Similarly, Justice Paul M. Perell, who is managing the Ontario Class Action, has issued a comparable direction regarding examinations on discovery conducted in the Quebec Class Action;
9. The Class Action Plaintiffs seek approximately 48 days of examinations on discovery. This will entail considerable *Defence Costs* for the Class Action Defendants. If Respondent Chubb's position is correct (which the Petitioner denies), then its continued payment of *Defence Costs* would significantly reduce (and likely exhaust) the *Limits of Liability* available to the Class Action Defendants. Furthermore, if Chubb's position is correct, it would require the Respondent Excess Insurers to begin successively assuming the *Defence Costs* once Chubb's *Limits of Liability* have been exhausted;
10. The Petitioner accordingly has an immediate interest in having this dispute regarding the Respondents' obligations to pay *Defence Costs* under their respective D&O Policies resolved by way of declaratory judgment;

## II. THE D&O INSURANCE POLICIES ISSUED BY THE RESPONDENTS

11. Throughout this Application, words that are italicized are defined in, or quoted from, the D&O insurance policies at issue;
12. On or about September 1, 2011, Respondent Chubb issued a Primary D&O Policy bearing number 8152-8368 in favor of SNC-Lavalin, as the *Parent Organization* and the *Insured Organization*, and its Directors and Officers, as *Insured Persons*. A copy of said Primary Policy is communicated herewith as **Exhibit P-1**;
13. As appears from Exhibit P-1, Chubb's Primary Policy has *Limits of Liability* (i.e. coverage limits) of \$25 million;
14. On or about September 1, 2011, Respondent Liberty International Underwriters, a division of Liberty Mutual Insurance Company (hereinafter "**Liberty**"), issued a First Excess D&O Policy bearing number DOTO297527008. A copy of said First Excess Policy is communicated herewith as **Exhibit P-2**;

15. As appears from Exhibit P-2, Liberty's First Excess Policy has Limits of Liability of \$15 million in excess to the \$25 million limits under Chubb's Primary Policy. Liberty's First Excess Policy "follows form" on Chubb's Primary Policy, and incorporates its terms and conditions;
16. On or about September 1, 2011, Respondent AIG Insurance Company of Canada (formerly Chartis Insurance Company of Canada) (hereinafter "**AIG**") issued a Second Excess D&O Policy bearing number 07-808-71-19. A copy of said Second Excess Policy is communicated herewith as **Exhibit P-3**;
17. As appears from Exhibit P-3, AIG's Second Excess Policy has Limits of Liability of \$20 million in excess to the combined \$40 million limits under the Primary Policy and the First Excess Policy. AIG's Second Excess Policy also "follows form" on Chubb's Primary Policy, and incorporates its terms and conditions;
18. On or about September 1, 2011, Respondent ACE INA Insurance Company (hereinafter "**ACE**") issued a Third Excess D&O Policy bearing number DOX024850. A copy of said Third Excess Policy is communicated herewith as **Exhibit P-4**;
19. As appears from Exhibit P-4, ACE's Third Excess Policy has Limits of Liability of \$10 million in excess to the combined \$60 million limits under the Primary Policy, the First Excess Policy and the Second Excess Policy. ACE's Third Excess Policy also "follows form" on Chubb's Primary Policy, and incorporates its terms and conditions;
20. All of the foregoing D&O Policies were issued in Quebec, and many of the *Insured Persons* are Quebec residents;

### **III. THE CLASS ACTION CLAIMS EXCEED THE COMBINED LIMITS OF LIABILITY**

21. A copy of the Quebec Class Action is communicated herewith as **Exhibit P-5**, and a copy of the Fourth Fresh as Amended Ontario Class Action is communicated herewith as **Exhibit P-6**;
22. Without any admission whatsoever as to the merits of these Class Actions or as to their actual value, the theoretical value of the Class Actions greatly exceeds the combined \$70 million Limits of Liability under the Respondents' D&O Policies;
23. As well, if these Class Actions proceed to Trial in Ontario and/or Quebec, the Petitioner anticipates that the *Defence Costs* for the Class Action Defendants will exceed Respondent Chubb's Primary Limits of Liability of \$25 million;
24. Accordingly, if Chubb's position – to the effect that its payment of *Defence Costs* serves to reduce its Limits of Liability, and is not over and above its Limits of



Liability – is correct, then the Class Action Defendants would not receive any insurance coverage from Chubb for their liability (as opposed to their defence costs) in the event that the Class Action Defendants were ultimately found liable to the Class Action Plaintiffs;

IV. **ARTICLE 2503 OF THE CIVIL CODE OF QUEBEC REQUIRES LIABILITY INSURERS TO PAY DEFENCE COSTS OVER AND ABOVE THE LIMITS OF INSURANCE**

25. Article 2503 of the Civil Code of Quebec, which is in Section 3 – “Liability insurance”, provides as follows:

“**2503.** The insurer is bound to take up the interest of any person entitled to the benefit of the insurance and assume his defence in any action brought against him.

Costs and expenses resulting from actions against the insured, including those of the defence, and interest on the proceeds of the insurance, are borne by the insurer over and above the proceeds of the insurance.” [Underlining added.]

26. It is settled law that Article 2503 C.C.Q. is of public order;
27. Respondent Chubb's Primary Policy (Exhibit P-1) contains Endorsement No. 3, whose Section 1 provides as follows:

“(…) Except when the insurance laws of the Province of Quebec apply to this coverage section, **Defence Costs** and **Securities Defence Costs** are part of, and not in addition to, the Limits of Liability set forth in Item 2 of the Declarations for this coverage section, and the payment by the Company of **Defence Costs** and **Securities Defence Costs** shall reduce and may exhaust such applicable Limits of Liability. Only in the event the insurance laws of the Province of Quebec apply to this coverage section are **Defence Costs** and **Securities Defence Costs** in addition to the applicable Limit of Liability set forth in Item 2 of the Declarations, and payment by the Company of **Defence Costs** and **Securities Defence Costs** shall not reduce the applicable Limit of Liability.” [Underlining added.]

28. The above Section 1 is in accordance with Article 2503 C.C.Q., in that it expressly provides that payment of *Defence Costs* by Chubb shall not reduce Chubb's Limits of Liability of \$25 million;
29. The parties do not dispute that Chubb's Primary Policy (Exhibit P-1) was issued in Quebec and is governed by the laws of the Province of Quebec. Accordingly,

Petitioner submits that Article 2503 C.C.Q. and the above Section 1 of Endorsement No. 3 must apply to this matter;

V. **THE PARTIES' INTERPRETATION OF CHUBB'S OBLIGATION TO PAY DEFENCE COSTS OVER AND ABOVE ITS POLICY LIMITS**

30. Soon after being notified by SNC-Lavalin of the filing of the Quebec and the Ontario Class Action proceedings, Respondent Chubb sent a coverage letter to SNC-Lavalin dated June 14, 2012, in which Chubb set forth its coverage position. A copy of said letter is communicated herewith as **Exhibit P-7**;
31. In said coverage letter, Chubb expressly **admitted** that Quebec law applies to this matter, and that *Defence Costs* are payable by Chubb over and above its Policy Limits:
- "The D&O Policy provides a Limit of Liability of \$25 million for each **Loss**. This is subject to an applicable \$500,000 deductible amount (Endorsement No. 5 increases the deductible for **Claims** arising out of securities legislation). As the laws of Quebec apply, **Defence Costs** are in addition to the Limits of Liability, and payment of **Defence Costs** does not reduce the Limit of Liability (Endorsement No. 3, Section 1)." [Underlining added.]
32. Similarly, Respondent Liberty sent a coverage letter to SNC-Lavalin dated July 17, 2012, a copy of which is communicated herewith as **Exhibit P-8**. In said letter, Liberty stated the following:
- "As indicated in the Primary Coverage Letter [i.e. the letter sent by Chubb, Exhibit P-5], the laws of Québec apply to this matter and as such, **Defence Costs** are in addition to the Limits of Liability and payment of same does not reduce Chubb's Limit of Liability." [Underlining added.]
33. Following the above coverage letters, and with the agreement of Chubb and the other Respondents, Norton Rose Fulbright Canada LLP has been representing SNC-Lavalin and the Non-Executive Directors in the context of the Ontario and Quebec Class Actions, and Norton Rose Fulbright Canada LLP has been invoicing Chubb for its services rendered in that regard;
34. In accordance with the "Predetermined Allocation Clause" (Endorsement No. 3, Clause 10) of Chubb's Primary Policy (Exhibit P-1), Chubb has been paying 80% of Norton Rose Fulbright Canada LLP's invoices as covered *Defence Costs*, and SNC-Lavalin has been paying the remaining 20% of said invoices as non-covered *Defence Costs*;



35. The majority of the *Defence Costs* incurred to date in the Class Actions pertain to documentary production. The documents produced by the parties in the Ontario Class Action will also form part of productions in the Quebec Class Action;
36. As well, substantial *Defence Costs* have been incurred in multiple motions relating to the pleadings and documentary production in the Ontario Class Action. Since the pleadings in the Ontario and the Quebec Class Actions parallel one another, these motions have had equal significance in the Quebec Class Action;
37. On August 14, 2014, namely more than 2 years after Chubb and Liberty sent their above-mentioned coverage letters (Exhibits P-7 and P-8), Chubb wrote to the Excess Insurers (the other Respondents herein) and copied SNC-Lavalin, and purported to change its position with respect to *Defence Costs*. A copy of said letter is communicated herewith as **Exhibit P-9**;
38. As appears from Exhibit P-9, Chubb contended that *Defence Costs* incurred while defending the Ontario Class Action are not subject to Article 2503 C.C.Q., and thus are to be reduced from (and are not in addition to) Chubb's Limits of Liability;
39. The Petitioner strongly disagrees with this purported change in Chubb's position regarding *Defence Costs*. So does Respondent Liberty, whose counsel Me Nicholl wrote a letter to SNC-Lavalin's Ontario counsel Me Tenai on January 22, 2016, which stated that:
- "the D&O Policies are subject to Quebec law, and this means that under Article 2503 CCQ defence costs and interest must be paid outside the policy limits, as provided in the Chubb primary policy... ."
- A copy of said letter dated January 22, 2016 is communicated herewith as **Exhibit P-10**;
40. The Petitioner submits that Chubb cannot purport to withdraw the admission that it made in June 2012, and on which all parties have relied since that time, to the effect that the laws of Quebec apply to this matter and that *Defence Costs* are payable by Chubb in addition to (over and above) its Limits of Liability;
41. Moreover, the Ontario Class Action and the Quebec Class Action are intertwined. As mentioned above, examinations on discovery conducted in the Ontario Class Action will be treated as examinations on discovery in the Quebec Class Action (and vice versa), and documentary production in the Ontario Class Action will form part of the documentary production in the Quebec Class Action. Accordingly, the *Defence Costs* incurred and to be incurred by Chubb in relation to the Ontario Class Action should be considered as incurred in relation to the Quebec Class Action as well;

42. There is thus no justification for Chubb to change its position regarding *Defence Costs* from the position which it adopted in its coverage letter of June 2012 (Exhibit P-7);

**VI. CONCLUSIONS SOUGHT BY WAY OF DECLARATORY JUDGMENT**

43. For the foregoing reasons, Petitioner requests a judgment from this Honourable Court declaring that:
- a) The insurance laws of Quebec apply to the present matter;
  - b) *Defence Costs* related to the defence of the Ontario and Quebec Class Actions are payable by Respondent Chubb in addition to Chubb's Limits of Liability of \$25 million, in accordance with Article 2503 C.C.Q. and with Section 1 of Endorsement No. 3 of Chubb's Primary Policy (Exhibit P-1);
  - c) The payment by Respondent Chubb of *Defence Costs* related to the defence of the Ontario and Quebec Class Actions does not reduce Chubb's Limits of Liability of \$25 million; and,
  - d) Respondent Chubb is required to continue to pay 80% of Norton Rose Fulbright Canada LLP's invoices relating to the defence of the Ontario and Quebec Class Actions as covered *Defence Costs*, in accordance with Chubb's Primary Policy (Exhibit P-1);

**WHEREFORE THE PETITIONER PRAYS FOR JUDGMENT OF THIS HONOURABLE COURT:**

**MAINTAINING** the present Originating Application for Declaratory Judgment;

**DECLARING** that the Petitioner's interpretation of the obligation of Respondent Chubb Insurance Company of Canada to pay *Defence Costs* over and above its Limits of Liability, as set forth in the present Originating Application, is correct;

**DECLARING** that:

- a) The insurance laws of Quebec apply to the present matter;
- b) *Defence Costs* related to the defence of the Ontario and Quebec Class Actions referred to herein are payable by Respondent Chubb Insurance Company of Canada in addition to its Limits of Liability of \$25 million, in accordance with Article 2503 C.C.Q. and with Section 1 of Endorsement No. 3 of Chubb Insurance Company of Canada's Primary Policy (Exhibit P-1);

- c) The payment by Respondent Chubb Insurance Company of Canada of *Defence Costs* related to the defence of the Ontario and Quebec Class Actions referred to herein does not reduce its Limits of Liability of \$25 million; and,
- d) Respondent Chubb Insurance Company of Canada is required to continue to pay 80% of Norton Rose Fulbright Canada LLP's invoices relating to the defence of the Ontario and Quebec Class Actions referred to herein as covered *Defence Costs*, in accordance with Chubb Insurance Company of Canada's Primary Policy (Exhibit P-1);

**THE WHOLE WITH LEGAL COSTS.**

**MONTREAL**, February 20, 2017.

(sgd.) *Kugler Kandestin LLP*

TRUE COPY

*Kugler Kandestin LLP*

**KUGLER KANDESTIN LLP**

Attorneys for Petitioner  
SNC-Lavalin Group Inc.

Me Stuart Kugler  
Me Gordon Kugler  
1 Place Ville Marie, Suite 1170  
Montreal, Quebec H3B 2A7  
Tel.: 514 878-2861  
Fax: 514-875-8424  
skugler@kklex.com  
gkugler@kklex.com



**SUMMONS**  
(articles 145 and following C.C.P.)

Take notice that the Petitioner has filed this originating application in the office of the **Superior Court** in the judicial district of **Montreal**.

You must answer the application in writing, personally or through a lawyer, at the **Courthouse of Montreal** situated at **1 Notre-Dame Street East, Montreal, Quebec, H2Y 1B6** within 15 days of service of the application or, if you have no domicile, residence or establishment in Quebec, within 30 days. The answer must be notified to the Petitioner's lawyer or, if the Petitioner is not represented, to the Petitioner.

If you fail to answer within the time limit of 15 or 30 days, as applicable, a default judgment may be rendered against you without further notice and you may, according to the circumstances, be required to pay the legal costs.

In your answer, you must state your intention to:

- Negotiate a settlement;
- Propose mediation to resolve the dispute;
- Defend the application and, in the cases required by the Code, cooperate with the Petitioner in preparing the case protocol that is to govern the conduct of the proceeding. The protocol must be filed with the court office in the district specified above within 45 days after service of the summons or, in family matters or if you have no domicile, residence or establishment in Quebec, within 3 months after service;
- Propose a settlement conference

The answer to the summons must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

You may ask the court to refer the originating application to the district of your domicile or residence, or of your elected domicile or the district designated by an agreement with the Petitioner.

If the application pertains to an employment contract, consumer contract or insurance contract, or to the exercise of a hypothecary right on an immovable serving as your main residence, and if you are the employee, consumer, insured person, beneficiary of the insurance contract or hypothecary debtor, you may ask for a referral to the district of your domicile or residence or the district where the immovable is situated or the loss occurred. The request must be filed with the special clerk of the district of territorial jurisdiction after it has been notified to the other parties and to the office of the court already seized of the originating application.

If you qualify to act as a plaintiff under the rules governing the recovery of small claims, you may also contact the clerk of the court to request that the application be processed according to those rules. If you make this request, the plaintiff's legal costs will not exceed those prescribed for the recovery of small claims.

Within 20 days after the case protocol mentioned above is filed, the court may call you to a case management conference to ensure the orderly progress of the proceeding. Failing this, the protocol is presumed to be accepted.

In support of the originating application, the Petitioner intends to use the following exhibits:

- Exhibit P-1:** Primary D&O Policy bearing number 8152-8368 issued by Chubb Insurance Company of Canada;
- Exhibit P-2:** First Excess D&O Policy bearing number DOTO297527008 issued by Liberty International Underwriters;
- Exhibit P-3:** Second Excess D&O Policy bearing number 07-808-71-19 issued by AIG Insurance Company of Canada (formerly Chartis Insurance Company of Canada);
- Exhibit P-4:** Third Excess D&O Policy bearing number DOX024850 issued by ACE INA Insurance Company;
- Exhibit P-5:** Copy of the Quebec Class Action bearing court file number 200-06-000141-120;
- Exhibit P-6:** Copy of the Fourth Fresh as Amended Ontario Class Action bearing court file number CV-12-453236-00CP;
- Exhibit P-7:** Coverage letter from Chubb to SNC-Lavalin dated June 14, 2012;
- Exhibit P-8:** Coverage letter from Liberty to SNC-Lavalin dated July 17, 2012;
- Exhibit P-9:** Letter from Chubb to Liberty International Underwriters, AIG Insurance Company of Canada and ACE-INA Insurance Company dated August 14, 2014;
- Exhibit P-10:** Letter from Liberty's counsel, Me Nicholl, to SNC-Lavalin's Ontario counsel, Me Tenai, dated January 22, 2016.

Copies of these exhibits are attached hereto.

If the application is an application in the course of a proceeding or an application under Book III, V, excepting an application in family matters mentioned in article 409, or VI of the Code, the establishment of a case protocol is not required; however, the application must be accompanied by a notice stating the date and time it is to be presented.

CANADA

PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

NO: 500-

SUPERIOR COURT

**CHUBB INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 1250 René-Lévesque Blvd. West, Suite 2700, Montreal, Quebec, H3B 4W8

-and-

**LIBERTY INTERNATIONAL UNDERWRITERS**, a division of Liberty Mutual Insurance Company, a duly licensed insurance company having a place of business at 1000 de la Gauchetière West, Suite 2400, Montreal, Quebec, H3B 4W5

-and-

**AIG INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 2000 McGill College Avenue, Suite 1200, Montreal, Quebec, H3A 3H3

Petitioners

-v.-

**SNC-LAVALIN GROUP INC.**, a company incorporated under the laws of the Province of Quebec, having its head office at 455 René-Lévesque Blvd. West, Montreal Quebec, H2Z 1Z3

-and-

**IAN A. BOURNE**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**DAVID GOLDMAN**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**PATRICIA A. HAMMICK**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place



Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**PIERRE H. LESSARD**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**EDYTHE A. MARCOUX**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**LORNA R. MARSDEN**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**CLAUDE MONGEAU**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**GWYN MORGAN**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**MICHAEL D. PARKER**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**HUGH D. SEGAL**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**LAWRENCE N. STEVENSON**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**GILLES LARAMÉE**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. Dimitri Maniatis, Langlois, 1250 René-Lévesque Blvd. West., 20<sup>th</sup> Floor, Montreal, Quebec, H3B 4W8

-and-

**MICHAEL NOVAK**, officer or former officer of SNC-Lavalin Group Inc., c/o Ms. Tricia Jackson, Torys LLP, Suite 3000, 79 Wellington St. W., TD Centre, Toronto, Ontario, M5K 1N2

-and

**PIERRE DUHAIME**, officer or former officer of SNC-Lavalin Group Inc.. c/o Mtre. Michael Garellek, Gowling WLG, 1 Place Ville Marie, Suite 3700, Montreal, Quebec H3B 3P4

-and-

**RIADH BEN AÏSSA**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. Patrick Ouellet, Woods, 2000 McGill College, Suite 1700, Montreal Quebec, H3A 3H3

-and-

**STÉPHANE ROY**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. James R.K. Duggan, Duggan, Avocats, Gare Windsor, 1100 avenue des Canadiens-de-Montreal, Suite 900, Montreal Quebec, H3B 2S2

Respondents

-and-

**THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING AND INSULATION LOCAL 675 PENSION FUND AND 0793094 B.C. LTD. CHUBB INSURANCE COMPANY OF CANADA and BRENT GRAY**, acting in

their capacity as representative plaintiffs in the consolidated class proceeding before the Ontario Superior Court of Justice, Court file No. CV-12-453236-00CP, c/o Siskinds LLP, 680 Waterloo Street, London, Ontario, N6A 3V8

-and-

**JEAN-PAUL DELAIRE**, acting in his capacity as a representative plaintiff in the Motion to Authorize a Class Action before the Quebec Superior Court, District of Montreal No. 500-06-000650-131, c/o Mtre. Samy Elnemr, Siskinds Desmeules, 480, boul. St-Laurent, Suite 501, Montreal Quebec, H2Y 3Y7

*Mises-en-cause*

---



---

**APPLICATION FOR DECLARATORY JUDGMENT  
ARTICLE 142 C.C.P.**

---



---

**THE PETITIONERS RESPECTFULLY SUBMIT AS FOLLOWS:**

i) **Introductory**

1. In this Motion, words that are italicized are defined in, or quoted from, the insurance policies at issue;

ii) **The parties**

2. The Petitioner Chubb Insurance Company of Canada ("**Chubb**") is a duly licensed insurer and is the named corporate entity following the amalgamation of the duly licensed insurer Chubb Insurance Company of Canada ("**Legacy Chubb**") which was the primary directors and officers liability ("**D&O**") insurer of the directors and officers of the Respondent SNC-Lavalin Group Inc. ("**SNC-Lavalin**") for the period September 1, 2011 to September 1, 2012 ("**the Policy Period**"), and the duly licensed insurer ACE INA Insurance Company ("**Legacy ACE INA**"), which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;
3. The Petitioner Liberty International Underwriters, a division of Liberty Mutual insurance Company ("**Liberty**") is a duly licensed insurer which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;

4. The Petitioner AIG Insurance Company of Canada ("**AIG**") is a duly licensed insurer which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;
5. The Respondent SNC-Lavalin is a publicly traded engineering company which was the *parent organization* whose directors and officers were insured under the D&O policies issued by the Petitioners for the Policy Period (collectively "**the D&O Policies**");
6. The Respondents Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson, are or were directors of SNC-Lavalin ("**the Directors**") and the Respondents Gilles Laramée, Michael Novak, Pierre Duhaime, Riadh Ben Aïssa and Stéphane Roy are or were officers of SNC-Lavalin ("**the Officers**") who are named as defendants, together with SNC-Lavalin, in the Motion to Authorize a Class Action filed in the District of Québec by Glenn Winder, subsequently amended to name as representative plaintiff Jean-Paul Delaire and transferred to the District of Montreal as No. 500-06-000650-131 ("**the Quebec Class Action**") and/or in the Statements of Claim filed under the *Class Proceedings Act*, 1992 before the Ontario Superior Court of Justice, court file number CV-12-453236-00CP, by the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and 793094 B.C. Ltd. ("**the Ontario Class Action**"), which Ontario Class Action resulted from the consolidation of the original class action instituted by the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and a separate class action instituted by Brent Gray;
7. The *mis-en-cause* Jean-Paul Delaire is the representative plaintiff in the Quebec Class Action;
8. The *mises-en-cause* the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and 793094 B.C. Ltd. are the representative plaintiffs in the Ontario Class Action;

iii) **SNC-Lavalin's decision not to purchase "entity" coverage**

9. The Respondent SNC-Lavalin is and was at all times relevant to this Motion a sophisticated and knowledgeable purchaser of insurance products with an internal Risk Management department and many years' experience in purchasing D&O policies in the Canadian commercial insurance marketplace ("**the Marketplace**");
10. Further, SNC-Lavalin and the Directors and Officers were advised at all times, for the purposes of the D&O Policies here at issue, by Marsh, which is one of the largest and most sophisticated and knowledgeable insurance brokers in the world and also has many years' experience in purchasing D&O policies for its clients in the Marketplace;
11. One of the insurance products available in the Marketplace when the D&O Policies here at issue were purchased, to the knowledge of both SNC-Lavalin

and Marsh, was a D&O policy that provides coverage to the *parent organization* in its own right (known in the Marketplace as "**entity**" or "**Side C**" coverage) in addition to coverage for the directors and officers personally ("**Side A**" coverage) and for reimbursement of the *parent organization* when it indemnifies the directors and officers ("**Side B**" coverage). Essentially, Side C coverage provides some protection for the Balance Sheet of the entity;

12. Such a D&O policy including "entity" or "Side C" coverage was in fact available in the Marketplace from the Petitioners as well as other insurers at the time when the D&O Policies here at issue were purchased, to the knowledge of both SNC-Lavalin and Marsh;
13. However, because they increase the insurers' risk of loss, especially for a publicly traded multi-national company such as SNC-Lavalin that is exposed to securities litigation around the world, D&O policies including "entity" or "Side C" coverage are more expensive to purchase in the Marketplace than policies that only provide "Side A" coverage for the directors and officers and "Side B" coverage for reimbursement, a fact that was also known to both SNC-Lavalin and Marsh;
14. Between September 1, 2001 and September 1, 2004 SNC-Lavalin purchased D&O policies including "entity" or "Side C" coverage, as appears from the primary policy communicated herewith as **Exhibit P-1**;
15. Commencing on September 1, 2004 and continuing for a period of seven (7) years prior to the issuance of the D&O Policies here in question, however, SNC-Lavalin chose not to purchase D&O policies offering "entity" or "Side C" coverage, and instead purchased D&O policies in the Marketplace from the Petitioners, among others, that were similar or identical to the D&O Policies here in question and only offered "Side A" and "Side B" coverage, as appears from the primary insurance policies communicated herewith *en liasse* as **Exhibit P-2**;

iv) **The issuance of the D&O Policies**

16. Some time prior to September 1, 2011, SNC-Lavalin decided to renew its existing D&O policies with the Petitioners, which offered only "Side A" and "Side B" coverage, and gave instructions to Marsh to proceed with the renewal;
17. On or about September 1, 2011, at Marsh's request, Legacy Chubb therefore issued a primary D&O Policy for the Policy Period, under which SNC-Lavalin was the *Parent Organization* and the *Insured Organization*, and the *Insured Persons* were "*any person who has been, now, is or shall become a duly elected or appointed director or officer of the Insured Organization*" ("**the Primary Policy**"). The Primary Policy had limits of liability of \$25 million each loss and in the aggregate per Policy period, and like its predecessors for the previous seven (7) years it provided "Side A" coverage under Insuring Clause 1 and "Side B" coverage under Insuring Clause 2, but no "entity" or "Side C" coverage, as appears from the policy communicated herewith as **Exhibit P-3**;

18. On or about September 1, 2011, at Marsh's request, Liberty issued a first excess D&O Policy for the Policy Period ("**the First Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the First Excess Policy communicated herewith as **Exhibit P-4**. The limits of liability under the First Excess Policy were \$15 million each loss and in the aggregate per Policy period, excess the \$25 million limits under the Primary Policy;
19. On or about September 1, 2011, at Marsh's request, AIG issued a second excess D&O Policy for the Policy Period ("**the Second Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the Second Excess Policy communicated herewith as **Exhibit P-5**. The limits of liability under the Second Excess Policy were \$20 million each loss and in the aggregate per Policy period, excess the \$40 million combined limits under the Primary and First Excess Policies;
20. On or about September 1, 2011, at Marsh's request, Legacy ACE INA issued a third excess D&O Policy for the Policy Period ("**the Third Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the Third Excess Policy communicated herewith as **Exhibit P-6**. The limits of liability under the Third Excess Policy were \$10 million in the aggregate per Policy period, excess the \$60 million combined limits under the Primary and First and Second Excess Policies;

v) **Subsequent purchase of "Side C" or "entity" coverage**

21. After the Quebec and Ontario Class Actions were filed during the September 1, 2011 to September 1, 2012 Policy Period and notified to Petitioners, and SNC-Lavalin and its broker Marsh were aware of the Petitioners' position that there was no "Side C" or "entity" coverage under the then-current D&O Policies P-3 to P-6, Marsh approached Legacy Chubb on SNC-Lavalin's behalf to purchase a primary D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013. Legacy Chubb agreed to this request, in return for additional premium, as appears from the D&O policy communicated herewith as **Exhibit P-7** and the e-mail correspondence communicated herewith *en liasse* as **Exhibit P-8**;

vi) **Allocation**

22. In the Marketplace it is and has been customary in D&O policies, at all times material to this dispute, to provide in advance for a situation where a claim against one or more insureds is only partially covered, requiring that amounts payable under the policy be allocated between covered and uncovered matters or persons or both. This is done by means of a "predetermined allocation" clause whereby a certain percentage of defence costs, and in some cases indemnity, is deemed to be attributed to covered matters in order to avoid the necessity of arguing about allocation on a case-by-case basis;
23. The Primary Policy issued by Legacy Chubb to SNC-Lavalin for the September 1, 2011-2012 Policy Period contained an Allocation Clause 12. This was modified



from inception by the addition of a predetermined allocation Clause 10 ("**the PDA Clause**") as part of Endorsement No.3, entitled the "MarshProtect Endorsement" ("**the MarshProtect Endorsement**"), which was drafted by Marsh, in its capacity as broker of record for SNC-Lavalin and the Directors and Officers, and then proposed to and accepted by the Petitioners as part of the Primary Policy;

vii) **The claim**

24. On or about March 1, 2012 the Quebec Class Action was filed against SNC-Lavalin and the Directors and Officers in Montreal, as appears from the Motion communicated herewith as **Exhibit P-9**;
25. On March 5, 2012 Marsh gave notice of the Quebec Class Action to the Petitioners on behalf of SNC-Lavalin and the Directors and Officers;
26. On or about May 9, 2012 the two class proceedings that were eventually consolidated as the Ontario Class Action were commenced against SNC-Lavalin and the Directors and Officers in Toronto, and after numerous amendments the latest iteration of the Ontario Class Action is the Fourth Fresh as Amended Consolidated Statement of Claim communicated herewith as **Exhibit P-10**;
27. On May 16, 2012 Marsh gave notice of the Ontario Class Actions to the Petitioners on behalf of SNC-Lavalin and the Directors and Officers;
28. SNC-Lavalin and the Non-Executive Directors who were named as Defendants in the Quebec and Ontario Class Actions (collectively "**the Securities Class Actions**"), namely Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson ("**the Non-Executive Directors**") retained the same counsel to defend them against the Securities Class Actions;
29. SNC-Lavalin is not covered under the D&O Policies because they do not offer "entity" or "Side C" coverage. However, since the Non-Executive Directors engaged SNC's counsel to defend them jointly with SNC, pursuant to the PDA Clause Chubb is paying 80% of *Securities Defence Costs*, namely the costs incurred by SNC-Lavalin and the Non-Executive Directors for their joint defence counsel, subject to a reservation of rights;

viii) **The dispute**

30. Without any admission whatsoever as to the merits of the Securities Class Actions or their actual value, the theoretical face value of the Actions greatly exceeds the combined limits of liability under all the D&O Policies. The positions taken by SNC-Lavalin and Marsh, which the Petitioners contest, would potentially have the effect of exposing the limits of liability under all the D&O Policies;
31. In anticipation of a settlement or an adverse judgment, a dispute ("**the Dispute**") has arisen between SNC-Lavalin and Marsh, on the one hand, and the Petitioners on the other, as to the correct interpretation and application of the

PDA Clause in the MarshProtect Endorsement to indemnity, as opposed to defence costs;

32. Legacy Chubb wrote to Marsh on June 14, 2012 (“**the Legacy Chubb Letter**”) setting out its coverage position, including its position on two issues relating to the correct interpretation and application of the PDA Clause, as appears from the Legacy Chubb Letter which is communicated herewith as **Exhibit P-11**:

**First issue**

*“We note that, unless two or more defendants authorized, permitted or acquiesced in the making of the misrepresentation or the failure to make timely disclosure while knowing it to be a misrepresentation or a failure to make timely disclosure, liability under the QSA and the OSA is proportionate and damages assessed under those Acts against one party cannot be attributable to another. As such, any damages assessed against SNC under the QSA or the OSA, or any damages to which the doctrine of joint liability does not apply, would not be covered under the D&O Policy and would not be considered **Securities Loss** to which the Pre-Determined Allocation would apply. As referenced above, **Securities Loss** means the total amount which any **Insured Person**, solely or jointly with the **Insured Organization**, becomes legally entitled to pay on account of any **Securities Claim** [emphasis added].”*

**Second issue**

*“Given allegations of civil and criminal breaches, insider trading, unlawful conduct and vicarious liability, please be advised that there is no coverage for any **Loss** or **Securities Loss** on account of any **Claim** made against an **Insured Person** or **Securities Claim** made against the **Insured Organization** based upon, arising from, or in consequence of proven deliberately fraudulent acts or the gaining of personal profit to which such **Insured Person** or **Insured Organization** was not entitled. In this regard, we draw your attention to Exclusions 6 and 6.1, as amended/added by Endorsement No. 3, Section 9:*

6. The Company shall not be liable under Insuring Clause 1 or 2 for **Loss** on account of any **Claim** made against any **Insured Person**:

- (a) based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such **Insured Person**, if a final non-appealable adjudication in the underlying proceeding or action establishes such a deliberately fraudulent act or omission or willful violation;  
or



- (b) *based upon, arising from, or in consequence of such **Insured Person** having gained any personal profit, remuneration or other advantage to which such **Insured Person** was not legally entitled, if a final non-appealable adjudication in the underlying proceeding or action establishes the gaining of such illegal profit, remuneration or advantage.*

*For purposes of paragraphs 6 (a) and 6 (b) above, if an **Insured Person** pleads guilty or no contest or nolo contendere or enters any similar plea in a criminal proceeding or action, the elements of each of the offenses to which such plea relates shall, as of the date of such plea, be deemed to have been established by a final non-appealable adjudication.”*

(Exclusion 6.1 is not quoted here because it relates to misconduct by the *Insured Organization*, not the *Insured Persons*.)

33. On October 9, 2013 Marsh replied to Legacy Chubb contesting its coverage position on SNC-Lavalin’s behalf (“**the Marsh Letter**”), including its position on the two issues identified above relating to the interpretation and application of the PDA Clause, as appears from the Marsh Letter which is communicated herewith as **Exhibit P-12**;
34. The Dispute has a very substantial impact on the amounts that the Petitioners might potentially have to pay in indemnity under the D&O Policies. If the Petitioners are correct in their interpretation and application of the PDA Clause, then any indemnity payable will in all likelihood be well within the limits of liability under the Primary Policy. If SNC-Lavalin and Marsh are correct in their interpretation of the PDA Clause, then the indemnity payable may potentially involve all the D&O Policies;
35. The Petitioners therefore have an immediate interest in having the Dispute resolved and their obligations under their respective D&O Policies determined by this Court in order to clarify their potential responsibility for a settlement or adverse judgment;
36. However, the Petitioners submit the Dispute to this Court independently from the many other coverage issues which have arisen or may arise in relation to the Securities Class Actions under the D&O Policies, and under reserve of their rights and recourses with respect to all those other issues;

**a) First issue**

37. The first issue which is the subject of the Dispute relates to the situation where damages are awarded against SNC-Lavalin in the context of the Securities Class Actions under the Ontario *Securities Act* (“**OSA**”) or the Quebec *Loi sur les*

*valeurs mobilières* ("LVMQ") for which the Directors and Officers, as *Insured Persons*, are each only liable to pay that portion of the total damages that corresponds to each defendant's responsibility (see LVMQ s. 225.31), referred to as "proportionate liability" under the OSA s. 138.6(1). In that scenario, does the predetermined allocation percentage (i.e. 80%) under the PDA Clause apply to the indemnity payable under the D&O Policies?

38. This question is important because the potential civil liability of the Directors and Officers for secondary market disclosure in the context of the Securities Class Actions is severely limited under Part XIII.1, s. 138.7 of the OSA and under Chapter II, Section II, s. 225.33 of the LVMQ by a "liability limit" that is much lower than the "liability limit" that applies to the potential civil liability of SNC-Lavalin:

- i) SNC-Lavalin and the Plaintiffs in both the Quebec Class Action and the Ontario Class Action negotiated a Consent Order, adopted by both Courts, pursuant to which the delictual (common law) claims based on negligent misrepresentation and the claim based on the oppression remedy were deleted from the original pleadings, and the certification motion was unopposed by SNC-Lavalin, as appears from the Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012 communicated herewith as **Exhibit P-13** and the Certification and Leave Order issued by the Honourable Mr. Justice Serge Francoeur on January 24, 2013 communicated herewith as **Exhibit P-14**;
- ii) In approving the discontinuance of the causes of action other than the statutory cause of action under the OSA, Mr. Justice Perell considered that the damages that would be recoverable in theory would be greatly reduced, as appears from the Order P-13, paragraphs 49-53;
- iii) Common issue "k" in both the Securities Class Actions, as certified, is: "If the answer to either (a) or (d) is yes, for each applicable Defendant found liable, what is that defendant's respective responsibility for assessed damages pursuant to s. 138.6 OSA [s. 225.28-225.33 *Loi sur les valeurs mobilières*]?" (our emphasis), as appears from paragraph 59 of the Order P-13, paragraph 6 of the Certification Order communicated herewith as **Exhibit P-15**, and paragraph 17 of the Certification and Leave Order P-14;

39. The Directors and Officers who have entered formal Defences to the Ontario Class Action (the Quebec Class Action is suspended pending the outcome of the Ontario Action) have all pleaded that they have no responsibility for any damages awarded against any other defendant, as stated at paragraphs 117-119 of the Fresh as Amended Statement of Defence dated November 30, 2012 filed on behalf of SNC and the **Non-Executive Directors** communicated herewith as **Exhibit P-16**. These paragraphs have remained substantively unchanged despite other amendments to the written pleadings, and all other independently represented Officers who have filed Defences have taken the same position.

40. If therefore the predetermined allocation percentage under the PDA Clause applies to all damages awarded against SNC-Lavalin, regardless of whether or

not the Directors and Officers are also liable for those damages (which the Petitioners deny), then the limits of liability under all the D&O Policies are potentially exposed, and SNC-Lavalin has obtained what amounts to "Side C" or "entity" coverage under the D&O Policies for the Securities Class Actions even though it deliberately chose not to purchase it or pay for it;

41. Fortunately, the Petitioners submit, there is no basis on which to arrive at this manifestly commercially unreasonable result because the language of the PDA Clause and the other relevant D&O Policy provisions is clearly to the opposite effect;
42. The parties agree that the Securities Class Actions are *Securities Claims* as defined in the MarshProtect Endorsement:

*"Securities Claim means any Claim which:*

*(i) is brought by a security holder of an **Insured Organization**:*

*(1) in his or her capacity as a security holder of such **Insured Organization**, with respect to his or her interest in securities of such **Insured Organization**, and against such **Insured Organization** or any of its **Insured Persons**; or*

*(...)"*

(our emphasis)

43. The term *Securities Loss* is defined in the MarshProtect Endorsement as follows:

*"Securities Loss means the total amount which any **Insured Person**, solely or jointly with the **Insured Organization**, becomes legally obligated to pay on account of a **Securities Claim**, including, but not limited to, damages, judgments, settlements, costs and **Securities Defence Costs**. (...)"*

(our emphasis)

44. In order to be a *Securities Loss*, damages must therefore be amounts i) for which *Insured Persons* are solely liable, or ii) for which *Insured Persons* are jointly liable with SNC-Lavalin. Damages for which SNC-Lavalin is solely liable do not fall within the definition;
45. The PDA Clause 10 of the MarshProtect Endorsement reads in part as follows:

*"If any **Securities Loss** covered in whole or in part pursuant to Insuring Clause 2 results in both **Securities Loss** that is covered under this coverage section and loss that is not covered under this coverage section because a **Securities Claim** includes both covered and non-covered matters, or because a **Securities***

*Claim* is made against both an **Insured Person** and others, including the **Insured Organization**, the **Insured** and the Company shall allocate such amount to **Securities Loss** as follows:

- (i) 80% of such amount constituting **Securities Defence Costs** shall be allocated to covered **Securities Loss**, which the Company shall advance on a current basis; and
- (i) 80% of such amount of **Securities Loss** other than **Securities Defence Costs** shall be allocated to covered **Securities Loss**.

Notwithstanding (i) and (ii) above, the **Insured** and the Company shall use their best efforts to allocate that part of **Securities Loss** subject to exclusions 6.1 based upon the relative legal exposure of the **Insured Persons** and the **Insured Organization**. The Company shall not be liable under this coverage section for the portion of such amount allocated to non-covered loss.

(...)"

(our emphasis)

- 46. The application of the PDA Clause is thus clearly contingent on there having been a *Securities Loss* in the first place, and as noted above the definition of *Securities Loss* clearly requires that, in order to qualify, it must be an amount which an *Insured Person* is legally obligated to pay "*solely or jointly with the Insured Organization*";
- 47. Therefore, if in the context of the Securities Class Actions damages are awarded against SNC-Lavalin under the OSA and/or the LVMQ for which *Insured Persons* (i.e. the Directors and Officers) are not liable, they are not *Securities Loss* and the pre-determined allocation percentage under the PDA Clause does not apply;

#### **b) Second issue**

- 48. The second issue which is the subject of the Dispute relates to the situation where it is proven that one or more *Insured Persons* had knowledge of the bribes, as alleged in the Securities Class Actions, with the result that they fall within the exception to the statutory regimes calling for proportionate liability and damage caps under the OSA and the LVMQ. They may therefore lose the benefit of proportionate liability and be held liable together with SNC-Lavalin for damages in excess of the individuals' caps. In that scenario, does the predetermined allocation percentage (i.e. 80%) under the PDA Clause apply to any indemnity payable under the D&O Policies?
- 49. Exclusion 6 a) of the Policies P-3, P-4, P-5 and P-6 reads as follows:

“6. The Company shall not be liable under Insuring Clause 1 or 2 for Loss on account of any Claim made against any Insured person:

a) based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such **Insured Person**, if a final non-appealable adjudication in the underlying proceeding or action establishes such a deliberately fraudulent act or omission or willful violation;”

50. Article 2464 CCQ reads as follows:

“The insurer is liable to compensate for injury resulting from superior force or the fault of the insured, unless an exclusion is expressly and restrictively stipulated in the policy. However, the insurer is never liable to compensate for injury resulting from the insured’s intentional fault. Where there is more than one insured, the obligation of coverage remains in respect those insured who have not committed an intentional fault.”

51. Therefore, if in the context of the Securities Class Actions damages are awarded jointly and severally against SNC-Lavalin and one or more *Insured Persons* based on what is alleged, namely the *Insured Persons*’ knowledge of the bribes, that liability would be excluded from coverage, both under the Policies and at law;

52. As a result, the PDA Clause would not apply to any such liability because it would not fall within the terms of the Clause:

“If any **Securities Loss** covered in whole or in part pursuant to Insuring Clause 2 results in both **Securities Loss** that is covered under this coverage section and loss that is not covered under this coverage section because a **Securities Claim** includes both covered and non-covered matters, or because a **Securities Claim** is made against both an **Insured Person** and others, including the **Insured Organization**...”

(our emphasis)

In the scenario described above, there would be no covered *Securities Loss*, whether in whole or in part, because SNC-Lavalin is not covered in its own right and the *Insured Person(s)* would not be entitled to coverage because of their conduct. The terms of the PDA Clause would therefore not be met.

\* \* \* \*

53. The Petitioners ask that this Court declare the interpretation of the D&O Policies set out above to be well-founded for all legal purposes.

**WHEREFORE THE PETITIONERS ASK THAT YOU:**

**GRANT** this Motion;

**DECLARE** that the Petitioners' interpretation of the Primary and Excess D&O Policies Exhibits P-3, P-4, P-5 and P-6, as set out in this Application, is well-founded for all legal purposes;

**THE WHOLE** without costs.

**MONTREAL**, this 21<sup>st</sup> day of March 2017

(s) CLYDE & CIE CANADA S.E.N.C.R.L.  
CLYDE & CO CANADA LLP

**CLYDE & CO CANADA LLP / CLYDE & CIE  
CANADA s.e.n.c.r.l.**

Attorneys for the Petitioners

Mtre. John Nicholl

E-Mail : john.nicholl@clydeco.ca

630 René-Lévesque Blvd. West, Suite 1700

Montreal, Quebec H3B 1S6


Tel.: 1.855.607.4288

Fax: 514 843-6110

Computer Code: BN-0373

File No.: 1205005

**COPIE CONFORME / TRUE COPY**

  
CLYDE & CIE CANADA S.E.N.C.R.L.  
CLYDE & CO CANADA LLP



**SUMMONS**  
**(ARTICLE 145 and following C.C.P.)**

**FILING OF AN APPLICATION**

Take notice that the Petitioners have filed this originating application against you in the office of the Superior Court in the Judicial District of Montreal.

**ANSWER TO THIS APPLICATION**

You must respond to this Application, in writing, personally or through an attorney, at the Courthouse of Montreal, situated at 1, Notre-Dame Street East, within **15 days** from the date of service of the present application, or if you have neither a domicile, residence nor establishment in Quebec, within 30 days of this application. This answer must be notified to the Petitioners' attorneys, or if the Petitioners are not represented, to the Petitioners.

**FAILURE TO ANSWER**

If you fail to file answer within the stipulated time limit of 15 or 30 days as applicable, a judgment by default may be rendered against you at the expiration of this time limit without further notice, and the legal costs awarded against you, according to the circumstances.

**CONTENT OF THE ANSWER**

If your answer, you must state your intention to either:

- Negotiate a settlement;
- Propose mediation to resolve the dispute;
- Defend this application and, in cases required by the Code, to establish for this purpose, in cooperation with the Petitioners, a case protocol that is to govern the conduct of the proceeding. This protocol must be filed with the court office mentioned above within 45 days after service of the present summons or, in family matters or if you have neither a domicile, residence nor establishment in Quebec, within three months after this service;
- Propose that a settlement conference be held.

This answer must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

**CHANGE OF JUDICIAL DISTRICT**

You may ask for the referral of this originating application to the district where your domicile is situated or, failing this, to you elected domicile or the domicile designed by an agreement with the Petitioners.

If the application relates to an employment contract, a consumer contract, an insurance contract or pertains to the exercise of a hypothecary right to an immovable service as your main residence and you are a consumer, the employee, the beneficiary of the insurance contract or the hypothecary debtor, you may ask for this referral to be to the district where your domicile, your residence or this immovable is situated, or to the district where the loss occurred. This demand must be presented to the special clerk in the competent territorial jurisdiction after notifying the other parties and the office of the court already seized of the originating application.

## **TRANSFER OF THE APPLICATION TO THE SMALL CLAIMS DIVISION**

If you qualify to act as a Petitioner in accordance with the rules for the recovery of small claims, you may communicate with the court office to request that the application be so processed. If you make such a request, your legal costs may not exceed those prescribed for the recovery of small claims.

## **CALLING OF A CASE MANAGEMENT CONFERENCE**

Within **20 days** after the case protocol is filed, the court may call you to a case management conference in order to ensure the orderly progress of the proceeding. Failing that, the protocol is presumed accepted.

## **EXHIBITS IN SUPPORT OF THE APPLICATION**

In support of its Originating Application, the Petitioners use the following exhibits:

- EXHIBIT P-1:** Primary D&O policies for the period September 1, 2001 and September 1, 2004 purchased by SNC-Lavalin;
- EXHIBIT P-2:** Primary D&O policies commencing on September 1, 2004 and continuing for a period of 7 years *en liasse* purchased by SNC-Lavalin;
- EXHIBIT P-3:** Primary D&O policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-4:** First Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-5:** Second Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-6:** Third Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-7:** D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013;
- EXHIBIT P-8:** E-mail correspondence between Marsh and Chubb *en liasse* for D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013;



- EXHIBIT P-9:** Quebec Class Action dated March 1, 2012 filed against SNC-Lavalin and the Directors and Officers in Montreal;
- EXHIBIT P-10:** Ontario Class Actions dated May 9, 2012 filed against SNC-Lavalin and the Directors and Officers in Toronto;
- EXHIBIT P-11:** Letter sent by Chubb to Marsh dated June 14, 2012;
- EXHIBIT P-12:** Letter sent by Marsh to Chubb dated October 9, 2013;
- EXHIBIT P-13:** Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012;
- EXHIBIT P-14:** Certification and Leave Order issued by the Honourable Mr. Justice Serge Francoeur on January 24, 2013;
- EXHIBIT P-15:** Certification Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012;
- EXHIBIT P-16:** Joint Amended Statement of Defence of the Ontario Directors and Officers
- EXHIBIT P-17:** Factum of SNC-Lavalin . in support of its Motion to Strike Certain Paragraphs of the Petitioners' Fresh as Amended Reply

These exhibits are available upon request.

#### **APPLICATION ACCOMPANIED BY A NOTICE OF PRESENTATION**

In the case of an application presented during the proceedings or an application under Book III, V, except family matters referred to in Article 409 or Section VI of the Code, the presentation of a case protocol is not necessary, however such an application must be accompanied by a notice indicating the date and hour of its presentation.



IGNIFIÉ LE

23/53/17 13h50

No: 500-17-098037-112

SUPERIOR COURT  
DISTRICT OF MONTREAL

CHUBB INSURANCE COMPANY OF CANADA  
ET AL.,

Petitioners

-V.-

SNC-LAVALIN GROUP INC. ET AL.,

Respondents

APPLICATION FOR DECLARATORY  
JUDGMENT  
ARTICLE 142 C.C.P.

JEAN-PAUL DELAIRE, c/o Mtre. Sammy Elnemr,  
Siskinds Desmeules, 480, boul. St-Laurent,  
Suite 501

**CLYDE&CO**

Mtre. John Nicholl  
Clyde & Cie Canada S.E.N.C.R.L./  
Clyde & Co Canada LLP  
630 René-Lévesque Blvd. West, Suite 1700  
Montreal, Quebec H3B 1S6  
Tel: (514) 843-3777  
Fax: (514) 843-6110  
www.clydeco.ca

BN-0373

O/F : 1205005

CANADA

PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL

NO: 500-17-098037-172

SUPERIOR COURT

**CHUBB INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 1250 René-Lévesque Blvd. West, Suite 2700, Montreal, Quebec, H3B 4W8

-and-

**LIBERTY INTERNATIONAL UNDERWRITERS**, a division of Liberty Mutual Insurance Company, a duly licensed insurance company having a place of business at 1000 de la Gauchetière West, Suite 2400, Montreal, Quebec, H3B 4W5

-and-

**AIG INSURANCE COMPANY OF CANADA**, a duly licensed insurance company having a place of business at 2000 McGill College Avenue, Suite 1200, Montreal, Quebec, H3A 3H3

Petitioners

-v.-

**SNC-LAVALIN GROUP INC.**, a company incorporated under the laws of the Province of Quebec, having its head office at 455 René-Lévesque Blvd. West, Montreal Quebec, H2Z 1Z3

-and-

**IAN A. BOURNE**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**DAVID GOLDMAN**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**PATRICIA A. HAMMICK**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place

Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**PIERRE H. LESSARD**, director or former  
director of SNC-Lavalin Group Inc., c/o  
Norton Rose Fulbright Canada LLP, 1 Place  
Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**EDYTHE A. MARCOUX**, director or former  
director of SNC-Lavalin Group Inc., c/o  
Norton Rose Fulbright Canada LLP, 1 Place  
Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**LORNA R. MARSDEN**, director or former  
director of SNC-Lavalin Group Inc., c/o  
Norton Rose Fulbright Canada LLP, 1 Place  
Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**CLAUDE MONGEAU**, director or former  
director of SNC-Lavalin Group Inc., c/o  
Norton Rose Fulbright Canada LLP, 1 Place  
Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**GWYN MORGAN**, director or former director  
of SNC-Lavalin Group Inc., c/o Norton Rose  
Fulbright Canada LLP, 1 Place Ville Marie  
Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**MICHAEL D. PARKER**, director or former  
director of SNC-Lavalin Group Inc., c/o  
Norton Rose Fulbright Canada LLP, 1 Place  
Ville Marie Suite 2500, Montreal, Quebec,  
H3B 1R1

-and-

**HUGH D. SEGAL**, director or former director  
of SNC-Lavalin Group Inc., c/o Norton Rose  
Fulbright Canada LLP, 1 Place Ville Marie  
Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**LAWRENCE N. STEVENSON**, director or former director of SNC-Lavalin Group Inc., c/o Norton Rose Fulbright Canada LLP, 1 Place Ville Marie Suite 2500, Montreal, Quebec, H3B 1R1

-and-

**GILLES LARAMÉE**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. Dimitri Maniatis, Langlois, 1250 René-Lévesque Blvd. West., 20<sup>th</sup> Floor, Montreal, Quebec, H3B 4W8

-and-

**MICHAEL NOVAK**, officer or former officer of SNC-Lavalin Group Inc., c/o Ms. Patricia D.S. Jackson, Torys LLP, Suite 3000, 79 Wellington St. W., TD Centre, Toronto, Ontario, M5K 1N2

-and

**PIERRE DUHAIME**, officer or former officer of SNC-Lavalin Group Inc.. c/o Mtre. Michael Garellek, Gowling WLG, 1 Place Ville Marie, Suite 3700, Montreal, Quebec H3B 3P4

-and-

**RIADH BEN AÏSSA**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. Patrick Ouellet, Woods, 2000 McGill College, Suite 1700, Montreal Quebec, H3A 3H3

-and-

**STÉPHANE ROY**, officer or former officer of SNC-Lavalin Group Inc., c/o Mtre. James R.K. Duggan, Duggan, Avocats, Gare Windsor, 1100 avenue des Canadiens-de-Montreal, Suite 900, Montreal Quebec, H3B 2S2

Respondents

-and-

**THE TRUSTEES OF THE DRYWALL ACOUSTIC LATHING AND INSULATION LOCAL 675 PENSION FUND AND 0793094 B.C. LTD. (...)**, acting in their capacity as representative plaintiffs in the consolidated

class proceeding before the Ontario Superior Court of Justice, Court file No. CV-12-453236-00CP, c/o Siskinds LLP, 680 Waterloo Street, London, Ontario, N6A 3V8

-and-

**JEAN-PAUL DELAIRE**, acting in his capacity as a representative plaintiff in the Motion to Authorize a Class Action before the Quebec Superior Court, District of Montreal No. 500-06-000650-131, c/o Mtre. Samy Elnemr, Siskinds Desmeules, 480, boul. St-Laurent, Suite 501, Montreal Quebec, H2Y 3Y7

*Mises-en-cause*

---



---

**AMENDED APPLICATION FOR DECLARATORY JUDGMENT**  
**ARTICLE 142 C.C.P.**

---



---

**THE PETITIONERS RESPECTFULLY SUBMIT AS FOLLOWS:**

i) **Introductory**

1. In this Motion, words that are italicized are defined in, or quoted from, the insurance policies at issue;

ii) **The parties**

2. The Petitioner Chubb Insurance Company of Canada ("**Chubb**") is a duly licensed insurer and is the named corporate entity following the amalgamation of the duly licensed insurer Chubb Insurance Company of Canada ("**Legacy Chubb**") which was the primary directors and officers liability ("**D&O**") insurer of the directors and officers of the Respondent SNC-Lavalin Group Inc. ("**SNC-Lavalin**") for the period September 1, 2011 to September 1, 2012 ("**the Policy Period**"), and the duly licensed insurer ACE INA Insurance Company ("**Legacy ACE INA**"), which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;
3. The Petitioner Liberty International Underwriters, a division of Liberty Mutual insurance Company ("**Liberty**") is a duly licensed insurer which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;
4. The Petitioner AIG Insurance Company of Canada ("**AIG**") is a duly licensed insurer which was one of the excess D&O insurers of the directors and officers of SNC-Lavalin for the Policy Period;

5. The Respondent SNC-Lavalin is a publicly traded engineering company which was the *parent organization* whose directors and officers were insured under the D&O policies issued by the Petitioners for the Policy Period (collectively "**the D&O Policies**");
6. The Respondents Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson, are or were directors of SNC-Lavalin ("**the Directors**") and the Respondents Gilles Laramée, Michael Novak, Pierre Duhaime, Riadh Ben Aïssa and Stéphane Roy are or were officers of SNC-Lavalin ("**the Officers**") who are named as defendants, together with SNC-Lavalin, in the Motion to Authorize a Class Action filed in the District of Québec by Glenn Winder, subsequently amended to name as representative plaintiff Jean-Paul Delaire and transferred to the District of Montreal as No. 500-06-000650-131 ("**the Quebec Class Action**") and/or in the Statements of Claim filed under the *Class Proceedings Act*, 1992 before the Ontario Superior Court of Justice, court file number CV-12-453236-00CP, by the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and 793094 B.C. Ltd. ("**the Ontario Class Action**"), which Ontario Class Action resulted from the consolidation of the original class action instituted by the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and a separate class action instituted by Brent Gray;
7. The *mis-en-cause* Jean-Paul Delaire is the representative plaintiff in the Quebec Class Action;
8. The *mises-en-cause* the Trustees of the Drywall Acoustic Lathing and Insulation Local 675 Pension Fund and 793094 B.C. Ltd. are the representative plaintiffs in the Ontario Class Action;

iii) **SNC-Lavalin's decision not to purchase "entity" coverage**

9. The Respondent SNC-Lavalin is and was at all times relevant to this Motion a sophisticated and knowledgeable purchaser of insurance products with an internal Risk Management department and many years' experience in purchasing D&O policies in the Canadian commercial insurance marketplace ("**the Marketplace**");
10. Further, SNC-Lavalin and the Directors and Officers were advised at all times, for the purposes of the D&O Policies here at issue, by Marsh, which is one of the largest and most sophisticated and knowledgeable insurance brokers in the world and also has many years' experience in purchasing D&O policies for its clients in the Marketplace;
11. One of the insurance products available in the Marketplace when the D&O Policies here at issue were purchased, to the knowledge of both SNC-Lavalin and Marsh, was a D&O policy that provides coverage to the *parent organization* in its own right (known in the Marketplace as "**entity**" or "**Side C**" coverage) in addition to coverage for the directors and officers personally ("**Side A**" coverage) and for reimbursement of the *parent organization* when it indemnifies the

directors and officers ("**Side B**" coverage). Essentially, Side C coverage provides some protection for the Balance Sheet of the entity;

12. Such a D&O policy including "entity" or "Side C" coverage was in fact available in the Marketplace from the Petitioners as well as other insurers at the time when the D&O Policies here at issue were purchased, to the knowledge of both SNC-Lavalin and Marsh;
13. However, because they increase the insurers' risk of loss, especially for a publicly traded multi-national company such as SNC-Lavalin that is exposed to securities litigation around the world, D&O policies including "entity" or "Side C" coverage are more expensive to purchase in the Marketplace than policies that only provide "Side A" coverage for the directors and officers and "Side B" coverage for reimbursement, a fact that was also known to both SNC-Lavalin and Marsh;
14. Between September 1, 2001 and September 1, 2004 SNC-Lavalin purchased D&O policies including "entity" or "Side C" coverage, as appears from the primary policy communicated herewith as **Exhibit P-1**;
15. Commencing on September 1, 2004 and continuing for a period of seven (7) years prior to the issuance of the D&O Policies here in question, however, SNC-Lavalin chose not to purchase D&O policies offering "entity" or "Side C" coverage, and instead purchased D&O policies in the Marketplace from the Petitioners, among others, that were similar or identical to the D&O Policies here in question and only offered "Side A" and "Side B" coverage, as appears from the primary insurance policies communicated herewith *en liasse* as **Exhibit P-2**;

iv) **The issuance of the D&O Policies**

16. Some time prior to September 1, 2011, SNC-Lavalin decided to renew its existing D&O policies with the Petitioners, which offered only "Side A" and "Side B" coverage, and gave instructions to Marsh to proceed with the renewal;
17. On or about September 1, 2011, at Marsh's request, Legacy Chubb therefore issued a primary D&O Policy for the Policy Period, under which SNC-Lavalin was the *Parent Organization* and the *Insured Organization*, and the *Insured Persons* were "*any person who has been, now, is or shall become a duly elected or appointed director or officer of the Insured Organization*" ("**the Primary Policy**"). The Primary Policy had limits of liability of \$25 million each loss and in the aggregate per Policy period, and like its predecessors for the previous seven (7) years it provided "Side A" coverage under Insuring Clause 1 and "Side B" coverage under Insuring Clause 2, but no "entity" or "Side C" coverage, as appears from the policy communicated herewith as **Exhibit P-3**;
18. On or about September 1, 2011, at Marsh's request, Liberty issued a first excess D&O Policy for the Policy Period ("**the First Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the First Excess Policy communicated herewith as **Exhibit P-4**. The limits of liability under the First Excess Policy were \$15 million each loss and



in the aggregate per Policy period, excess the \$25 million limits under the Primary Policy;

19. On or about September 1, 2011, at Marsh's request, AIG issued a second excess D&O Policy for the Policy Period ("**the Second Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the Second Excess Policy communicated herewith as **Exhibit P-5**. The limits of liability under the Second Excess Policy were \$20 million each loss and in the aggregate per Policy period, excess the \$40 million combined limits under the Primary and First Excess Policies;
20. On or about September 1, 2011, at Marsh's request, Legacy ACE INA issued a third excess D&O Policy for the Policy Period ("**the Third Excess Policy**") which "followed form" on the Primary Policy and incorporated its terms and conditions, as appears from the Third Excess Policy communicated herewith as **Exhibit P-6**. The limits of liability under the Third Excess Policy were \$10 million in the aggregate per Policy period, excess the \$60 million combined limits under the Primary and First and Second Excess Policies;

v) **Subsequent purchase of "Side C" or "entity" coverage**

21. After the Quebec and Ontario Class Actions were filed during the September 1, 2011 to September 1, 2012 Policy Period and notified to Petitioners, and SNC-Lavalin and its broker Marsh were aware of the Petitioners' position that there was no "Side C" or "entity" coverage under the then-current D&O Policies P-3 to P-6, Marsh approached Legacy Chubb on SNC-Lavalin's behalf to purchase a primary D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013. Legacy Chubb agreed to this request, in return for additional premium, as appears from the D&O policy communicated herewith as **Exhibit P-7** and the e-mail correspondence communicated herewith *en liasse* as **Exhibit P-8**;

vi) **Allocation**

22. In the Marketplace it is and has been customary in D&O policies, at all times material to this dispute, to provide in advance for a situation where a claim against one or more insureds is only partially covered, requiring that amounts payable under the policy be allocated between covered and uncovered matters or persons or both. This is done by means of a "predetermined allocation" clause whereby a certain percentage of defence costs, and in some cases indemnity, is deemed to be attributed to covered matters in order to avoid the necessity of arguing about allocation on a case-by-case basis;
23. The Primary Policy issued by Legacy Chubb to SNC-Lavalin for the September 1, 2011-2012 Policy Period contained an Allocation Clause 12. This was modified from inception by the addition of a predetermined allocation Clause 10 ("**the PDA Clause**") as part of Endorsement No.3, entitled the "MarshProtect Endorsement" ("**the MarshProtect Endorsement**"), which was drafted by Marsh, in its capacity as broker of record for SNC-Lavalin and the Directors and Officers, and then proposed to and accepted by the Petitioners as part of the Primary Policy;

vii) **The claim**

24. On or about March 1, 2012 the Quebec Class Action was filed against SNC-Lavalin and the Directors and Officers in Montreal, as appears from the Motion communicated herewith as **Exhibit P-9**;
25. On March 5, 2012 Marsh gave notice of the Quebec Class Action to the Petitioners on behalf of SNC-Lavalin and the Directors and Officers;
26. On or about May 9, 2012 the two class proceedings that were eventually consolidated as the Ontario Class Action were commenced against SNC-Lavalin and the Directors and Officers in Toronto, and after numerous amendments the latest iteration of the Ontario Class Action is the Fourth Fresh as Amended Consolidated Statement of Claim communicated herewith as **Exhibit P-10**;
27. On May 16, 2012 Marsh gave notice of the Ontario Class Actions to the Petitioners on behalf of SNC-Lavalin and the Directors and Officers;
28. SNC-Lavalin and the Non-Executive Directors who were named as Defendants in the Quebec and Ontario Class Actions (collectively "**the Securities Class Actions**"), namely Ian A. Bourne, David Goldman, Patricia A. Hammick, Pierre H. Lessard, Edythe A. Marcoux, Lorna R. Marsden, Claude Mongeau, Gwyn Morgan, Michael D. Parker, Hugh D. Segal and Lawrence N. Stevenson ("**the Non-Executive Directors**") retained the same counsel to defend them against the Securities Class Actions;
29. SNC-Lavalin is not covered under the D&O Policies because they do not offer "entity" or "Side C" coverage. However, since the Non-Executive Directors engaged SNC's counsel to defend them jointly with SNC, pursuant to the PDA Clause Chubb is paying 80% of *Securities Defence Costs*, namely the costs incurred by SNC-Lavalin and the Non-Executive Directors for their joint defence counsel, subject to a reservation of rights;

viii) **The dispute**

30. Without any admission whatsoever as to the merits of the Securities Class Actions or their actual value, the theoretical face value of the Actions greatly exceeds the combined limits of liability under all the D&O Policies. The positions taken by SNC-Lavalin and Marsh, which the Petitioners contest, would potentially have the effect of exposing the limits of liability under all the D&O Policies;
31. In anticipation of a settlement or an adverse judgment, a dispute ("**the Dispute**") has arisen between SNC-Lavalin and Marsh, on the one hand, and the Petitioners on the other, as to the correct interpretation and application of the PDA Clause in the MarshProtect Endorsement to indemnity, as opposed to defence costs;
32. Legacy Chubb wrote to Marsh on June 14, 2012 ("**the Legacy Chubb Letter**") setting out its coverage position, including its position on two issues relating to

the correct interpretation and application of the PDA Clause, as appears from the Legacy Chubb Letter which is communicated herewith as **Exhibit P-11**:

**First issue**

*"We note that, unless two or more defendants authorized, permitted or acquiesced in the making of the misrepresentation or the failure to make timely disclosure while knowing it to be a misrepresentation or a failure to make timely disclosure, liability under the QSA and the OSA is proportionate and damages assessed under those Acts against one party cannot be attributable to another. As such, any damages assessed against SNC under the QSA or the OSA, or any damages to which the doctrine of joint liability does not apply, would not be covered under the D&O Policy and would not be considered **Securities Loss** to which the Pre-Determined Allocation would apply. As referenced above, **Securities Loss** means the total amount which any **Insured Person**, solely or jointly with the **Insured Organization**, becomes legally entitled to pay on account of any **Securities Claim** [emphasis added]."*

**Second issue**

*"Given allegations of civil and criminal breaches, insider trading, unlawful conduct and vicarious liability, please be advised that there is no coverage for any **Loss** or **Securities Loss** on account of any **Claim** made against an **Insured Person** or **Securities Claim** made against the **Insured Organization** based upon, arising from, or in consequence of proven deliberately fraudulent acts or the gaining of personal profit to which such **Insured Person** or **Insured Organization** was not entitled. In this regard, we draw your attention to Exclusions 6 and 6.1, as amended/added by Endorsement No. 3, Section 9:*

6. The Company shall not be liable under Insuring Clause 1 or 2 for **Loss** on account of any **Claim** made against any **Insured Person**:

- (a) based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such **Insured Person**, if a final non-appealable adjudication in the underlying proceeding or action establishes such a deliberately fraudulent act or omission or willful violation; or
- (b) based upon, arising from, or in consequence of such **Insured Person** having gained any personal profit, remuneration or other advantage to which such **Insured Person** was not legally entitled, if a final non-appealable

*adjudication in the underlying proceeding or action establishes the gaining of such illegal profit, remuneration or advantage.*

*For purposes of paragraphs 6 (a) and 6 (b) above, if an **Insured Person** pleads guilty or no contest or nolo contendere or enters any similar plea in a criminal proceeding or action, the elements of each of the offenses to which such plea relates shall, as of the date of such plea, be deemed to have been established by a final non-appealable adjudication."*

(Exclusion 6.1 is not quoted here because it relates to misconduct by the *Insured Organization*, not the *Insured Persons*.)

33. On October 9, 2013 Marsh replied to Legacy Chubb contesting its coverage position on SNC-Lavalin's behalf ("**the Marsh Letter**"), including its position on the two issues identified above relating to the interpretation and application of the PDA Clause, as appears from the Marsh Letter which is communicated herewith as **Exhibit P-12**;
34. The Dispute has a very substantial impact on the amounts that the Petitioners might potentially have to pay in indemnity under the D&O Policies. If the Petitioners are correct in their interpretation and application of the PDA Clause, then any indemnity payable will in all likelihood be well within the limits of liability under the Primary Policy. If SNC-Lavalin and Marsh are correct in their interpretation of the PDA Clause, then the indemnity payable may potentially involve all the D&O Policies;
35. The Petitioners therefore have an immediate interest in having the Dispute resolved and their obligations under their respective D&O Policies determined by this Court in order to clarify their potential responsibility for a settlement or adverse judgment;
36. However, the Petitioners submit the Dispute to this Court independently from the many other coverage issues which have arisen or may arise in relation to the Securities Class Actions under the D&O Policies, and under reserve of their rights and recourses with respect to all those other issues;

**a) First issue**

37. The first issue which is the subject of the Dispute relates to the situation where damages are awarded against SNC-Lavalin in the context of the Securities Class Actions under the Ontario *Securities Act* ("**OSA**") or the Quebec *Loi sur les valeurs mobilières* ("**LMVQ**") for which the Directors and Officers, as *Insured Persons*, are each only liable to pay that portion of the total damages that corresponds to each defendant's responsibility (see LMVQ s. 225.31), referred to as "proportionate liability" under the OSA s. 138.6(1). In that scenario, does the

predetermined allocation percentage (i.e. 80%) under the PDA Clause apply to the indemnity payable under the D&O Policies?

38. This question is important because the potential civil liability of the Directors and Officers for secondary market disclosure in the context of the Securities Class Actions is severely limited under Part XIII.1, s. 138.7 of the OSA and under Chapter II, Section II, s. 225.33 of the LVMQ by a "liability limit" that is much lower than the "liability limit" that applies to the potential civil liability of SNC-Lavalin:
- i) SNC-Lavalin and the Plaintiffs in both the Quebec Class Action and the Ontario Class Action negotiated a Consent Order, adopted by both Courts, pursuant to which the delictual (common law) claims based on negligent misrepresentation and the claim based on the oppression remedy were deleted from the original pleadings, and the certification motion was unopposed by SNC-Lavalin, as appears from the Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012 communicated herewith as **Exhibit P-13** and the Certification and Leave Order issued by the Honourable Mr. Justice Serge Francoeur on January 24, 2013 communicated herewith as **Exhibit P-14**;
  - ii) In approving the discontinuance of the causes of action other than the statutory cause of action under the OSA, Mr. Justice Perell considered that the damages that would be recoverable in theory would be greatly reduced, as appears from the Order P-13, paragraphs 49-53;
  - iii) Common issue "k" in both the Securities Class Actions, as certified, is: "If the answer to either (a) or (d) is yes, for each applicable Defendant found liable, what is that defendant's respective responsibility for assessed damages pursuant to s. 138.6 OSA [s. 225.28-225.33 *Loi sur les valeurs mobilières*]?" (our emphasis), as appears from paragraph 59 of the Order P-13, paragraph 6 of the Certification Order communicated herewith as **Exhibit P-15**, and paragraph 17 of the Certification and Leave Order P-14;
39. The Directors and Officers who have entered formal Defences to the Ontario Class Action (the Quebec Class Action is suspended pending the outcome of the Ontario Action) have all pleaded that they have no responsibility for any damages awarded against any other defendant, as stated at paragraphs 117-119 of the Fresh as Amended Statement of Defence dated November 30, 2012 filed on behalf of SNC and the **Non-Executive Directors** communicated herewith as **Exhibit P-16**. These paragraphs have remained substantively unchanged despite other amendments to the written pleadings, and all other independently represented Officers who have filed Defences have taken the same position.
40. If therefore the predetermined allocation percentage under the PDA Clause applies to all damages awarded against SNC-Lavalin, regardless of whether or not the Directors and Officers are also liable for those damages (which the Petitioners deny), then the limits of liability under all the D&O Policies are potentially exposed, and SNC-Lavalin has obtained what amounts to "Side C" or

"entity" coverage under the D&O Policies for the Securities Class Actions even though it deliberately chose not to purchase it or pay for it;

41. Fortunately, the Petitioners submit, there is no basis on which to arrive at this manifestly commercially unreasonable result because the language of the PDA Clause and the other relevant D&O Policy provisions is clearly to the opposite effect;
42. The parties agree that the Securities Class Actions are *Securities Claims* as defined in the MarshProtect Endorsement:

**"Securities Claim means any Claim which:**

(i) *is brought by a security holder of an **Insured Organization**:*

(1) *in his or her capacity as a security holder of such **Insured Organization**, with respect to his or her interest in securities of such **Insured Organization**, and against such **Insured Organization** or any of its **Insured Persons**; or*

(...)"

(our emphasis)

43. The term *Securities Loss* is defined in the MarshProtect Endorsement as follows:

**"Securities Loss means the total amount which any *Insured Person*, solely or jointly with the **Insured Organization**, becomes legally obligated to pay on account of a **Securities Claim**, including, but not limited to, damages, judgments, settlements, costs and **Securities Defence Costs**. (...)"**

(our emphasis)

44. In order to be a *Securities Loss*, damages must therefore be amounts i) for which *Insured Persons* are solely liable, or ii) for which *Insured Persons* are jointly liable with SNC-Lavalin. Damages for which SNC-Lavalin is solely liable do not fall within the definition;

45. The PDA Clause 10 of the MarshProtect Endorsement reads in part as follows:

**"If any *Securities Loss* covered in whole or in part pursuant to Insuring Clause 2 results in both **Securities Loss** that is covered under this coverage section and loss that is not covered under this coverage section because a **Securities Claim** includes both covered and non-covered matters, or because a **Securities Claim** is made against both an **Insured Person** and others, including the **Insured Organization**, the **Insured** and the Company shall allocate such amount to **Securities Loss** as follows:**

- (i) 80% of such amount constituting **Securities Defence Costs** shall be allocated to covered **Securities Loss**, which the Company shall advance on a current basis; and
- (i) 80% of such amount of **Securities Loss** other than **Securities Defence Costs** shall be allocated to covered **Securities Loss**.

Notwithstanding (i) and (ii) above, the **Insured** and the Company shall use their best efforts to allocate that part of **Securities Loss** subject to exclusions 6.1 based upon the relative legal exposure of the **Insured Persons** and the **Insured Organization**. The Company shall not be liable under this coverage section for the portion of such amount allocated to non-covered loss.

(...)"

(our emphasis)

- 46. The application of the PDA Clause is thus clearly contingent on there having been a *Securities Loss* in the first place, and as noted above the definition of *Securities Loss* clearly requires that, in order to qualify, it must be an amount which an *Insured Person* is legally obligated to pay "*solely or jointly with the Insured Organization*";
- 47. Therefore, if in the context of the Securities Class Actions damages are awarded against SNC-Lavalin under the OSA and/or the LVMQ for which *Insured Persons* (i.e. the Directors and Officers) are not liable, they are not *Securities Loss* and the pre-determined allocation percentage under the PDA Clause does not apply;

#### b) Second issue

- 48. The second issue which is the subject of the Dispute relates to the situation where it is proven that one or more *Insured Persons* had knowledge of the bribes, as alleged in the Securities Class Actions, with the result that they fall within the exception to the statutory regimes calling for proportionate liability and damage caps under the OSA and the LVMQ. They may therefore lose the benefit of proportionate liability and be held liable together with SNC-Lavalin for damages in excess of the individuals' caps. In that scenario, does the predetermined allocation percentage (i.e. 80%) under the PDA Clause apply to any indemnity payable under the D&O Policies?
- 49. Exclusion 6 a) of the Policies P-3, P-4, P-5 and P-6 reads as follows:
  - "6. The Company shall not be liable under Insuring Clause 1 or 2 for Loss on account of any Claim made against any Insured person:
    - a) based upon, arising from, or inconsequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such **Insured**

**Person**, if a final non-appealable adjudication in the underlying proceeding or action establishes such a deliberately fraudulent act or omission or willful violation;”

50. Article 2464 CCQ reads as follows:

*“The insurer is liable to compensate for injury resulting from superior force or the fault of the insured, unless an exclusion is expressly and restrictively stipulated in the policy. However, the insurer is never liable to compensate for injury resulting from the insured’s intentional fault. Where there is more than one insured, the obligation of coverage remains in respect those insured who have not committed an intentional fault.”*

51. Therefore, if in the context of the Securities Class Actions damages are awarded jointly and severally against SNC-Lavalin and one or more *Insured Persons* based on what is alleged, namely the *Insured Persons*’ knowledge of the bribes, that liability would be excluded from coverage, both under the Policies and at law;
52. As a result, the PDA Clause would not apply to any such liability because it would not fall within the terms of the Clause:

*“If any **Securities Loss** covered in whole or in part pursuant to Insuring Clause 2 results in both **Securities Loss** that is covered under this coverage section and loss that is not covered under this coverage section because a **Securities Claim** includes both covered and non-covered matters, or because a **Securities Claim** is made against both an **Insured Person** and others, including the **Insured Organization**...”*

(our emphasis)

In the scenario described above, there would be no covered *Securities Loss*, whether in whole or in part, because SNC-Lavalin is not covered in its own right and the *Insured Person(s)* would not be entitled to coverage because of their conduct. The terms of the PDA Clause would therefore not be met.

\* \* \* \*

53. The Petitioners ask that this Court declare the interpretation of the D&O Policies set out above to be well-founded for all legal purposes.

**WHEREFORE THE PETITIONERS ASK THAT YOU:**

**GRANT** this Motion;

**DECLARE** that the Petitioners’ interpretation of the Primary and Excess D&O Policies Exhibits P-3, P-4, P-5 and P-6, as set out in this Application, is well-founded for all legal purposes;



**THE WHOLE** without costs.

**MONTREAL**, this (...) 4<sup>th</sup> day of (...) April 2017



**CLYDE & CO CANADA LLP / CLYDE & CIE  
CANADA s.e.n.c.r.l.**

Attorneys for the Petitioners

Mtre. John Nicholl

E-Mail : john.nicholl@clydeco.ca

630 René-Lévesque Blvd. West, Suite 1700

Montreal, Quebec H3B 1S6

Tel.: 1.855.607.4288

Fax: 514 843-6110

Computer Code: BN-0373

File No.: 1205005

**SUMMONS**  
**(ARTICLE 145 and following C.C.P.)**

**FILING OF AN APPLICATION**

Take notice that the Petitioners have filed this originating application against you in the office of the Superior Court in the Judicial District of Montreal.

**ANSWER TO THIS APPLICATION**

You must respond to this Application, in writing, personally or through an attorney, at the Courthouse of Montreal, situated at 1, Notre-Dame Street East, within **15 days** from the date of service of the present application, or if you have neither a domicile, residence nor establishment in Quebec, within 30 days of this application. This answer must be notified to the Petitioners' attorneys, or if the Petitioners are not represented, to the Petitioners.

**FAILURE TO ANSWER**

If you fail to file answer within the stipulated time limit of 15 or 30 days as applicable, a judgment by default may be rendered against you at the expiration of this time limit without further notice, and the legal costs awarded against you, according to the circumstances.

**CONTENT OF THE ANSWER**

If your answer, you must state your intention to either:

- Negotiate a settlement;
- Propose mediation to resolve the dispute;
- Defend this application and, in cases required by the Code, to establish for this purpose, in cooperation with the Petitioners, a case protocol that is to govern the conduct of the proceeding. This protocol must be filed with the court office mentioned above within 45 days after service of the present summons or, in family matters or if you have neither a domicile, residence nor establishment in Quebec, within three months after this service;
- Propose that a settlement conference be held.

This answer must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

**CHANGE OF JUDICIAL DISTRICT**

You may ask for the referral of this originating application to the district where your domicile is situated or, failing this, to your elected domicile or the domicile designed by an agreement with the Petitioners.

If the application relates to an employment contract, a consumer contract, an insurance contract or pertains to the exercise of a hypothecary right to an immovable service as your main residence and you are a consumer, the employee, the beneficiary of the insurance contract or the hypothecary debtor, you may ask for this referral to be to the district where your domicile, your residence or this immovable is situated, or to the district where the loss occurred. This demand must be presented to the special clerk in the competent territorial jurisdiction after notifying the other parties and the office of the court already seized of the originating application.

## **TRANSFER OF THE APPLICATION TO THE SMALL CLAIMS DIVISION**

If you qualify to act as a Petitioner in accordance with the rules for the recovery of small claims, you may communicate with the court office to request that the application be so processed. If you make such a request, your legal costs may not exceed those prescribed for the recovery of small claims.

## **CALLING OF A CASE MANAGEMENT CONFERENCE**

Within **20 days** after the case protocol is filed, the court may call you to a case management conference in order to ensure the orderly progress of the proceeding. Failing that, the protocol is presumed accepted.

## **EXHIBITS IN SUPPORT OF THE APPLICATION**

In support of its Originating Application, the Petitioners use the following exhibits:

- EXHIBIT P-1:** Primary D&O policies for the period September 1, 2001 and September 1, 2004 purchased by SNC-Lavalin;
- EXHIBIT P-2:** Primary D&O policies commencing on September 1, 2004 and continuing for a period of 7 years *en liasse* purchased by SNC-Lavalin;
- EXHIBIT P-3:** Primary D&O policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-4:** First Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-5:** Second Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-6:** Third Excess Policy for the period September 1, 2011 to September 1, 2012 purchased by SNC-Lavalin;
- EXHIBIT P-7:** D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013;
- EXHIBIT P-8:** E-mail correspondence between Marsh and Chubb *en liasse* for D&O policy including "Side C" or "entity" coverage for the subsequent policy period running from September 1, 2012 to September 1, 2013;

- EXHIBIT P-9:** Quebec Class Action dated March 1, 2012 filed against SNC-Lavalin and the Directors and Officers in Montreal;
- EXHIBIT P-10:** Ontario Class Actions dated May 9, 2012 filed against SNC-Lavalin and the Directors and Officers in Toronto;
- EXHIBIT P-11:** Letter sent by Chubb to Marsh dated June 14, 2012;
- EXHIBIT P-12:** Letter sent by Marsh to Chubb dated October 9, 2013;
- EXHIBIT P-13:** Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012;
- EXHIBIT P-14:** Certification and Leave Order issued by the Honourable Mr. Justice Serge Francoeur on January 24, 2013;
- EXHIBIT P-15:** Certification Order of the Honourable Mr. Justice Paul Perell dated September 19, 2012;
- EXHIBIT P-16:** Joint Amended Statement of Defence of the Ontario Directors and Officers

(...)

These exhibits are available upon request.

#### **APPLICATION ACCOMPANIED BY A NOTICE OF PRESENTATION**

In the case of an application presented during the proceedings or an application under Book III, V, except family matters referred to in Article 409 or Section VI of the Code, the presentation of a case protocol is not necessary, however such an application must be accompanied by a notice indicating the date and hour of its presentation.

---

No: 500-17-098037-172

---

SUPERIOR COURT  
DISTRICT OF MONTREAL

---

CHUBB INSURANCE COMPANY OF CANADA  
ET AL.,

Petitioners

-V.-

SNC-LAVALIN GROUP INC. ET AL.,

Respondents

---

**AMENDED APPLICATION FOR  
DECLARATORY JUDGMENT  
ARTICLE 142 C.C.P.**

---

ORIGINAL

---

**Clyde & Co**

**Mtre. John Nicholl**

Clyde & Cie Canada S.E.N.C.R.L./

Clyde & Co Canada LLP

630 René-Lévesque Blvd. West, Suite 1700

Montreal, Quebec H3B 1S6

Tel: (514) 843-3777

Fax: (514) 843-6110

[www.clydeco.ca](http://www.clydeco.ca)

BN-0373

O/F : 1205005

---

This is Exhibit "G" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.

## GUIDE TO THE DISTRIBUTION PROTOCOL

**This document is intended as a guide to assist in understanding the Distribution Protocol. Calculation of specific potential entitlements may vary depending on facts applicable to individual Class Members. If anything in this guide is inconsistent with any provisions in the Distribution Protocol, the provisions in the Distribution Protocol will apply.**

### BACKGROUND

Pursuant to the Settlement Agreement August 13, 2018, CAD \$110,000,000 will be paid into a fund to be distributed (after certain deductions) to Authorized Claimants.

The Distribution Protocol sets out a method for the distribution of the Net Settlement Funds (described below) among Authorized Claimants.

#### **Q: Who are the Authorized Claimants?**

An Authorized Claimant is a Class Member (or, in some circumstances, an individual who has legal authority to act on behalf of a Class Member) who submits a properly completed Claim Form to the Administrator of the settlement fund within the specified time.

#### **Q: How much money will be distributed to Authorized Claimants?**

Certain expenses must be deducted from the \$110,000,000 before it can be distributed to Authorized Claimants. Those expenses include lawyer fees to be approved by the Court and administration expenses incurred in order to, among other things, give notice to Class Members, receive claims and distribute the Settlement Funds.

The amount that remains after the deduction of those expenses and is available to be distributed to the Authorized Claimants is called the “Net Settlement Funds.”

#### **Q: How will the money be distributed?**

The objective of the Distribution Protocol is to equitably distribute the Net Settlement Funds among Authorized Claimants that submit valid and timely claims.

The Distribution Protocol sets out a process for calculating the amount of money that each Authorized Claimant will receive from the Net Settlement Funds. There are a number of steps in this calculation.

### **STEP 1: CALCULATING AN AUTHORIZED CLAIMANT’S NET LOSS**

The first step is determining whether the Claimant suffered a Net Loss. To suffer a Net Loss, the monies paid by the Authorized Claimant to acquire SNC common shares during the Class Period must exceed the total proceeds paid to the Authorized Claimant on the sale of those same shares after the Class Period.

Authorized Claimants who still hold shares purchased by them during the Class Period will, for the purposes of the Distribution Protocol, be deemed to have sold their shares for **CAD \$41.69 (this is the volume weighted average price of SNC common shares traded on the Toronto Stock Exchange during the ten trading days after February 27, 2012 the “10 Day VWAP”)**. The 10 Day VWAP is a deemed disposition price for those still holding their Eligible Shares.

The Administrator will apply “first-in first-out” methodology (“FIFO”) to all purchases of common shares by the Authorized Claimant. This means that the first common shares purchased are deemed to be the first sold. Authorized Claimants who held SNC common shares at the commencement of the Class Period must have completely sold those shares before SNC shares acquired during the Class Period will be treated as sold for the purposes of calculating Net Loss and Notional Entitlement.

## **STEP 2: CALCULATING AN AUTHORIZED CLAIMANT’S NOTIONAL ENTITLEMENT**

To be eligible for a portion of the Net Settlement Funds, Authorized Claimants must have acquired SNC common shares during the Class Period and still held some or all of them at the close of trading on the Toronto Stock Exchange on February 27, 2012.

The shares acquired during the Class Period and still held at the close of trading on the Toronto Stock Exchange on February 27, 2012 are known as “Eligible Shares”.

The notional entitlement arising out of the purchase of Eligible Shares may be calculated as follows (the “Notional Entitlement”):

<i><b>Time of Sale of Shares<sup>1</sup></b></i>	<i><b>Notional Entitlement</b></i>
Before close of trading on the TSX on February 27, 2012	Nil (shares sold before close of trading on February 27, 2012 are not Eligible Securities)
Sold between February 28, 2012 and March 12, 2012 inclusive	number of Eligible Shares sold x (purchase price (to a maximum of \$48.37) – sale price)

---

<sup>1</sup> The date of sale is the trade date, as opposed to the settlement date, of the transaction.



<i>Time of Sale of Shares<sup>1</sup></i>	<i>Notional Entitlement</i>
Sold after March 12, 2012	<p>THE LESSER OF (A) and (B)</p> <p>(A)</p> $\frac{\text{number of Eligible Shares sold}}{(\text{purchase price (to a maximum of \$48.37)} - \text{sale price})}$ <p>(B)</p> $\frac{\text{number of Eligible Shares sold}}{(\text{purchase price (to a maximum of \$48.37)} - \$41.69 \text{ (the 10 Day VWAP deemed disposition price)})}$
Still holding Eligible Shares at time of Claim	$\frac{\text{number of Eligible Shares held at time of Claim}}{(\text{purchase price (to a maximum of \$48.37)} - \$41.69 \text{ (the 10 Day VWAP deemed disposition price)})}$

## **SAMPLE CALCULATIONS OF NOTIONAL ENTITLEMENTS FOR ILLUSTRATION PURPOSES**

### **Example 1**

#### **For Eligible Shares sold between February 28, 2012 and March 12, 2012:**

Assume an Authorized Claimant purchased 2,500 shares on February 25, 2011 at \$57.08, and sold all of those shares on February 29, 2012 at \$37.40, her Notional Entitlement would be:

$$2,500 \times (\$48.37 - \$37.40 = \$10.97)$$

The Notional Entitlement is \$27,425. The calculation uses the capped acquisition price of \$48.37 and the actual disposition price in this circumstance.

### **Example 2**

#### **For Eligible Shares sold after March 12, 2012**

Assume the same Authorized Claimant in Example 1 above (who purchased 2,500 shares on February 25, 2011 at \$57.08,) sold all shares on September 8, 2014, at \$55.38. Her Notional Entitlement would be determined as follows:

The lesser of (A) and (B):

$$(A) 2,500 \times (\$48.37 \text{ [capped acquisition price]} - \$55.38 \text{ [actual sale price]} = -\$7.01) \\ (\text{NO LOSS});$$

$$(B) 2,500 \times (\$48.37 \text{ [capped acquisition price]} - \$41.69 \text{ [deemed disposition price]} \\ = \$6.68) = \$16,700$$

The Notional Entitlement is the lesser of (A) and (B). Therefore the notional entitlement is nil.

### **Example 3**

#### **For Eligible Shares still held at the time Claim is made**

Assume the same Authorized Claimant in Examples 1 and 2 above (who purchased 2,500 shares on February 25, 2011 at \$57.08) still holds all of those shares today. Her Notional Entitlement would be determined as follows:

$$2,500 \times (\$48.37 \text{ [capped acquisition price]} - \$41.69 \text{ [deemed disposition price]}) = \\ \$6.69) = \$16,700.00$$

The Notional Entitlement is \$16,700.

### **STEP 3: PRO RATA ALLOCATION OF FUNDS**

After each Authorized Claimant's Notional Entitlement is determined, the Net Settlement Funds will be allocated to Authorized Claimants on a *pro rata* basis based upon each Authorized Claimant's Notional Entitlement.

What this means is that each Authorized Claimant will be entitled to a share of the Net Settlement Funds equal to their relative share of the total Notional Entitlements of all Authorized Claimants.

For example, if an Authorized Claimant had a Notional Entitlement of \$100,000.00, and the total Notional Entitlements of all Authorized Claimants was \$200 million, that Authorized Claimant would be entitled to 0.05% of the Net Settlement Funds.

All Funds will be paid in Canadian currency.

### **STEP 4: CLAIMS UNDER \$10.00**

Authorized Claimants whose *pro rata* allocation described in Step 3 is less than \$10.00 will not be paid out because the cost to distribute these funds is greater than the amount to be distributed. Instead, those amounts will be allocated *pro rata* to eligible Authorized Claimants whose *pro rata* allocation is greater than \$10.00.

### **STEP 5: PAYMENTS TO AUTHORIZED CLAIMANTS**

The claims administrator will make payment to Authorized Claimants by either bank transfer or cheque.

### **STEP 6: REMAINING AMOUNTS**

If an Authorized Claimant does not cash a cheque within 180 days after the date of distribution or funds otherwise remain after the Authorized Claimants are paid, the remaining amounts attributable to Ontario Class Members will be allocated among Authorized Claimants if feasible. If not feasible, such balance shall be otherwise allocated as the Courts direct.

This is Exhibit "H" mentioned and referred to in the Affidavit of Anthony O'Brien, sworn or affirmed before me at the City of Toronto, in the Province of Ontario, this 1st day of October, 2018.



A Commissioner, etc.

20 February 2018



# **Trends in Canadian Securities Class Actions: 2017 Update**

## Trickle of New Cases Suggests a Slow Rate of Filings Is the New Norm

By Bradley A. Heys and Robert Patton

» *Includes a Summary of US Securities Class Actions and UK Regulatory Enforcement Trends*

Insight in Economics™

“In our reports for each of the last two years, we commented that it was unclear whether the slower rate of filings in Canada was merely a transient phenomenon. While the next economic downturn may well give rise to a higher rate of filings, it now appears safe to say that the current slower pace is the new norm, rather than merely a temporary lull.”



## **Trends in Canadian Securities Class Actions: 2017 Update**

### **Trickle of New Cases Suggests a Slow Rate of Filings Is the New Norm**

By Bradley A. Heys and Robert Patton<sup>1</sup>

**20 February 2018**

#### **Introduction**

Only six new Canadian securities class actions were filed in 2017, while the same number of cases were resolved, leaving 51 active cases on the docket as of 31 December 2017.

The trickle of new cases in 2017 continues the slower rate of filing of securities class actions we noted in our last two annual reports. Nine new cases were filed in 2016, which might have been taken to suggest a return to the higher rate of filings that characterized the period from 2008 to 2014. However, taking the past three years together, the average rate of filings has now fallen to about half that of the preceding seven years.

In our reports for each of the last two years, we commented that it was unclear whether the slower rate of filings in Canada was merely a transient phenomenon. While the next economic downturn may well give rise to a higher rate of filings, it now appears safe to say that the current slower pace is the new norm, rather than merely a temporary lull.

The continued slower filing rate in Canada contrasts with a recent acceleration of filings in the US. While some of the growth in US filings stems from merger objection cases (a type of claim that has been largely absent in Canada), filings of US class actions alleging violations of Rule 10b-5, Section 11, and/or Section 12—and thus similar in nature to the types of cases filed in Canada<sup>2</sup>—have increased in each of the last five years and are currently at their highest level since 2008.<sup>3</sup> While the much larger number of annual filings in the US is partly a function of the larger number of listed companies, it is also the case that a company listed on one of the major US exchanges is approximately 10 times more likely to be targeted by a securities class action than is a company listed on the Toronto Stock Exchange (TSX). Indeed, if publicly listed companies in Canada were targeted by domestic class actions with the same frequency as are their US counterparts, we might expect more than 50 Canadian securities class action filings per year, as compared to the six filings actually observed in 2017.

Of the six Canadian securities class actions resolved during 2017, four were resolved by way of a settlement, twice the number that settled in 2016. One case was denied leave and one was discontinued.

NERA's database now includes a total of 144 Canadian securities class actions filed over the 21-year period from 1997 to 2017, of which 93 (65%) have reached some resolution. The 51 active securities cases at the end of 2017 together represent more than \$27 billion in stated claims.<sup>4</sup>

Four of the six cases filed in 2017 involve secondary market civil liability claims filed under the provincial securities acts (i.e., "Statutory Secondary Market" cases). There have now been a total of 81 such cases filed since those provisions began coming into force 12 years ago. Of these 81 cases, 32 (40%) remained unresolved at the end of 2017. Ten such cases (12%) have been denied leave and/or certification and four have been discontinued. Including partial settlements in some of the still active cases, defendants have agreed to pay a total of more than \$647 million to settle claims in 35 cases.

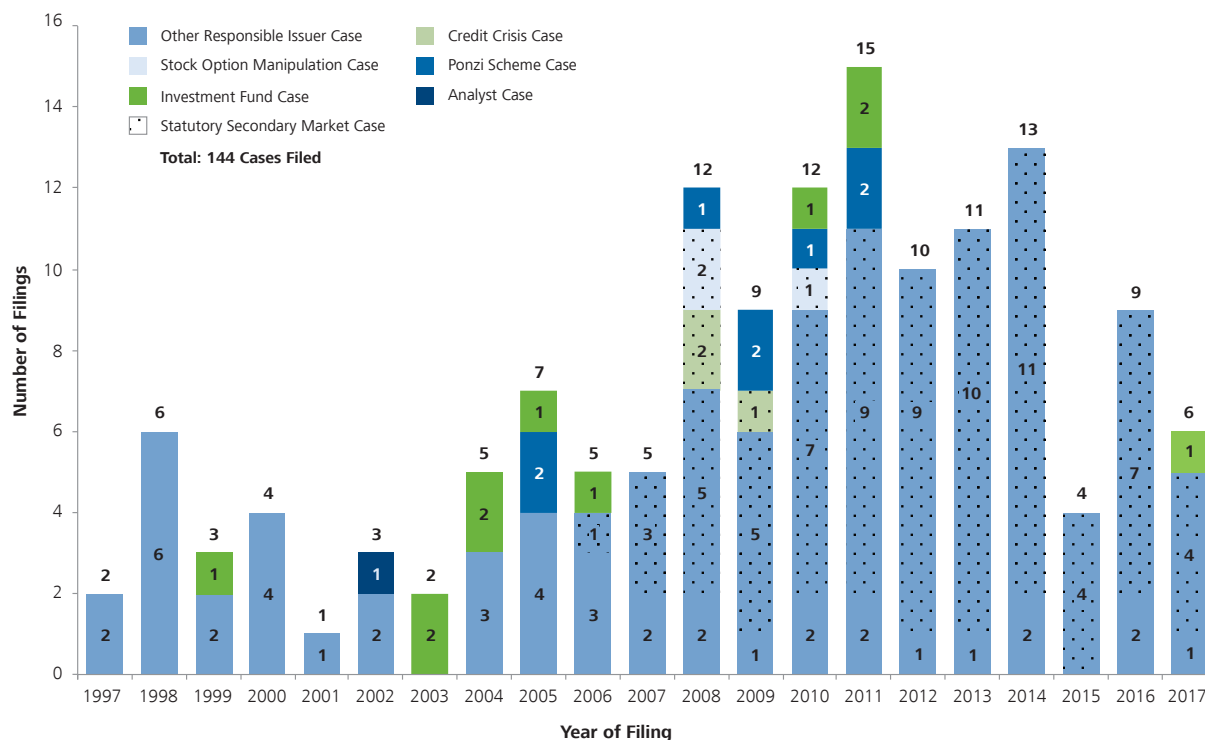
## Trends in Filings

Six new Canadian securities class actions were filed during 2017—two-thirds the number filed during 2016, and two more than the four cases filed during 2015.

Notwithstanding the recent slowdown, the great majority of securities class actions in Canada have been filed within the past decade. Of the 144 cases in our database, more than two-thirds (101 cases) were filed in the decade from 2008 to 2017; 82 cases (57%) were filed in the seven-year period from 2008 to 2014 (see Figure 1).



Figure 1. **Cases Filed by Year and Allegation Type**  
1997–2017



Note: "Responsible Issuer Case" refers to a case brought by investors in securities (e.g., common shares) issued by a Responsible Issuer as that term is defined in the *Securities Act* (Ontario) and parallel legislation in other Canadian provinces. "Statutory Secondary Market" refers to a case brought under the continuous disclosure provisions of the provincial securities acts. We report a single filing where multiple causes of action have commenced in respect of substantially similar facts.

## Shareholder Class Actions

Four of the six new cases filed in 2017 are class actions brought on behalf of a class of shareholders of a company whose shares are listed on a public stock exchange (as opposed to other types of securities class actions, such as those involving investment funds or Ponzi scheme claims).<sup>5</sup> One of the six new cases is a class action brought on behalf of a class of purchasers of debentures issued by a non-public company, and one involves investors in mutual funds.

The securities class action litigation risk for companies listed on Canadian securities exchanges is generally substantially lower than the risk of a federal securities class action for companies listed on the major US securities exchanges, as we have noted in prior reports. This risk has fallen further over the last three years.

Over the last three years (2015 through 2017), 14 TSX-listed companies were named as defendants in a securities class action filed in Canada, representing approximately 0.94% of the average number of companies listed over that period. This equates to an average annual litigation risk of approximately 0.3%. For comparison, from 2008 through 2014, there were 57 TSX-listed companies named as defendants in securities class actions filed in Canada, representing approximately 3.7% of the average number of companies listed, for an average annual litigation risk of approximately 0.5%.<sup>6</sup>

The annual litigation risk faced by companies listed on the TSX Venture Exchange (TSX-V) has also declined in recent years, and has consistently been lower than the risk faced by companies listed on the main market. Over the three-year period from 2015 through 2017, claims were brought against two companies, representing 0.12% of the average number of TSX-V-listed companies over this period, or an average annual litigation risk of approximately 0.04%. Over the preceding seven-year period (2008 through 2014), there were 10 filings involving TSX-V-listed companies, implying an average annual litigation risk of 0.07%.<sup>7</sup>

Companies with shares listed on the TSX-V tend to be smaller and less established than companies that list on the TSX. As such, these TSX-V-listed companies might be expected to give rise to more potential claims; on the other hand, their smaller market capitalizations and the correspondingly lower liability limits for Statutory Secondary Market claims may imply lower incentives for plaintiffs to bring such claims.

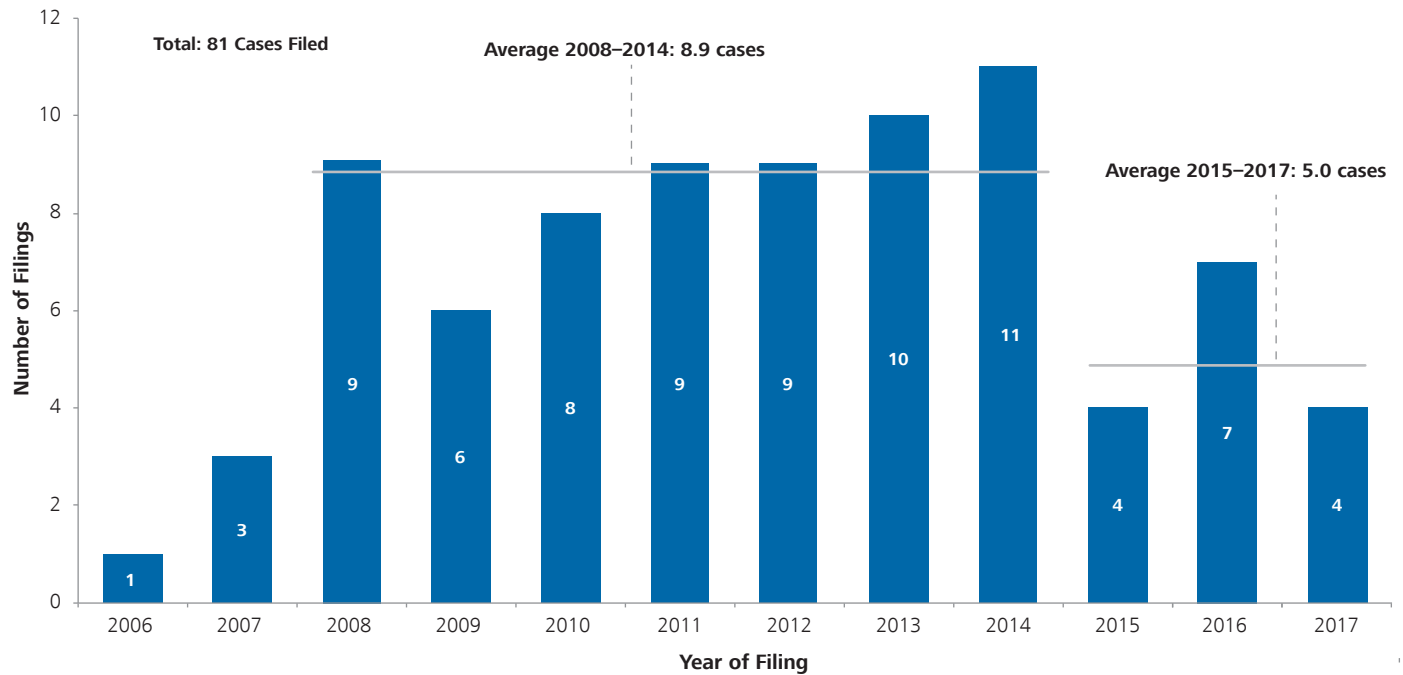
The probability of a firm listed on one of the major US securities exchanges facing a US securities class action suit is much higher than the probability of a firm listed on a Canadian exchange facing a securities class action suit in Canada. Considering only US cases filed under Rule 10b-5, Section 11, and/or Section 12 (i.e., “standard” securities class actions), the probability of a firm facing a US securities class action suit averaged 3.7% annually over the period from 2015 through 2017.<sup>8</sup> This is more than 10 times the rate of filings against Canadian companies listed on the TSX over the same period. Thus, as stated above, if publicly listed companies in Canada were targeted by domestic class actions with the same frequency as are their US counterparts, we might expect more than 50 Canadian securities class action filings per year, as compared to the six filings actually observed in 2017.

In short, while the much larger number of annual filings in the US is partly a function of the larger number of listed companies, it is also due to the substantially greater probability of a company being sued in the US.

### Statutory Secondary Market Cases

Four of the six new cases filed in 2017 were Statutory Secondary Market cases, bringing the total number of such cases filed to 81 as of the end of 2017. The number of such cases filed in 2017 is fewer than the seven filed in 2016 and, indeed, is the smallest number of such cases filed in any year since 2007 (the second full year following the introduction of the new legislation in Ontario). Over the last three years, there has been an average of five new Statutory Secondary Market cases filed per year—lower than the average of approximately nine new filings per year over the seven-year period from 2008 through 2014 (see Figure 2).

Figure 2. **Filings of Statutory Secondary Market Cases**  
2006–2017

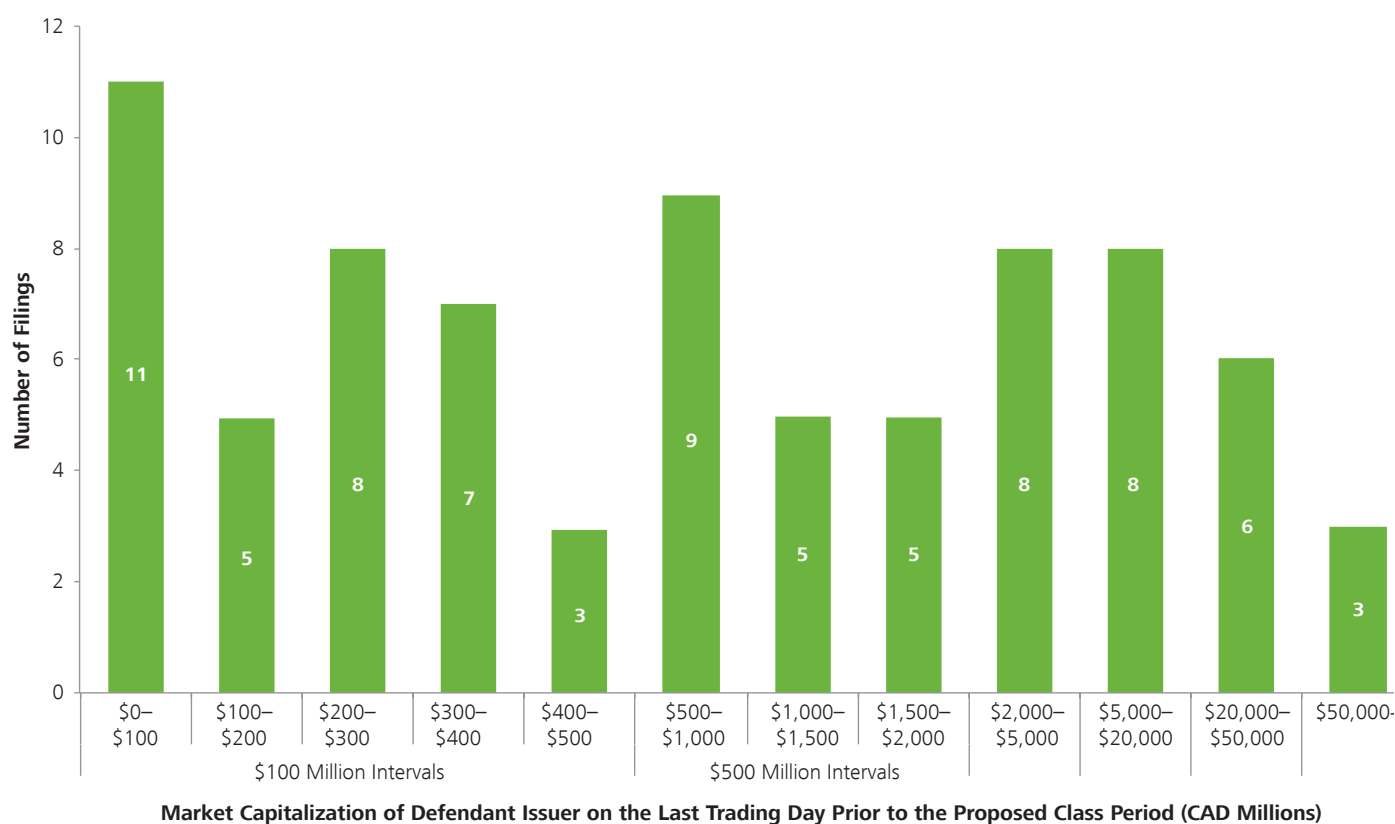


### Statutory Secondary Market Filings by Market Capitalization of Issuer

The four Statutory Secondary Market cases filed in 2017 involve issuers with market capitalizations ranging from \$15 million to more than \$18 billion (as measured immediately prior to the beginning of the proposed class period). Three cases involve companies with market capitalizations greater than \$1 billion.

In addition to conveying a sense of the size of the case and the scale of the potential recovery, the market capitalization immediately prior to the proposed class period is relevant to the calculation of the issuer liability limit, the maximum amount of damages payable by the issuer under a statutory claim.<sup>9</sup> Of the 78 Statutory Secondary Market cases for which data are available, issuer market capitalization exceeded \$1 billion in 35 cases (45%), and exceeded \$5 billion in 17 cases (22%) (see Figure 3).

Figure 3. **Number of Statutory Secondary Market Cases by Defendant Issuer's Market Capitalization**  
As of the Last Trading Day Prior to the Beginning of the Proposed Class Period



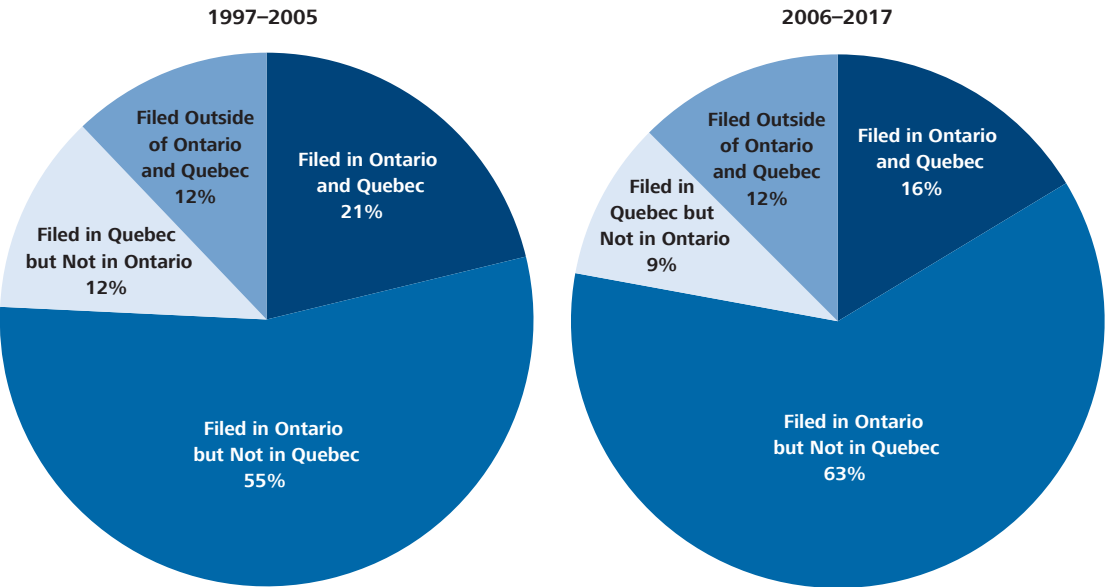
Note: Figure shows data for the 78 of 81 Statutory Secondary Market cases for which market capitalization data is available. Market capitalization data were obtained from FactSet and company filings.

**Filings by Province**

All six new cases filed in 2017 were filed only in Ontario.

Historically, approximately 78% of all securities class actions from 1997 have involved a filing in Ontario and 27% have involved a filing in Quebec. Only 12% of all cases have not involved a filing in either Ontario or Quebec (a majority of these were filed in Alberta). Approximately 26% of all cases involve claims filed in more than one province. This distribution of filings across provinces has not changed substantially over time (see Figure 4).

Figure 4. **Distribution of Filings Across Provinces**

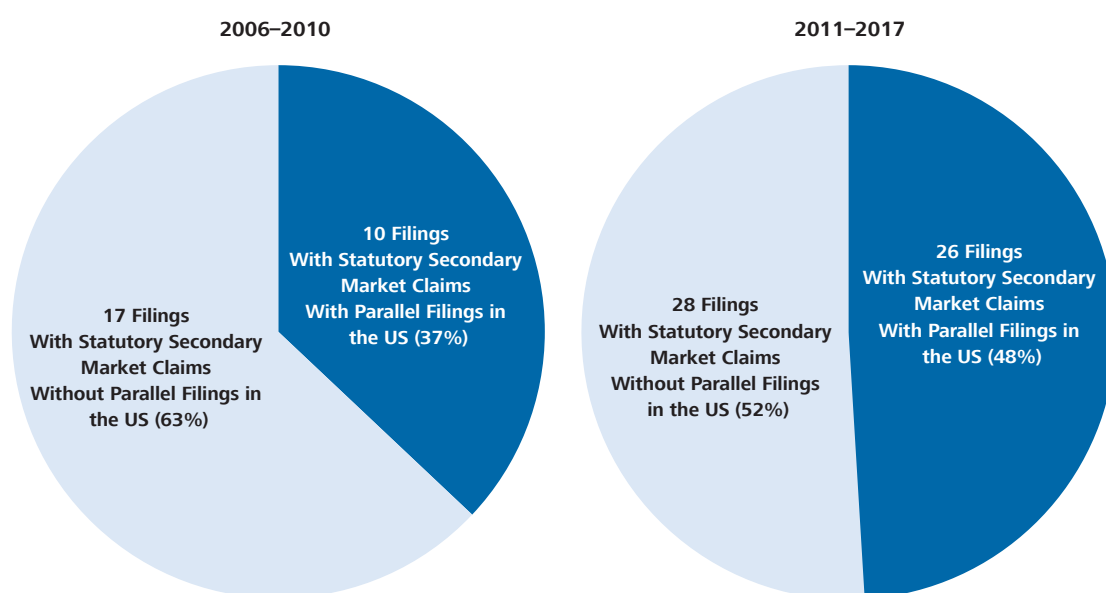


### Canadian Cases with a Parallel US Filing

Only one of the six new Canadian cases filed in 2017 involves a parallel class action filed in the US (a case relating to Endo International plc, a UK company with shares listed on both the TSX and the NASDAQ during the proposed class period).<sup>10</sup>

Of the 81 Statutory Secondary Market cases brought to date, 36 cases (44%) have also involved parallel US class actions. Notwithstanding the low proportion in 2017, the percentage of Statutory Secondary Market cases with a parallel US class action has, in general, risen over time. For the five-year period from 2006 through 2010, 37% of these cases had a parallel US filing; for the subsequent seven-year period from 2011 through 2017, 48% of cases had a parallel US filing (see Figure 5).

Figure 5. Filings of Statutory Secondary Market Cases With and Without Parallel Filings in the US



### US Securities Class Actions Against Canadian Companies

Seven other Canadian-domiciled issuers were named in cases filed only in the US during 2017. So far, none of these involve parallel filings in Canada. These companies are:

- Asanko Gold Inc.
- Barrick Gold Corporation<sup>11</sup>
- BioAmber Inc.
- Intellipharma International Inc.
- Katanga Mining Ltd.
- Northern Dynasty Minerals Ltd.
- Toronto-Dominion Bank

Canadian class action plaintiff firms have disclosed that at least two of these companies were being “investigated,” but we are not aware of any corresponding filings in Canada as of 31 December 2017.

The lack of any parallel Canadian filings in 2017 contrasts with the recent trend. Prior to this year, the proportion of US filings against Canadian issuers with a parallel Canadian filing was increasing. For example, in the four-year period from 2013 to 2016, 59% of all US claims against Canadian companies have also involved a parallel Canadian filing; in the period from 2006 to 2012, 49% of all such cases had a parallel Canadian filing; and from 1997 to 2005, only 16% had a parallel Canadian filing (see Figure 6).

Figure 6. **US Filings Against Canadian-Domiciled Companies by Year of US Filing**



Note: If multiple securities class actions with similar allegations are filed against a Canadian-domiciled company in US federal court, we treat them as a single filing if in the same circuit, and as separate filings if in different circuits. As a result, some US filings share the same parallel Canadian action. If similar class actions are filed against a company in Canada, we treat them as single filing, whether they are in the same or different provinces.

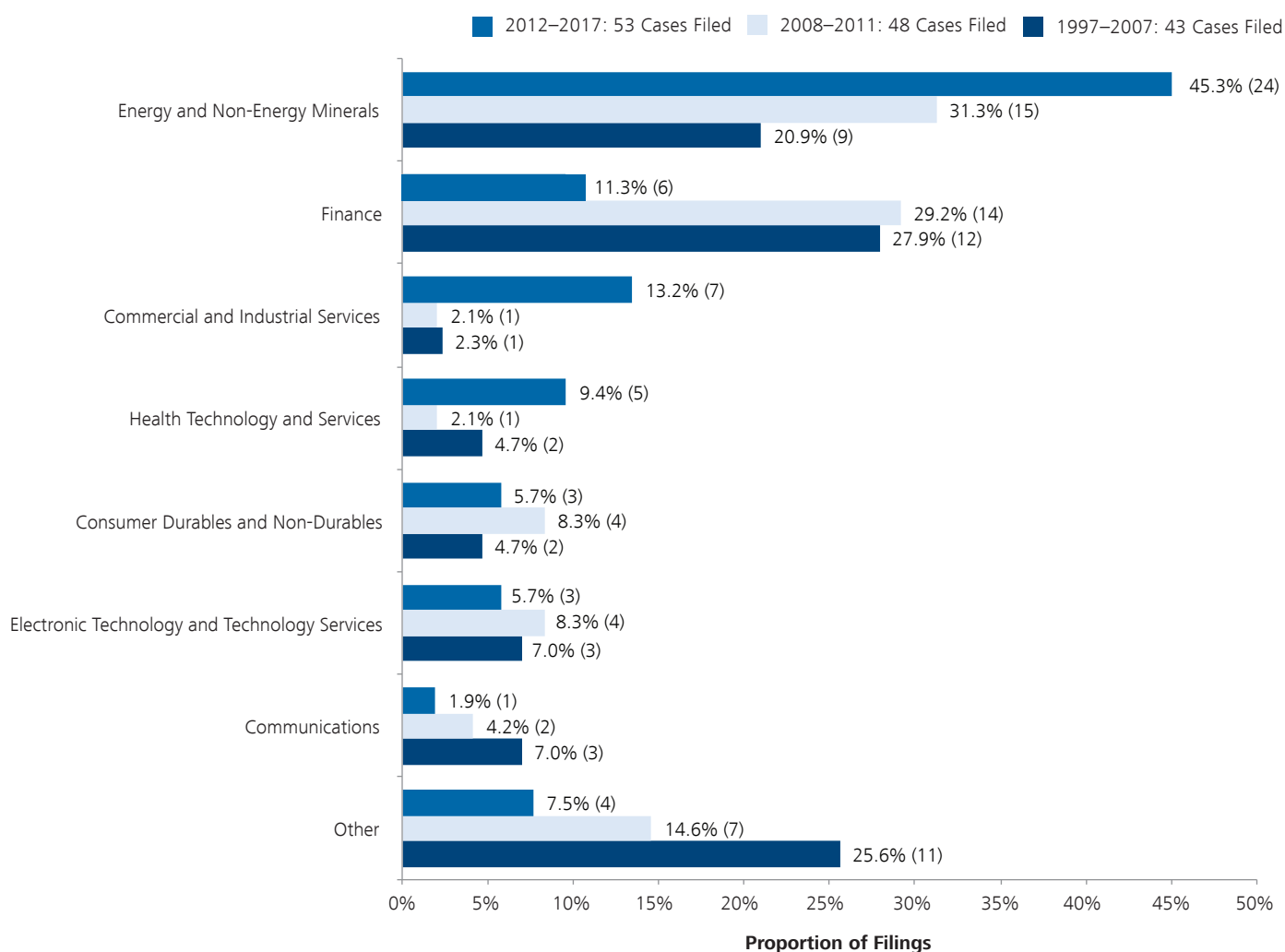
## Industry Sectors

The six new cases filed in 2017 involve companies in several industries, including Health Technology, Technology Services, Finance, and Non-Energy Minerals. Two of the six new cases filed in 2017 involve companies in the Non-Energy Minerals (mining) sector, and two involve companies in the Finance sector.

From 2012 to 2017, approximately 45% of all cases have involved companies in the Energy and Non-Energy Minerals sectors, compared to approximately 31% of cases filed in the period from 2008 to 2011, and 21% of cases filed between 1997 and 2007. The proportion of new cases involving companies in the Finance sector (excluding claims against companies that provide financial services to reporting issuers) has declined in the last six years; approximately 11% of new filings between 2012 and 2017 involved an issuer in the financial services industry, compared to 29% of new filings in the period from 2008 to 2011, and 28% in the period from 1997 to 2007.

Filings of Canadian securities class actions by industry sector for the periods 1997 to 2007, 2008 to 2011, and 2012 to 2017 are illustrated in Figure 7.

Figure 7. **Filings by Industry Sector**  
1997–2007, 2008–2011, and 2012–2017



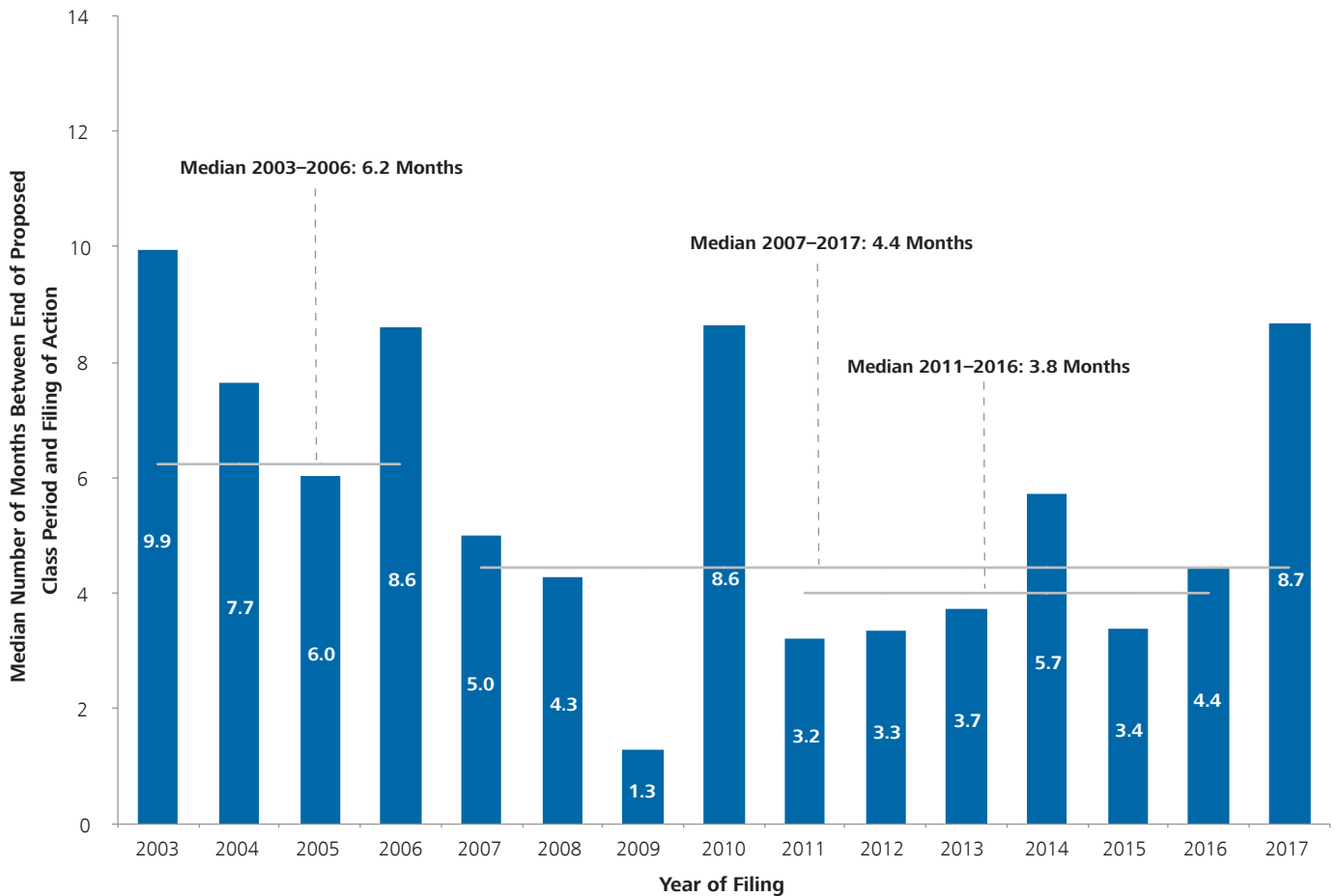
Note: Cases are coded based on the industry sector for the issuer of the securities that is the subject of the litigation. Industry classification from FactSet.



### Time to Filing

Three of the six cases filed during 2017 were filed within six months of the end of the proposed class period; one was filed in just less than a year following the end of the proposed class period; one was filed approximately 1.5 years after the end of the proposed class period; and one was filed nearly three years after the end of the proposed class period. Partly as a consequence of this outlier, the median time to filing for cases filed in 2017 is the longest in any year since 2003: 8.7 months. This is more than twice as long as the median of 3.8 months for cases filed in the period from 2011 to 2016 (see Figure 8).

Figure 8. **Median Time to Filing From the End of the Proposed Class Period**  
2003–2017



Note: Based on 113 cases filed from 2003 through 2017 for which we know both the filing date and the last day of the proposed class period (and where the end of the proposed class period has not been amended to a time after the initial filing date).

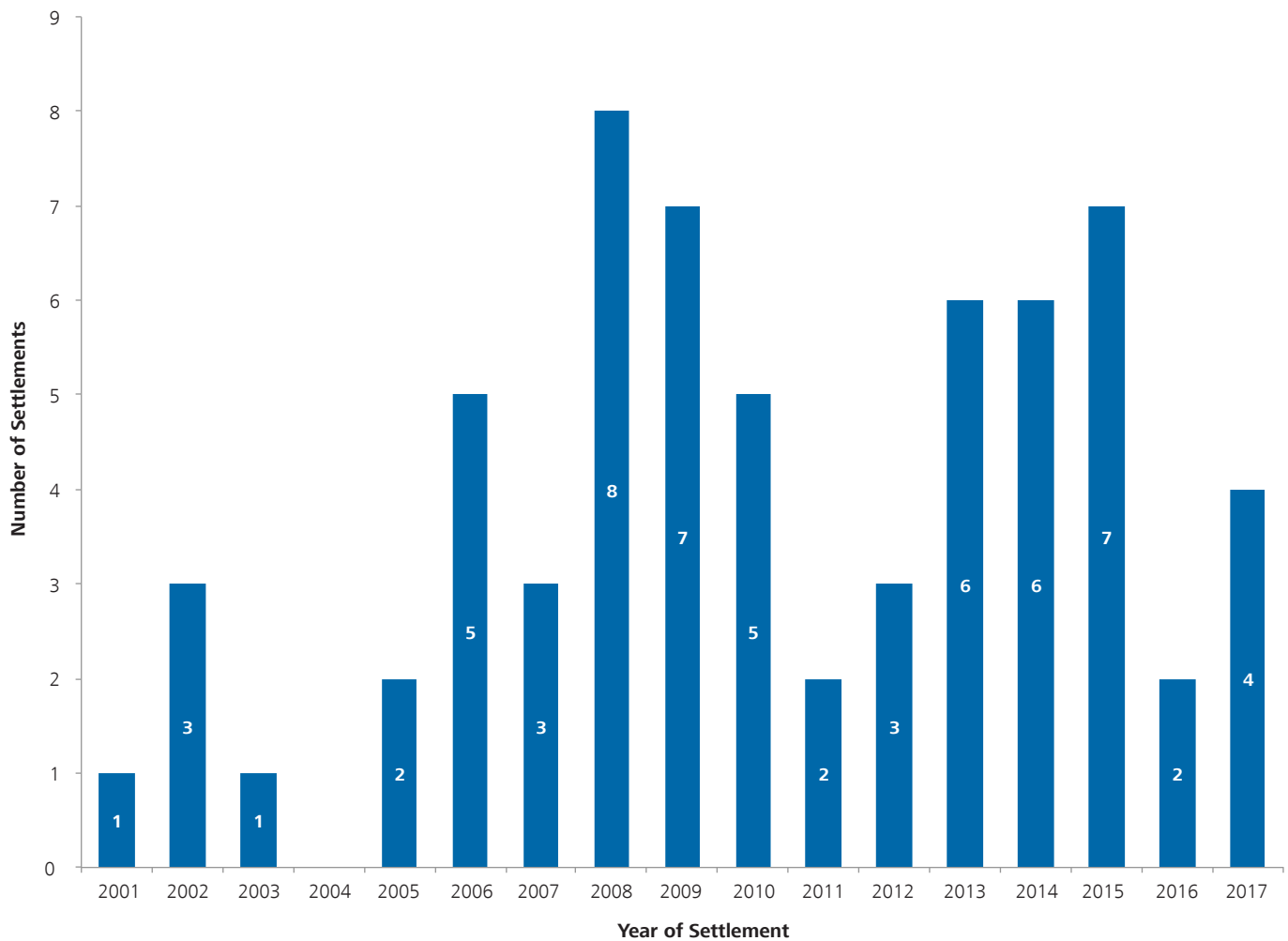
## Trends in Resolutions

### Settlements

Four Canadian securities class actions were settled (or tentatively settled pending court approval) during 2017. This is double the number of settlements in 2016 but fewer than in 2013, 2014, or 2015.

The number of settlements by year is illustrated in Figure 9 below.

Figure 9. **Settlements by Year**  
2001–2017



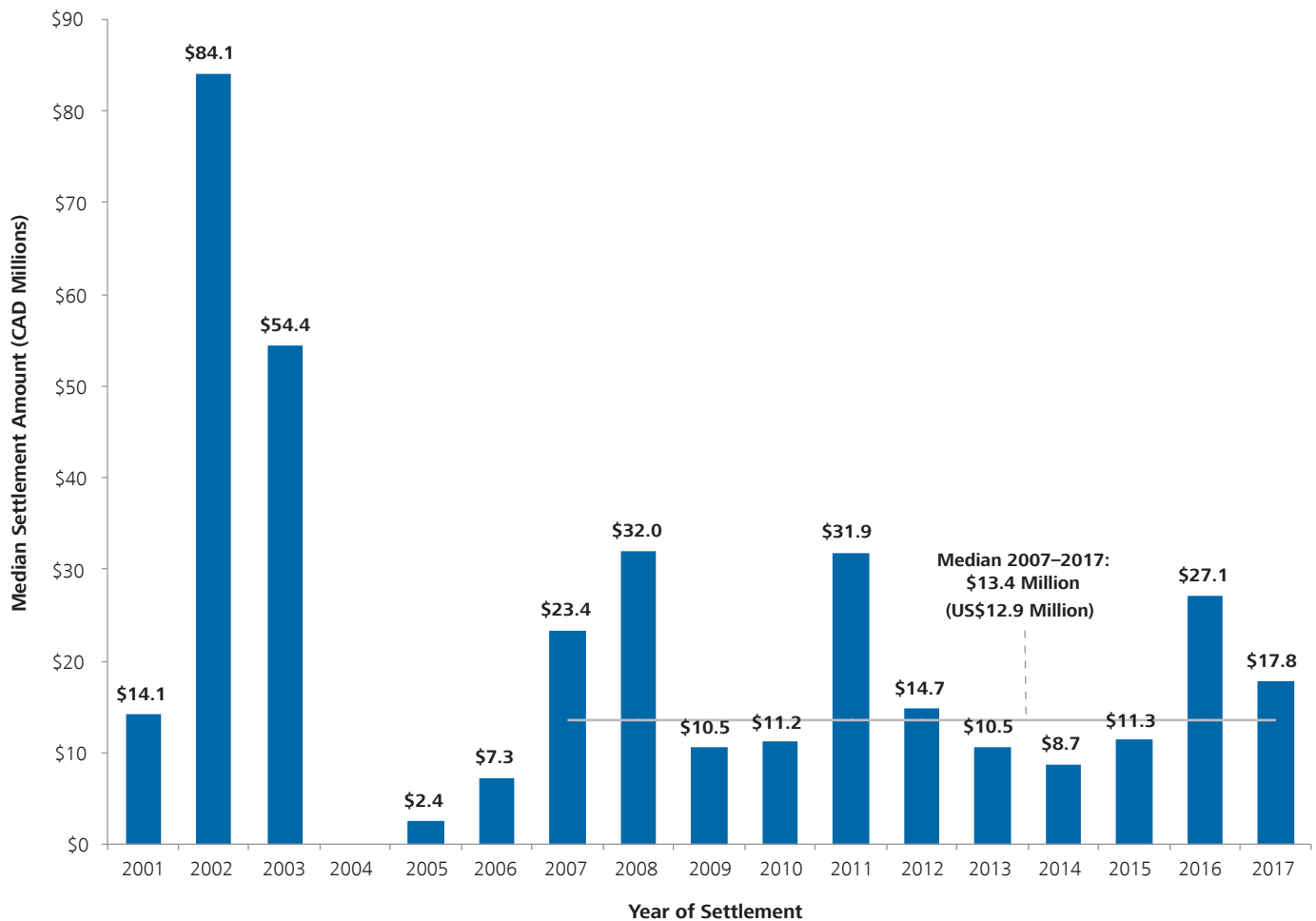
All four cases that settled in 2017 involved Statutory Secondary Market claims. The median settlement in 2017 was \$17.8 million—less than the \$27.1 million observed in 2016, but greater than in any year from 2012 to 2015. Defendants in these cases agreed to pay the following amounts to resolve these claims:

- Manulife Financial Corporation: \$69 million.
- Home Capital Group: \$29.5 million (including \$11 million of a total of \$12 million paid by the defendants to resolve allegations brought by the Ontario Securities Commission).
- Detour Gold Corporation: \$6 million.
- Barkerville Gold Mines Ltd.: \$250,000.

Our database now includes settlement amounts for 63 of 66 settlements in Canadian securities class actions (excluding partial settlements) from 1997 through 2017 (information regarding settlement amounts in three cases is not publicly available). The average settlement across these 63 cases is \$79.0 million—a figure heavily skewed by two exceptionally large settlements, both relating to Nortel Networks Corp., as we have noted in our prior reports.

The median settlement from 1997 to 2017 is \$13.0 million.<sup>12</sup> For more recent cases, from 2007 through 2017, the median settlement is \$13.4 million. In US dollar terms (converted at the exchange rate at the time of each settlement), the median settlement from 2007 to 2017 is, US\$12.9 million, about 40% higher than the median settlement of US\$9.1 million for US securities class actions over the same period. Median settlements for each year from 2001 to 2017 are shown in Figure 10.

Figure 10. **Median Settlement Amount in Canadian Securities Class Actions by Year**  
2001–2017



Note: Based on 63 out of 65 cases that settled in 2001 through 2017 for which we know the settlement amount.

There have now been 35 settlements of Statutory Secondary Market cases. The average settlement in these 35 cases is \$14.0 million, and the median is \$9.6 million. The average settlement as a percentage of claimed compensatory damages in these cases is 11.7%, and the median is 7.8%. As we have noted previously, average and median settlements as a percentage of claimed damages are potentially interesting as a measure of the outcome of a case relative to the initial claim, but may not fairly reflect the level of recovery of any actual potentially compensable losses incurred by plaintiffs. Estimates of aggregate damages to the class (which are often prepared by experts in these cases subsequent to the filing of a claim, but generally not made public) may differ significantly from the claimed damage amounts set out in a statement of claim.

## **Cross-Border Settlements**

In 2017, the only settlement that involved a parallel filing in the US was the case involving Manulife Financial Corporation; however, the US action against Manulife was dismissed in 2012. Historically, of the 35 settlements of Statutory Secondary Market cases, 23 were of domestic-only cases and 12 were cross-border cases (in all cases with claims filed in the US as well as Canada). The 23 domestic-only cases settled for an average value of \$7.3 million, representing 11.2% of claimed compensatory damages. The median of these 23 settlements is \$4.1 million, or 7.5% of claimed damages.

As we have noted in our prior reports, cross-border Statutory Secondary Market cases tend to settle for higher amounts than their domestic-only counterparts. On average, these 12 cases settled for \$26.9 million (the median is \$16.9 million), including the US component of the settlement—more than four times the median settlement amount for domestic-only cases. These settlements average 12.8% of the amount of compensatory damages claimed in the Canadian filing (the median is 10.6%).

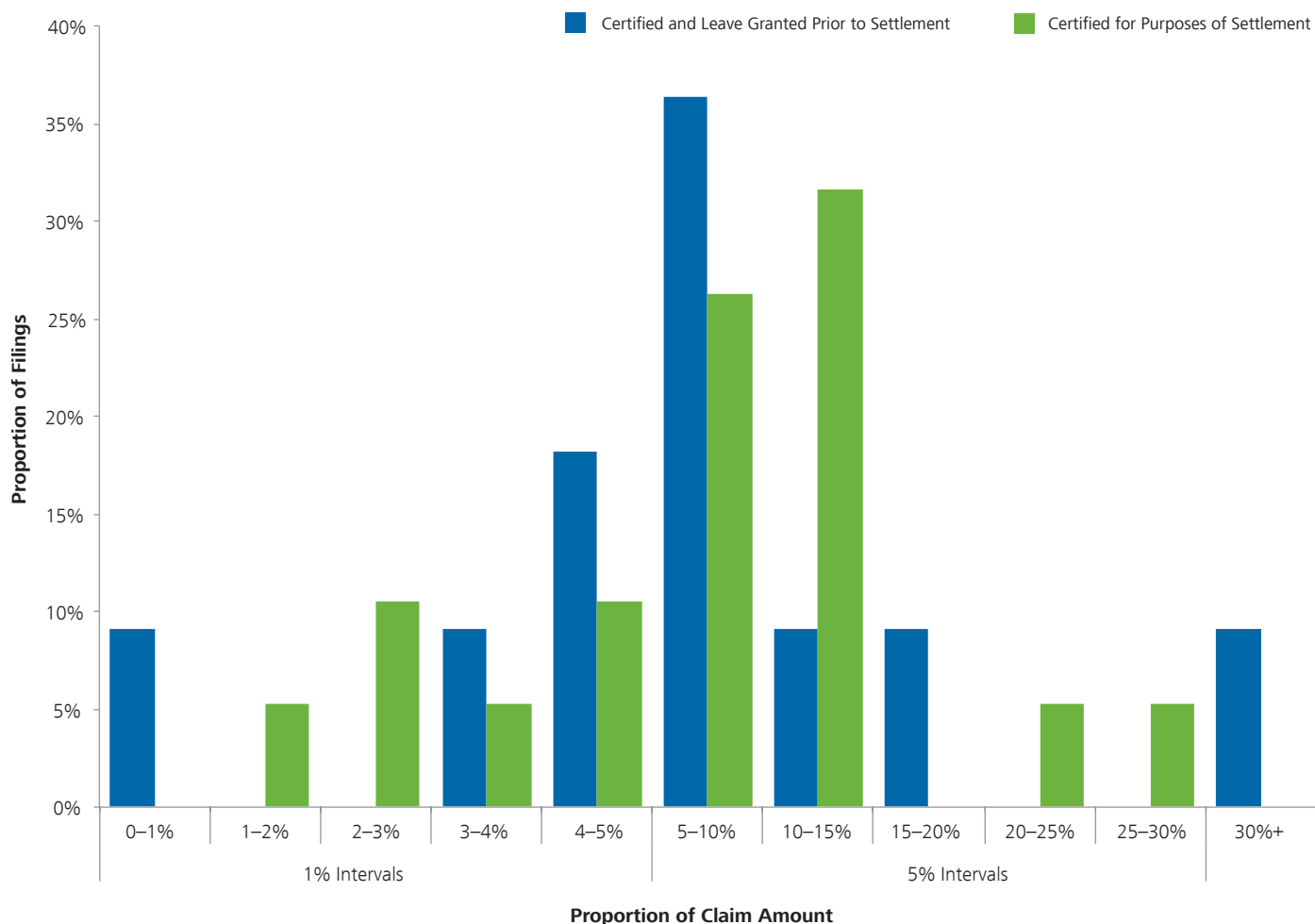
## **Settlements Before and After Leave and Certification**

One of the four cases that settled in 2017 was certified as a class action and granted leave prior to settlement; three were certified for the purposes of settlement (two of which after motions for leave had been filed).

Of the 35 settlements of Statutory Secondary Market cases, nine (26%) were certified and granted leave prior to settlement. Defendants in those nine cases agreed to pay an average of \$16.1 million (which, on average, is 7.4% of the amount claimed) and the median settlement across these cases is \$11.3 million.<sup>13</sup> This compares to an average settlement of \$14.1 million (on average, 10.6% of the amount claimed)<sup>14</sup> and a median of \$7.6 million across the 22 cases that were settled prior to certification (i.e., certified for the purposes of settlement).<sup>15</sup>

Of the cases in which a settlement was reached prior to certification, 42% settled for 10% or more of the amount claimed. By comparison, only 27% of cases that settled after being certified and granted leave were settled for 10% or more of the amount claimed. On the one hand, this may seem counter-intuitive since certification and leave might be expected to provide plaintiffs with greater leverage; on the other hand, the relatively greater settlements prior to certification and leave may reflect a tendency for cases with relatively stronger claims to settle earlier in the litigation process. The distribution of settlement amounts as a percentage of claimed damages, both for cases that were certified and granted leave prior to settlement and for those that were certified for the purposes of settlement, is set out in Figure 11 below.

Figure 11. **Distribution of Settlement Amounts as a Proportion of Claimed Damages**



Note: Certified and Leave Granted Prior to Settlement includes two filings where leave was granted prior to settlement and the class was later certified for purposes of the settlement.

### Cases in Which Leave and/or Certification was Denied

A case involving HSBC Holdings plc was the only Canadian securities class action to be denied leave during 2017. In that case, leave was denied on the basis that HSBC Holdings plc was not a “responsible issuer” under the *Ontario Securities Act* and that the alleged misconduct occurred outside Canada. One other case involving Strad Energy Services Ltd. was discontinued during 2017.<sup>16</sup>

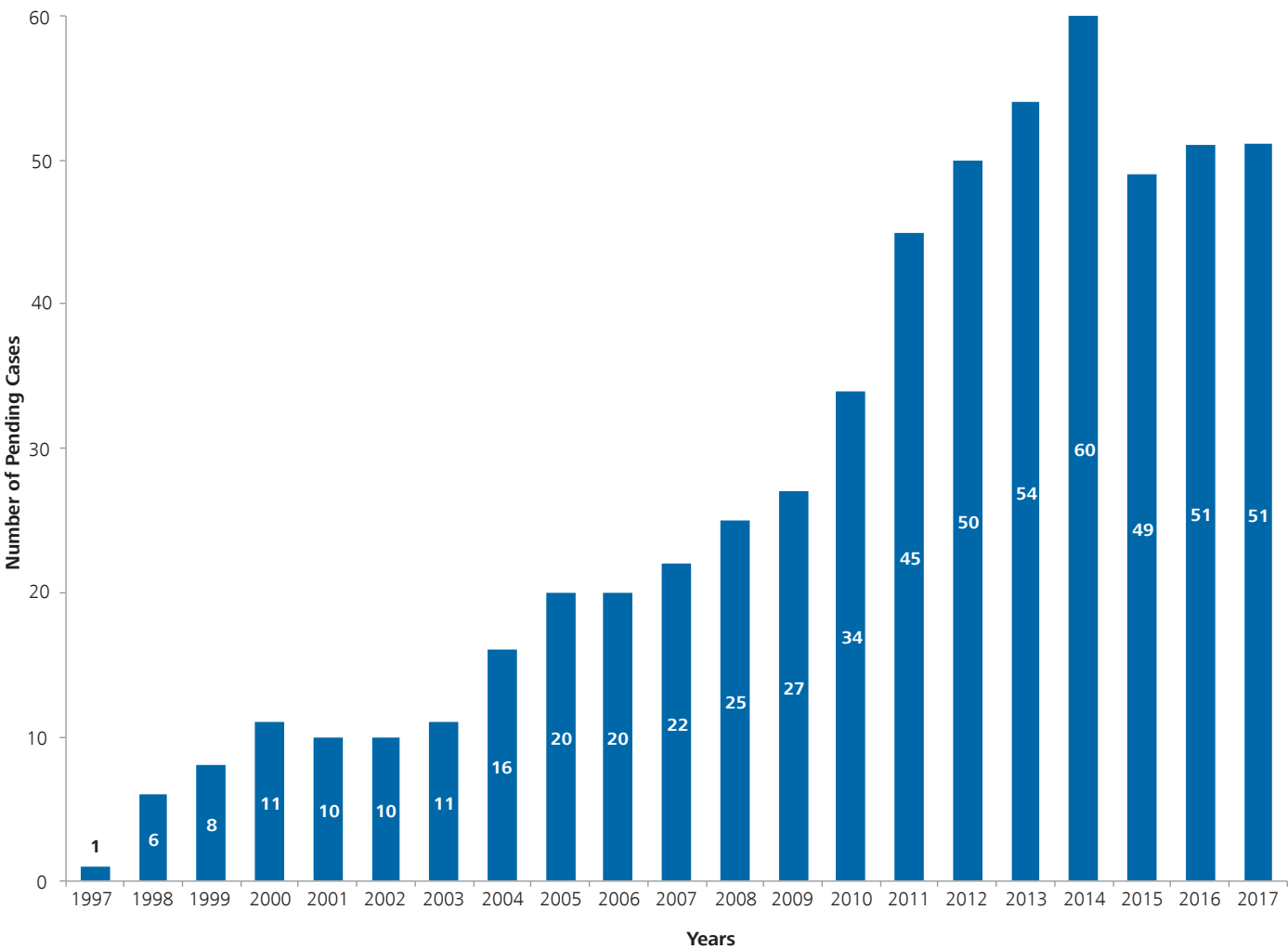
Of the 144 securities class actions filed since 1997, 25 (17.4%) had been either denied leave and/or certification or discontinued as of the end of 2017.<sup>17</sup> Of the 81 Statutory Secondary Market cases, 14 (17.3%) have been denied leave and/or certification or discontinued so far.<sup>18</sup> In the US, the proportion of dismissed<sup>19</sup> cases has been substantially higher: about a third of cases filed from 2000 to 2002, 42% to 46% of cases filed between 2003 and 2007, and about half of cases filed between 2008 and 2011 (the most recent years with a substantial resolution rate).<sup>20</sup>

# Pending Cases

## Number of Pending Cases

At the end of 2017, 51 Canadian securities class actions remained unresolved—unchanged from the end of 2016, and well below the annual peak of 60 cases at the end of 2014. These 51 active cases are still more than twice the number of active cases at the end of 2008 (see Figure 12).

Figure 12. Cases Pending at Year End

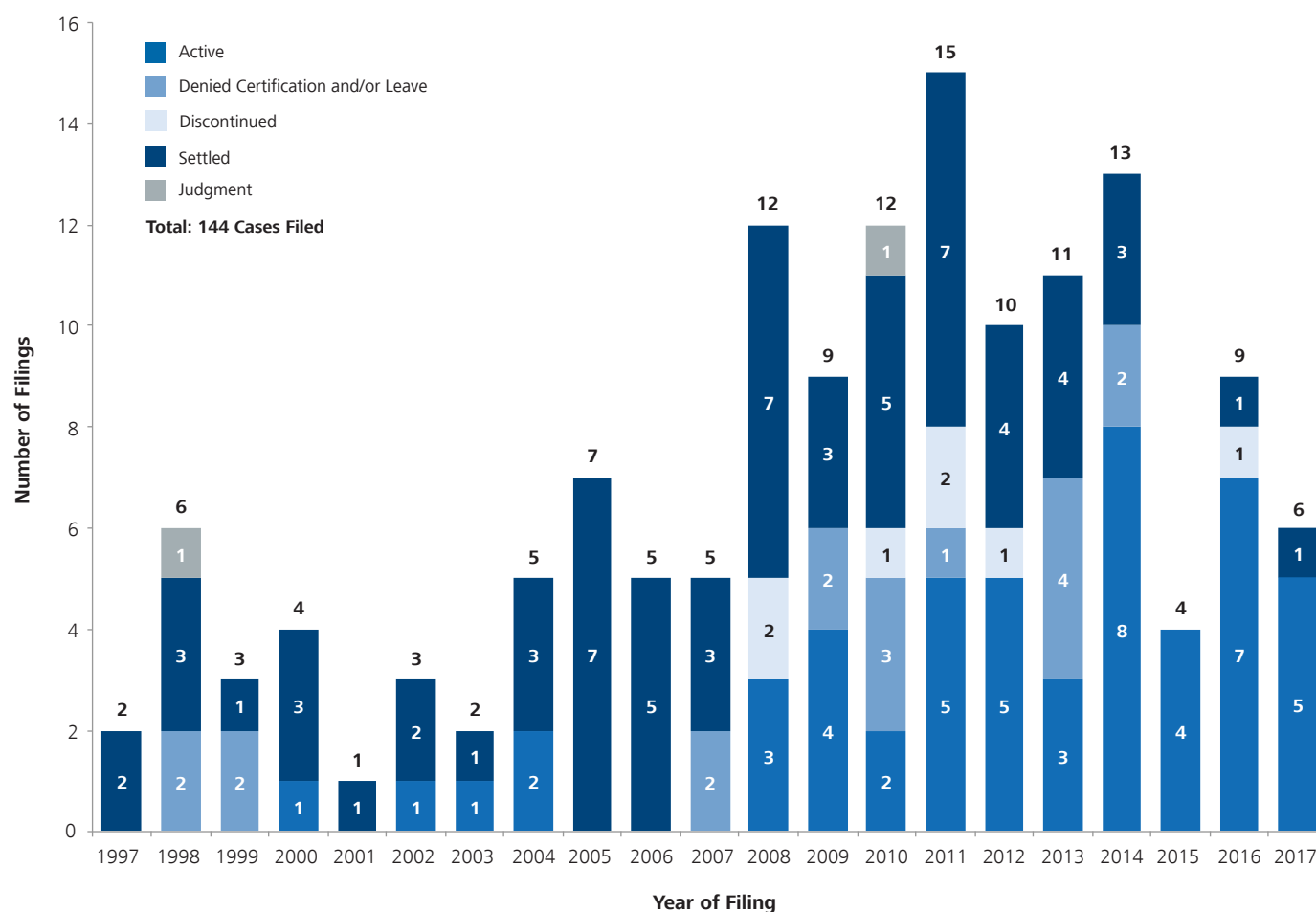


Note: Cases that are initially denied leave and/or certification but are subsequently overturned on appeal are shown as pending at each year-end since the date of initial filing. Cases that have been denied leave and/or certification are not included among the pending cases from the year of the initial denial decision, even if they may still be subject to appeal.

The 51 unresolved cases pending at the end of 2017 represent more than \$27 billion in total stated claims, including both compensatory and punitive damages. Nine of these cases alone account for over 90% of the total amount claimed. All but five of these 51 cases were filed in 2007 or later.<sup>21</sup>

Among cases filed in the period from 1997 to 2005, 82% of resolved cases were settled. Among the cases filed in the period from 2006 to 2017 and that had been resolved as at the end of 2017, only 66% settled, although this statistic may change as more of the currently active cases are resolved. If all of the currently active cases were to be settled, the proportion of cases settling would remain constant over time; but if some of the currently active cases are denied leave and/or certification or are abandoned, then the proportion settling will fall. The status of the cases filed in each year from 1997 through 2017 is indicated in Figure 13 below.

Figure 13. **Status of Cases at 2017 Year-End by Filing Year**  
1997–2017



Note: The two judgments are the cases involving Danier Leather Inc. (filed in 1998) and Royal Crown Gold Reserve Inc. (filed in 2010).



### Pending Statutory Secondary Market Cases

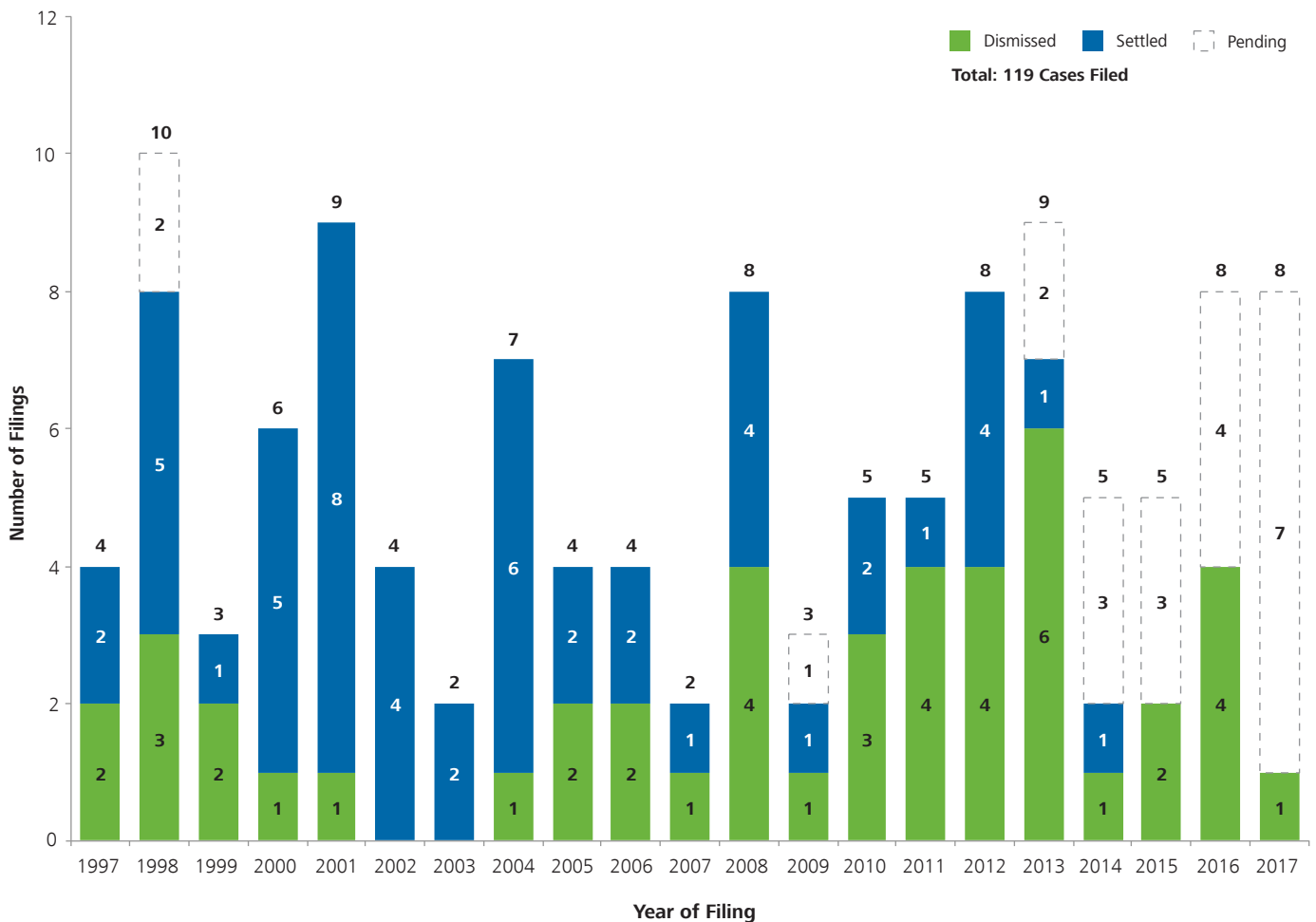
Of the 51 unresolved cases, 32 (63%) are Statutory Secondary Market cases, representing more than \$25 billion in claimed damages, or about 90% of the total outstanding claims.

Of the 32 unresolved Statutory Secondary Market cases, eight have been granted leave of the court in at least one jurisdiction, and six of these eight have also been certified as class actions. Motions for leave and class certification have been filed, but not yet decided, in eight other cases.

### Pending US Cases Against Canadian Companies

As at 31 December 2017, there were 22 US securities class actions pending against Canadian-domiciled companies.<sup>22</sup> All but three of these were filed within the past five years. Among the cases filed in the period from 1997 to 2005 that have been resolved, 74% settled. Among the cases filed in the period from 2006 to 2017 that have been resolved, only 34% settled. Even if all of the currently active cases were to settle (rather than be dismissed), that would result in only 53% of cases filed during the period from 2006 to 2017 being resolved by way of settlement. The status of these US cases by year of filing is illustrated in Figure 14 below.

Figure 14. **Status of US Filings Against Canadian-Domiciled Companies**  
As of 31 December 2017



## Looking Forward

In 2017, only a handful of Canadian securities class actions were filed, and the total number of pending cases remained unchanged. This development provides additional evidence that a slower rate of filings can be considered the new norm. This is in contrast with the experience in the US, where the pace of securities class actions has increased substantially, even focusing only on claims comparable to those typically filed in Canada.

When the provisions for civil liability for secondary market misrepresentations were first introduced into the provincial securities acts, some commentators expressed concern about a potential flood of new securities class actions and US-style litigation. After more than a decade since these amendments came into force, this concern does not seem to have been borne out. While there was a small uptick in the number of securities class actions in 2017, the number remained modest and the pace of new filings over the last three years is now only slightly higher than it was prior to the amendments coming into force. This is the case despite some notable decisions of US courts, which might have been expected to lead to Canada becoming a preferred venue for plaintiffs to bring securities class actions. The pace of filings in Canada is also in stark contrast with the US, which has witnessed a significant increase in the pace of securities class actions in recent years.



# Global Trends: Round Up

## ***Summary of Recent Trends in Securities Class Action Litigation: 2017 Full-Year Review***

In the 25th anniversary edition of NERA's annual study, *Recent Trends in Securities Class Action Litigation*, Senior Consultants Stefan Boettrich and Svetlana Starykh examine trends in securities class action filings and resolutions in 2017. New findings discussed in this year's report include an increase in filings, again led by a doubling of merger-objection filings.

Highlights of the 2017 report include: A record 432 federal securities class actions filed in 2017, the third straight year of growth, and a 44% increase over 2016. Federal merger-objection filings more than doubled for the second consecutive year to 197 in 2017. A total of 353 securities class actions were resolved in 2017—a post-PSLRA high. Of those, 148 cases settled, coming close to the 2007 record of 150. The average settlement in 2017 fell to less than \$25 million, a drop of roughly two-thirds compared to 2016. Aggregate NERA-defined Investor Losses were \$334 billion in 2017, a 50% increase over the five-year average. Aggregate plaintiffs' attorneys' fees and expenses were \$467 million, a drop of roughly 65% to a level not seen since 2004.

## ***Summary of Trends in Regulatory Enforcement in UK Financial Markets 2017/18 Mid-Year Report***

In our 2017/18 mid-year report on *Trends in Regulatory Enforcement in UK Financial Markets*, NERA Associate Director Erin B. McHugh uses our proprietary database of enforcement activity to analyze trends in enforcement and litigation in order to look behind the headline numbers.

Fine activity from the Financial Conduct Authority (FCA) remained at a low level over the 12 months ending 30 September. However, the regulator has indicated that we should not view this as a return to "light touch" regulation. While the number of FCA investigations has substantially increased compared to prior years, we expect proportionately fewer of those investigations to result in an enforcement outcome, consistent with the FCA's "evolving approach" to investigations.

## Notes

- <sup>1</sup> Bradley A. Heys is a Director and Robert Patton is an Associate Director with NERA Economic Consulting. We thank Andrea Laing and Dr. Jordan Milev for helpful comments on early drafts. We also thank Jielei Mao, David Ogilvie, and Mattia Dolci for valuable research assistance with this paper. We appreciate the contributions of Svetlana Sarykh to this and previous editions of this study. These individuals receive credit for improving this paper. All errors and omissions are our own.
- <sup>2</sup> In the US, cases filed under Rule 10b-5 typically relate to claims with respect to transactions in securities in the secondary market, whereas Section 11 and Section 12 claims relate to transactions in an offering or otherwise pursuant to a prospectus.
- <sup>3</sup> See Stefan Boetttrich and Svetlana Sarykh, "Recent Trends in Securities Class Action Litigation: 2017 Full-Year Review," NERA Economic Consulting, 29 January 2018, available at <http://www.nera.com/publications/archive/2018/recent-trends-in-securities-class-action-litigation--2017-full-y.html>.
- <sup>4</sup> All dollar amounts are in CAD unless otherwise stated.
- <sup>5</sup> The class actions involving allegations of manipulation of the market prices for foreign exchange, gold, and silver, which are securities-industry related, are not included in our database of securities class actions because they do not involve claims brought by a class of investors in securities.
- <sup>6</sup> The number of TSX-listed and TSX-V-listed companies was obtained from the December issues of *The MiG Report*, published by TSX Inc., for each year from 2008 through 2017.
- <sup>7</sup> Ibid.
- <sup>8</sup> See Stefan Boetttrich and Svetlana Sarykh, "Recent Trends in Securities Class Action Litigation: 2017 Full-Year Review," NERA Economic Consulting, 29 January 2018, available at <http://www.nera.com/publications/archive/2018/recent-trends-in-securities-class-action-litigation--2017-full-y.html>.
- <sup>9</sup> More precisely, the issuer liability limit is assessed as 5% of the average market capitalization measured over the 10 days preceding the alleged misrepresentation or \$1 million, whichever is greater.
- <sup>10</sup> Endo International plc's shares were delisted from the TSX subsequent to the end of the proposed class period.
- <sup>11</sup> Barrick Gold Corporation was also previously named as a defendant in apparently unrelated parallel class actions in Canada and the US.
- <sup>12</sup> For cross-border cases, our settlement data reflects total amounts paid in both Canada and the US.
- <sup>13</sup> Two other cases settled before leave was granted, but after having been certified as class actions. The average of these two settlements was \$9.9 million.
- <sup>14</sup> This is the average for 21 cases for which information regarding the amount of the claim is available.
- <sup>15</sup> In two other cases, we do not have sufficient information to ascertain whether the class was certified for purposes of settlement or prior to settlement.
- <sup>16</sup> "Strad Energy Services Ltd. Announces Discontinuance of Class Action Proceeding," Strad Energy Services Inc., News Release, 11 July 2017, available at <https://www.stradenergy.com/news/2017/strad-energy-services-ltd-announces-discontinuance-class-action-proceeding>.
- <sup>17</sup> For the purposes of our database, cases in which leave and/or certification was denied are no longer considered active cases (even if there has not yet been a court order dismissing the case). Where such a leave and/or certification decision is overturned on appeal, the status of the case in our database is returned to "active."
- <sup>18</sup> Two other cases were denied leave but were subsequently settled.
- <sup>19</sup> For the purposes of our database of US cases, dismissals include both cases that have been dismissed by a court and cases that have been voluntarily discontinued.
- <sup>20</sup> NERA papers on US securities class action trends describe as "dismissed" both cases that are dismissed by the court and those that are discontinued.
- <sup>21</sup> It is possible that some of the cases filed in earlier years have now been abandoned.
- <sup>22</sup> As stated in the Figure 6 note, our US database records multiple filings where actions are filed against the same defendant in more than one federal court circuit (unless they are subsequently consolidated).

## About NERA

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. We bring academic rigor, objectivity, and real world industry experience to bear on issues arising from competition, regulation, public policy, strategy, finance, and litigation.

NERA's clients value our ability to apply and communicate state-of-the-art approaches clearly and convincingly, our commitment to deliver unbiased findings, and our reputation for quality and independence. Our clients rely on the integrity and skills of our unparalleled team of economists and other experts backed by the resources and reliability of one of the world's largest economic consultancies. NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

## Contacts

For further information, please contact:

### **Bradley A. Heys**

Director

Toronto: +1 416 868 7312

[brad.heys@nera.com](mailto:brad.heys@nera.com)

### **Robert Patton**

Associate Director

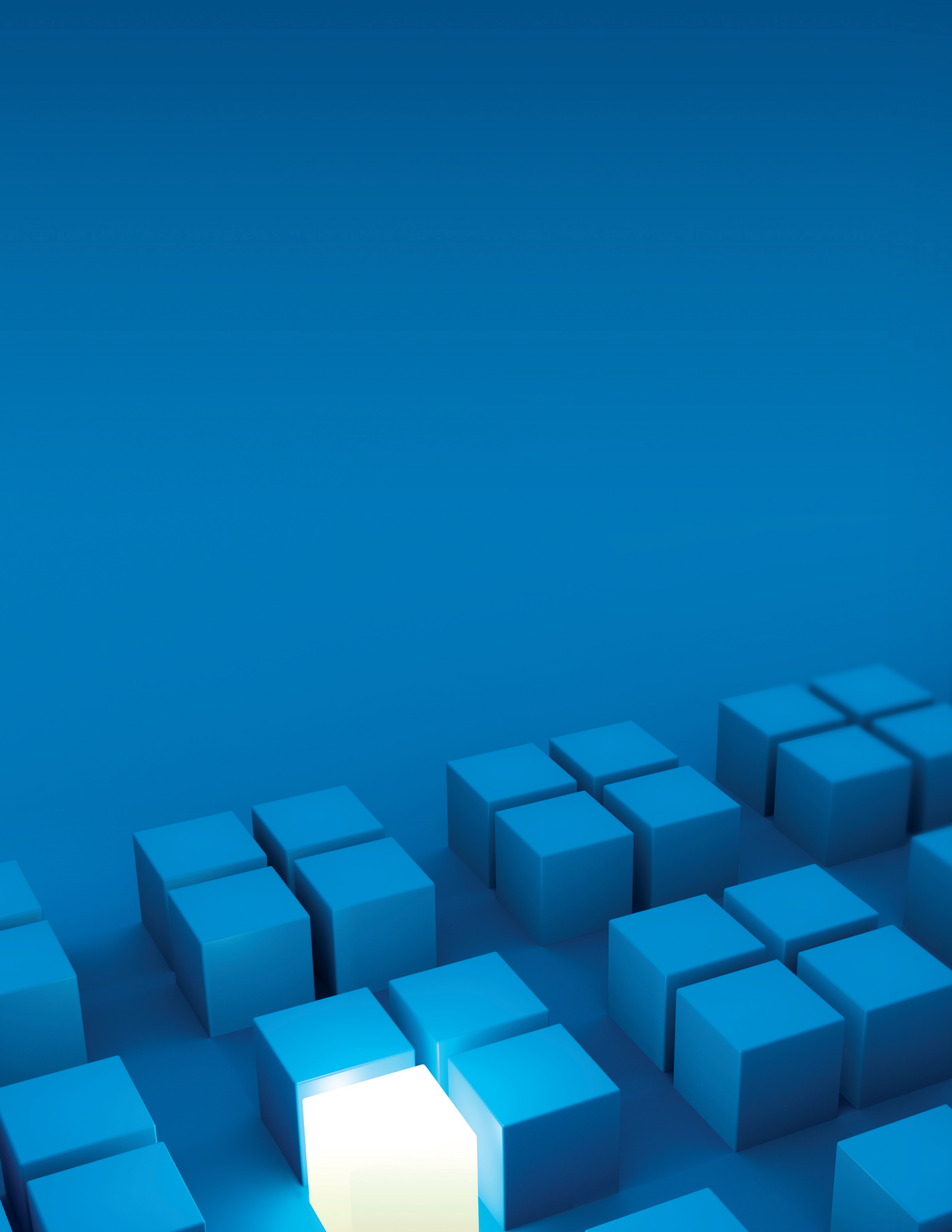
Toronto: +1 416 868 7318

[robert.patton@nera.com](mailto:robert.patton@nera.com)



To receive publications, news, and insights from NERA, please visit [www.nera.com/subscribe](http://www.nera.com/subscribe).

*The opinions expressed herein do not necessarily represent the views of NERA Economic Consulting or any other NERA consultant.*



Visit **[www.nera.com](http://www.nera.com)** to learn  
more about our practice areas  
and global offices.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

### Proceeding under the Class Proceedings Act, 1992

**AFFIDAVIT OF ANTHONY O'BRIEN  
(AFFIRMED OCTOBER 1, 2018)**

**Siskinds LLP**  
Barristers & Solicitors  
680 Waterloo St.  
London, ON N6A 3V8

**Rochon Genova LLP**  
121 Richmond Street West  
Suite 900  
Toronto, ON M5H 2K1

Michael G. Robb (LSO#: 45787G)  
Anthony O'Brien (LSO#: 56129U)

Joel Rochon (LSO#: 28222Q)  
Peter Jarvis (LSO#: 22774A)  
Douglas Worndl (LSO#: 30170P)  
Ronald Podolny (LSO#: 56908C)

Tel: 519-660-7872  
Fax: 519-672-6065

Tel: 416-363-1867  
Fax: 416-363-0263

## Lawyers for the Plaintiffs