



**SNC • LAVALIN**

## **SNC-LAVALIN GROUP INC.**

### **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

To the shareholders of SNC-Lavalin Group Inc. (the “**Corporation**”):

**NOTICE IS HEREBY GIVEN THAT** the annual meeting of the shareholders (the “**Meeting**”) of the Corporation will be held in the Wildrose North and Centre Rooms at the Sheraton Suites Calgary Eau Claire, located at 255 Barclay Parade SW, Calgary, Alberta, Canada, T2P 5C2, on Thursday, May 6<sup>th</sup>, 2010, commencing at 11:00 a.m., Mountain Daylight Time, for the following purposes:

1. to receive and consider the report of the Directors to the shareholders, the consolidated financial statements of the Corporation for the year ended December 31<sup>st</sup>, 2009 and the auditors’ report thereon;
2. to elect the Directors for the ensuing year;
3. to appoint the auditors for the ensuing year;
4. to consider and, if deemed appropriate, to adopt a resolution (the full text of which is reproduced in Schedule “B” to the accompanying Management Proxy Circular) providing for the adoption of a non-binding advisory vote on executive compensation; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

**Registration of shareholders will begin at 10:30 a.m. We would appreciate your early arrival and registration so that the Meeting may start promptly at 11:00 a.m.**

Montreal, Quebec, March 8<sup>th</sup>, 2010

**BY ORDER OF THE BOARD OF DIRECTORS**

YVES LAVERDIÈRE (signed)  
Vice-President and Corporate Secretary

**SHAREHOLDERS MAY EXERCISE THEIR RIGHTS BY ATTENDING THE MEETING OR BY COMPLETING A FORM OF PROXY. SHOULD YOU BE UNABLE TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ENVELOPE PROVIDED FOR THAT PURPOSE. PROXIES MUST BE RECEIVED BY THE TRANSFER AGENT AND REGISTRAR OF THE CORPORATION (COMPUTERSHARE INVESTOR SERVICES INC., 100 UNIVERSITY AVENUE, 9<sup>th</sup> FLOOR, NORTH TOWER, TORONTO, ONTARIO, CANADA M5J 2Y1) NO LATER THAN 5:00 P.M. (EASTERN DAYLIGHT TIME) ON TUESDAY MAY 4<sup>th</sup>, 2010. YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS AS INDICATED ON THE FORM OF PROXY, OR FAILING INSTRUCTIONS, IN THE MANNER SET FORTH IN THE ACCOMPANYING MANAGEMENT PROXY CIRCULAR.**

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS . . . . .	1	3.4.2 Board Organization, Selection, Retention and Succession . . . . .	33
INVITATION TO SHAREHOLDERS . . . . .	5	3.4.3 Strategic Oversight . . . . .	33
<b>SECTION 1: Voting Information</b> . . . . .	6	3.4.4 Risk Evaluation . . . . .	34
1.1 General . . . . .	6	3.4.5 Monitoring and Oversight . . . . .	34
1.1.1 Who can vote? . . . . .	6	3.4.6 Policies and Procedures . . . . .	34
1.1.2 What will I be voting on? . . . . .	6	3.4.7 Disclosure to Shareholders and Others . . . . .	35
1.1.3 How will these matters be decided at the Meeting? . . . . .	6	3.4.8 Financial Matters and Internal Controls . . . . .	35
1.1.4 How do I vote? . . . . .	6	3.5 Position Descriptions . . . . .	36
1.1.5 Who can I call with questions? . . . . .	6	3.5.1 Mandate of the Chairman of the Board . . . . .	36
1.2 Registered Shareholder Voting . . . . .	7	3.5.2 Mandate of the Chairmen of the Board Committees . . . . .	36
1.2.1 Voting by Proxy . . . . .	7	3.5.3 Mandate of the President and Chief Executive Officer . . . . .	36
1.2.2 How can I vote my Common Shares by proxy? . . . . .	7	3.6 Conflict of Interest . . . . .	36
1.2.3 What is the deadline for receiving the form of proxy? . . . . .	7	3.7 Majority Voting . . . . .	37
1.2.4 How will my Common Shares be voted if I give my proxy? . . . . .	7	3.8 Interlocking Outside Boards . . . . .	37
1.2.5 If I change my mind, how can I revoke my proxy? . . . . .	8	3.9 Director Attendance . . . . .	37
1.2.6 Voting in Person . . . . .	8	3.10 Director Availability . . . . .	39
1.3 Non-Registered Shareholder Voting . . . . .	8	3.11 In Camera Sessions . . . . .	40
1.3.1 Giving your Voting Instructions . . . . .	8	3.12 Ethical Business Conduct . . . . .	40
1.3.2 Voting in Person . . . . .	8	3.12.1 Code of Ethics and Business Conduct . . . . .	40
<b>SECTION 2: Business of the 2010 Annual Meeting of Shareholders</b> . . . . .	9	3.12.2 Whistleblowing Procedure . . . . .	41
2.1 Election of Directors . . . . .	10	3.13 Board Diversity . . . . .	42
2.2 Appointment of Auditors . . . . .	10	3.13.1 Gender Representation Among Nominees . . . . .	42
2.2.1 Auditors' Fees . . . . .	11	3.13.2 Geographical Representation Among Nominees . . . . .	42
2.2.2 Information about the Audit Committee . . . . .	11	<b>SECTION 4: Directors' Compensation Discussion and Analysis</b> . . . . .	43
2.3 Approval of a Non-Binding Advisory Vote on Executive Compensation . . . . .	11	4.1 Philosophy and Objectives of Directors' Compensation . . . . .	44
2.4 Shareholder Proposals . . . . .	11	4.2 Directors' Compensation Policy . . . . .	44
<b>SECTION 3: Information Concerning the Board of Directors and the Nominees for Election as Directors</b> . . . . .	12	4.3 Directors' Compensation Program . . . . .	44
3.1 Board Nominees: Background Summary Information . . . . .	13	4.4 Directors' Compensation Review and Approval Process . . . . .	44
3.2 Director Independence . . . . .	25	4.5 Directors' Compensation Advice . . . . .	45
3.3 Board Organization, Structure and Composition . . . . .	26	4.6 Directors' Comparator Group . . . . .	45
3.3.1 Organization . . . . .	26	4.7 Annual Retainer and Attendance Fees . . . . .	46
3.3.2 Structure . . . . .	27	4.8 At Risk Compensation: Deferred Share Unit Plan . . . . .	47
3.3.3 Composition . . . . .	28	4.8.1 Award . . . . .	47
3.3.4 Board Committees' Composition . . . . .	28	4.8.2 Lump Sum . . . . .	47
3.3.5 Bid and Investment Approval Committee ("BIAC") and Expanded BIAC . . . . .	28	4.8.3 Non-employee Director Form of Allocation of the Annual Retainer (Award, Chairman Award and Lump Sum) . . . . .	48
3.3.6 Changes to the Board's and the Board Committees' Composition . . . . .	31	4.8.4 Dividends Credited in DSUs . . . . .	48
3.4 Board Role and Mandate . . . . .	32	4.8.5 Redemption of DSUs . . . . .	48
3.4.1 General Obligations . . . . .	32	4.9 No Grant of Stock Options to Directors . . . . .	48
		4.10 Directors' Share Ownership Requirements . . . . .	48
		4.11 Certain Prohibitions on Monetization by Directors . . . . .	49
		<b>SECTION 5: Director Compensation Disclosure</b> . . . . .	50
		5.1 Annual Retainer and Attendance Fees Earned . . . . .	51

	<u>Page</u>
5.2 Directors' Current Share Ownership and DSUs Credited . . . . .	52
5.2.1 <i>Current Share Ownership</i> . . . . .	52
5.2.2 <i>DSUs Credited</i> . . . . .	54
5.3 Total Directors' Compensation Summary . . . . .	55
5.4 Total Directors' Compensation Detailed Review . . . . .	57
<b>SECTION 6: Director Selection, Assessment, Orientation and Ongoing Education</b> . . . . .	59
6.1 Director Selection . . . . .	60
6.1.1 <i>Selection Process</i> . . . . .	60
6.1.2 <i>President and Chief Executive Officer Succession Planning</i> . . . . .	61
6.1.3 <i>Skill Requirements</i> . . . . .	62
6.1.4 <i>External Consultant</i> . . . . .	63
6.1.5 <i>Director Tenure, Term and Retirement</i> . . . . .	63
6.2 Director Assessment . . . . .	63
6.2.1 <i>Assessment Process</i> . . . . .	64
6.2.2 <i>Assessment Report and Follow Through</i> . . . . .	64
6.3 Director Orientation . . . . .	65
6.4 Ongoing Director Education . . . . .	65
<b>SECTION 7: Board of Directors' and Board Committees' Reports</b> . . . . .	69
7.1 Board of Directors' Report . . . . .	70
7.1.1 <i>Year in Review</i> . . . . .	70
7.1.2 <i>2009 Key Matters Addressed</i> . . . . .	70
7.1.3 <i>Recognition — Governance Awards</i> . . . . .	71
7.1.4 <i>Board Related Experience and Knowledge</i> . . . . .	71
7.2 Report of the Audit Committee . . . . .	72
7.2.1 <i>Mandate</i> . . . . .	72
7.2.2 <i>Composition</i> . . . . .	72
7.2.3 <i>Financial Literacy of Audit Committee Members</i> . . . . .	72
7.2.4 <i>Responsibilities of the Audit Committee</i> . . . . .	73
7.2.5 <i>Year in Review</i> . . . . .	75
7.2.6 <i>2009 Key Matters Addressed</i> . . . . .	75
7.3 Report of the Governance Committee . . . . .	77
7.3.1 <i>Mandate</i> . . . . .	77
7.3.2 <i>Composition</i> . . . . .	77
7.3.3 <i>Year in Review</i> . . . . .	77
7.3.4 <i>2009 Key Matters Addressed</i> . . . . .	78
7.3.5 <i>Governance Related Experience and Knowledge</i> . . . . .	78
7.4 Report of the Health, Safety and Environment Committee . . . . .	80
7.4.1 <i>Mandate</i> . . . . .	80
7.4.2 <i>Composition</i> . . . . .	80
7.4.3 <i>Year in Review</i> . . . . .	80
7.4.4 <i>2009 Key Matters Addressed</i> . . . . .	81
7.4.5 <i>Health, Safety and Environment Related Experience and Knowledge</i> . . . . .	81
7.5 Report of the Human Resources Committee . . . . .	83
7.5.1 <i>Mandate</i> . . . . .	83
7.5.2 <i>Composition</i> . . . . .	83
7.5.3 <i>Compensation Consultant</i> . . . . .	83

	<u>Page</u>
7.5.4 <i>Year in Review</i> . . . . .	84
7.5.5 <i>2009 Key Matters Addressed</i> . . . . .	85
7.5.6 <i>Human Resources and Compensation Related Experience and Knowledge</i> . . . . .	86
<b>SECTION 8: Executive Compensation Discussion and Analysis ("CD&amp;A")</b> . . . . .	87
8.1 Executive Compensation Policy . . . . .	88
8.2 Importance of Share Ownership . . . . .	89
8.3 Advice on Compensation . . . . .	90
8.4 Comparator Groups and Market Positioning . . . . .	90
8.5 Employees Who Participate in Compensation Plans . . . . .	91
8.6 Components of the Executive Compensation Program . . . . .	92
8.7 Fixed Compensation . . . . .	94
8.7.1 <i>Base Salary (short-term)</i> . . . . .	94
8.7.2 <i>Benefits and Perquisites (short-term)</i> . . . . .	94
8.7.3 <i>Employee Share Ownership Plan ("ESOP") (long-term)</i> . . . . .	94
8.7.4 <i>Retirement Programs (long-term)</i> . . . . .	94
8.8 Performance-Based (Variable) Compensation . . . . .	95
8.8.1 <i>Management Incentive Program ("MIP") (short-term)</i> . . . . .	95
8.8.2 <i>Stock Options (long-term)</i> . . . . .	100
8.8.3 <i>Management Share Ownership Program ("MSOP") (long-term)</i> . . . . .	102
8.8.4 <i>Deferred Share Unit Plan for Executive Employees (long-term)</i> . . . . .	102
8.8.5 <i>Performance Share Unit Plan ("PSUP") (long-term)</i> . . . . .	103
<b>SECTION 9: Executive Compensation Disclosure</b> . . . . .	105
9.1 Compensation of Named Executive Officers . . . . .	106
9.1.1 <i>President and CEO Compensation</i> . . . . .	106
9.1.2 <i>Other Named Executive Officers ("NEOs")</i> . . . . .	106
9.2 Share Ownership . . . . .	107
9.3 Option-based and Share-based Awards . . . . .	108
9.3.1 <i>Stock Options Granted in 2009</i> . . . . .	108
9.3.2 <i>Deferred Share Units and Performance Share Units Granted for 2009</i> . . . . .	108
9.3.3 <i>Incentive Plan Awards — Value Vested or Earned During the Year</i> . . . . .	109
9.3.4 <i>Outstanding Share-based Awards and Option-based Awards</i> . . . . .	109
9.4 Retirement Plans . . . . .	111
9.4.1 <i>Executive Management Retirement Income Plan ("EMRIP")</i> . . . . .	111
9.4.2 <i>Harvest Plus Retirement Savings Program (Harvest Plus)</i> . . . . .	111
9.5 Termination of Employment . . . . .	111
9.6 Change of Control and Retirement . . . . .	112
9.7 Summary Compensation Table . . . . .	113
9.8 Total Compensation Tables (2007-2009) . . . . .	115
9.9 Approval of the Report on Executive Compensation . . . . .	120

	<u>Page</u>
<b>SECTION 10: General and Additional Information . . .</b>	121
10.1 Directors' and Officers' Insurance . . . . .	121
10.2 Indebtedness of Directors and Officers . . . . .	121
10.3 Additional Information . . . . .	121
10.4 Approval of Directors . . . . .	121
10.5 Website References . . . . .	121

	<u>Page</u>
SCHEDULE "A" Mandate of the Board of Directors, Responsibilities of the Board of Directors . . . . .	122
SCHEDULE "B" Resolution Adopting a non binding Advisory Vote on Executive Compensation . . . . .	128
SCHEDULE "C" Summary of 2001 Stock Option Plan . . .	129
SCHEDULE "D" Summary of 2004 Stock Option Plan . . .	131
SCHEDULE "E" Summary of 2007 Stock Option Plan . . .	133
SCHEDULE "F" Summary of 2009 Stock Option Plan . . .	135



## INVITATION TO SHAREHOLDERS

### Dear Shareholder:

On behalf of the Corporation's Board of Directors, management and employees, we are pleased to invite you to this year's Meeting which will be held in the Wildrose North and Centre Rooms at the Sheraton Suites Calgary Eau Claire, located at 255 Barclay Parade SW, Calgary, Alberta, Canada, T2P 5C2, on Thursday, May 6<sup>th</sup>, 2010, at 11:00 a.m. (Mountain Daylight Time).

We have made a number of changes to the disclosure in our Management Proxy Circular this year which include:

- A new section on Board structure, role and renewal;
- A new section on the Board's role and mandate as well as position descriptions;
- Enhanced disclosure on our whistleblower policy; and
- Generally, more concise graphs and charts explaining the Corporation's practices and processes.

On the compensation front, this year we have taken the decision not to increase Director Compensation for the second consecutive year and we have introduced changes to our Performance Share Unit Plan as well as adopting a new Deferred Share Unit Plan for our Executives which is also disclosed herein.

Last summer, one of our most valuable Directors, Mr. Jean-Paul Vettier, left the Board to pursue his career as President and Chief Executive Officer of Petroplus Holdings AG. His contribution, experience and international expertise contributed to the Board becoming a governance leader in the Canadian market. We express our sincere appreciation to Mr. Vettier for his important contribution to the Corporation.

At the Meeting we will be voting on a number of important matters, the details of which are set out in this Management Proxy Circular. One of these that we are particularly pleased to offer to our shareholders this year is the opportunity to voice their opinion on our approach to executive compensation by means of a non-binding advisory vote on executive compensation, also known as a "say on pay" resolution. We believe this vote will contribute to our ongoing efforts to engage in an exchange with shareholders on the objectives, principles and underlying philosophy of our executive compensation programs.

We value the views of our shareholders and appreciate the time you spend considering, understanding and voting on the business of this year's Meeting. It is important that you exercise your vote, either in person at the meeting, by telephone, on the internet or by completing and sending in your proxy.

We look forward to seeing you at this Meeting and to having the opportunity to discuss and exchange with you.

Yours sincerely,

Gwyn Morgan (signed)  
Chairman of the Board

Pierre Duhaime (signed)  
President and Chief Executive Officer

**SNC-LAVALIN GROUP INC.**  
**MANAGEMENT PROXY CIRCULAR**

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**SECTION 1: Voting Information**

This Management Proxy Circular is issued in connection with the solicitation of proxies, by and on behalf of the management of SNC-Lavalin Group Inc. (the “Corporation”), for use at the meeting of the shareholders of the Corporation (the “Meeting”) to be held on Thursday, May 6<sup>th</sup>, 2010, at the place, commencing at the time and for the purposes set forth in the foregoing notice of said Meeting and at any and all adjournments thereof. The solicitation is made by mail. The cost of solicitation is borne by the Corporation.

**1.1 General**

The following questions and answers provide guidance on how to vote your shares.

***1.1.1 Who can vote?***

Each holder of Common Shares is entitled to one vote at the Meeting or any adjournment thereof for each Common Share registered in the holder’s name as at the close of business on March 8<sup>th</sup>, 2010 (the “**Record Date**”).

As of March 8<sup>th</sup>, 2010, the Corporation had 150,968,618 Common Shares outstanding.

To the knowledge of the Directors and officers of the Corporation based on the most recent publicly available information, the only investor who, as at the Record Date, owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Corporation is Jarislowsky, Fraser Limited (“**JFL**”), a fund manager. According to the most recent publicly available information concerning the shareholdings of JFL in the Common Shares of the Corporation, JFL held 25,564,706 Common Shares, representing 16.9% of the outstanding Common Shares of the Corporation.

***1.1.2 What will I be voting on?***

Shareholders will be voting to (i) elect Directors of the Corporation; (ii) appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation; and (iii) adopt a resolution (the full text of which is reproduced in Schedule “B” to the accompanying Management Proxy Circular) providing for a non-binding advisory vote on executive compensation (also known as a “say on pay resolution”) disclosed in this Management Proxy Circular.

The Board of Directors and management of the Corporation are recommending that shareholders vote **FOR** items (i), (ii) and (iii).

***1.1.3 How will these matters be decided at the Meeting?***

A simple majority of the votes cast, in person or by proxy, will constitute approval of these matters.

***1.1.4 How do I vote?***

If you are eligible to vote and your Common Shares are registered in your name, you can vote your Common Shares in person at the Meeting or by proxy, as explained below. If your Common Shares are held in the name of a nominee, please see the instructions below under “Non-Registered Shareholder Voting”.

***1.1.5 Who can I call with questions?***

If you have questions about the information contained in this Management Proxy Circular or require assistance in completing your form of proxy, please contact Computershare Investor Services Inc. (“**Computershare**”), the Corporation’s proxy solicitation agent and transfer agent, by mail at Computershare Investor Services Inc., 100 University Ave, 9<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1, by telephone at 1-800-564-6253, by fax at 1-866-249-7775 or on the internet at [www.computershare.com](http://www.computershare.com).

## 1.2 Registered Shareholder Voting

### 1.2.1 Voting by Proxy

You are a registered shareholder if your name appears on your share certificate. If this is the case, you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy. The persons named in the enclosed form of proxy are Directors or officers of the Corporation. A shareholder has the right to appoint as proxy holder a person other than those whose names are printed as proxy holders in the accompanying form of proxy, by striking out said printed names and inserting the name of his/her chosen proxy holder in the blank space provided for that purpose in the form of proxy. In either case, the completed form of proxy must be delivered to Computershare, in the envelope provided for that purpose, prior to the Meeting at which it is to be used. A person acting as proxy holder need not be a shareholder of the Corporation. Make sure that the person you appoint is aware that he or she is appointed and attends the Meeting.

You can choose from among three different ways to vote your Common Shares by proxy:

- by telephone;
- on the Internet; or
- by mail.

### 1.2.2 How can I vote my Common Shares by proxy?



#### *By telephone*

Call the toll free number indicated on the proxy form and follow the instructions.

If you choose the telephone, you cannot appoint any person other than the Directors or officers named on your form of proxy as your proxy holder.



#### *On the Internet*

Go to the website indicated on the proxy form and follow the instructions on the screen.

If you return your proxy via the Internet, you can appoint a person other than the Directors or officers named in the form of proxy as your proxy holder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the form of proxy. Complete your voting instructions, and date and submit the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.



#### *By mail*

Complete your form of proxy and return it in the envelope provided.

If you return your proxy by mail, you can appoint a person other than the Directors or officers named in the form of proxy as your proxy holder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions on the form of proxy, and date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting.

### 1.2.3 What is the deadline for receiving the form of proxy?

The deadline for receiving duly completed forms of proxy or a vote using the telephone or over the Internet is 5:00 p.m. (Eastern Daylight Time) on Tuesday, May 4<sup>th</sup>, 2010, or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed Meeting.

### 1.2.4 How will my Common Shares be voted if I give my proxy?

Shares represented by proxies in the accompanying form of proxy will be voted in accordance with the instructions indicated thereon. If no contrary instruction is indicated, the shares represented by such form of proxy will be voted in favour of the election as Directors of the persons and the appointment as auditors of the firm respectively named

**under the headings “Election of Directors” and “Appointment of Auditors” and will be voted in favour of the adoption of the non-binding advisory vote on executive compensation.**

The form of proxy also confers discretionary voting authority on those persons designated therein with respect to amendments or variations to the proposals identified in the notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this Management Proxy Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. **If such amendments or variations or other matters properly come before the Meeting, the management nominees designated in such form of proxy shall vote the shares represented thereby in accordance with their best judgment.**

### ***1.2.5 If I change my mind, how can I revoke my proxy?***

A registered shareholder who has given a proxy may revoke the proxy:

- (1) by completing and signing a form of proxy bearing a later date and depositing it with Computershare (100 University Avenue, 9<sup>th</sup> Floor, North Tower, Toronto, Ontario M5J 2Y1) no later than 5:00 p.m. (Eastern Daylight Time) on May 4<sup>th</sup>, 2010; or
- (2) in accordance with Section 148(4) of the *Canada Business Corporations Act*:
  - (a) by depositing an instrument in writing executed by such shareholder or by his/her attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer:
    - (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used; or
    - (ii) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof; or
  - (b) in any other manner permitted by law.

### ***1.2.6 Voting in Person***

If you wish to vote in person, you may present yourself at the Meeting to a representative of Computershare. Your vote will be taken at the Meeting. **If you wish to vote in person at the Meeting, do not complete or return the form of proxy.**

## **1.3 Non-Registered Shareholder Voting**

If your Common Shares are not registered in your name and are held in the name of a nominee, you are a “non-registered shareholder”. If your Common Shares are listed in an account statement provided to you by your broker, those Common Shares will, in all likelihood, not be registered in your name. Such Common Shares will more likely be registered under the name of your broker or an agent of that broker. Without specific instructions, brokers and their agents or nominees are prohibited from voting shares for the broker’s client. If you are a non-registered shareholder, there are two ways, listed below, that you can vote your Common Shares:

### ***1.3.1 Giving your Voting Instructions***

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee a request for voting instructions for the number of Common Shares you hold. Every nominee has its own mailing procedures and provides its own signature and return instructions, which should be carefully followed by non-registered shareholders to ensure that their Common Shares are voted at the Meeting.

### ***1.3.2 Voting in Person***

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions provided by your nominee to appoint yourself as proxy holder and follow the instructions of your nominee. Non-registered shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of Computershare. Do not otherwise complete the request for voting instructions sent to you as you will be voting at the Meeting.

## SECTION 2: Business of the 2010 Annual Meeting of Shareholders

### Highlights

	Page
<b>2.1 ELECTION OF DIRECTORS</b>	10
➤ Eleven individuals are to be elected as Directors for 2010;	
➤ All eleven nominees previously served as Directors in 2009; and	
➤ Management and the Board of Directors recommend that shareholders vote <b>FOR</b> this item of business.	
<b>2.2 APPOINTMENT OF AUDITORS</b>	10
➤ The auditors' fees for 2009 are \$5,864,400, representing an increase of \$544,200 over the fees paid in 2008.	
➤ Management and the Board of Directors recommend Deloitte & Touche LLP as auditors for 2010; and	
➤ Management and the Board of Directors recommend that shareholders vote <b>FOR</b> this item of business.	

	Page
<b>2.3 APPROVAL OF A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION</b>	11
➤ Management and the Board of Directors recommend that shareholders vote <b>FOR</b> this item of business.	
<b>2.4 SHAREHOLDER PROPOSALS</b>	11
➤ No shareholder proposals were received this year.	

## SECTION 2: Business of the 2010 Annual Meeting of Shareholders

### 2.1 Election of Directors

The Board of Directors has fixed at eleven the number of Directors to be elected for the current year. The term of office of each Director so elected will expire upon the election of his/her successor unless he/she shall resign his/her office or his/her office becomes vacant by death, removal or other cause.

The management of the Corporation does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a Director. Should this occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee, at their discretion, unless the shareholder has specified in the form of proxy that his/her shares are to be withheld from voting in the election of any of the Directors.

The following are the names of the eleven proposed nominees for election as Directors of the Corporation:

Ian A. Bourne  
Pierre Duhaime  
David Goldman  
Patricia A. Hammick  
Pierre H. Lessard  
Edythe (Dee) A. Marcoux

Lorna R. Marsden  
Claude Mongeau  
Gwyn Morgan  
Hon. Hugh D. Segal  
Lawrence N. Stevenson

Section 3 “Information Concerning the Board of Directors and the Nominees for Election as Directors” below, sets out detailed information on each of these nominees. All eleven nominees are currently Directors of the Corporation.

Management and the Board of Directors recommend that each of the nominees listed above be elected to serve as Directors of the Corporation, to hold office until the next annual meeting of shareholders or until such person’s successor is elected or appointed. **Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying proxy form or voting instruction form intend to vote FOR the election of these nominees.**

### 2.2 Appointment of Auditors

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, a registered limited liability partnership. Deloitte & Touche LLP were first appointed as auditors of the Corporation on May 8<sup>th</sup>, 2003.

Management and the Board of Directors recommend that Deloitte & Touche LLP be appointed to serve as auditors of the Corporation until the next annual meeting of shareholders. **Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the appointment of Deloitte & Touche LLP, as auditors of the Corporation, to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the Directors.**



### 2.2.1 Auditors' Fees

The aggregate fees paid, including the Corporation's pro-rata share of the fees paid by its joint ventures and other investees, for professional services rendered by Deloitte & Touche LLP and its affiliates, the Corporation's auditors, for the year ended December 31<sup>st</sup>, 2009 and the year ended December 31<sup>st</sup>, 2008, are presented below:

	Year Ended December 31 <sup>st</sup> , 2009	Year Ended December 31 <sup>st</sup> , 2008
<b>Audit Fees<sup>(1)</sup></b>	\$3,398,900	\$2,703,900
<b>Audit-Related Fees<sup>(2)</sup></b>	\$935,600	\$943,400
<b>Tax Fees<sup>(3)</sup></b>	\$1,403,200	\$1,527,000
<b>Other Fees<sup>(4)</sup></b>	\$126,700	\$145,900
<b>Total<sup>(5)</sup></b>	<b>\$5,864,400<sup>(6)</sup></b>	<b>\$5,320,200</b>

#### Notes

- (1) Audit Fees include fees for professional services rendered for the audit of the Corporation's annual financial statements and the review of the Corporation's quarterly reports. They also comprise fees for audit services provided in connection with other statutory and regulatory filings, such as the audit of the financial statements of the Corporation's subsidiaries, as well as services that generally only the Corporation's auditors can provide, such as comfort letters, consents and assistance with and review of documents filed with the securities commissions.
- (2) Audit-Related Fees include fees for assurance services that are reasonably related to the audit or review of the financial statements and are not reported under "Audit Fees", including special attest services not required by statute or regulation, reporting on the effectiveness of internal controls as required by contract or for business reasons, accounting consultations in connection with various transactions, and the audit of the Corporation's various pension plans.
- (3) Tax Fees comprise fees for income, consumption and other tax compliance, advice and planning services relating to domestic and international taxation, review of tax returns and preparation of expatriate employee tax returns.
- (4) Other Fees include fees for services other than those described under "Audit Fees", "Audit-Related Fees" and "Tax Fees". Other Fees consist principally of fees for the translation of financial statements, as well as for technical update seminars.
- (5) The aggregate fees paid to Deloitte & Touche LLP, irrespective of the Corporation's proportionate interests in its joint ventures and other investees, totalled \$6,591,800 in 2009 and \$5,981,800 in 2008.
- (6) The increase in fees reflects the growth in business activities, a greater number of subsidiaries, and special attest services for various business transactions.

### 2.2.2 Information about the Audit Committee

A summary of the mandate of the Audit Committee and the report of the Committee are set out in section 7.2. "Report of the Audit Committee" of this Management Proxy Circular<sup>(1)</sup>.

### 2.3 Approval of a Non-Binding Advisory Vote on Executive Compensation

We are committed to providing shareholders with clear, comprehensive and transparent disclosure relating to executive compensation and to receive feedback from shareholders on this matter. In this light, the decision to provide a non-binding advisory vote on executive compensation was one that was taken after reviewing the issue at length, hearing differing views and arguments and consulting with investor groups including the Canadian Coalition for Good Governance ("CCGG"). We believe that it is a reflection of the Board's ongoing commitment to engage with our shareholders on issues of concern to them. The resolution we are proposing to our shareholders is the form of resolution recommended by the CCGG.

As this is an advisory vote, the results will not be binding upon the Board. However, in considering its approach to compensation over the upcoming years, the Board will take into account the results of this vote, together with the comments and concerns of our shareholders received during our ongoing engagement efforts with them.

A resolution to adopt the non-binding advisory vote on executive compensation must be approved by not less than a majority of votes cast in its favour by the shareholders in person or represented by proxy at the Meeting.

Management and the Board of Directors recommend that the shareholders vote in favour of the approval of the following resolution, the text of which is also attached as Schedule "B" to this Management Proxy Circular.

**"THAT**, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the Corporation's Management Proxy Circular delivered in advance of the 2010 annual meeting of shareholders of the Corporation."

**Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying proxy form or voting instruction form intend to vote FOR this advisory resolution.**

### 2.4 Shareholder Proposals

This year, the Corporation received no shareholder proposals for inclusion in this Management Proxy Circular.

The last day for submission of proposals by shareholders to the Corporation, for inclusion in next year's Management Proxy Circular in connection with next year's annual meeting of shareholders, will be December 13<sup>th</sup>, 2010.

(1) For additional disclosure on the Corporation's Audit Committee, see the "Audit Committee" section of the Annual Information Form of the Corporation for the year ended December 31<sup>st</sup>, 2009 available on SEDAR ([www.sedar.com](http://www.sedar.com)), or on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)).

## SECTION 3: Information Concerning the Board of Directors and the Nominees for Election as Directors

### Highlights

	Page
<b>3.1 BOARD NOMINEES: BACKGROUND SUMMARY INFORMATION</b>	13
➤ Detailed biographies including information on boards and committees the Directors are members of in other companies.	
<b>3.2 DIRECTOR INDEPENDENCE</b>	25
➤ Over 90% of Board nominees are independent. The only non-independent nominee is Mr. Pierre Duhaime, President and Chief Executive Officer of the Corporation.	
<b>3.3 BOARD ORGANIZATION, STRUCTURE AND COMPOSITION</b>	26
Four Board Committees with the following number of Directors:	
○ Audit Committee: six;	
○ Governance Committee: five;	
○ Health, Safety and Environment Committee: five; and	
○ Human Resources Committee: five.	
➤ All members of these four Committees are independent.	
➤ One standing committee composed of Directors and members of management with the following number of Directors:	
○ Expanded BIAC: two	
<b>3.4 BOARD ROLE AND MANDATE</b>	32
➤ A full description of the Board's mandate including a graph of all its responsibilities is included herewith.	
<b>3.5 POSITION DESCRIPTIONS</b>	36
➤ Position descriptions for the Chairman of the Board, the Chairmen of the Board Committees and the President and Chief Executive Officer are included herewith.	

	Page
<b>3.6 CONFLICT OF INTEREST</b>	36
➤ The process for dealing with potential conflicts of interest is outlined in this section.	
<b>3.7 MAJORITY VOTING</b>	37
➤ Nominee with more "withheld" votes than "for" votes must tender his/her resignation.	
<b>3.8 INTERLOCKING OUTSIDE BOARDS</b>	37
➤ None of the Corporation's Directors serve together on any other board of directors.	
<b>3.9 DIRECTOR ATTENDANCE</b>	37
➤ A summary table of Board and Board Committees attendance is included herewith.	
<b>3.10 DIRECTOR AVAILABILITY</b>	39
➤ A limit has been imposed on the number of outside boards a Director may be a member of.	
<b>3.11 IN CAMERA SESSIONS</b>	40
➤ All regularly scheduled Board and Board Committees' meetings held include sessions without management being present; and	
➤ A table including the number of in camera sessions is included herein.	
<b>3.12 ETHICAL BUSINESS CONDUCT</b>	40
➤ The Code of Ethics and Business Conduct is described herein.	
➤ The whistleblower policy is covered in detail in this section.	
<b>3.13 BOARD DIVERSITY</b>	42
➤ 27% of nominees are women; and	
➤ All required skills are set out in the Corporation's skills matrix.	

### **SECTION 3: Information Concerning the Board of Directors and the Nominees for Election as Directors**

Under the rules of the Canadian Securities Administrators (“CSA”), the Corporation is required to disclose information relating to its system of corporate governance, with reference to certain standards adopted by the CSA (the “**Statement of Corporate Governance Practices**”). The Corporation’s disclosure in this regard is set out below in sections 3, 6 and 7 of this Management Proxy Circular.

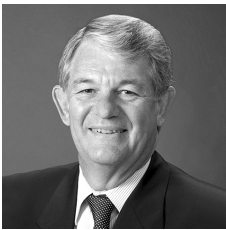
The Board of Directors believes that sound corporate governance practices are essential to the positive workings and success of the Corporation and to the satisfaction and related success of the Corporation’s shareholders. Over the years, the Corporation has acted proactively, progressively adopting forward-looking governance principles, creating corresponding structures and implementing procedures designed to enable the Board to carry out its duties in a highly effective manner and in accordance with best governance principles (as set out from time to time by the CCGG and like organizations) and to permit the Board to evaluate and improve its own performance. These principles, structures and procedures are set out in the Corporation’s Corporate Governance Handbook, which includes a Code of Ethics and Business Conduct that applies to the members of the Board, the President and Chief Executive Officer, the Chief Financial Officer, and all officers and employees of the Corporation and its subsidiaries.

On June 30<sup>th</sup>, 2005, the CSA adopted National Instrument 58-101 (Disclosure of Corporate Governance Practices) (the “**CSA Disclosure Requirements**”), which requires issuers to make the prescribed disclosure with respect to their governance practices. The CSA also adopted National Policy 58-201 (Corporate Governance Guidelines), which provides guidance on appropriate governance practices.

As reflected in sections 3, 6 and 7 of this Management Proxy Circular, the Corporation’s governance practices meet or exceed the current CSA Disclosure Requirements, and the Corporation is dedicated to adjusting its governance practices on an ongoing basis, so as to remain abreast of best governance practices as they evolve. The corporate governance practices outlined in these sections are responsive to each of the disclosure obligations set out in the CSA Disclosure Requirements.

#### **3.1 Board Nominees: Background Summary Information**

The following is a summary of relevant biographical and compensation information relating to each nominee. For further details on the compensation components see section 4 “Directors’ Compensation Discussion and Analysis” and section 5 “Director Compensation Disclosure” of this Management Proxy Circular.

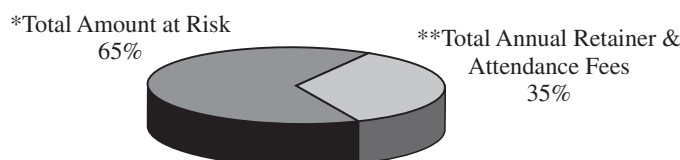
	<p><b>Ian A. Bourne</b></p> <p>Age: 62 Calgary (Alberta), Canada Director since: November 5<sup>th</sup>, 2009 Latest date of retirement: May 2017</p> <p><b>Independent</b></p> <p><b>Areas of Expertise:</b> Finance Risk Management</p>	<p>Ian A. Bourne is Chairman of the Board of Ballard Power Systems Inc. and serves on all its board committees. Mr. Bourne is a director of Canada Pension Plan Investment Board (CPPIB), Canadian Oil Sands Trust, Wajax Income Fund, the Canadian Public Accountability Board and the Calgary Foundation. Mr. Bourne was Executive Vice-President and Chief Financial Officer of TransAlta Corporation (1998-2005) and President and director of TransAlta Power LP, from 1998 to 2006. He was also a director of the Glenbow Museum (2003-2009) and the Calgary Philharmonic Orchestra (2003-2009).</p> <p>He obtained his Bachelor of Commerce Degree at Mount Allison University in 1969. He is a member of the Institute of Corporate Directors, having completed the Director Education Program in February 2006 and was awarded the ICD designation in April of the same year.</p> <p>Throughout his career, Mr. Bourne has acquired extensive experience in particular in the areas of risk management and finance, information technology, power generation, manufacturing operations and corporate governance.</p>
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Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)		Board Memberships During the Last 5 Years	Year
Member of the Board Member of the Audit Committee Member of the Health, Safety & Environment Committee	4 of 4 1 of 1 1 of 1	6 of 6	100%	Canadian Public Accountability Board <sup>(1)</sup> Canadian Oil Sands Trust <sup>(2)</sup> Canada Pension Plan Investment Board <sup>(3)</sup> Calgary Foundation Wajax Income Fund <sup>(4)</sup> Ballard Power Systems Inc. <sup>(5)</sup> The Glenbow Museum Calgary Philharmonic Orchestra TransAlta Power LP (TPW)	2009-Present 2007-Present 2007-Present 2007-Present 2006-Present 2003-Present 2003-2009 2003-2009 1998-2006

**\*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)**


Year	Common Shares	DSUs <sup>(6)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	2,000	346	2,346	\$126,661	\$300,000	In process

Value of Total Compensation Received		<p>(1) Mr. Bourne is a member of the Human Resources and Governance Committees. (2) Mr. Bourne is a member of the Audit Committee and Chair of the Human Resources Committee. (3) Mr. Bourne is Chair of the Audit Committee. (4) Mr. Bourne is Chair of the Audit Committee. (5) Mr. Bourne is a member of the Audit, Corporate Governance and Management Development and Nominating Committees. (6) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.</p>	
Year	\$		
2009	\$28,084		



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.


\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

	<b>Pierre Duhaime<sup>(1)</sup></b> Age: 55 Montréal (Québec), Canada Director since: May 7 <sup>th</sup> , 2009 Latest date of retirement: May 2025	Pierre Duhaime has over 30 years of engineering, construction and project management experience, primarily in the fields of industrial process plants and non-ferrous metals. Born in Quebec in 1954, Mr. Duhaime holds a Bachelor of Engineering in Metallurgy from the École Polytechnique de Montréal, Quebec, Canada and an M.B.A. in Production and Finance from the École des Hautes Études Commerciales, Montreal, Quebec, Canada. Mr. Duhaime began his career at Noranda in 1975 as a metallurgist working on research and development programs. Through the 1980s, he quickly advanced to the level of Project Manager at Canadian Electrolytic Zinc and the American Iron and Metal Company, managing projects involving modernization, relocation and greenfield construction.			
	<b>Not independent (Member of Management)<sup>(2)</sup></b> <b>Areas of Expertise:</b> Engineering Mining and Metallurgy Pharmaceuticals Sulphuric Acid Project management International business	Joining SNC-Lavalin's Industrial Division in 1989 as a Project Manager, Mr. Duhaime was promoted to Director of Technology for the Division in 1991 and appointed its Vice-President of Projects and Technology in 1997. In both senior positions, he was involved in major mining and industrial projects, such as the engineering and construction of the Troilus Gold Mine in northern Quebec, and the Magnola Magnesium Plant, also in Quebec.  Mr. Duhaime assumed increasingly senior positions in the Industrial Division, as well as responsibility for the Company's Aluminum Division. In 2003, he was appointed Executive Vice-President responsible for SNC-Lavalin's Mining and Metallurgy activities worldwide. Mr. Duhaime has been instrumental in securing some of SNC-Lavalin's most prestigious mining projects and overseeing their progress in locations as widespread as Canada's High Arctic, the Namibian Desert, Madagascar, Abu Dhabi and New Caledonia. Mr. Duhaime has strengthened SNC-Lavalin's global position in the Mining and Metallurgy industry.  In May 2009, Mr. Duhaime was named President and CEO of SNC-Lavalin Group Inc.  Mr. Duhaime is a member of the Canadian Institute of Mining and Metallurgy, the Commonwealth Business Council and l'Ordre des ingénieurs du Québec.			
<b>Board/Committee Membership at the Date Hereof</b>	<b>Attendance</b>	<b>Attendance (Total)</b>		<b>Board Memberships During the Last 5 Years</b>	<b>Year</b>
Member of Board	6 of 6	6 of 6	100%	Commonwealth Business Council	2009-Present
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>					
<b>Year</b>	<b>Common Shares</b>	<b>Total Market Value of Common Shares</b>		<b>Minimum Shareholding Requirements<sup>(3)</sup></b>	<b>Meets Requirements</b>
2009*	84,712	\$4,573,601		\$4,200,000	Yes
2008	78,427	\$3,112,768		\$1,125,000	Yes
<b>Options Held (as at December 31<sup>st</sup>)</b>					
<b>Year</b>	<b>Number</b>	<b>Average Weighted Exercise Price</b>		<b>Total Exercisable</b>	<b>Value of Exercisable Options</b>
2009	170,000	\$34.63		56,000	\$1,519,519
2008	120,000	\$30.11		72,000	\$1,259,040

(1) As an employee Director, Mr. Duhaime did not participate in the DSUP.

(2) Mr. Duhaime does not receive compensation as a Director of the Corporation.

(3) At the meeting of the Board of Directors of the Corporation on August 4<sup>th</sup>, 2006, the Board members resolved that the minimum shareholding for the President and Chief Executive Officer, to be acquired within 5 years of appointment to such office, would be 6 times his annual base salary. Since this minimum requirement is based on the President and Chief Executive Officer's annual base salary it will, therefore, fluctuate yearly based on salary changes.

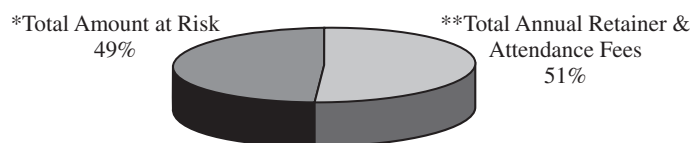
	<p><b>David Goldman</b></p> <p>Age: 67 Toronto (Ontario), Canada Director since: March 1<sup>st</sup>, 2002 Latest date for retirement: May 2013</p> <p><b>Independent</b></p> <p><b>Areas of Expertise:</b> Mining and metallurgy Heavy industries</p>	<p>Mr. Goldman is Chairman of the board of Copernic Inc. (formerly Mamma.com and Intasys Corporation (NASDAQ) – which provides media solutions, desktop and mobile search and the search engines Copernic.com), and a member of the Advisory Committee of Livia Industrial LP, a limited partnership that owns aluminum casting businesses primarily servicing the automotive industry. He is a member of the board of directors of Dayforce Inc. an enterprise software company that provides workforce management solutions. Until June 2009, he was a director of Duran Ventures Inc, a company listed on the TSX. Until December 2006, he was a director of Jaguar Nickel Inc. (an exploration and development company listed on the TSX) and until 2007, he was a director of Workbrain Corp. He is also President of Dave Goldman Advisors Ltd. (a general consultancy business). Mr. Goldman holds a degree in Metallurgical Engineering from McGill University and an MBA from Concordia University. He has been Chair of the Faculty of Engineering Advisory Board of McGill University and is a past Chair of the John Molson School of Business (Concordia University) MBA Case Competition Advisory Board. He received the Concordia University Award of Distinction from the Faculty of Management in 1997.</p>
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Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)	Board Memberships During the Last 5 Years	Year
Member of the Board Member of the Audit Committee Chairman of the Audit Committee (since August 7th, 2009) Member of the Governance Committee Member of the Human Resources Committee	8 of 8 4 of 4   1 of 1 5 of 5	18 of 18   100%	Dayforce Inc. Copernic Inc. (previously Mamma.com Inc. and Intasys Corporation (NASDAQ)) Duran Ventures Inc. <sup>(1)</sup> Jaguar Nickel Inc. <sup>(2)</sup> Workbrain Corp. <sup>(3)</sup>	2009-Present 2001-Present   2008-2009 2005-2006 2000-2007

**\*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)**

Year	Common Shares	DSUs <sup>(4)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	21,000	9,087	30,087	\$1,624,397	\$300,000	Yes
2008	21,000	7,347	28,347	\$1,125,092	\$300,000	Yes
2007	21,000	5,677	26,677	\$1,284,231	\$300,000	Yes


Value of Total Compensation Received		(1) Mr. Goldman was Chairman of the Board. (2) Mr. Goldman was a member of the Audit Committee and the Human Resources Committee. (3) Mr. Goldman was a member of the Audit Committee and Chair of the Human Resources Committee. (4) Deferred Share Units. For further details on DSUs see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.	
Year	\$		
2009	\$150,782		
2008	\$137,670		
2007	\$111,358		



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 “DSUs Credited” of this Management Proxy Circular.

\*\* For details see section 5.4 “Total Directors’ Compensation Detailed Review” of this Management Proxy Circular.



	<p><b>Patricia A. Hammick, Ph.D</b></p> <p>Age: 63 Kilmarnock (Virginia), United States Director since: January 1<sup>st</sup>, 2007 Latest date of retirement: May 2017</p> <p><b>Independent</b></p> <p><b><u>Areas of Expertise:</u></b> Oil and gas Coal mining Regulated production and distribution of power Independent power production/markets</p>	<p>Dr. Hammick is the lead director of Dynegy Inc. (an independent power producer) and a director of Consol Energy Inc. (a coal and natural gas company). In 2002 and 2003, she was also a lecturer and adjunct professor at George Washington University Graduate School of Political Management. Prior to that, Dr. Hammick was Senior Vice-President of Strategy &amp; Communications and a member of the eight-member management team at Columbia Energy Group (integrated natural gas, utility, power generation and propane). She holds a PhD in Mathematical Statistics from George Washington University as well as an M.A. in Physics from the University of California.</p>
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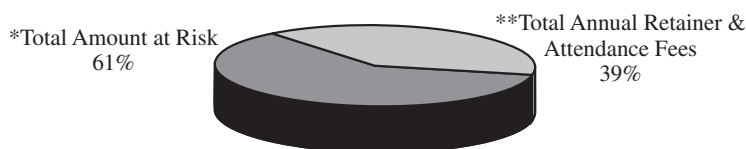
Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)		Board Memberships During the Last 5 Years	Year
Member of the Board Member of the Audit Committee Member of the Health, Safety and Environment Committee	8 of 8 4 of 4 4 of 4	16 of 16	100%	Dynegy Inc. <sup>(1)</sup> Consol Energy Inc. <sup>(2)</sup>	2003-Present 2001-Present

**\*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)**

Year	Common Shares	DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	0	2,888	2,888	\$155,923	\$300,000	In process
2008	0	917 <sup>(4)</sup>	917	\$ 36,396	\$300,000	In process <sup>(5)</sup>
2007	0	N/A	N/A	N/A	N/A	N/A

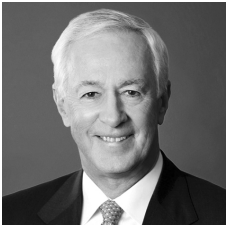
Value of Total Compensation Received	
Year	\$
2009	\$137,277
2008	\$131,592
2007	\$103,750

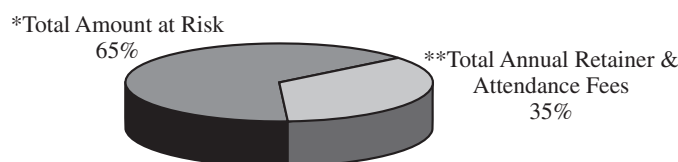
- (1) Dr. Hammick is a member of the Finance Committee and the Nominating and Governance Committee.  
(2) Dr. Hammick is Lead Director, ex-officio on all committees of the company.  
(3) Deferred Share Units. For details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular. Prior to August 1<sup>st</sup>, 2008, Dr. Hammick was not permitted to receive DSUs given her status as a non-Canadian resident tax affected non-employee Director.  
(4) On July 30<sup>th</sup>, 2008, the Deferred Share Unit Plan was amended to allow non-Canadian resident tax affected non-employee Directors, such as Dr. Hammick, to be credited DSUs. Therefore, effective August 1<sup>st</sup>, 2008, Dr. Hammick was credited DSUs as part of her compensation package.  
(5) Dr. Hammick has 5 years from her initial election as a Director to meet her minimum shareholding requirement. In 2008, Dr. Hammick began receiving DSUs in an amount sufficient to meet the minimum shareholding requirements for the 5-year period ending in January 2012.



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

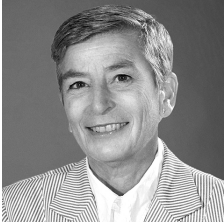
\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

	<p><b>Pierre H. Lessard</b></p> <p>Age: 68 Montréal (Québec), Canada Director since: October 30<sup>th</sup>, 1998 Latest retirement date: May 2012</p> <p><b>Independent</b></p> <p><b><u>Areas of Expertise:</u></b> Financing Accounting Retail business</p>	Mr. Lessard is Executive Chairman of Metro Inc. (food retailer and wholesale distributor of food and pharmaceutical products). Mr. Lessard is also a director of the TD Bank Financial Group, and a trustee of the Montreal Museum of Fine Arts Foundation. Mr. Lessard received a Bachelor of Arts degree in 1961 and a Master's degree in Accounting from Laval University in 1964. In 1967, he obtained a Master's degree in Business Administration from Harvard Business School. Mr. Lessard is a Chartered Accountant and a Fellow of the Quebec Order of Chartered Accountants.				
Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)		Board Memberships During the Last 5 Years		Year
Member of the Board Member of the Governance Committee Member of the Human Resources Committee	7 of 8 3 of 3  5 of 5	15 of 16	93.8%	TD Bank Financial Group <sup>(1)</sup> Metro Inc. Montreal Museum of Fine Arts Foundation		2003-Present 2001-Present
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>						
Year	Common Shares	DSUs <sup>(2)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	37,000	11,087	48,087	\$2,596,217	\$300,000	Yes
2008	37,000	8,997	45,997	\$1,825,621	\$300,000	Yes
2007	37,000	6,359	43,359	\$2,087,302	\$300,000	Yes
<b>Value of Total Compensation Received</b>			(1) Mr. Lessard is a member of the Management Resources Committee. (2) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.			
<b>Year</b>	<b>\$</b>					
2009	\$136,779					
2008	\$135,186					
2007	\$107,084					



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

	<p><b>Edythe (Dee) A. Marcoux</b></p> <p>Age: 61 Gibsons (British Columbia), Canada Director since: October 30<sup>th</sup>, 1998 Latest retirement date: May 2019</p> <p><b>Independent</b></p> <p><b>Areas of Expertise:</b> Mining and metallurgy Energy Environment Safety and sustainability</p>	<p>Mrs. Marcoux is a retired executive from the oil industry and has degrees in engineering and in business. Mrs. Marcoux is a director of OPTI Canada Inc., Sherritt International Corporation (a diversified resource company) and, until February 2007, a member and Vice Chair of the National Roundtable for the Economy and the Environment and a member of the Canada Foundation for Innovation. Until December 31<sup>st</sup>, 2006, she was a director-in-residence of The Directors College (director education) and until 2007, she was a director of Sustainable Development Technology Canada. Within the past 5 years, Mrs. Marcoux has also served as a director of Ensyn Energy Corp., National Bank of Canada and Placer Dome Inc.</p>
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Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)	Board Memberships During the Last 5 Years	Year
Member of the Board Member of the Audit Committee Member of the Governance Committee Chairperson on of the Health, Safety and Environment Committee	8 of 8 4 of 4 3 of 3 4 of 4	19 of 19	100% OPTI Canada Inc. <sup>(1)</sup> Sherritt International Corporation <sup>(2)</sup> Ensyn Energy Corp Sustainable Development Technology Canada National Bank of Canada <sup>(3)</sup> Placer Dome Inc. <sup>(4)</sup>	2008-Present 2006-Present 2005-2006 2001-2007 2000-2004 1997-2006

**\*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)**

Year	Common Shares	DSUs <sup>(5)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	14,500	6,893	21,393	\$1,155,008	\$300,000	Yes
2008	14,500	5,185	19,685	\$781,298	\$300,000	Yes
2007	14,500	3,223	17,723	\$853,185	\$300,000	Yes

Value of Total Compensation Received	
Year	\$
2009	\$152,254
2008	\$152,676
2007	\$117,176

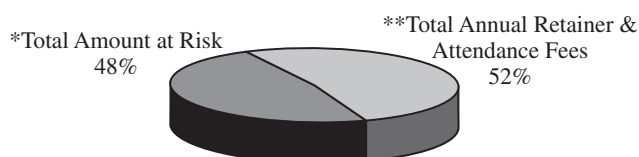
(1) Mrs. Marcoux is a member of the Audit Committee.

(2) Mrs. Marcoux is a member of the Health, Safety and Environment Committee, Chair of the Governance Committee, a member of the Reserves Committee, Technical Committee and Compensation Committee.

(3) Mrs. Marcoux was a member of the Compensation Committee.


(4) Mrs. Marcoux was a member of the Health, Safety and Environment Committee, Audit Committee and Governance Committee.

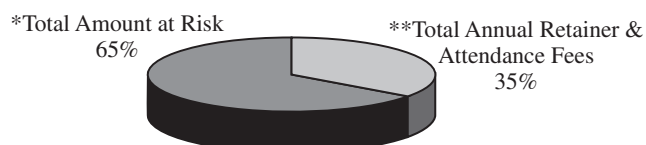
(5) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.


\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

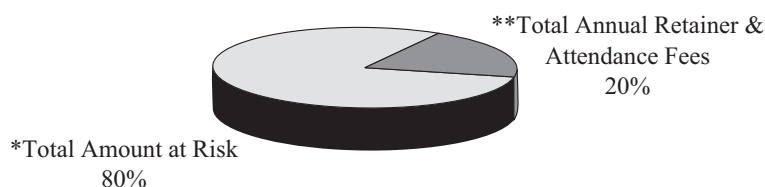
	<p><b>Lorna R. Marsden, CM, Ph.D</b></p> <p>Age: 68 Toronto (Ontario), Canada Director since: May 4<sup>th</sup>, 2006 Latest retirement date: May 2012</p> <p><b>Independent</b></p> <p><b>Areas of Expertise:</b> Education Industrial relations Economic sociology</p>	<p>Dr. Marsden is Professor and President Emerita of York University in Toronto. A former member of the Senate of Canada from 1984 to 1992, and a former President and Vice-Chancellor and Member of the Board of Governors of York University, she is also a former President and Vice-Chancellor of Wilfrid Laurier University in Waterloo. She holds a Bachelor of Arts from the University of Toronto and a PhD from Princeton University. Dr. Marsden is currently a director of Gore Mutual Insurance Company and Manulife Financial Corporation, and previously served as a director of Go Transit and Westcoast Energy Inc. She is also active in various non-profit organizations and sits on the Senior Advisory Panel to the Auditor General of Canada as well as being a Trustee of The Gardiner Museum and a director of Roy-Thomson-Massey Hall Corp. Dr. Marsden holds the Order of Canada, the Order of Ontario, and the Order of Merit (FRG). She was named one of Canada’s 100 Most Powerful Women by the Women’s Executive Network, received the YWCA Woman of Distinction Award (Toronto) in 2003 and has received Honorary Doctorates from the Universities of New Brunswick, Winnipeg, Toronto and Wilfrid Laurier as well as from Queen’s University. She completed the ICD certificate in financial literacy in 2007.</p>				
<b>Board/Committee Membership at the Date Hereof</b>	<b>Attendance</b>	<b>Attendance (Total)</b>		<b>Board Memberships During the Last 5 Years</b>	<b>Year</b>	
Member of the Board Member of the Health, Safety and Environment Committee Member of the Human Resources Committee	7 of 8 3 of 4  4 of 5	14 of 17	82.4%	Roy-Thomson-Massey Hall Corp. Gore Mutual Insurance Company Manulife Financial Corporation <sup>(1)</sup> Go Transit	1996-Present 1995-Present 2007-Present 2006-2009	
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>						
<b>Year</b>	<b>Common Shares</b>	<b>DSUs<sup>(2)</sup></b>	<b>Total Common Shares and DSUs</b>	<b>Total Market Value of Common Shares and DSUs</b>	<b>Minimum Shareholding Requirements</b>	<b>Meets Requirements</b>
2009*	2,000	5,698	7,698	\$415,615	\$300,000	Yes
2008	2,000	3,686	5,686	\$225,677	\$300,000	In process
2007	2,000	1,741	3,741	\$180,092	\$300,000	In process
<b>Value of Total Compensation Received</b>			<p>(1) Dr. Marsden is a member of the Management Resources Committee and the Compensation Committee.</p> <p>(2) Deferred Share Units. For further details on DSUs see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.</p>			
<b>Year</b>	<b>\$</b>					
2009	\$132,074					
2008	\$132,836					
2007	\$104,824					



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

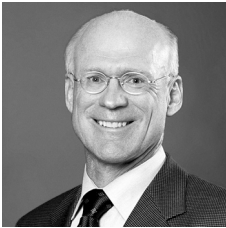
\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

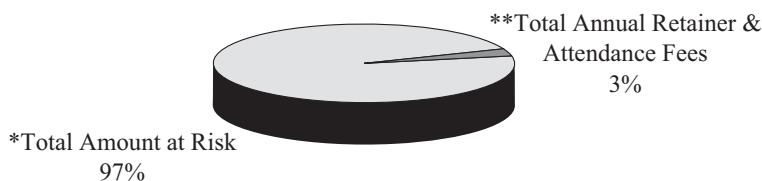
	<p><b>Claude Mongeau</b></p> <p>Age: 48 Montréal (Québec), Canada Director since: August 8<sup>th</sup>, 2003 Latest retirement date: May 2032</p> <p><b>Independent</b></p> <p><b><u>Area of Expertise:</u></b> Financing Accounting, Rail projects and logistics</p>	Mr. Mongeau is President and Chief Executive Officer of Canadian National Railway Company (North American railroad) since January 1 <sup>st</sup> , 2010 and was a director of Nortel Networks until the end of August 2009. In 1988, Mr. Mongeau received an MBA from McGill University. In 1997, he was named one of Canada’s “Top 40 Under 40” by the Financial Post Magazine and, in 2005, he was chosen Canada’s CFO of the Year.				
Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)		Board Memberships During the Last 5 Years	Year	
Member of the Board Chairman of the Audit Committee (until August 7 <sup>th</sup> , 2009) Member of the Audit Committee Member of the Governance Committee	6 of 8 4 of 4  2 of 2	12 of 14	85.7%	Canadian National Railway Company Nortel Networks <sup>(1)</sup>	January 2010-Present 2006-August 2009	
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>						
Year	Common Shares	DSUs <sup>(2)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	15,000	15,651	30,651	\$1,654,847	\$300,000	Yes
2008	15,000	12,855	27,855	\$1,105,565	\$300,000	Yes
2007	15,000	10,174	25,174	\$1,211,876	\$300,000	Yes
<b>Value of Total Compensation Received</b>			(1) Mr. Mongeau was a member of the Audit Committee and the Pension Fund Policy Committee. (2) Deferred Share Units. For further details on DSUs see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.			
<b>Year</b>	<b>\$</b>					
2009	\$148,959					
2008	\$153,774					
2007	\$127,325					



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.


	<p><b>Gwyn Morgan</b></p> <p>Age: 64 North Saanich (British Columbia), Canada Director since: March 4<sup>th</sup>, 2005 Latest date of retirement: May 2016</p> <p><b>Independent</b></p> <p><b><u>Areas of Expertise:</u></b> Oil and gas Finance Governance Energy</p>	<p>A professional engineer, Mr. Morgan was the founding President and Chief Executive Officer of EnCana Corporation (independent oil and gas exploration and production company, formed in the January 2002 merger of Alberta Energy Company Ltd. (AEC) and PanCanadian Energy Corporation). At year-end 2005, he became Executive Vice-Chairman of EnCana Corporation and in October 2006, he retired from its board. Mr. Morgan was President and Chief Executive Officer of Alberta Energy Corp. Inc. (oil and gas exploration and production), which he joined at start-up in 1975 and also served on the Board of Accenture Energy Advisory Board from 2007 to 2008. He currently serves as a director of London-based HSBC Holdings plc, a Trustee of both the Fraser Institute and the Dalai Lama Centre for Peace and Education as well as a director of the Manning Center for Building Democracy. He is Honorary Colonel (ret'd) of 410 Tactical Fighter Squadron of the Canadian Air Force.</p> <p>Mr. Morgan is the recipient of the Canadian Business Leader Award from the University of Alberta and the Ivey Business Leader Award from the University of Western Ontario, the Entrepreneur of the Year Award from the University of Victoria, three honorary Doctorates, and is an inductee to the Alberta Business Hall of Fame. In 2005, he was named Canadian Chief Executive Officer of the Year and Canada's Most Respected Chief Executive Officer as well as Fellow of the Canadian Academy of Engineering (FCAE).</p>				
<b>Board/Committee Membership at the Date Hereof</b>	<b>Attendance</b>	<b>Attendance (Total)</b>		<b>Board Memberships During the Last 5 Years</b>	<b>Year</b>	
Chairman of the Board Chairman of the Governance Committee	8 of 8 3 of 3	11 of 11	100%	Manning Center for Building Democracy HSBC Holdings plc <sup>(1)</sup> Accenture Energy Advisory Board Alcan Inc. <sup>(2)</sup> EnCana Corporation HSBC Bank Canada Inc. <sup>(3)</sup>	2007-Present 2006-Present 2007-2008 2005-2006 2002-2006 1995-2006	
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>						
<b>Year</b>	<b>Common Shares</b>	<b>DSUs<sup>(4)</sup></b>	<b>Total Common Shares and DSUs</b>	<b>Total Market Value of Common Shares and DSUs</b>	<b>Minimum Shareholding Requirements</b>	<b>Meets Requirements</b>
2009*	31,000	20,580	51,580	\$2,784,804	\$1,200,000	Yes
2008	31,000	13,745	44,745	\$1,775,929	\$1,200,000	Yes
2007	31,000	7,142	38,142	\$1,836,156	\$1,200,000	Yes
<b>Value of Total Compensation Received</b>			<p>(1) Mr. Morgan is a member of the Remuneration Committee.</p> <p>(2) Mr. Morgan was a member of the Human Resources Committee and Governance Committee.</p> <p>(3) Mr. Morgan was Lead Independent Director and a member of the Remuneration Committee.</p> <p>(4) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.</p>			
<b>Year</b>	<b>\$</b>					
2009	\$298,199					
2008	\$294,953					
2007	\$225,299					



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.



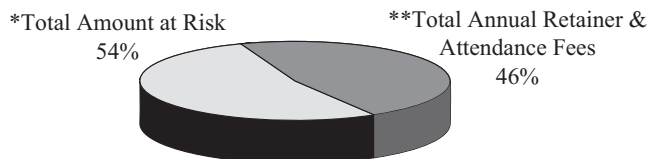
	<b>Hon. Hugh D. Segal, CM</b> Age: 59 Kingston (Ontario), Canada Director since: August 6 <sup>th</sup> , 1999 Latest retirement date: May 2021	The Hon. Hugh D. Segal is a Canadian Senator. He is a Director of the Energy Savings Income Fund (now known as Just Energy Income Fund), St. Lawrence Cement Group Inc. (now known under the name Holcim Canada Inc.), and Sun Life Financial and is Chairman of the Board of the Walter and Duncan Gordon Foundation and a Member of the Atlantic Council and the Canadian Defence Foreign Affairs Institute. Since 2008, he also serves on the Board of Limestone Human Capital, a private holding company. Internationally, Mr. Segal is a Council Member of the International Institute of Strategic Studies (IISS) in the UK, the Institute for Democratic and Electoral Assistance (IDEA) in Stockholm, and a Canadian Parliamentary Member of the Trilateral Commission.		
	<b>Independent</b> <b>Areas of Expertise:</b> Social, economic and foreign policy Public administration	The Hon. Hugh D. Segal was the recipient of the Order of Canada in 2003. In 2004 he was presented with an Honorary Doctorate from the Royal Military College and received the title of Honorary Captain from the Canadian Navy in 2005. The Hon. Hugh D. Segal received his Bachelor of Arts degree in 1972 from the University of Ottawa. In 1993 he was named Senior Fellow at the School of Policy Studies, Queen's University. He is also a Professor of public policy at Queen's School of Business. Within the past 5 years, he has also served as a director of Vincor International Inc. (premium wines) and of CPI Plastics Group Ltd., and Gluskin Sheff and Associates.		

Board/Committee Membership at the Date Hereof	Attendance	Attendance (Total)		Board Memberships During the Last 5 Years	Year
Member of the Board Member of the Health, Safety and Environment Committee Member of the Human Resources Committee	7 of 8 4 of 4  5 of 5	16 of 17	94.1%	Sun Life Financial <sup>(1)</sup> Limestone Human Capital Canadian Defence and Foreign Affairs Institute Just Energy Income Fund <sup>(2)</sup> Holcim Canada Inc. <sup>(3)</sup> Walter and Duncan Gordon Foundation <sup>(4)</sup> Gluskin Sheff & Associates Inc. <sup>(5)</sup> CPI Plastics Group Ltd. <sup>(6)</sup> Vincor International Inc. <sup>(7)</sup>	2009-Present 2009-Present 2009-Present 2001-Present 2001-Present 2000-Present 2006-2009 2001-2007 1994-2006


**\*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)**

Year	Common Shares	DSUs <sup>(8)</sup>	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Shareholding Requirements	Meets Requirements
2009*	6,093	4,798	10,891	\$588,005	\$300,000	Yes
2008	9,183	3,120	12,303	\$488,306	\$300,000	Yes
2007	9,333	1,497	10,830	\$521,356	\$300,000	Yes

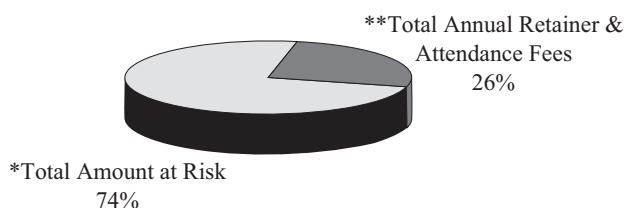
Value of Total Compensation Received		(1) Mr. Segal is a member of the Governance and Conduct Review and Investment and Oversight Committees. (2) Mr. Segal is a member of the Audit, Risk and Corporate Governance Committees. (3) Mr. Segal is a member of the Audit and Compensation Committees. (4) Mr. Segal is the Chairman and a Trustee. (5) Mr. Segal was a member of the Compensation, Nominating and Governance Committees. (6) Mr. Segal was a member of the Compensation, Governance and Audit Committees. (7) Mr. Segal was a member of the Compensation and Governance Committees. (8) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.
Year	\$	
2009	\$132,007	
2008	\$132,657	
2007	\$106,307	



- \* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.
- \*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

	<p><b>Lawrence N. Stevenson</b></p> <p>Age: 53 Toronto (Ontario), Canada Director since: August 6<sup>th</sup>, 1999 Latest date for retirement: May 2027</p> <p><b>Independent</b></p> <p><b><u>Areas of Expertise:</u></b> Governance Retail business Consulting and private equity</p>	<p>Mr. Stevenson is the Managing Director of Callisto Capital, a private equity firm based in Toronto. He served as Chief Executive and director of Pep Boys Inc. (automotive aftermarket retail and service) from May 2003 until July 2006. Mr. Stevenson holds an undergraduate degree (Honours) from the Royal Military College in Kingston (Ontario) and a Master's degree in business administration from Harvard Business School. Mr. Stevenson is currently a director of CAE Inc. (flight simulators and training). He also served as President of Pathfinder Capital Inc. (investment management) and as a director of Sobeys Inc. (national grocery retailer and food distributor). Mr. Stevenson has also sat on the boards of not-for-profit organizations such as the Bishop Strachan School, Frontier College and The Shaw Festival.</p> <p>He was named Innovative Retailer of the Year by the Retail Council of Canada in 2000, Ontario Entrepreneur of the Year in 1998, one of Canada's "Top 40 Under 40" in 1995 and was elected Chairman of the Retail Council of Canada in 1999 and 2000.</p>				
<b>Board/Committee Membership at the Date Hereof</b>	<b>Attendance</b>	<b>Attendance (Total)</b>		<b>Board Memberships During the Last 5 Years</b>	<b>Year</b>	
Member of the Board	8 of 8	20 of 20	100%	CAE Inc. <sup>(1)</sup> Pep Boys Inc. Sobeys Inc. <sup>(2)</sup>	1998-Present	
Member of the Audit Committee	4 of 4				2003-2006	
Member of the Governance Committee	3 of 3				1999-2004	
Chairman of the Human Resources Committee	5 of 5					
<b>*Securities Held as at December 31<sup>st</sup>, 2009 (at a Market Value of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009)</b>						
<b>Year</b>	<b>Common Shares</b>	<b>DSUs<sup>(3)</sup></b>	<b>Total Common Shares and DSUs</b>	<b>Total Market Value of Common Shares and DSUs</b>	<b>Minimum Shareholding Requirements</b>	<b>Meets Requirements</b>
2009*	30,750	7,147	37,897	\$2,046,059	\$300,000	Yes
2008	30,750	4,473	35,223	\$1,398,001	\$300,000	Yes
2007	30,750	1,885	32,635	\$1,571,049	\$300,000	Yes
<b>Value of Total Compensation Received</b>			<p>(1) Mr. Stevenson is Chairman and member of the Human Resources Committee.</p> <p>(2) Mr. Stevenson was a member of the Human Resources Committee.</p> <p>(3) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.</p>			
<b>Year</b>	<b>\$</b>					
2009	\$153,372					
2008	\$152,155					
2007	\$123,289					

- (1) Mr. Stevenson is Chairman and member of the Human Resources Committee.  
(2) Mr. Stevenson was a member of the Human Resources Committee.  
(3) Deferred Share Units. For further details on DSUs see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular.



\* At risk compensation refers to the total amount of DSUs credited for the year. For details see section 5.2.2 "DSUs Credited" of this Management Proxy Circular.

\*\* For details see section 5.4 "Total Directors' Compensation Detailed Review" of this Management Proxy Circular.

All of the above-named nominees, except for Mr. Claude Mongeau, who is now President and Chief Executive Officer of Canadian National Railway Company, Mr. Lawrence N. Stevenson, who has been Managing Director of Callisto Capital since January 2007 and who was Chief Executive Officer of Pep Boys Inc. from 2003 until 2006, the Hon. Hugh D. Segal who became a member of the Senate of Canada in 2005, Dr. Lorna R. Marsden who was President and Vice-Chancellor of York University until 2007, Mr. Pierre H. Lessard who was President and Chief Executive Officer and a director of Metro Inc. until April 14<sup>th</sup>, 2008, Mr. Gwyn Morgan who retired as Vice-Chairman of EnCana Corporation in 2006 and Mr. Ian A. Bourne who retired as President and director of TransAlta Power LP in 2006, have held their present position or other executive positions with the same or associated firms or organizations during the past 5 years, or were elected to their present term of office by a vote of the shareholders of the relevant firm or organization at a meeting, the notice of which was accompanied by a management proxy circular.

To the knowledge of the Corporation, in the last ten years, none of the above-named nominees is or has been a director or officer of any other issuer that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

- (i) Mr. Claude Mongeau, a Director of the Corporation, who became a director of Nortel Networks Corporation (“**NNC**”) and Nortel Networks Limited (“**NNL**”) on June 29<sup>th</sup>, 2006 and resigned at the end of August 2009. On January 14<sup>th</sup>, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the CCAA in Canada. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa (“**EMEA**”) subsidiaries made consequential filings in Europe and the Middle East. These proceedings are ongoing. Mr. Mongeau resigned as a director of NNC and NNL effective end of August, 2009.

Mr. Mongeau was also acting as a director of 360networks Corporation (“**360networks**”) prior to the latter filing for creditor protection on June 28<sup>th</sup>, 2001. 360networks underwent restructuring in 2002 and sold its Canadian assets to Bell Canada in November 2004. Mr. Mongeau resigned as a director of 360networks with effect as of June 28<sup>th</sup>, 2001.

- (ii) Mr. Pierre H. Lessard, a Director of the Corporation, who was acting as a director of CINAR Corporation (“**CINAR**”) in March 2000 when CINAR’s shares were suspended for more than 30 consecutive days from trading on the Toronto Stock Exchange (“**TSX**”) and on the NASDAQ National Market (“**NASDAQ**”). Due to CINAR’s inability to meet continued listing requirements, its shares were delisted from the TSX as at the close of business on August 30<sup>th</sup>, 2001 and from the NASDAQ effective on August 2<sup>nd</sup>, 2000. Mr. Lessard resigned as a director of CINAR with effect as of April 29<sup>th</sup>, 2002.
- (iii) Mrs. Edythe (Dee) A. Marcoux, a Director of the Corporation, who was acting as a director of Southern Pacific Petroleum NL (“**SPP**”) when SPP’s securities were suspended from quotation on the Australian Stock Exchange prior to the commencement of trading on November 25<sup>th</sup>, 2003 for a period of more than 30 consecutive days, and in respect of which receivers were appointed on December 2<sup>nd</sup>, 2003. SPP’s securities are not currently being traded. Mrs. Marcoux resigned as a director of SPP with effect from 12 noon on December 5<sup>th</sup>, 2003.

Furthermore, to the knowledge of the Corporation, in the last ten years, no Director or officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his/her assets.

### 3.2 Director Independence<sup>(1)</sup>

As a Canadian corporation listed on the TSX, the Corporation is subject to various guidelines, requirements and disclosure rules governing the independence of the members of its Board and Board Committees, including the independence requirements of the *Canada Business Corporations Act* and the governance guidelines and audit committee rules adopted by the CSA. Each of the following nominees meets the legislative and regulatory standards governing independence, with the exception of Mr. Pierre Duhaime, who is the President and Chief Executive Officer of the Corporation<sup>(2)</sup>.

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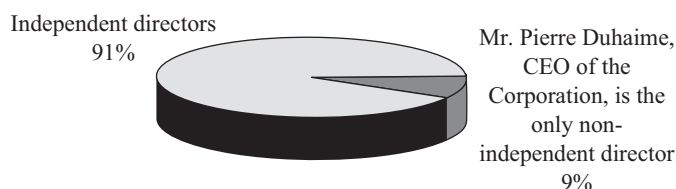
(1) NI 58-101, Form 58-101F1 section 1(a), (b) and (c).

(2) NI 58-101, Form 58-101F1 section 1(a).

The information that follows indicates the status of each Director in terms of independence.

Directors	Independent	Not Independent	Reason for non-independence
Ian A. Bourne	✓		
Pierre Duhaime		✓	Mr. Duhaime is the President and Chief Executive Officer of the Corporation.
David Goldman	✓		
Patricia A. Hammick	✓		
Pierre H. Lessard	✓		
Edythe (Dee) A. Marcoux	✓		
Lorna R. Marsden	✓		
Claude Mongeau	✓		
Gwyn Morgan	✓		
Hon. Hugh D. Segal	✓		
Lawrence N. Stevenson	✓		
Jean-Paul Vettier	✓		

Based on information regarding personal and business circumstances provided in a comprehensive questionnaire completed annually by each of the Corporation's Directors, the Corporation's Board is satisfied that ten of its eleven current members representing the following percentage of all Board members "independent" within the meaning of the Regulatory Independence Requirements<sup>(3)</sup>.



### 3.3 Board Organization, Structure and Composition

#### 3.3.1 Organization

The Board has five regularly scheduled meetings each year and there is normally a day of offsite meetings to consider and approve the Corporation's strategy for the next five years. In addition to the regularly scheduled Board meetings, special Board meetings are also held when deemed necessary.

Board and Board Committees'<sup>(4)</sup> meetings are scheduled three years in advance. The Board Committees meet approximately four times a year. In addition to the members of the Board and Board Committees, there are a number of regular attendees from management at each of the Board and Board Committees' meetings.

The Board and the Board Committees have a one-year rolling plan of items for discussion, known as the "forward agendas". These plans are reviewed and adapted annually to ensure that all of the matters reserved to the Board and the Board Committees, as well as other key issues, are discussed at the appropriate time.

The Chairman of the Board and the Vice-President and Corporate Secretary work together to make sure that the information communicated to the Board and the Board Committees is accurate, timely and clear. This applies in advance of regular, scheduled meetings and, in exceptional circumstances, between these meetings. Directors also have access through a secured intranet site to electronic versions of all corporate governance documentation set out in the Corporate Governance Handbook.

(3) NI 58-101, Form 58-101F1 section 1(b) and (c).

(4) For a description of Board Committees see section 3.3.2 "Structure" of this Management Proxy Circular.

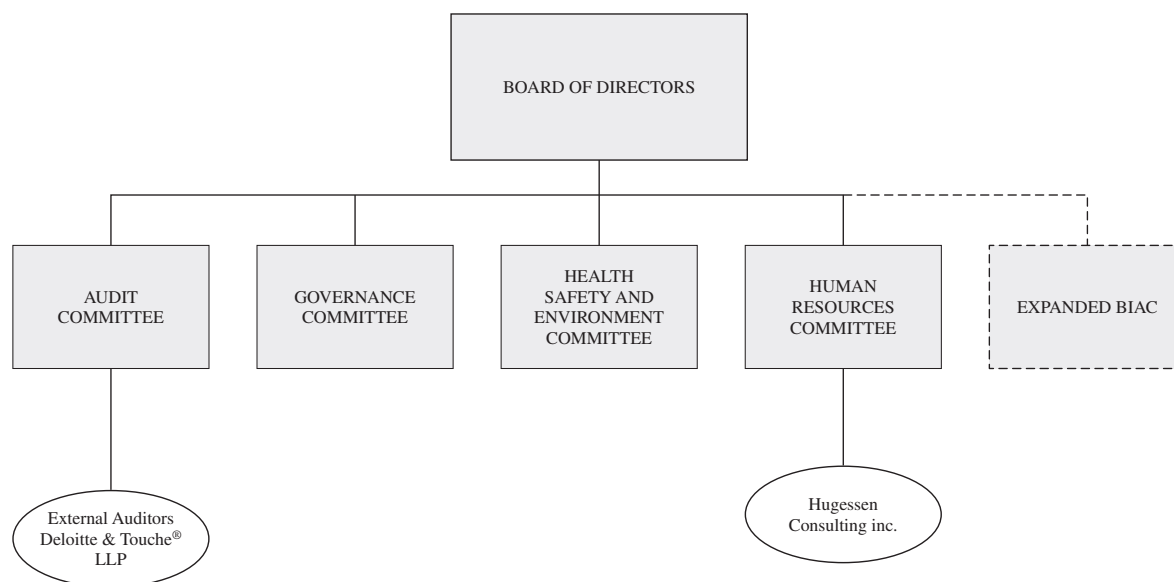
The services of the Vice-President and Corporate Secretary and his team are available to all Directors. Each Board Committee also receives support from management related to its specific Committee’s mandate. The Board Committees may also seek independent professional advice to assist them in their duties, at the Corporation’s expense<sup>(5)</sup>.

Typically at each meeting, the President and Chief Executive Officer reports to the Board on bid, investment and acquisition activities since the last meeting and members of the Office of the President (the Corporation’s Executive Vice-Presidents) provide a status report on major corporate and business matters under their responsibilities. The Board also reviews reports from each of the Board Committees and may also receive reports from the Vice-President and Corporate Secretary on any relevant corporate governance or compliance matters.

### 3.3.2 Structure

Under its Board Committees policy, the Board may establish and seek the advice and delegate responsibilities to Committees of the Board. As of December 31<sup>st</sup>, 2009, there are four Board Committees in place and a standing committee which, given the size of a particular investment/acquisition or divestiture, is a joint Board/management committee, known as the Expanded Bid and Investment Approval Committee (“**Expanded BIAC**”)<sup>(6)</sup>.

The following table outlines the Board Committees and the Board standing committee and when relevant, the external advisors that assist them in their respective mandates.



The Board Committees undertake detailed examinations of specific aspects of the Corporation as outlined in their terms of reference. They provide a smaller, more intimate forum than the Board meetings and are designed to be more conducive to exhaustive and forthright discussion.

The Board Committees analyze in depth policies, strategies and associated risks which are developed and presented by management. They examine alternatives and where appropriate make recommendations to the Board.

The Board Committees do not take actions or make decisions on behalf of the Board unless specifically mandated to do so<sup>(7)</sup>.

(5) Additional information on the Corporation’s governance practices can be found on the Corporation’s Website ([www.snclavalin.com](http://www.snclavalin.com)), under “About Us”/ “Corporate Governance”.

(6) For details of the composition of the Expanded BIAC see section 3.3.5.5 “Composition — Expanded BIAC” of this Management Proxy Circular.

(7) At this time only the Expanded BIAC, a standing committee of the Board, is specifically mandated to take actions and make decisions on behalf of the Board, up to its limit of authority.

### 3.3.3 Composition

Based on its Articles, the Board of Directors shall consist of a minimum number of 8 and a maximum number of 20 Directors.

This year the Board of Directors commenced a renewal process to nominate a candidate to replace Mr. Vettier who resigned from the Board on August 7<sup>th</sup>, 2009. The Governance Committee, in actively managing the renewal process, considered this an opportune time to engage in a complete review of the Director selection criteria to identify the ideal size and competencies that should be represented on a board of directors of a major global engineering services organization such as the Corporation. To ensure the required level of financial literacy of the Board's members and maintain other critical competencies, the Board considered a number of highly qualified candidates to fill the vacancy created by Mr. Vettier's departure.

Due to the increased complexity of the Corporation's business and the current market, the Board of Directors also renewed its selection criteria for Director nominees. Therefore, in addition to having the basic characteristics of integrity, good judgement, financial knowledge, and sufficient time to devote to the Board, the Governance Committee considers that new nominees should have experience in risk management.

Following an extensive succession planning process, the Board selected Mr. Ian A. Bourne<sup>(8)</sup> as its new nominee. His many years of experience as a Chief Financial Officer and as President of TransAlta Corporation have enhanced the Board's competencies and skills in particular in finance and risk management. The Board is also satisfied that Mr. Bourne meets the independence criteria and that he has sufficient time and availability to devote to his duties as a Board member.

Mr. Bourne was appointed to the Board on November 5<sup>th</sup>, 2009. Given the fact that Mr. Vettier was also the sole European Board member, the Board is presently reviewing and updating its evergreen list<sup>(9)</sup> of candidates to assist in its search for a suitable European candidate to join the Board.

### 3.3.4 Board Committees' Composition

The composition of the Board Committees presently in place is listed below. The Board of Directors does not have an executive committee. The report of the Board and the reports of all four Board Committees are included in section 7 "Board of Directors' and Board Committees' Reports" of this Management Proxy Circular.

As at March 8<sup>th</sup>, 2010, the Board of Directors has eleven members and membership of the Board Committees is as follows:

#### **Audit Committee**

I.A. Bourne	E.A. Marcoux
D. Goldman (Chairman)	C. Mongeau
P.A. Hammick	L.N. Stevenson

#### **Health, Safety and Environment Committee**

I.A. Bourne	L.R. Marsden
P.A. Hammick	H.D. Segal
E.A. Marcoux (Chairperson)	

#### **Governance Committee**

D. Goldman	G. Morgan (Chairman)
P.H. Lessard	L.N. Stevenson
E.A. Marcoux	

#### **Human Resources Committee**

D. Goldman	H.D. Segal
P.H. Lessard	L.N. Stevenson (Chairman)
L.R. Marsden	

### 3.3.5 Bid and Investment Approval Committee ("BIAC") and Expanded BIAC

The BIAC was created by the Board as a management committee in 1997 in the context of the set of policies and procedures implemented to ensure that risks associated with bids/proposals and investments/acquisitions and divestitures were identified, analyzed, mitigated and adequately addressed (in terms of contractual or other legal documentation, organizational considerations, insurance and appropriate costs provisions).

The BIAC's role is twofold, it reviews:

- bids/proposals that have been previously approved by the Risk Evaluation Committee ("REC"), a management committee; and
- investments/acquisitions and divestitures within its level of authority.

(8) For the details of Mr. Bourne's expertise and experience see section 3.1 "Board Nominees: Background Summary Information" of this Management Proxy Circular.

(9) For further details see section 6.1 "Director Selection" of this Management Proxy Circular.



The Expanded BIAC, which is a standing committee of the Board composed of both management and Directors, stems from the BIAC. Its role is limited to reviewing and approving investments/acquisitions and divestitures within its level of authority.<sup>(10)</sup>

### 3.3.5.1 Composition — Bids/Proposals

The composition of the BIAC differs depending on whether it is reviewing bids/proposals or investments/acquisitions and divestitures.

The following table outlines the BIAC composition for reviewing bids/proposals:

BIAC COMPOSITION — BIDS/PROPOSALS	
COMMITTEE MEMBERS	
President and Chief Executive Officer (acting Chairman of the Committee)	Pierre Duhaime
Executive Vice-President and Chief Financial Officer	Gilles Laramée
Member of the Office of the President <sup>(11)</sup>	Executive Vice-President
SUBMITTED BY	
Member of the Office of the President responsible for the bid/proposal.	
Chairman of the REC or his/her delegate for a bid/proposal that has been approved by the REC.	

### 3.3.5.2 Levels of Authority — Bids/Proposals

The following outlines the levels of authority for the BIAC and the Board in the case of bids/proposals<sup>(12)</sup>.

#### BIAC

- The submission of bids/proposals for projects equal to or greater than **\$50 million** must be previously approved by the REC and approved by the BIAC.
- The submission of bids/proposals for projects identified as “high risk”<sup>(13)</sup> must be previously approved by the REC and approved by the BIAC.

(10) See section 3.3.5.4 of this Management Proxy Circular for the details of the Expanded BIAC’s level of authority.

(11) This individual must be a member of the Office of the President who is not responsible for the business unit making the proposal.

(12) The risks associated with bids/proposals which are below these thresholds are reviewed by the REC, which is responsible for analyzing and recommending to senior management a course of action in respect of the bids/proposals under consideration.

(13) Bids/proposals are considered “high risk” where any of the following criteria exists:

- the bid/proposal is on a “build, own and operate” project;
- the bid/proposal is on a “build, own, operate and transfer” project; or
- a business unit considers the bid/proposal to be a “high risk” project for any reason including but not limited to:
  - unusual potential liabilities exist;
  - concern exists as to the client’s or partner’s financial solidity;
  - concern exists as to the performance of partners, subcontractors or suppliers;
  - labor availability and qualifications are not well known;
  - the inflation rate in the country exceeds ten percent (10%) per annum;
  - the schedule for project execution exceeds three (3) years or is considered difficult to achieve;
  - any member of the Office of the President considers it to be a “high risk” bid/proposal; and
  - unusual risk.

## Board of Directors<sup>(14)</sup>

- If, in the opinion of the BIAC, a project involves “unusual risk”<sup>(15)</sup>, it will be reviewed by the REC as well as by the BIAC and approved by the Board.

### 3.3.5.3 Composition — Investments/Acquisitions and Divestitures

The following table outlines the BIAC composition for investments/acquisitions and divestitures:

BIAC COMPOSITION — INVESTMENTS/ACQUISITIONS AND DIVESTITURES	
COMMITTEE MEMBERS	
President and Chief Executive Officer (acting Chairman of the Committee)	Pierre Duhaime
Executive Vice-President and Chief Financial Officer	Gilles Laramée
Member of the Office of the President <sup>(16)</sup>	Executive Vice-President
SUBMITTED BY	
Member of the Office of the President responsible for the investment/acquisition or divestiture.	
The Chairman of the REC is not involved in the submission of an investment/acquisition or divestiture.	

### 3.3.5.4 Levels of Authority-Investments/Acquisitions and Divestitures

Depending on the nature and size of a proposed investment/acquisition or divestiture, it will either be referred to the BIAC, the Expanded BIAC or the Board of Directors<sup>(17)</sup>. The following outlines these levels of authority:

#### BIAC

- Any investment/acquisition or divestiture of companies up to an amount of **\$50 million** and where the number of full time employees is less than 500 must be approved by the BIAC.

#### Expanded BIAC

- Any investment/acquisition or divestiture of companies between **\$50 million** up to **\$200 million**, or if the number of full time employees is between 500 and 1,000, irrespective of the amount of investment or divestiture, must be approved by the Expanded BIAC<sup>(18)</sup>.

#### Board of Directors

- For any investment/acquisition or divestiture over **\$200 million** or if the number of full time employees is higher than 1,000, irrespective of the amount of investment or divestiture, the approval of the Board of Directors is required.

(14) Note that the President and Chief Executive Officer reports to the Board of Directors at each regularly scheduled Board meeting on the material developments at meetings of the BIAC and Expanded BIAC held since the last regularly scheduled meeting of the Board.

(15) Projects considered as involving “unusual risk” include any of the following: substantial negative cash flow; unusual political risk; unknown or unproven technology; or onerous or extraordinary performance guarantees.

(16) This individual must be a member of the Office of the President who is not responsible for the business unit proposing the investment/acquisition or divestiture.

(17) Note that the President and Chief Executive Officer reports to the Board of Directors at each regularly scheduled Board meeting on the material developments at meetings of the BIAC and Expanded BIAC held since the last regularly scheduled meeting of the Board.

(18) For more details on the Composition of the Expanded BIAC, see section 3.3.5.5 of this Management Proxy Circular.

### 3.3.5.5 Composition — Expanded BIAC

The Expanded BIAC's composition when reviewing investments/acquisitions or divestitures is as follows:

EXPANDED BIAC COMPOSITION	
Chairman of the Board <sup>(19)</sup>	Gwyn Morgan
Chairman of the Audit Committee <sup>(19)</sup>	David Goldman
President and Chief Executive Officer (acting Chairman of the Committee)	Pierre Duhaime
Executive Vice-President and Chief Financial Officer	Gilles Laramée
Member of the Office of the President <sup>(20)</sup>	Executive Vice-President
PROPOSAL SUBMITTED BY	
Member of the Office of the President responsible for the proposed investment/acquisition or divestiture.	

### 3.3.6 Changes to the Board's and the Board Committees' Composition

This year, the Board made changes to its composition as well as to the composition of certain Board Committees. The following table outlines these changes.

Changes to the Board and Board Committees 2009					
Board/Board Committee	Director	Date	Change		
			Position	Elected/ Appointed	Resigned/ Retired
<b>Board</b>	Pierre Duhaime	May 7 <sup>th</sup> , 2009	Director	✓	
	Jacques Lamarre	May 7 <sup>th</sup> , 2009	Director		✓
	Jean-Paul Vettier	August 7 <sup>th</sup> , 2009	Director		✓
	Ian A. Bourne	November 5 <sup>th</sup> , 2009	Director	✓	
<b>Audit Committee</b>	Claude Mongeau	August 7 <sup>th</sup> , 2009	Chairman		✓ <sup>(21)</sup>
	David Goldman	August 7 <sup>th</sup> , 2009	Chairman	✓	
	Jean-Paul Vettier	August 7 <sup>th</sup> , 2009	Member		✓
	Ian A. Bourne	November 5 <sup>th</sup> , 2009	Member	✓	
<b>Health, Safety and Environment Committee</b>	Jean-Paul Vettier	August 7 <sup>th</sup> , 2009	Member		✓
	Ian A. Bourne	November 5 <sup>th</sup> , 2009	Member	✓	
<b>Governance Committee</b>	Claude Mongeau	August 7 <sup>th</sup> , 2009	Member		✓
	David Goldman	August 7 <sup>th</sup> , 2009	Member	✓	

(19) In the event that the:

- Chairman of the Board; and/or
- Chairman of the Audit Committee

is unavailable to attend the Expanded BIAC meeting, he must be replaced by the Chairman of one of the other Board Committees. In the event that the Chairman of another Board Committee is not available, he/she shall be replaced by another Director selected by the Chairman of the Board.

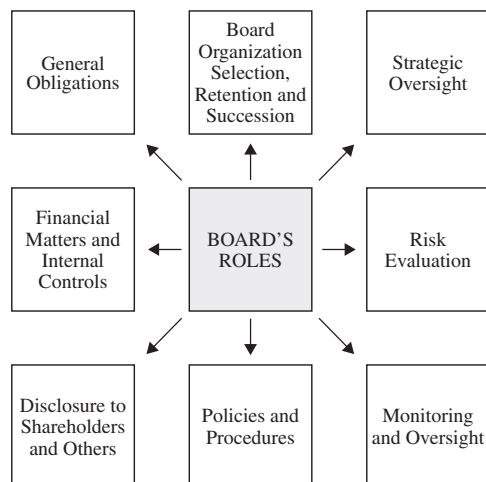
(20) This individual must be a member of the Office of the President who is not responsible for the business unit making the proposal.

(21) Mr. Mongeau remains a member of the Audit Committee.

### 3.4 Board Role and Mandate<sup>(22)</sup>

In general, the Board is responsible for managing the Corporation on behalf of its shareholders and each Director must act in a way that he or she considers promotes the long-term success of the Corporation for the benefit of the shareholders as a whole. The Board must also strive to make all decisions in the Corporation's best interest.

The Board's mandate<sup>(23)</sup> lists specific duties and key responsibilities of the Board of Directors as outlined in the following diagram:<sup>(24)</sup>



#### 3.4.1 General Obligations

The Board of Directors is responsible for overseeing management and the business affairs of the Corporation. Its goal is to ensure the Corporation continues as a successful business, optimizing its financial returns in light of its business risks and increasing the Corporation's value over time. It considers the interests of shareholders, debt holders, employees, suppliers, customers, communities where it operates, the environment, governments and regulators as well as the general public in making these decisions and promotes the respect of the Corporation's "WE CARE" value statement. It must uphold the desire of the Corporation to maintain a reputation for high standards of business conduct and to act fairly as between the shareholders and the Corporation and in accordance with applicable corporate, securities, environmental and other relevant legislation and the Corporation's Articles and By-Laws.

The Board fulfills its duties by acting honestly and in good faith with a view to the best interest of the Corporation and by making decisions that set the tone, character and strategic direction for the Corporation. It approves the values and key policies developed by management and ensures that the President and Chief Executive Officer and senior management carry out their responsibilities. The Board monitors management's effectiveness on a regular basis, including its leadership, recommendations, decisions and execution of its strategies.

(22) NI 58-101, form 58-101F1, section 1 "Board of Directors" as well as section 2 "Board Mandate".

(23) The Board's mandate is set out in Schedule "A" to this Management Proxy Circular. A copy is also posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance". A paper copy may also be obtained on request from the Vice-President and Corporate Secretary.

(24) The Board is also responsible for approving large acquisitions, investments and divestitures as well as bids/proposals which are considered unusual risks. For details on these responsibilities see section 3.3.5 "Bid and Investment Approval Committee ("BIAC") and Expanded BIAC" of this Management Proxy Circular.

The Board has certain powers set out in a formal schedule of matters exclusively reserved for the Board. The following is a summary of these matters:

MATTERS RESERVED EXCLUSIVELY FOR THE BOARD	
➤	Any submission to the shareholders of a question or matter requiring the approval of the shareholders
➤	The filling of a vacancy among the Directors
➤	The manner and the terms of the issuance of securities
➤	The declaration of dividends
➤	The purchase, redemption or any other form of acquisition of shares issued by the Corporation
➤	The approval of a management proxy circular
➤	The approval of any take-over bid circular or Directors' circular
➤	The approval of the annual financial statements of the Corporation
➤	The adoption, amendment or repeal of By-Laws of the Corporation

These are matters that are prescribed by law or significant to the Corporation as a whole because of their strategic, financial or reputational implications or consequences. All matters to be dealt with by the Board are reviewed and updated regularly to ensure they remain appropriate.

### **3.4.2 Board Organization, Selection, Retention and Succession**

Subject to the Articles and By-Laws of the Corporation, the Board manages its own affairs, including planning its composition, selecting its Chairman, who shall not be the Chief Executive Officer, nominating candidates for election to the Board, appointing the members of its Committees, establishing the terms of reference and duties of its Committees, determining Board compensation and assessing the performance of the Board, Board Committees, Chairman of the Board and individual Directors.

The Board has responsibility for the appointment and replacement of the President and Chief Executive Officer, for monitoring the President and Chief Executive Officer's performance and for determining the President and Chief Executive Officer's compensation. It also has the responsibility for approving the appointment and, upon recommendation of the Human Resources Committee and upon the advice of the President and Chief Executive Officer, the remuneration of all the corporate officers, as well as for ensuring that adequate provision has been made for management succession.

The Board also provides an orientation and induction program for new Directors and encourages and provides opportunities for all Directors to continually update their skills as well as their knowledge of the Corporation, its business and its senior management.<sup>(25)</sup>

### **3.4.3 Strategic Oversight**

The Board participates directly or through its Committees in developing and approving the mission of the Corporation's business, its objectives and goals and the strategy for their achievement.

Management is responsible for developing the strategic plan, which it presents to the Board each year for approval. There is normally a day of offsite meetings to discuss the strategic plan and other strategic issues such as corporate opportunities and the main risks facing the Corporation's business and to consider and approve the Corporation's strategy for the next five years. Strategy is also reviewed at regularly scheduled Board meetings and management presents any important changes to strategy to the Board as the need arises throughout the year.

The Board has the responsibility to constructively challenge and develop the proposals on strategy made by management while scrutinizing the performance of management in meeting the Corporation's strategic objectives. Following appropriate challenge, debate and review, and after having benchmarked the Corporation's performance against that of its competitors, the Board expects to reach clear decisions and to provide a framework of support to the top executives in their strategic management of the Corporation's business.

(25) For complete details on this program see section 6.4 "Ongoing Director Education" of this Management Proxy Circular

### **3.4.4 Risk Evaluation**

Risk management is a fundamental part of the Corporation's business activity and an essential component of its planning process. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

The general responsibility of the Board in this area is to provide entrepreneurial leadership to the Corporation, within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board has collective responsibility for the success of the Corporation and for bringing independent judgement and scrutiny to decisions taken by management. Board members must satisfy themselves of the integrity of financial information and that controls and systems of risk management are robust. The Board ensures that the Corporation has the functional capacity to manage the risk in new and existing businesses. At a strategic level, the risk management objectives are:

- To identify the Corporation's material risks and ensure that projects including investments (acquisitions) and business plans are consistent with risk appetite;
- To optimize risk/return decisions while establishing strong and independent review and challenge structures;
- To ensure that business growth plans are properly supported by effective risk infrastructure;
- To manage risk profiles to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- To help executives improve the control and co-ordination of risk taking across the business.

Fundamental to the delivery of the Board's risk management oversight objectives are a series of risk methodologies elaborated by management that allow it to measure, model, price, stress, aggregate, report, control and mitigate the risks that arise from its activities. This framework enables the Board and the Corporation to:

- Improve risk management and return characteristics across the business;
- Meet growth targets within an overall risk appetite and protect the Corporation's performance;
- Improve management confidence and debate regarding risk;
- Improve executive management control and co-ordination of risk-taking across businesses; and
- Identify unused risk capacity, and thus highlight profitable opportunities.

### **3.4.5 Monitoring and Oversight**

The Board has the responsibility to monitor the Corporation's progress towards its goals, and to revise and alter its direction in light of changing circumstances. The Board reviews recent developments, if any, that impact upon the Corporation's strategy. The Board, as part of its annual strategic planning process, conducts a review of human, technological and capital resources required to implement the Corporation's strategy and of the regulatory, cultural or governmental constraints on the Corporation's business.

The Board has the responsibility to monitor, provide advice and counsel the President and Chief Executive Officer, and to take action when performance falls short of goals or other special circumstances warrant.

The Board also monitors the general application of the corporate governance practices described in the Corporate Governance Handbook.

### **3.4.6 Policies and Procedures**

The Board has the responsibility to approve and review compliance with all significant mandates, policies and procedures by which the Corporation is operated, including the Environmental Policy and Occupational Health and Safety Policy<sup>(26)</sup> and to ensure that the Corporation operates at all times within applicable laws and regulations and ethical and moral standards.

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(26) These policies are posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)) under "About Us"/"Corporate Policy"/"Environmental Policy or Health and Safety Policy".

The Board Committees review changes that are required to be made from time to time to these mandates, policies and procedures and recommend all amendments to the Board for approval.

The Board has the responsibility for reviewing compliance with the Corporation's written Code of Ethics and Business Conduct, granting any waivers from compliance for Directors and officers and causing disclosure of any such waivers to be made in the Corporation's next quarterly report, including the circumstances and rationale for granting the waiver.

#### ***3.4.7 Disclosure to Shareholders and Others***

With respect to the Board's disclosure role, it has the responsibility for ensuring that the performance of the Corporation is adequately reported to its shareholders, its other security holders, the investment community, the relevant regulators and the public on a timely and regular basis. It ensures that timely disclosure is made by press release of any development that results in, or may reasonably be expected to result in, a significant change in the value or market price of the Corporation's listed securities.

The Board is also responsible for reviewing and approving the Corporation's annual information forms, management proxy circulars, resolutions to call meetings of shareholders, renewal of the normal course issuer bid and the general content of the documents disclosed or filed by the Corporation in relation to shareholders meetings. Finally, the Board reviews the Corporation's communication policy governing the Corporation's communications with analysts, investors and the public.

The Board also encourages feedback and seeks to build a mutual understanding between the Corporation and its shareholders. The Board and the Corporation's Investor Relations group, who has effective day to day responsibility for managing shareholder communications, are dedicated to facilitating communication with shareholders. The President and Chief Executive Officer and the Chief Financial Officer meet investors on a regular basis in one-on-one meetings and participate in various conferences. The Corporation meets and solicits feedback from its shareholders to answer their questions and discuss any issues that concern them. At every Board meeting, the Board is updated on investor relations' activities with a summary report provided by management.

The Corporation also keeps its shareholders informed of its progress through a comprehensive annual report, management proxy circular, annual information form, quarterly interim reports and conference calls, as well as periodic press releases. It also maintains a special section on its website, focused on shareholders' interests (see the Corporation's website ([www.snclavalin.com](http://www.snclavalin.com)), under "Investors").

Finally, the Corporation's annual general meeting of shareholders provides a valuable opportunity for the Board to communicate with its shareholders. Directors are expected to attend the annual general meeting where shareholders are invited to ask questions and given an opportunity to meet with the Directors following the formal part of the meeting. The Board has also taken the initiative of further engaging with the Corporation's shareholders by proposing a non-binding advisory vote on executive compensation for its shareholders starting at this year's Meeting.

#### ***3.4.8 Financial Matters and Internal Controls***

Another key responsibility of the Board is to ensure that management maintains a system of internal financial controls that provide assurance of effective and efficient operations and compliance with laws and regulations. The Board is responsible for reviewing and approving the Corporation's unaudited quarterly financial statements and accompanying notes, together with the related management's discussion and analysis and press release, and ensuring that the Corporation's audited annual financial statements are presented fairly and in accordance with generally accepted accounting standards and reviewing and approving such financial statements and accompanying notes, together with the related annual management's discussion and analysis and press release.



### 3.5 Position Descriptions<sup>(27)</sup>

The Corporation's Board is led by an independent, non-management Chairman and is made up of experienced Directors, whose authority is exercised in accordance with the Corporation's Articles of Incorporation, By-Laws and Corporate Governance Handbook, the *Canada Business Corporations Act* as well as other applicable laws, regulations and rules, including those adopted by the CSA and those of the TSX, on which the Corporation's Common Shares are listed.

#### 3.5.1 *Mandate of the Chairman of the Board*<sup>(28)</sup>

The Chairman of the Board's main responsibility is to lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully. The Board has adopted a formal mandate for the Chairman of the Board, which states that he is responsible for the management, development and effective performance of the Board of Directors and for providing leadership to the Board for all aspects of the Board's work. The Chairman of the Board acts as a liaison between the Board and management, which involves maintaining open communication with the Corporation's President and Chief Executive Officer. In consultation with the Corporation's Human Resources Committee and the Board, the Chairman of the Board ensures that succession plans are in place at senior executive levels.

#### 3.5.2 *Mandate of the Chairmen of the Board Committees*<sup>(29)</sup>

The Board has adopted general terms describing the responsibilities of the Chairmen of the Board Committees, namely those of presiding Committee meetings, and overseeing the way in which each Board Committee carries out its mandate. The Chairman of a Board Committee is required, following a meeting of such Committee, to report to the Board at the next regularly scheduled meeting of the Board.

#### 3.5.3 *Mandate of the President and Chief Executive Officer*<sup>(30)</sup>

The Board appoints the President and Chief Executive Officer of the Corporation who is responsible for the day to day management of the Corporation. His key responsibilities involve articulating the vision of the Corporation, focusing on creating value for shareholders, and developing and implementing a strategic plan that is consistent with the corporate vision. The President and Chief Executive Officer is supported by the Executive Vice-Presidents of the Office of the President and a number of members of management.

The President and Chief Executive Officer is accountable to the Board and Board Committees and his performance is reviewed once a year by the Board. The Board has also established clear levels of authority for the President and Chief Executive Officer and senior management that are outlined in the Corporate Governance Handbook policy "Levels of Authority and Risk Evaluation". The last update of this policy took place in March 2009.

### 3.6 Conflict of Interest<sup>(31)</sup>

To ensure ongoing director independence, each Director is required to inform the Board of any potential conflict of interest he or she may have at the beginning of each Board and Board Committee meeting. A Director who is in a potential conflict of interest situation in a matter before the Board or a Board Committee must not attend any part of a meeting during which the matter is discussed or participate in a vote on the matter. The Governance Committee performs an annual review of Directors' interests in which all potential or perceived conflicts, including time commitments, length of service and other issues relevant to their independence, are considered.

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(27) NI 58-101, Form 58-101F1, section 3.

(28) A copy of the mandate of the Chairman of the Board is posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance" and a paper copy may also be obtained on request from the Vice-President and Corporate Secretary.

(29) The general terms concerning the responsibilities of the Chairmen of the Board Committees are set out in the document entitled "Committees of the Board of Directors — General", which is posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance" and of which a paper copy may be obtained on request from the Vice-President and Corporate Secretary.

(30) The Board has adopted a description of the role of the President and Chief Executive Officer that lists his specific duties and responsibilities. A copy of the mandate of the President and Chief Executive Officer is posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance" and a paper copy may also be obtained on request from the Vice-President and Corporate Secretary.

(31) NI 58-101, Form 58-101F1, section 5(b).

### **3.7 Majority Voting**

The Corporation's Board of Directors has adopted a policy to the effect that, in an uncontested election of Directors, any nominee who receives a greater number of "withheld" votes than "for" votes will tender his/her resignation to the Chairman of the Board promptly following the annual meeting of shareholders of the Corporation. The Governance Committee will then consider the offer of resignation and, except in special circumstances, will recommend that the Board accepts it. The Board will make its decision and announce it in a press release within 90 days following the annual meeting of shareholders, including the reasons for rejecting the resignation, if applicable. A Director who tenders his/her resignation pursuant to this policy will not participate in any meeting of the Board or of the Governance Committee at which the resignation is being considered.

### **3.8 Interlocking Outside Boards**

In addition to the independence requirements set out in the instruments mentioned above, the Corporation has established an additional requirement that no more than two of the Corporation's Directors may serve on one same outside board.

As of the date of this Management Proxy Circular, none of the Corporation's Directors served together on any other board of directors.

### **3.9 Director Attendance<sup>(32)</sup>**

Board and Board Committee meetings are set three years in advance and are reviewed annually to optimize Director attendance. The Corporation encourages all Directors to attend as many meetings of the Board and the Board Committees as possible. Members of the Office of the President are invited to attend all Board meetings and may also attend the various Committee meetings.

All Directors must have a total attendance rate of 75% or more at Board's and Board Committees' meetings to stand for re-election unless exceptional circumstances arise such as illness, death in the family or other like circumstances.

Non attendance at Board and Board Committee meetings is rare, usually when either an unexpected commitment arises, or, for newly appointed Directors, there is a prior clash with a meeting which had been timetabled and could not be rearranged. Directors are provided with Board and Board Committee materials a week in advance of the meetings and Directors who are unable to attend may provide comments and feedback to either the Chairman, Chairman of the Committee or the Vice-President and Corporate Secretary, all of whom ensure those comments and views are raised at the meeting.

The table below provides the record of attendance by each Director at meetings of the Board and the Board Committees during the twelve months ended December 31<sup>st</sup>, 2009.

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(32) Idem, section 1(g).

**RECORD OF ATTENDANCE BY DIRECTORS**  
**for the 12 months ended December 31<sup>st</sup>, 2009**

DIRECTORS	BOARD 8 meetings <sup>(1)</sup>		BOARD COMMITTEES										Overall Attendance	
			AUDIT 4 meetings		GOVERNANCE 3 meetings <sup>(2)</sup>		HEALTH, SAFETY AND ENVIRONMENT 4 meetings		HUMAN RESOURCES 5 meetings		Overall Committee Meeting Attendance			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Ian A. Bourne <sup>(3)</sup>	4 of 4	100%	1 of 1	100%	—	—	1 of 1	100%	—	—	2 of 2	100%	6 of 6	100%
Pierre Duhaime <sup>(4)</sup>	6 of 6	100%	—	—	—	—	—	—	—	—	—	—	6 of 6	100%
David Goldman	8 of 8	100%	4 of 4 (1 of 4 as Chair) <sup>(5)</sup>	100%	1 of 1 <sup>(6)</sup>	100%	—	—	5 of 5	100%	10 of 10	100%	18 of 18	100%
Patricia A. Hammick	8 of 8	100%	4 of 4	100%	—	—	4 of 4	100%	—	—	8 of 8	100%	16 of 16	100%
Pierre H. Lessard	7 of 8	87.5%	—	—	3 of 3	100%	—	—	5 of 5	100%	8 of 8	100%	15 of 16	93.8%
Edythe (Dee) A. Marcoux	8 of 8	100%	4 of 4	100%	3 of 3	100%	4 of 4 (Chair)	100%	—	—	11 of 11	100%	19 of 19	100%
Lorna R. Marsden	7 of 8	87.5%	—	—	—	—	3 of 4	75%	4 of 5	80%	7 of 9	77.8%	14 of 17	82.4%
Claude Mongeau	6 of 8	75%	4 of 4 (3 of 4 as Chair) <sup>(5)</sup>	100%	2 of 2 <sup>(6)</sup>	100%	—	—	—	—	6 of 6	100%	12 of 14	85.7%
Gwyn Morgan	8 of 8 (Chair)	100%	—	—	3 of 3 (Chair)	100%	—	—	—	—	3 of 3	100%	11 of 11	100%
Hon. Hugh D. Segal	7 of 8	87.5%	—	—	—	—	4 of 4	100%	5 of 5	100%	9 of 9	100%	16 of 17	94.1%
Lawrence N. Stevenson	8 of 8	100%	4 of 4	100%	3 of 3	100%	—	—	5 of 5 (Chair)	100%	12 of 12	100%	20 of 20	100%
Jean-Paul Vettier <sup>(7)</sup>	4 of 4	100%	3 of 3	100%	—	—	3 of 3	100%	—	—	6 of 6	100%	10 of 10	100%
Total Board attendance	81 of 86	94.2%	24 of 24	100%	15 of 15	100%	19 of 20	95.0%	24 of 25	96.0%	82 of 84	97.6%	163 of 170	95.9% <sup>(8)</sup>

**Notes**

- (1) Five (5) regularly scheduled Board of Directors' meetings were held in 2009, as well as one (1) strategic planning meeting, one (1) Board meeting which was devoted entirely to a presentation by Deloitte & Touche LLP on International Financial Reporting Standards ("IFRS") and one (1) special Board meeting.
- (2) Three (3) Governance Committee meetings were held in 2009 instead of the usual four as extra time was needed by the full Board to complete the succession planning for the President and Chief Executive Officer of the Corporation.
- (3) Mr. Bourne joined the Board on November 5<sup>th</sup>, 2009.
- (4) As President and Chief Executive Officer of the Corporation, Mr. Duhaime is not a member of any Board Committee, but may attend all meetings of Board Committees as a non-voting participant only. Mr. Duhaime joined the Board in May 2009.
- (5) Mr. Mongeau resigned as Chairman of the Audit Committee on August 7<sup>th</sup>, 2009 and was replaced by Mr. Goldman for the last meeting of the year. He therefore chaired three of the four Audit Committee meetings while Mr. Goldman chaired one of four.
- (6) Mr. Goldman is a member of the Governance Committee since his appointment on August 7<sup>th</sup>, 2009 as Chairman of the Audit Committee, as the Governance Committee membership is composed of the Chairman of the other Board Committees (Audit, Health, Safety and Environment and Human Resources) and one other Director. He has, therefore, only attended one Governance Committee meeting. Given his resignation as member of the Governance Committee, Mr. Mongeau only attended the first two Governance Committee meetings.
- (7) Mr. Vettier resigned on August 7<sup>th</sup>, 2009.
- (8) As Mr. Lamarre was not an independent Director and resigned on May 7<sup>th</sup> 2009, his attendance is not included in this table.

<b>EXPANDED BIAC RECORD OF ATTENDANCE BY DIRECTORS for the 12 months ended December 31<sup>st</sup>, 2009</b>				
<b>BIAC COMPOSITION</b>	<b>NAME</b>	<b>March 2<sup>nd</sup>, 2009</b>	<b>May 25<sup>th</sup>, 2009</b>	<b>August 6<sup>th</sup>, 2009</b>
Director (President and Chief Executive Officer)	Pierre Duhaime		✓	✓
Chairman of the Board	Gwyn Morgan	✓		✓
Chairman of the Audit Committee	Claude Mongeau		✓	
Chairman of the Human Resources Committee	Lawrence N. Stevenson		✓	
Director	David Goldman	✓		✓

### 3.10 Director Availability<sup>(33)</sup>

The Governance Committee's mandate requires that the members of the Committee consider candidates who have sufficient time and energy to devote to his or her duties as a Director. One of the general criteria considered with respect to availability is the number of public companies nominees are already committed to as directors. To further clarify Director availability, the Governance Committee amended its mandate in 2008 to provide that Directors of the Corporation may sit on no more than four other outside public company boards, unless otherwise approved by the Board of Directors of the Corporation. No Director who is also a Chief Executive Officer in office may sit on more than one outside board other than his company's and the Corporation's unless otherwise approved by the Board of Directors of the Corporation. For complete details on the outside directorships held by the Director nominees see section 3.1 "Board Nominees: Background Summary Information" of this Management Proxy Circular. The following table lists the public company board memberships each Director presently holds:

<b>Director</b>	<b>Name of Public Company</b>	<b># of Outside Boards Memberships Presently Held</b>
Ian A. Bourne	Ballard Power Systems Inc. Canadian Oil Sands Trust Wajax Income Fund	3
Pierre Duhaime	N/A	N/A
David Goldman	Copernic Inc.	1
Patricia A. Hammick	Consol Energy Inc. Dynege Inc.	2
Pierre H. Lessard	Metro Inc. TD Bank Financial Group	2
Edythe A. Marcoux	Sherritt International Corporation Opti Canada Inc.	2
Lorna R. Marsden	Manulife Financial Corporation	1
Claude Mongeau	Canadian National Railway Company	1
Gwyn Morgan	HSBC Holdings plc	1
Hon. Hugh D. Segal	Sun Life Financial Just Energy Income Fund	2
Lawrence N. Stevenson	CAE Inc.	1

(33) NI 58-101, Form 58-101F1, section 1(d).

The Governance Committee carried out its customary review for 2009 and was satisfied that the independent Directors continued to fulfil the criteria of independence and were able to commit the required time for the proper performance of their duties.

### 3.11 In Camera Sessions<sup>(34)</sup>

The mandate of the Board of Directors<sup>(35)</sup> requires that, at each of the regularly scheduled meetings of the Corporation's Board of Directors during a year, the independent Directors hold in camera sessions, at which non-independent Directors and members of management are not in attendance. Directors are also obliged to hold such in camera sessions of the independent Directors when executive compensation issues are discussed. In 2005, the Board instituted the practice of holding such in camera sessions, not only at the beginning but also at the conclusion of each regularly scheduled Board meeting.

In addition, at each of the regularly scheduled meetings of each of the Corporation's four Board Committees (Audit Committee; Governance Committee; Health, Safety and Environment Committee; and Human Resources Committee), the members of these Committees (all of whom are required to be independent) also hold in camera sessions, at which non-independent Directors and members of management are not in attendance.<sup>(36)</sup>

The number of in camera sessions held this year during the Board and Board Committees' meetings is detailed below.

	In Camera Sessions
Board of Directors	10
Audit Committee	8
Governance Committee	6
Health, Safety and Environment Committee	4
Human Resources Committee	4

### 3.12 Ethical Business Conduct<sup>(37)</sup>

#### 3.12.1 Code of Ethics and Business Conduct

The Board has adopted a Code of Ethics and Business Conduct (the "**Code**"), which is applicable to its Directors, officers and employees, all of whom are required to provide annual acknowledgement that they have received a copy of the Code and will comply with its terms. The Board monitors compliance with the Code through its Human Resources Committee, which has the mandate of reviewing compliance with the Code and reporting to the full Board on any issues relating to the Code. No material change report has ever been required or filed in relation to any departure from the Code.

(34) NI 58-101, Form 58-101F1 "Board of Directors", section 1(e).

(35) The mandate of the Board of Directors is found in Schedule "A" to this Management Proxy Circular, and is also posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)). Paper copies of the mandate of the Board may be obtained on request from the Vice-President and Corporate Secretary.

(36) The mandates of all four Board Committees are posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance". Paper copies of the Board Committees' mandates may be obtained on request from the Vice-President and Corporate Secretary.

(37) NI 58-101, Form 58-101F1, section 5 "Ethical Business Conduct".

### 3.12.2 Whistleblowing Procedure<sup>(38)</sup>

The Audit Committee monitors the Corporation's "Procedures for Complaints and Concerns Regarding Accounting, Internal Accounting, Internal Accounting Controls, Auditing and Other Matters" (the "**Procedure**")<sup>(39)</sup>. In general terms, this Procedure allows for the confidential and anonymous submission, by employees of the Corporation and by the general public, of reports on acts by the Corporation or any of its employees referred to as "**Reportable Activity**"<sup>(40)</sup>. It applies to the Corporation and all of its subsidiaries and all employees, directors and officers of the Corporation and its subsidiaries.

The stewardship of this Procedure is ultimately the responsibility of the Corporation's Audit Committee and under its direction, the Corporation's Senior Vice-President and General Counsel administers this Procedure.

#### 3.12.2.1 Protection of Reports and Confidentiality

No person, in good faith, who provides information relating to a Reportable Activity, can be subjected to any form of retaliation and any such retaliation is treated as a serious violation of this Procedure and corrective measures of varying degrees of severity, including but not limited to, discharge without notice, can be taken against any person who is determined to have engaged therein.

The Corporation and its subsidiaries are committed to maintaining procedures that permit confidential, anonymous reporting of a Reportable Activity. Information regarding the identity of any person making such a report remains anonymous and confidential at all times<sup>(41)</sup> and is only disclosed to those persons who have a need to know and only to the extent to which they need to know such information to properly carry out an investigation of the Reportable Activity, in accordance with this Procedure. No record of such a report is placed in the Human Resources file of any one who has made such a report and who is an employee of the Corporation. Instead, any such record is kept in a separate and confidential file, for a period of no less than three years.

#### 3.12.2.2 Reporting

Employees are encouraged to report a Reportable Activity in person, in writing or by telephone to their immediate superior or to the Corporation's Senior Vice-President and General Counsel. With respect to members of the public, they are encouraged to report a Reportable Activity in person, in writing or by telephone to the Corporation's Senior Vice-President and General Counsel. A Report made in writing can also be forwarded electronically, by using the Corporation's dedicated reporting website at [www.snclavalin.com/legal](http://www.snclavalin.com/legal) and reports made by telephone in Canada or the United States of America can be made by using the Corporation's toll-free reporting line<sup>(42)</sup>.

#### 3.12.2.3 Processing a Report

Upon receipt of a report, the Corporation's Senior Vice-President and General Counsel:

- Notifies the Corporation's President and Chief Executive Officer of the report (if the Reportable Activity does not involve him) or notifies the Corporation's Chairman of the Board of the report (if the Reportable Activity involves the Corporation's President and Chief Executive Officer);
- Reviews and assesses the seriousness of the Reportable Activity and investigates it as appropriate; and
- If the Reportable Activity involves the Corporation's Senior Vice-President and General Counsel, it must be reported to the Corporation's Chief Financial Officer.

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(38) NI 52-110 sets out requirements concerning the composition and responsibilities of an issuer's audit committee, and concerning an issuer's reporting obligations with respect to audit-related matters. The whistleblowing procedure forms part of the Audit Committee responsibilities as set out in section 2.3 (7) of NI 52-110.

(39) This Procedure is posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Policy"/"Complaints re Accounting and Other Matters") and on its intranet Website. It is also posted on all Websites and intranet Websites of the Corporation's subsidiaries.

(40) Reportable activity is defined as any concern or complaint with respect to a Company's accounting, internal accounting controls or auditing matters or evidence of an activity by an employee or by a director or officer of any Company, which may constitute corporate fraud, a violation of applicable laws and/or the misappropriation of any property of the Company. "**Companies**" is defined as the Corporation and all its subsidiaries, whether or not the securities of any such subsidiary are publicly traded, and any joint venture or consortium of which the Corporation or any of its subsidiaries is a party and "**Company**" is defined as either the Corporation or any of its subsidiaries or any such joint venture or consortium.

(41) Unless otherwise expressly permitted by this person or as required by applicable law.

(42) The toll free number is 1-866-303-6552. There is no caller-identification and no call-return on this line.

Investigations of a Reportable Activity are conducted as quickly as reasonably possible, taking into account the nature and complexity of the Reportable Activity and the issues raised in the report. The Corporation’s Senior Vice-President and General Counsel, if appropriate and whenever possible, reports back to the employee or member of the public making the report on the status of the investigation.

On a quarterly basis or upon the request of the Corporation’s Audit Committee, the Corporation’s Senior Vice-President and General Counsel reports to the Corporation’s Audit Committee showing the number and nature of all reports received during the previous quarter, and describing how such reports were handled, the results of any investigation and any corrective action taken.

**3.12.2.4 Contact Persons**

An employee or a member of the public who has any questions with respect to the general application of this Procedure, to any report or any Reportable Activity can call the Corporation’s toll-free reporting line or contact any one of:

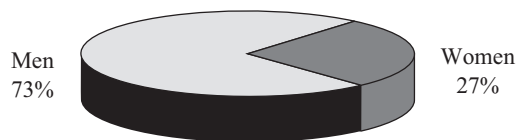
- the Corporation’s Senior Vice-President, Global Human Resources;
- the Corporation’s Senior Vice-President and General Counsel; and
- the Corporation’s Executive Vice-President and Chief Financial Officer.

**3.13 Board Diversity**

The Corporation has always taken Board diversity into consideration as it believes such diversity enriches Board discussions by providing for a variety of expertise and viewpoints, particularly for companies, such as the Corporation, which do business globally. The Corporation is also convinced that diversity in all forms increases efficiency and effectiveness of the Board and the Board Committees. The information below provides information concerning two aspects of the diversity within the Corporation’s Board, gender diversity and geographic diversity.

**3.13.1 Gender Representation Among Nominees**

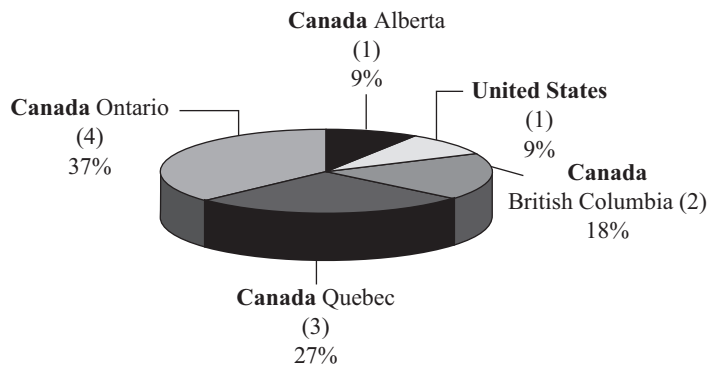
The following chart illustrates the total percentage of women on the Corporation’s Board.



**3.13.2 Geographical Representation Among Nominees**

As the Corporation carries on business globally, the importance of geographic diversity is essential for Board efficiency. The Corporation, therefore, attempts to recruit and select Board candidates that represent a global business understanding and experience. Given the departure of Mr. Vettier, the Board is presently considering expanding its size and adding a 12<sup>th</sup> Board member from Europe in 2010.

The following chart illustrates the geographic distribution of the Board nominees.





## SECTION 4: Directors' Compensation Discussion and Analysis

### Highlights

	Page
<b>4.1 PHILOSOPHY AND OBJECTIVES OF DIRECTORS' COMPENSATION</b>	44
<ul style="list-style-type: none"> <li>➤ Align the interests of Board members with those of the Corporation's shareholders; and</li> <li>➤ Compensate fairly based on market standards.</li> </ul>	
<b>4.2 DIRECTORS' COMPENSATION POLICY</b>	44
<ul style="list-style-type: none"> <li>➤ Compensation aims at attracting and retaining qualified individuals to serve as Directors.</li> </ul>	
<b>4.3 DIRECTORS' COMPENSATION PROGRAM</b>	44
<ul style="list-style-type: none"> <li>➤ Includes 3 components: Annual retainer, attendance fees and at risk compensation in the form of Deferred Share Units.</li> </ul>	
<b>4.4 DIRECTORS' COMPENSATION REVIEW AND APPROVAL PROCESS</b>	44
<ul style="list-style-type: none"> <li>➤ A chart is provided to illustrate the steps in this process.</li> </ul>	
<b>4.5 DIRECTORS' COMPENSATION ADVICE</b>	45
<ul style="list-style-type: none"> <li>➤ The Board did not retain the services of an independent compensation consultant for 2009.</li> </ul>	
<b>4.6 DIRECTORS' COMPARATOR GROUP</b>	45
<ul style="list-style-type: none"> <li>➤ There was a decision taken not to increase the Directors' and Chairman of the Board's compensation for 2010.</li> </ul>	
<b>4.7 ANNUAL RETAINER AND ATTENDANCE FEES</b>	46
<ul style="list-style-type: none"> <li>➤ Follows market conditions with respect to Director compensation; and</li> <li>➤ No change to Director compensation in 2009 and 2010.</li> </ul>	

	Page
<b>4.8 AT RISK COMPENSATION: DEFERRED SHARE UNIT PLAN</b>	47
<ul style="list-style-type: none"> <li>➤ Structured to align the interests of the Directors with the interests of the Corporation's shareholders as Directors are only paid the value of DSUs once they have left the Board.</li> <li>➤ Each DSU has the same value as one of the Corporation's Common Shares so they fluctuate with variations in the market place.</li> <li>➤ The DSUs have no voting rights attached to them, however, Directors do receive dividends in the form of additional DSUs at the same rate as dividends paid on the Corporation's Common Shares.</li> <li>➤ Once a Director has left the Board, his/her DSUs are redeemed for cash.</li> </ul>	
<b>4.9 NO GRANT OF STOCK OPTIONS TO DIRECTORS</b>	48
<ul style="list-style-type: none"> <li>➤ Terminated in 2003.</li> </ul>	
<b>4.10 DIRECTORS' SHARE OWNERSHIP REQUIREMENTS</b>	48
<ul style="list-style-type: none"> <li>➤ Structured to encourage retention and long term commitment of Directors to the Corporation;</li> <li>➤ Directors have a total of 5 years to meet these requirements;</li> <li>➤ Structured to demonstrate the Directors' commitment to the Corporation's growth through share ownership;</li> <li>➤ Nine of the eleven Directors have already met these requirements. The remaining Directors have been with the Board for less than 4 years; and</li> <li>➤ As of December 2009, all Directors who have been with the Board for over five years have met the five year shareholding requirement.</li> </ul>	
<b>4.11 CERTAIN PROHIBITIONS ON MONETIZATION BY DIRECTORS</b>	49
<ul style="list-style-type: none"> <li>➤ Directors are now subject to certain prohibitions on monetization transactions.</li> </ul>	

## SECTION 4: Directors' Compensation Discussion and Analysis<sup>(1)</sup>

### 4.1 Philosophy and Objectives of Directors' Compensation

The Corporation's philosophy and objectives with respect to Directors' compensation are based on the following:

- Recruit and retain qualified individuals to serve as members of the Board of Directors and contribute to the Corporation's overall success; and
- Align the interests of members of the Board with those of the shareholders by requiring Directors to hold a multiple of their annual retainer in Deferred Share Units ("DSUs") even after they have met the requirements for ownership.

### 4.2 Directors' Compensation Policy

Over the years, much emphasis has been placed on the Directors' compensation policy as an integral part of the Corporation's overall efforts in the areas mentioned above.

The Corporation's Directors' compensation policy is, therefore, designed to:

- Position Directors' compensation at the median of Director compensation paid by companies that are comparable in size and in similar businesses known as the "Comparator Group"<sup>(2)</sup>;
- Provide compensation in line with the risks and responsibilities inherent to the role of Director; and
- Provide compensation to its Directors to recognize the increasing complexity of the Corporation's business.

### 4.3 Directors' Compensation Program

The three components of the Corporation's Directors' compensation program are:

- An annual retainer paid
  - partly in cash; and/or
  - partly as at risk compensation in the form of DSUs (see section 4.8 "At Risk Compensation: Deferred Share Unit Plan" of this Management Proxy Circular for details of the Deferred Share Unit Plan ("DSUP"));
- Attendance fees paid in cash; and
- Additional at risk compensation in the form of DSUs.

The Corporation also pays for any reasonable travel and other out-of-pocket expenses relating to their duties as Directors.

Directors who are employees of the Corporation or any of its affiliates (such as Mr. Duhaime, the President and Chief Executive Officer) do not receive any compensation for serving as a Director.

### 4.4 Directors' Compensation Review and Approval Process

The amount and form of the Corporation's Directors' and the Chairman of the Board's compensation is ultimately determined by the Board. The Governance Committee reviews Directors' compensation every year and makes recommendations to the Board<sup>(3)</sup>.

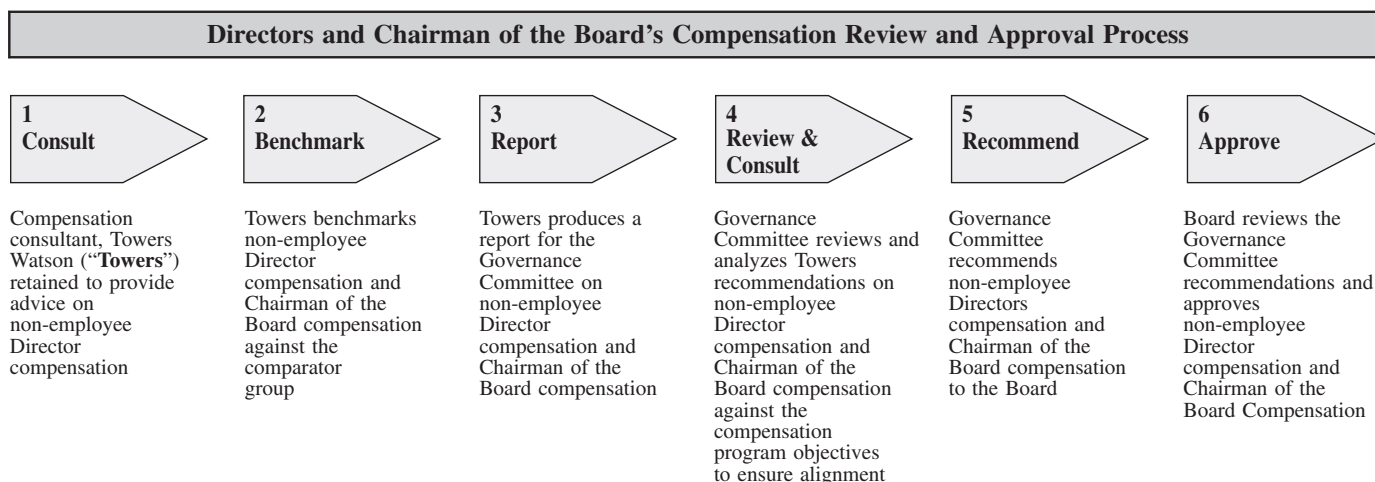
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(1) NI 58-101, Form 58-101F1, section 7. For details on required disclosure under NI 58-101 form 58-101F1 section 7, for executive compensation, see section 8 "Executive Compensation Discussion and Analysis" of this Management Proxy Circular.

(2) For details on the Corporation's "Comparator Group" see section 4.6 "Directors' Comparator Group" of this Management Proxy Circular.

(3) NI 58-101F1, section 7(b). This responsibility, as well as the powers and operations of the Governance Committee are set out in the Committee's mandate. For a copy of the Governance Committee mandate see the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance" and of which paper copies may be obtained on request from the Vice-President and Corporate Secretary.

The following chart illustrates the review and approval process typically followed leading up to final Board approval.



The last review of Director compensation was carried out in 2008. For 2009, the Governance Committee did not proceed to go through this approval process as they recommended to the Board that no increase be made to the Directors and Chairman of the Board's compensation for 2010. The Board approved these recommendations.

#### 4.5 Directors' Compensation Advice<sup>(4)</sup>

As outlined in the above chart, the Corporation typically retains the services of an outside compensation consultant to review the compensation of non-employee Directors and the Chairman of the Board and to provide recommendations thereon. As the decision was taken by the Board not to change Directors' compensation for 2010, no such assistance was deemed necessary.

#### 4.6 Directors' Comparator Group

The Board of Directors took the decision not to increase Directors' and the Chairman of the Board's Compensation for 2010. Given this decision, in 2009 the Board did not benchmark its compensation against a comparator group.

(4) NI 58-101 Form 58-101F1, section 7(d).

## 4.7 Annual Retainer and Attendance Fees

The following table shows the compensation schedule for non-employee Directors for 2009 and for 2010. All amounts indicated are in Canadian dollars. For the details of the fees paid in cash and credited in DSUs see section 5.1 “Annual Retainer and Attendance Fees Earned” of this Management Proxy Circular.

A. ANNUAL RETAINER	YEAR	COMPENSATION STRUCTURE <sup>(1)</sup>
Board Members (excluding the Chairman of the Board)	2009	An annual retainer consisting of: 1. an award of \$55,000 (the “ <b>Award</b> ”) <sup>(2)</sup> allocated as follows: > a percentage of the Award credited in DSUs <sup>(3)</sup> ; and > the balance in cash <u>plus</u> 2. a lump sum of \$55,000 credited in DSUs (the “ <b>Lump Sum</b> ”) <sup>(4)</sup> <u>plus</u> 3. dividends credited in DSUs, derived from DSUs accumulated (the “ <b>Dividends Credited in DSUs</b> ”) <sup>(5)</sup>
	2010	Same as above
Chairman of the Board	2009	An annual retainer consisting of: 1. an award of \$225,000 (the “ <b>Chairman Award</b> ”) <sup>(6)</sup> allocated as follows: > a percentage of the Award credited in DSUs <sup>(3)</sup> ; and > the balance in cash <u>plus</u> 2. a Lump Sum <sup>(4)</sup> of \$55,000 credited in DSUs <u>plus</u> 3. dividends credited in DSUs <sup>(5)</sup> , derived from DSUs accumulated
	2010	Same as above.
Additional Annual Retainer for the Committee Chairs (excluding the Chairman of the Board)	2009	Audit Committee: \$16,000 paid in cash All other Committees: \$8,000 paid in cash
	2010	Same as above.

B. ATTENDANCE FEES (per meeting) <sup>(7)</sup>	YEAR	COMPENSATION STRUCTURE
Board Meetings	2009	\$1,500 (in person) paid in cash \$625 (by telephone) paid in cash
	2010	Same as above
Committee Meetings	2009	Audit Committee: \$2,250 (in person) paid in cash \$925 (by telephone) paid in cash All other committees: \$1,500 (in person) paid in cash \$625 (by telephone) paid in cash
	2010	Same as above
Expanded BIAC <sup>(8)</sup>	2009	\$1,500 (in person) paid in cash \$625 (by telephone) paid in cash
	2010	Same as above

### Notes

- (1) In addition to the fees disclosed in this table, the Corporation also reimburses actual and reasonable travelling expenses incurred by the Directors for their presence at the Board and Board Committee meetings.
- (2) For a description of “Award” see section 4.8.1 “Award” of this Management Proxy Circular.
- (3) DSUs are deferred share units credited under the Deferred Share Unit Plan. For details on DSUs see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.
- (4) For a description of “Lump Sum” see section 4.8.2 “Lump Sum” of this Management Proxy Circular.
- (5) For a description of “Dividends Credited in DSUs” see section 4.8.4 “Dividends Credited in DSUs” of this Management Proxy Circular.
- (6) For a description of “Chairman Award” see section 4.8.1 “Award” of this Management Proxy Circular.
- (7) The Chairman of the Board may attend all Board Committee meetings as a non-voting participant but received Committee meeting attendance fees only for attendance at meetings of the Governance Committee, as the Chairman of the Board is also Chairman of this Committee.
- (8) Bid and Investment Approval Committee. For more information, see section 3.3.4 “Board Committees’ Composition” of this Management Proxy Circular.

## 4.8 At Risk Compensation: Deferred Share Unit Plan

To encourage non-employee Directors of the Corporation to better align their interests with those of the shareholders, in late 2003, the Board of Directors approved an “at risk” component to its Directors’ compensation in the form of Deferred Share Units (“**DSUs**”), the details of which are outlined in the Deferred Share Unit Plan (“**DSUP**”), effective commencing with the first quarter of 2004.

Under the DSUP, Directors are credited DSUs as a part of their annual retainer which consists of:

- a percentage of their Award (as defined below);
- a Lump Sum (as defined below); and
- Dividends Credited in DSUs (as defined below), derived from the DSUs credited, pursuant to the above,

(collectively referred to as the “**Annual Retainer**”). DSUs have the same value as the Corporation’s Common Shares, therefore, they fluctuate with variations in the market place.

### 4.8.1 Award

Effective January 1<sup>st</sup>, 2009, under the Corporation’s Directors’ compensation policies, non-employee Directors, excluding the Chairman of the Board, are required to receive a percentage of their \$55,000 Annual Retainer (“**Award**”) in the form of DSUs, which are credited to them on a quarterly basis. With respect to the Chairman of the Board, he is required to receive a percentage of his \$225,000 award in the form of DSUs, which are also credited to him on a quarterly basis (“**Chairman Award**”).

Prior to reaching the Director Share Ownership Requirements (as defined in section 4.10 “Directors’ Share Ownership Requirements” of this Management Proxy Circular), non-employee Directors, including the Chairman of the Board, are required to receive a minimum of 50% of their Award and of the Chairman Award in DSUs; they may, however, elect to receive a higher percentage, namely 75% or 100%, as outlined in section 4.8.3 “Non-employee Director Form of Allocation of the Annual Retainer” of this Management Proxy Circular.

Once the non-employee Director, including the Chairman of the Board, has reached the Director Share Ownership Requirements, he or she is required to receive a minimum of 25% of his or her Award and/or Chairman Award, in DSUs; he or she may, however, elect to receive a higher percentage, namely 50%, 75% or 100%, as also outlined in section 4.8.3 “Non-employee Director Form of Allocation of the Annual Retainer” of this Management Proxy Circular.

Prior to August 1<sup>st</sup>, 2008, non-employee Directors who were considered to be “non-Canadian resident tax-affected non-employee Directors” were not permitted to receive DSUs and received the equivalent of the Award in cash. On July 30<sup>th</sup>, 2008, upon recommendation by the Governance Committee, the Board of Directors of the Corporation approved an amendment to the DSUP which, effective August 1<sup>st</sup>, 2008, allows non-Canadian resident tax-affected non-employee Directors to be credited with DSUs in the same way as all other non-employee Directors.

### 4.8.2 Lump Sum

In January 2006, the Board of Directors introduced a new component to the Annual Retainer in the form of a fixed amount of \$12,000, to be credited on a quarterly basis, in DSUs to non-employee Directors (“**Lump Sum**”). Effective January 2007 the Board of Directors increased this Lump Sum to \$30,000. A further increase in the Lump Sum payment to \$55,000 was adopted by the Board of Directors in December 2007, effective in 2008. There was no increase in the Lump Sum payment for 2009 and 2010.

Both prior to reaching the Director Share Ownership Requirements and upon reaching the Director Share Ownership Requirements, non-employee Directors are required to receive 100% of their Lump Sum in DSUs.

Prior to August 1<sup>st</sup>, 2008, non-employee Directors who were considered to be “non-Canadian resident tax-affected non-employee Directors” were not permitted to receive DSUs and received the equivalent of the Lump Sum in cash. On July 30<sup>th</sup>, 2008, upon recommendation by the Governance Committee, the Board of Directors of the Corporation approved an amendment to the DSUP which, effective August 1<sup>st</sup>, 2008, allows non-Canadian resident tax-affected non-employee Directors to be credited with DSUs in the same way as all other non-employee Directors.

#### **4.8.3 Non-employee Director Form of Allocation of the Annual Retainer (Award, Chairman Award and Lump Sum)**

The following tables set forth the percentages of each form of payment, of two of the components of the Annual Retainer, that each non-employee Director may choose before and after reaching the Director Share Ownership Requirements as defined under section 4.10 “Directors’ Share Ownership Requirements” of this Management Proxy Circular.

<b>Non-Employee Director Form of Allocation of the Award and Chairman Award</b>			
<b>Before Reaching the Director Share Ownership Requirements</b>		<b>After Reaching the Director Share Ownership Requirements</b>	
<b>Cash</b>	<b>DSUs</b>	<b>Cash</b>	<b>DSUs</b>
0%, 25% or 50%	50% (minimum), 75% or 100%	0%, 25%, 50% or 75%	25% (minimum), 50%, 75% or 100%

<b>Non-Employee Director Form of Allocation of the Lump Sum</b>	
<b>Before Reaching the Director Share Ownership Requirements</b>	<b>After Reaching the Director Share Ownership Requirements</b>
<b>DSUs</b>	<b>DSUs</b>
100%	100%

#### **4.8.4 Dividends Credited in DSUs**

The DSUs have no voting rights attached to them, however, they do receive dividends in the form of DSUs at the same rate as dividends paid on the Corporation’s Common Shares.

All non-employee Directors who hold DSUs are, therefore, credited with additional DSUs whenever cash dividends are paid on Common Shares (the number of such additional DSUs being based on the actual amount of dividends that would have been paid to the non-employee Directors if they had been awarded actual Common Shares under the DSUP instead of DSUs) (the “**Dividends Credited in DSUs**”).

#### **4.8.5 Redemption of DSUs**

Under the DSUP, DSUs are redeemable only after the non-employee Director ceases to be a member of the Board and files a written notice of redemption with the Corporation.

Directors, therefore, are only paid the value of DSUs once they have left the Board. If the Corporation receives no notice of redemption from a non-employee Director who participated in the DSUP and who has ceased to be a member of the Board, the aggregate value of the DSUs held by that non-employee Director will, in any event, be paid by the Corporation to the non-employee Director no later than December 31<sup>st</sup> of the first calendar year commencing after the year in which the non-employee Director ceased to be a member of the Board.

For the purposes of calculating the number of additional DSUs credited to a non-employee Director or for the purpose of redeeming DSUs, the value of a DSU at any particular date is equivalent to the average of the closing price for a Common Share on the TSX on the five trading days immediately prior to such date.

### **4.9 No Grant of Stock Options to Directors**

In December 2003, the Board decided as a matter of corporate policy to discontinue on a permanent basis, all further grants of options to non-employee Directors under the Corporation’s stock option plans.

None of the non-employee Director nominees hold any unexercised options under the Corporation’s stock option plans. With respect to Mr. Duhaime, the Corporation’s only employee Director, his options, which he holds as an executive of the Corporation, are listed in section 9.8 “Total Compensation Tables (2007-2009)” of this Management Proxy Circular.

### **4.10 Directors’ Share Ownership Requirements**

The Board believes it is important that Directors demonstrate their commitment to the Corporation’s growth through share ownership. Ownership can be achieved by purchasing Common Shares and by participating in the Corporation’s DSUP.

The Board approved guidelines concerning Director share ownership whereby the Chairman of the Board is required, within five years of his/her appointment as Chairman, to acquire Common Shares of the Corporation and/or DSUs credited under the DSUP (for more details, see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular) having a combined market value of at least \$1,200,000. The Chairman of the Board is required to continue to hold such Common Shares and/or DSUs throughout the remainder of his/her tenure as Chairman. Each other non-employee Director is required, within five years of his/her election to the Board, to acquire Common Shares of the Corporation and/or DSUs credited under the DSUP having a combined market value of at least \$300,000. Each other non-employee Director is required to continue to hold such Common Shares and/or DSUs throughout the remainder of his/her tenure as a Director (all such requirements are collectively referred to as the “**Director Share Ownership Requirements**”). With respect to the President and Chief Executive Officer, the required share ownership is equal to six times his annual base salary.

In the case where a Director no longer meets the Director Share Ownership Requirements, including, but not limited to, when a fluctuation in the fair market value of the Corporation’s shares occurs, the Director must acquire sufficient Common Shares or be credited a sufficient number of DSUs so as to reach the Director Share Ownership Requirements within a reasonable delay.

As of December 31<sup>st</sup>, 2009, all but two of the Corporation’s Directors have met the Director Share Ownership Requirements. The two Directors who have not yet met the requirements have been Directors for fewer than 4 years.

#### **4.11 Certain Prohibitions on Monetization by Directors**

In December 2008, the Board of Directors adopted a prohibition on monetization policy applicable to the Corporation’s insiders (which include, among others, the Corporation’s Directors and Named Executive Officers as such term is defined in section 8.5 “Employees who Participate in Compensation Plans” of this Management Proxy Circular). This policy prohibits insiders from reducing their economic risk associated with the Common Shares or share units they hold in the Corporation so as to maintain:

- Their minimum shareholding requirements;
- Their required shareholding position in order to receive a benefit under the Corporation’s various incentive or performance based plans; and
- Their holdings in the Corporation’s various incentive or performance based plans, including but not limited to the Deferred Share Unit Plan (“**DSUP**”)<sup>(5)</sup> or the Performance Share Unit Plan (“**PSUP**”)<sup>(6)</sup>.

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(5) For details on the DSUP, see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.

(6) For details on the Performance Share Unit Plan, see section 8.8.5 “Performance Share Unit Plan (“PSUP”) (long-term)” of this Management Proxy Circular.



## SECTION 5: Director Compensation Disclosure

### Highlights

	Page
<b>5.1 ANNUAL RETAINER AND ATTENDANCE FEES EARNED</b>	51
➤ Provides details on the total fees paid as well as the form of payment (cash or in DSUs).	
<b>5.2 DIRECTORS' CURRENT SHARE OWNERSHIP AND DSUs CREDITED</b>	52
➤ Provides a table outlining the current share ownership of each Director, broken down into DSUs and Common Shares.	
➤ As at December 31 <sup>st</sup> , 2009, the Corporation had credited \$1,059,158 in DSUs to its Directors, based on the year-end closing price on the TSX of \$53.99 per Common Share.	

	Page
<b>5.3 TOTAL DIRECTORS' COMPENSATION SUMMARY</b>	55
➤ Provides a table outlining the value of total compensation including the broad categories of fees earned and at risk compensation received by Directors over 3 years; and	
➤ Total Director compensation was \$1,555,148 for the year ending December 31 <sup>st</sup> , 2009.	
<b>5.4 TOTAL DIRECTORS' COMPENSATION DETAILED REVIEW</b>	57
➤ Provides complete details of the various fees earned as well as the at risk compensation held by Directors over 3 years.	

## SECTION 5: Director Compensation Disclosure

### 5.1 Annual Retainer and Attendance Fees Earned

The following table outlines the total fees that were paid out to the Directors in 2009 in comparison to the actual compensation schedule for 2009.

A. ANNUAL RETAINER	COMPENSATION STRUCTURE <sup>(1)</sup>	TOTAL COMPENSATION EARNED			
		Cash Paid (\$)	DSUs (\$)	DSUs (#)	Total Value (\$)
Board Members (excluding Chairman of the Board)	An annual retainer consisting of: 1. an award of \$55,000 (the “ <b>Award</b> ”) <sup>(2)</sup> allocated as follows: > a percentage of the Award credited in DSUs <sup>(3)</sup> ; and > the balance in cash <u>plus</u>	\$231,490	\$251,212	5,898	\$482,702
	2. a lump sum of \$55,000 credited in DSUs (the “ <b>Lump Sum</b> ”) <sup>(4)</sup> <u>plus</u>	–	\$482,347	11,392	\$482,347
	3. dividends credited in DSUs, derived from DSUs accumulated (the “ <b>Dividends Credited in DSUs</b> ”) <sup>(5)</sup>	–	\$35,275	870	\$35,275
Chairman of the Board	An annual retainer consisting of: 1. an award of \$225,000 (the “ <b>Chairman Award</b> ”) <sup>(6)</sup> allocated as follows: > a percentage of the Award credited in DSUs <sup>(3)</sup> ; and > the balance in cash <u>plus</u>	–	\$225,000	5,291	\$225,000
	2. a Lump Sum <sup>(4)</sup> of \$55,000 credited in DSUs <u>plus</u>	–	\$55,000	1,294	\$55,000
	3. Dividends Credited in DSUs <sup>(5)</sup> , derived from DSUs accumulated.	–	\$10,324	250	\$10,324
Additional Annual Retainer for the Committee Chairs (excluding the Chairman of the Board)	Audit Committee: \$16,000 paid in cash	\$16,000	N/A		\$16,000
	All Other Committees: \$8,000 paid in cash	\$16,000	N/A		\$16,000
B. ATTENDANCE FEES (per meeting) <sup>(7)</sup>	COMPENSATION STRUCTURE	TOTAL COMPENSATION EARNED			
		Cash Paid (\$)	DSUs (\$)	DSUs (#)	Total Value (\$)
Board Meetings	\$1,500 (in person) paid in cash	\$87,000	N/A		\$87,000
	\$625 (by telephone) paid in cash	\$6,875	N/A		\$6,875
Committee Meetings	Audit Committee:				
	\$2,250 (in person) paid in cash	\$54,000	N/A		\$54,000
	\$925 (by telephone) paid in cash	–	N/A		–
	All Other Committees:				
	\$1,500 (in person) paid in cash	\$76,500	N/A		\$76,500
	\$625 (by telephone) paid in cash	\$4,375			\$4,375
Expanded BIAC <sup>(8)</sup>	\$1,500 (in person) paid in cash	–	N/A		–
	\$625 (by telephone) paid in cash	\$3,750	N/A		\$3,750
<b>TOTAL<sup>(9)</sup> 2009</b>		\$495,990	\$1,059,158	24,995	\$1,555,148
<b>TOTAL 2008</b>		\$492,675	\$1,066,888	24,897	\$1,559,563
<b>TOTAL 2007</b>		\$469,656	\$763,055	17,602	\$1,232,711

#### Notes

- (1) In addition to the fees disclosed in this table, the Corporation also reimburses actual and reasonable travelling expenses incurred by the Directors for their presence at the Board and Committee meetings.
- (2) For a description of “Award” see section 4.8.1 “Award” of this Management Proxy Circular.

- (3) DSUs are deferred share units credited under the Deferred Share Unit Plan. For details on DSUs see section 4.8 “At Risk Compensation: Deferred Share Unit Plan” of this Management Proxy Circular.
- (4) For a description of “Lump Sum” see section 4.8.2 “Lump Sum” of this Management Proxy Circular.
- (5) For a description of “Dividends Credited in DSUs” see section 4.8.4 “Dividends Credited in DSUs” of this Management Proxy Circular.
- (6) For a description of “Chairman Award” see section 4.8.1 “Award” of this Management Proxy Circular.
- (7) The amounts herein include attendance fees paid to Directors for a meeting devoted exclusively to a presentation by Deloitte & Touche LLP on IFRS. The Chairman of the Board may attend all Board Committee meetings as a non-voting participant but receives Committee meeting attendance fees only for attendance at meetings of the Governance Committee, as the Chairman of the Board is also Chairman of this Committee.
- (8) Bid and Investment Approval Committee. For more information, see section 3.3.5 “Bid and Investment Approval Committee (“BIAC”) and Expanded BIAC” of this Management Proxy Circular.
- (9) This total excludes an amount of \$25,500 representing the lump sum amount of \$1,500 per Board meeting for travel requiring more than three hours that was paid to I.A. Bourne, P.A. Hammick, E.A. Marcoux, G. Morgan and J.P. Vettier in 2009 for meetings held in Montreal.

## 5.2 Directors’ Current Share Ownership and DSUs Credited

The following table shows, as at December 31<sup>st</sup>, 2009: (i) the number of Common Shares of the Corporation owned by each current Director; (ii) the number of DSUs held by each current Director under the DSUP; (iii) the total number of Common Shares and DSUs held by each current Director; (iv) the amount at risk which is equal to the total market value of Common Shares and DSUs; (v) the amount at risk as a multiple of the Annual Retainer; (vi) the minimum shareholding requirements; (vii) whether or not these requirements have been met; (viii) the date at which the shareholding requirements must be met; and (ix) the difference in these amounts on December 31<sup>st</sup>, 2009 compared to December 31<sup>st</sup>, 2008.

### 5.2.1 Current Share Ownership

Director	Director Since	Year	Number of Common Shares Held	Number of DSUs Held	Total Number of Common Shares and DSUs	Amount at Risk (Total Market Value of Common Shares and DSUs) \$ <sup>(1)</sup>	Amount at Risk as a Multiple of Annual Retainer <sup>(2)</sup>	Director Shareholding Requirements \$ <sup>(3)</sup>	Shareholding Requirements Met	Date at which Director Shareholding Requirements Is/Was to Be Met (mm/dd/yy)
Ian A. Bourne	2009	2009	2,000	346	2,346	\$126,661	1.2	\$ 300,000	In process	11/06/2014
		2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
		Change	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
		2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pierre Duhaime <sup>(4)</sup>	2009	2009	84,712	N/A	84,712	\$4,573,601	N/A	\$4,200,000	yes	05/07/2014
		2008	78,427	N/A	78,427	\$3,112,768	N/A	N/A	N/A	
		Change	6,285	N/A	6,285	\$1,460,833	N/A	None	–	
		2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
David Goldman	2002	2009	21,000	9,087	30,087	\$1,624,397	14.8	\$ 300,000	yes	03/01/2007
		2008	21,000	7,347	28,347	\$1,125,092	10.2	\$ 300,000	yes	
		Change	0	1,740	1,740	\$499,305	4.6	None	–	
		2007	21,000	5,677	26,677	\$1,284,231	15.1	\$ 300,000	yes	
Patricia A. Hammick	2007	2009	–	2,888 <sup>(5)</sup>	2,888	\$155,923	1.4	\$ 300,000	In process <sup>(5)</sup>	01/01/2012
		2008	–	917	917	\$36,396	0.3	\$ 300,000	In process	
		Change	0	1,971	1,971	\$119,527	1.1	None	–	
		2007	–	N/A	–	–	N/A	\$ 300,000	In process	
Pierre H. Lessard	1998	2009	37,000	11,087	48,087	\$2,596,217	23.6	\$ 300,000	yes	10/30/2003
		2008	37,000	8,997	45,997	\$1,825,621	16.6	\$ 300,000	yes	
		Change	0	2,090	2,090	\$770,596	7.0	None	–	
		2007	37,000	6,359	43,359	\$2,087,302	24.6	\$ 300,000	yes	
Edythe (Dee) A. Marcoux	1998	2009	14,500	6,893	21,393	\$1,155,008	10.5	\$ 300,000	yes	10/30/2003
		2008	14,500	5,185	19,685	\$781,298	7.1	\$ 300,000	yes	
		Change	0	1,708	1,708	\$373,710	3.4	None	–	
		2007	14,500	3,223	17,723	\$853,185	10.0	\$ 300,000	yes	

Director	Director Since	Year	Number of Common Shares Held	Number of DSUs Held	Total Number of Common Shares and DSUs	Amount at Risk (Total Market Value of Common Shares and DSUs) \$ <sup>(1)</sup>	Amount at Risk as a Multiple of Annual Retainer <sup>(2)</sup>	Director Shareholding Requirements \$ <sup>(3)</sup>	Shareholding Requirements Met	Date at which Director Shareholding Requirements Is/Was to Be Met (mm/dd/yy)
Lorna R. Marsden	2006	2009	2,000	5,698	7,698	\$415,615	3.8	\$ 300,000	yes	05/04/2011
		2008	2,000	3,686	5,686	\$225,677	2.1	\$ 300,000	In process	
		Change	0	2,012	2,012	\$189,938	1.7	None	–	
		2007	2,000	1,741	3,741	\$180,092	2.1	\$ 300,000	In process	
Claude Mongeau	2003	2009	15,000	15,651	30,651	\$1,654,847	15.0	\$ 300,000	yes	08/08/2008
		2008	15,000	12,855	27,855	\$1,105,565	10.1	\$ 300,000	yes	
		Change	0	2,796	2,796	\$549,282	4.9	None	–	
		2007	15,000	10,174	25,174	\$1,211,876	14.3	\$ 300,000	yes	
Gwyn Morgan	2005	2009	31,000	20,580	51,580	\$2,784,804	9.9	\$1,200,000	yes	03/04/2010
		2008	31,000	13,745	44,745	\$1,775,929	6.3	\$1,200,000	yes	
		Change	0	6,835	6,835	\$1,008,875	3.6	None	–	
		2007	31,000	7,142	38,142	\$1,836,156	8.8	\$1,200,000	yes	
Hugh D. Segal	1999	2009	6,093	4,798	10,891	\$588,005	5.3	\$ 300,000	yes	08/06/2004
		2008	9,183	3,120	12,303	\$488,306	4.4	\$ 300,000	yes	
		Change	–3,090	1,678	–1,412	\$99,699	0.9	None	–	
		2007	9,333	1,497	10,830	\$521,356	6.1	\$ 300,000	yes	
Lawrence N. Stevenson	1999	2009	30,750	7,147	37,897	\$2,046,059	18.6	\$ 300,000	yes	08/06/2004
		2008	30,750	4,473	35,223	\$1,398,001	12.7	\$ 300,000	yes	
		Change	0	2,674	2,674	\$648,058	5.9	None	–	
		2007	30,750	1,885	32,635	\$1,571,049	18.5	\$ 300,000	yes	
Jean-Paul Vettier	2006	2009	5,479	5,498	10,977	\$592,648	5.4	\$ 300,000	yes	05/04/2011
		2008	5,479	4,353	9,832	\$390,232	3.5	\$ 300,000	yes	
		Change	0	1,145	1,145	\$202,416	1.9	None	–	
		2007	3,500	2,083	5,583	\$268,766	3.2	\$ 300,000	In process	
Total Board 2009		2009	249,534	89,673	339,207	\$18,313,785	N/A	N/A	N/A	

#### Notes

- (1) The price of a Common Share of the Corporation as at December 31<sup>st</sup>, 2008 was \$39.69 and as at December 31<sup>st</sup>, 2009 was \$53.99, and the value of a DSU at such dates was based on these respective Common Share prices.
- (2) For a breakdown of the various components of the Annual Retainer see section 4.7 “Annual Retainer and Attendance Fees” of this Management Proxy Circular.
- (3) The minimum requirement for the President and Chief Executive Officer is equal to 6 times his annual base salary and, therefore, will fluctuate yearly based on salary changes.
- (4) As an employee Director, Mr. Duhaime did not participate in the DSUP in 2008. As he was not a Director, he was also not subject to Director Shareholding Requirements.
- (5) Dr. Hammick has five years from her initial election as a Director to meet her minimum shareholding requirement. In 2008, Dr. Hammick began receiving DSUs in an amount sufficient to meet the minimum shareholding requirement for the five-year period ending in January 2012.

### 5.2.2 DSUs Credited

The following table outlines the details as to when in 2009 the DSUs were credited to Directors and their value at the time they were credited.

At Risk Compensation: DSUs Credited for the Year Ended December 31, 2009										
	Quarter									
	Q1 Ending March 31 <sup>st</sup>		Q2 Ending June 30 <sup>th</sup>		Q3 Ending September 30 <sup>th</sup>		Q4 Ending December 31 <sup>st</sup>		Total DSUs Credited	Total Value of DSUs Credited
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)
I. A. Bourne	—	—	—	—	—	—	346	\$ 18,334.00	346	\$ 18,334.00
D. Goldman	538	\$ 17,187.50	465	\$ 19,558.50	386	\$ 18,440.50	351	\$ 18,497.50	1,740	\$ 73,684.00
P.A. Hammick	645	\$ 20,625.00	491	\$ 21,095.00	438	\$ 20,933.00	397	\$ 20,999.00	1,971	\$ 83,652.00
P.H. Lessard	645	\$ 20,625.00	559	\$ 23,524.00	464	\$ 22,155.00	422	\$ 22,225.00	2,090	\$ 88,529.00
E.A. Marcoux	538	\$ 17,187.50	447	\$ 18,908.50	379	\$ 18,113.50	344	\$ 18,169.50	1,708	\$ 72,379.00
L.R. Marsden	645	\$ 20,625.00	514	\$ 21,928.00	447	\$ 21,352.00	406	\$ 21,419.00	2,012	\$ 85,324.00
C. Mongeau	860	\$ 27,500.00	751	\$ 31,624.00	621	\$ 29,670.00	564	\$ 29,763.00	2,796	\$ 118,557.00
G. Morgan	2,189	\$ 70,000.00	1,752	\$ 74,791.00	1,517	\$ 72,653.00	1,377	\$ 72,880.00	6,835	\$ 290,324.00
H.D. Segal	538	\$ 17,187.50	429	\$ 18,287.50	373	\$ 17,800.50	338	\$ 17,856.50	1,678	\$ 71,132.00
L.N. Stevenson	860	\$ 27,500.00	681	\$ 29,104.00	594	\$ 28,402.00	539	\$ 28,491.00	2,674	\$ 113,497.00
J.P. Vettier	538	\$ 17,187.50	440	\$ 18,658.50	167	\$ 7,900.00	—	—	1,145	\$ 43,746.00
TOTAL	7,996	\$255,625.00	6,529	\$277,479.00	5,386	\$257,419.50	5,084	\$268,634.50	24,995	\$1,059,158.00

### 5.3 Total Directors' Compensation Summary

The table below shows a comparative summary view over three years of the amounts earned by the Corporation's non-employee Directors, with respect to their position as members of the Board of Directors and the various Board Committees.

Director Summary Total Compensation Table for the year ended December 31, 2009					
Name	Year	Annual Retainer and Attendance Fees Paid in Cash	Total Value of DSUs Credited (At Risk Compensation)	Total Compensation	Percentage of Total At Risk Compensation
				(k + m)	$\frac{m}{n}$
		(\$)	(\$)	(\$)	(%)
		(k)	(m)	(n)	
		(a + h + i + j) <sup>(1)</sup>	(c + e + g) <sup>(2)</sup>		
I. A. Bourne	2009	\$ 9,750	\$ 18,334	\$ 28,084	65.3%
	2008	N/A	N/A	N/A	N/A
	2007	N/A	N/A	N/A	N/A
D. Goldman	2009	\$ 77,098	\$ 73,684	\$ 150,782	48.9%
	2008	\$ 65,875	\$ 71,795	\$ 137,670	52.2%
	2007	\$ 52,125	\$ 59,233	\$ 111,358	53.2%
P. A. Hammick	2009	\$ 53,625	\$ 83,652	\$ 137,277	60.9%
	2008	\$ 97,175 <sup>(3)</sup>	\$ 34,417 <sup>(4)</sup>	\$ 131,592	26.2%
	2007	\$103,750	—	\$ 103,750	—
P. H. Lessard	2009	\$ 48,250	\$ 88,529	\$ 136,779	64.7%
	2008	\$ 21,625	\$ 113,561	\$ 135,186	84.0%
	2007	\$ 20,250	\$ 86,834	\$ 107,084	81.1%
E.A. Marcoux	2009	\$ 79,875	\$ 72,379	\$ 152,254	47.5%
	2008	\$ 68,250	\$ 84,426	\$ 152,676	55.3%
	2007	\$ 72,500	\$ 44,676	\$ 117,176	38.1%
L.R. Marsden	2009	\$ 46,750	\$ 85,324	\$ 132,074	64.6%
	2008	\$ 49,125	\$ 83,711	\$ 132,836	63.0%
	2007	\$ 47,000	\$ 57,824	\$ 104,824	55.2%
C. Mongeau	2009	\$ 30,402	\$ 118,557	\$ 148,959	79.6%
	2008	\$ 38,375	\$ 115,399	\$ 153,774	75.0%
	2007	\$ 39,125	\$ 88,200	\$ 127,325	69.3%
G. Morgan	2009	\$ 7,875	\$ 290,324	\$ 298,199	97.4%
	2008	\$ 10,250	\$ 284,703	\$ 294,953	96.5%
	2007	\$ 16,231	\$ 209,068	\$ 225,299	92.8%
H.D. Segal	2009	\$ 60,875	\$ 71,132	\$ 132,007	53.9%
	2008	\$ 62,875	\$ 69,782	\$ 132,657	52.6%
	2007	\$ 62,250	\$ 44,057	\$ 106,307	41.4%
L.N. Stevenson	2009	\$ 39,875	\$ 113,497	\$ 153,372	74.0%
	2008	\$ 40,750	\$ 111,405	\$ 152,155	73.2%
	2007	\$ 51,750	\$ 71,539	\$ 123,289	58.0%

Director Summary Total Compensation Table for the year ended December 31, 2009					
Name	Year	Annual Retainer and Attendance Fees Paid in Cash	Total Value of DSUs Credited ("At Risk Compensation")	Total Compensation	Percentage of Total At Risk Compensation
				(k + m)	$\frac{m}{n}$
		(\$)	(\$)	(\$)	(%)
		(k)	(m)	(n)	
		(a + h + i + j) <sup>(1)</sup>	(c + e + g) <sup>(2)</sup>		
J.P. Vettier	2009	\$ 41,615	\$ 43,746	\$ 85,361	51.2%
	2008	\$ 38,375	\$ 97,689	\$ 136,064	71.8%
	2007	\$ 34,675	\$ 71,624	\$ 106,299	67.4%
TOTAL	2009	\$495,990	\$1,059,158	\$1,555,148	68.1%
	2008	\$492,675	\$1,066,888	\$1,559,563	68.4%
	2007	\$499,656	\$ 733,055	\$1,232,711	59.5%

**Notes**

- (1) See Table 5.4 "Total Directors' Compensation Detailed Review" for the references to the components of the Annual Retainer and Attendance Fees included in this calculation.
- (2) See Table 5.4 "Total Directors' Compensation Detailed Review" for the references to the components of the value of DSUs credited.
- (3) This amount is calculated by adding columns a, h, i and j from Table 5.4 "Total Directors' Compensation Detailed Review" plus \$32,083 in cash as indicated in note 4 of Table 5.4.
- (4) This amount is calculated by adding columns c, e and g from Table 5.4 "Total Directors' Compensation Detailed Review" minus \$32,083 in cash as indicated in note 4 of Table 5.4.



## 5.4 Total Directors' Compensation Detailed Review

The table below shows the details of the total direct compensation of non-employee Directors in 2009, 2008 and 2007.

DIRECTOR DETAILED COMPENSATION TABLE																			
Name	Year	ANNUAL RETAINER																	
		Award (Directors) \$55,000 And Chairman Award (Chairman of the Board) \$225,000			Credited in DSUs (\$ value)			Lump Sum \$55,000			Dividends			Additional Annual Retainer Chairs (excluding Chairman of the Board)			ATTENDANCE FEES		TOTAL
		Paid in cash (\$)	(#)	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
I.A. Bourne	2009	–	173	\$ 9,167	N/A	173	\$ 9,167	–	–	–	–	–	–	–	–	–	\$ 3,750	\$ 6,000	Total DSUs Credited
	2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
D. Goldman	2009	\$ 41,250	325	\$ 13,750	\$ 13,750	1,294	\$ 55,000	121	\$ 4,934	\$ 6,348	\$ 17,125	\$12,375	\$ 15,000	\$ 9,625	\$ 15,000	\$ 9,625	\$ 17,125	\$12,375	Value of Total Compensation <sup>(2)</sup>
	2008	\$ 41,250	320	\$ 13,750	\$ 13,750	1,276	\$ 55,000	74	\$ 3,045	–	\$ 15,000	\$ 9,625	\$ 15,000	\$ 9,625	\$ 15,000	\$ 9,625	\$ 17,125	\$12,375	
	2007	\$ 27,500	681	\$ 27,500	\$ 27,500	743	\$ 30,000	45	\$ 1,733	–	\$ 15,625	\$ 9,000	\$ 15,625	\$ 9,000	\$ 15,625	\$ 9,000	\$ 15,625	\$ 9,000	
P.A. Hammick	2009	\$ 27,500	648	\$ 27,500	\$ 27,500	1,294	\$ 55,000	29	\$ 1,152	–	\$ 15,000	\$11,125	\$ 15,000	\$11,125	\$ 15,000	\$11,125	\$ 12,800	\$ 8,750	Total DSUs Credited
	2008	\$ 43,542	305 <sup>(3)</sup>	\$ 11,458	\$ 11,458	610	\$ 55,000 <sup>(4)</sup>	2	\$ 42	–	\$ 12,800	\$ 8,750	\$ 12,800	\$ 8,750	\$ 12,800	\$ 8,750	\$ 11,250	\$ 7,500	
	2007	\$ 55,000	–	–	–	–	\$ 30,000	–	–	–	\$ 11,250	\$ 7,500	\$ 11,250	\$ 7,500	\$ 11,250	\$ 7,500	\$ 11,250	\$ 7,500	
P.H. Lessard	2009	\$ 27,500	648	\$ 27,500	\$ 27,500	1,294	\$ 55,000	148	\$ 6,029	–	\$ 11,250	\$ 9,625	\$ 11,250	\$ 9,625	\$ 11,250	\$ 9,625	\$ 11,250	\$ 9,625	Value of Total Compensation <sup>(2)</sup>
	2008	–	1,276	\$ 55,000	\$ 55,000	1,276	\$ 55,000	86	\$ 3,561	–	\$ 13,500	\$ 8,125	\$ 13,500	\$ 8,125	\$ 13,500	\$ 8,125	\$ 13,500	\$ 8,125	
	2007	–	1,361	\$ 55,000	\$ 55,000	743	\$ 30,000	47	\$ 1,834	–	\$ 11,250	\$ 9,000	\$ 11,250	\$ 9,000	\$ 11,250	\$ 9,000	\$ 11,250	\$ 9,000	
E.A. Marcoux	2009	\$ 41,250	325	\$ 13,750	\$ 13,750	1,294	\$ 55,000	89	\$ 3,629	\$ 8,000	\$ 19,500	\$11,125	\$ 19,500	\$11,125	\$ 19,500	\$11,125	\$ 22,500	\$10,250	Value of Total Compensation <sup>(2)</sup>
	2008	\$ 27,500	638	\$ 27,500	\$ 27,500	1,276	\$ 55,000	48	\$ 1,926	\$ 8,000	\$ 22,500	\$10,250	\$ 22,500	\$10,250	\$ 22,500	\$10,250	\$ 14,250	\$ 9,000	
	2007	\$ 41,250	341	\$ 13,750	\$ 13,750	743	\$ 30,000	25	\$ 926	\$ 8,000	\$ 14,250	\$ 9,000	\$ 14,250	\$ 9,000	\$ 14,250	\$ 9,000	\$ 14,250	\$ 9,000	
L.R. Marsden	2009	\$ 27,500	648	\$ 27,500	\$ 27,500	1,294	\$ 55,000	70	\$ 2,824	–	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	\$ 9,625	Value of Total Compensation <sup>(2)</sup>
	2008	\$ 27,500	638	\$ 27,500	\$ 27,500	1,276	\$ 55,000	31	\$ 1,211	–	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	
	2007	\$ 27,500	681	\$ 27,500	\$ 27,500	743	\$ 30,000	9	\$ 324	–	\$ 10,500	\$ 9,000	\$ 10,500	\$ 9,000	\$ 10,500	\$ 9,000	\$ 10,500	\$ 9,000	
C. Mongeau	2009	–	1,294	\$ 55,000	\$ 55,000	1,294	\$ 55,000	208	\$ 8,557	\$ 9,652	\$ 12,000	\$ 9,750	\$ 12,000	\$ 9,750	\$ 12,000	\$ 9,750	\$ 12,000	\$ 9,750	Value of Total Compensation <sup>(2)</sup>
	2008	–	1,276	\$ 55,000	\$ 55,000	1,276	\$ 55,000	129	\$ 5,399	\$16,000	\$ 12,750	\$ 9,625	\$ 12,750	\$ 9,625	\$ 12,750	\$ 9,625	\$ 12,750	\$ 9,625	
	2007	–	1,361	\$ 55,000	\$ 55,000	743	\$ 30,000	82	\$ 3,200	\$16,000	\$ 14,125	\$ 9,000	\$ 14,125	\$ 9,000	\$ 14,125	\$ 9,000	\$ 14,125	\$ 9,000	
G. Morgan	2009	–	5,291	\$225,000	\$225,000	1,294	\$ 55,000	250	\$10,324	–	\$ 4,500	\$ 3,375	\$ 4,500	\$ 3,375	\$ 4,500	\$ 3,375	\$ 4,500	\$ 3,375	Value of Total Compensation <sup>(2)</sup>
	2008	–	5,213	\$225,000	\$225,000	1,276	\$ 55,000	114	\$ 4,703	–	\$ 7,500	\$ 2,750	\$ 7,500	\$ 2,750	\$ 7,500	\$ 2,750	\$ 7,500	\$ 2,750	
	2007	–	4,126	\$177,728	\$177,728	743	\$ 30,000	34	\$ 1,340	\$ 2,731	\$ 9,000	\$ 4,500	\$ 9,000	\$ 4,500	\$ 9,000	\$ 4,500	\$ 9,000	\$ 4,500	
H.D. Segal	2009	\$ 41,250	325	\$ 13,750	\$ 13,750	1,294	\$ 55,000	59	\$ 2,382	–	\$ 10,875	\$ 8,750	\$ 10,875	\$ 8,750	\$ 10,875	\$ 8,750	\$ 10,875	\$ 8,750	Value of Total Compensation <sup>(2)</sup>
	2008	\$ 41,250	320	\$ 13,750	\$ 13,750	1,276	\$ 55,000	27	\$ 1,032	–	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	\$ 12,000	\$ 9,625	
	2007	\$ 41,250	341	\$ 13,750	\$ 13,750	743	\$ 30,000	10	\$ 307	–	\$ 12,000	\$ 9,000	\$ 12,000	\$ 9,000	\$ 12,000	\$ 9,000	\$ 12,000	\$ 9,000	
L.N. Stevenson	2009	–	1,294	\$ 55,000	\$ 55,000	1,294	\$ 55,000	86	\$ 3,497	\$ 8,000	\$ 20,125	\$11,750	\$ 20,125	\$11,750	\$ 20,125	\$11,750	\$ 22,500	\$10,250	Value of Total Compensation <sup>(2)</sup>
	2008	–	1,276	\$ 55,000	\$ 55,000	1,276	\$ 55,000	36	\$ 1,405	\$ 8,000	\$ 22,500	\$10,250	\$ 22,500	\$10,250	\$ 22,500	\$10,250	\$ 22,500	\$10,250	
	2007	\$ 13,750	953	\$ 41,250	\$ 41,250	520	\$ 30,000	9	\$ 289	\$ 8,000	\$ 21,000	\$ 9,000	\$ 21,000	\$ 9,000	\$ 21,000	\$ 9,000	\$ 21,000	\$ 9,000	



## SECTION 6: Director Selection, Assessment, Orientation and Ongoing Education

### Highlights

	<b>Page</b>
<b>6.1 DIRECTOR SELECTION</b>	<b>60</b>
➤ Selection process is provided in a detailed chart for both current Directors and new candidates;	
➤ Skills Matrix is used in the selection process and is illustrated in 3 separate tables;	
➤ Evergreen List of suitable candidates for appointment as Directors is kept and updated;	
➤ Re-election on an annual basis at annual meeting of shareholders;	
➤ External consultants may be used by Directors in this process;	
➤ Average tenure of Board members is 6.9 years; and	
➤ Mandatory retirement age set at age seventy.	
<b>6.2 DIRECTOR ASSESSMENT</b>	<b>63</b>
➤ Assessments' processes are outlined in a detailed chart;	
➤ Four separate evaluation tools are used; and	
➤ Assessments are done annually.	

	<b>Page</b>
<b>6.3 DIRECTOR ORIENTATION</b>	<b>65</b>
➤ Program in place includes extensive orientation documentation supplied upon appointment.	
<b>6.4 ONGOING DIRECTOR EDUCATION</b>	<b>65</b>
➤ List of continuing education opportunities for the Board and individual members are listed in a table format.	

## SECTION 6: Director Selection, Assessment, Orientation and Ongoing Education

### 6.1 Director Selection

The Governance Committee is responsible for developing, reviewing and monitoring the criteria and procedures for selecting members of the Board, for keeping track of the Board's needs as well as maintaining a list of suitable candidates for appointment (the “**Evergreen List**”).

**Selection Criteria** — On the basis of the general criteria for Director selection set out under the caption “Composition” of the mandate of the Board, and of the more specific criteria in section 3 “Nomination Process” of the mandate of the Governance Committee, the Governance Committee exercises independent judgement and recommends to the Board suitable candidates for appointment.

#### 6.1.1 Selection Process

The process listed below sets out the steps followed annually in determining whether the Directors presently in office continue to hold the qualifications necessary to qualify as nominees.

##### **Determination of Qualifications of Incumbent Directors as Nominees<sup>(1)</sup>**

- Perform annual credential review of Board nominees (including, among others, validity of the credentials underlying the appointment of each Director including availability to meet attendance expectations, and change in principal occupation);
- Assess continuing qualifications under the *Canada Business Corporations Act*;
- Review Directors' performance through assessment tools<sup>(2)</sup>;
- Review Skills Matrix<sup>(3)</sup>: identify the required and/or missing areas of expertise determined to be essential to ensure appropriate strategic direction and oversight;
- Assess qualifications of nominees under applicable securities and corporate law provisions;
- Assess independence of each nominee and address concerns if any;
- Select nominees; and
- Recommend the election of nominees to the shareholders.

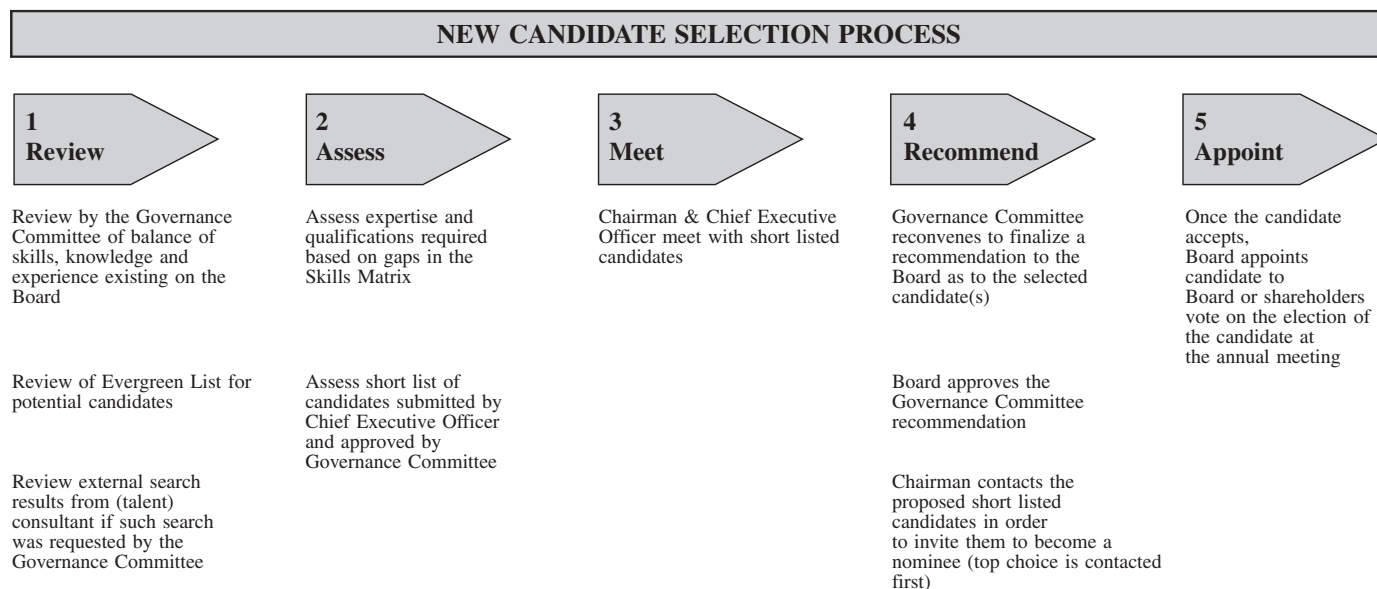
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(1) NI 58-101-Form 58-101F1, section 6(a), (b) and (c).

(2) For details see section 6.2.1 “Assessment Process” of this Management Proxy Circular.

(3) For details see section 6.1.3 “Skills Requirements” of this Management Proxy Circular.

The Governance Committee is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. Before an appointment is made, the Governance Committee evaluates the balance of skills, knowledge and experience on the Board by referring to the Skills Matrix and, in light of this evaluation searches for the right candidate. The following chart outlines the process followed by the Governance Committee in its selection of a new Director.



In 2009, this process was used in the appointment of Mr. Ian A. Bourne. In 2010, the Board is once again following these steps in its attempt to locate a suitable European candidate to replace Mr. Jean-Paul Vettier who resigned in August of 2009.

### 6.1.2 President and Chief Executive Officer Succession Planning

The Governance Committee also gives full consideration to succession planning in the course of its work for both Directors and the President and Chief Executive Officer. This process takes into account the challenges and opportunities facing the Corporation and what skills and expertise are therefore needed on the Board and from the President and Chief Executive Officer<sup>(4)</sup>.

(4) In 2008-2009 this process was used in the selection and appointment of Mr. Pierre Duhaime as President and Chief Executive Officer of the Corporation following Mr. Jacques Lamarre's retirement as outlined in the Corporation's 2009 management proxy circular.

### 6.1.3 Skill Requirements

The Governance Committee's mandate provides for the establishment and update of the industry specific experience, business expertise and individual qualifications of Directors in relation to the Board's specific skill requirements, so as to identify any eventual skill gaps on the Board (collectively referred to as the "Skills Matrix"). A sample of some of the criteria included in the Skills Matrix is listed below. The shaded squares indicate that a Director possesses the skill:

SKILLS MATRIX											
1. INDUSTRY SPECIFIC EXPERIENCE											
	Ian A. Bourne	Pierre Duhaime	David Goldman	Patricia A. Hammick	Pierre H. Lessard	Lorna R. Marsden	Edythe A. Marcoux	Claude Mongeau	Gwyn Morgan	Hon. Hugh D. Segal	Lawrence N. Stevenson
Oil and Gas											
Coal											
Regulated production and distribution of power											
Mining and metallurgy											
Heavy industries											
Engineering construction and concessions											
Chemicals and petrochemicals											
Accounting and finance											
Retail business											
Health, safety and sustainability											
Energy and environment											
Power production											
Education											
Industrial relations											
Economics and sociology											
Rail projects and logistics											
Governance											
Social economic and public policy											
Public sector administration											
Consulting and private equity											
Risk management <sup>(5)</sup>											
2. BUSINESS EXPERTISE											
Individuals prominent and active in a broad variety of businesses, institutions or professions											
Strategic insight											
Individuals familiar with the geographic regions in which the Corporation carries on its businesses											
Individuals having international business experience											
Individuals having sensitivity to, however, not representative of, special interests and constituencies											
Knowledge and appreciation of public issues											
Financial expertise											
Individuals with experience as senior executives											
3. INDIVIDUAL QUALIFICATIONS REQUIRED FOR ALL NOMINEES											
Integrity, honesty and the ability to generate public confidence and maintain the goodwill and confidence of the Corporation's shareholders who they represent											
Sound business judgement											
Independence of mind											
Capability and willingness to travel, to attend and contribute to Board functions on a regular basis											
Any other eligibility criteria deemed applicable by the Committee in relation to independence, affiliation and conflict of interest											

(5) This criteria was added to the previous criteria forming a part of the Skills Matrix and was considered by the Board in 2009 in its selection process.

Nominees are selected for, and present and future Directors are assessed based on, having a combination of skills from the Skills Matrix as well as other qualities mentioned above.

The Board of the Corporation presently has the benefit of a broad range of skills, knowledge and experience that its members have built up as directors of other companies and as business leaders, in government and in academia.

**6.1.4 External Consultant**

The Governance Committee’s mandate also specifies that it may consider and approve requests from individual Directors or Board Committees for the engagement of outside independent advisors at the expense of the Corporation to, among others, identify candidates for membership to the Board, establish the terms for retaining such firm and determine the appropriate compensation to be paid.

**6.1.5 Director Tenure, Term and Retirement**

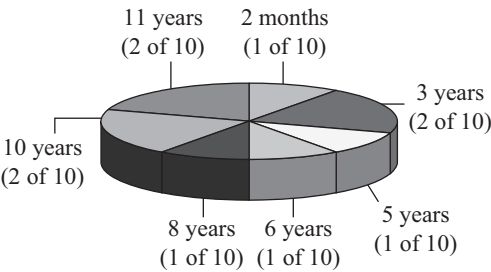
The Corporation considers the retention of quality Directors on its Board as a top priority. As mentioned above, the Corporation’s compensation and ongoing development efforts are essential tools in preserving the necessary experience, knowledge and personal skills mix for a balanced Board.

To assist the Corporation in achieving this goal, the Board has set the following term and retirement requirements for its Directors:

- Term of office of each Director expires upon the election of his/her successor unless he or she resigns his/her office or his/her office becomes vacant by death, removal or other cause; and
- Retirement is set at 70.

Given the specific skill mix and synergy which is needed to ensure a balanced Board, many efforts are made to encourage high calibre Board members to stay with the Corporation.

The following chart indicates the number of years the present independent Directors have dedicated to the Corporation’s Board as of the Record Date:



The Corporation’s average Board tenure is 6.9 years.

**6.2 Director Assessment<sup>(6)</sup>**

The Board has a formal annual process of rigorous performance evaluation of the Board, its Committees, individual Directors and the Chairman of the Board. The Board believes that there is value in conducting the process internally without using external resources. This allows the Board to develop an appropriately tailored approach and benefit first hand from direct input from individual Directors and management.

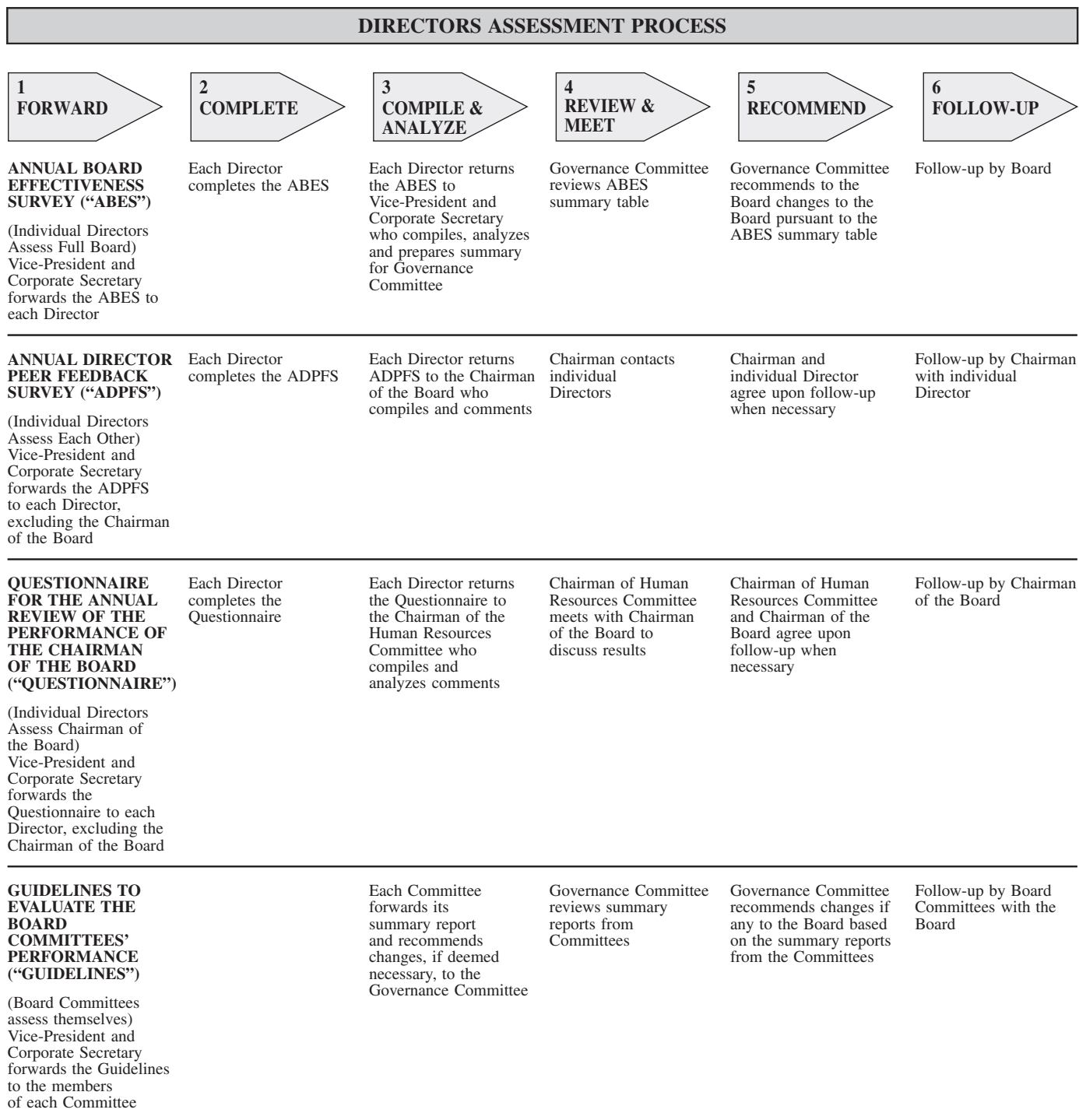
The areas covered in the questionnaires and guidelines include the effectiveness of the Board and its Committees, preparation for and performance against objectives, preparation for and performance at meetings and overall corporate governance matters.

(6) NI 58-101 Form 58-101F1, section 9 “Assessments”.



### 6.2.1 Assessment Process

The following chart outlines the assessment procedure followed on an annual basis.



### 6.2.2 Assessment Report and Follow Through

Following this comprehensive assessment process, the Directors have concluded that the Board continues to function effectively and continues to monitor the strategic direction of the Corporation appropriately. The overall view of Directors was that the Board functions well supported by high quality papers, presentations and reporting from management. Revised in 2008, the Chairman noted that the “Guidelines to evaluate the Board Committees’ Performance” offer a good portrait of Board Committees’ strengths and weaknesses. This additional evaluation reinforced the positive messages highlighted in the

Board's evaluation. The "Annual Director Peer Feedback Survey" confirmed that the Board and Board Committees were led by strong and experienced members who were well informed. Ultimately, the Board's and Board Committees' performance coincided with a strong overall company performance.

This year's evaluations indicated areas for improvement but no significant problems were identified. Follow-up on improvements will be ongoing throughout 2010.

### **6.3 Director Orientation<sup>(7)</sup>**

The Board ensures that prospective candidates for Board membership understand the roles of the Board and Board Committees and the contribution that individual Directors are expected to make. It is the Board's Governance Committee that is entrusted with approving an appropriate orientation and education program for new recruits to the Board. Upon becoming a member of the Board, every new Director is provided with a substantial package of documents relating to the Corporation's corporate governance system and to its business, and meets with a number of the senior management to better familiarize himself/herself with the Corporation.

As part of the Director orientation program, new Board members attend, during their first year as a Director, two meetings of the Audit Committee and one meeting of the other Board Committees, regardless of what Committee they are appointed to.

### **6.4 Ongoing Director Education<sup>(8)</sup>**

The Corporation and its Board of Directors recognize the importance of ensuring quality motivation and up-to-date information for Directors through ongoing education and the need for the Corporation and each Director to take responsibility for this process. To optimize the ability of the Directors to understand their role and responsibilities within the Corporation as well as keeping their knowledge and understanding of the Corporation's current business, ongoing development efforts form part of the Governance Committee's mandate. Through its assessment and evaluation tools, the Corporation canvasses the Directors to determine their training and education needs and interests. Regular presentations on the Corporation's targeted investments and acquisitions as well as the regulatory environment and specialized aspects of the business are provided by members of the Office of the President and other senior executives. Ongoing site visits by the Directors of the Corporation's facilities and operations is also used as an extremely efficient educational tool for the Directors.

The Vice-President and Corporate Secretary also provides the Directors with up to date information on conferences and seminars of interest and all Directors have access to and have had the opportunity to view the complete bank of past conference presentations and web cast presentations from Deloitte & Touche's Directors' Series.

In addition to the ongoing development of the Corporation's Directors, procedures are also in place to ensure that the Board is kept up to date, and facilitate timely and efficient access to all information necessary to carry out its duties. Among others, the Directors:

- Receive a comprehensive package of documentation several days in advance in preparation for Board and Board Committees' meetings;
- Attend the annual strategic planning meeting;
- Receive regular updates between Board meetings on matters that affect its businesses;
- Obtain reports from each of the Board Committees on their work at their previous Committee meeting; and
- Have full access to the Corporation's senior management.

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(7) NI 58-101, Form 58-101F1, section 4(a).

(8) NI 58-101, Form 58-101F1, section 4(b).

The following table provides details on the ongoing training initiatives for 2009.

<b>DIRECTOR CONTINUING EDUCATION 2009</b>				
<b>TOPIC</b>	<b>PRESENTATION BY:</b>	<b>INTERNAL PRESENTATION</b>	<b>EXTERNAL PRESENTATION</b>	<b>DIRECTORS ATTENDING</b>
International Financial Reporting Standards (“IFRS”)	Deloitte & Touche LLP To: Audit Committee		✓	Ian A. Bourne David Goldman Patricia A. Hammick Edythe A. Marcoux Lorna Marsden Lawrence N. Stevenson
Benchmarking of HS Rules by Jurisdiction	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Benchmarking environmental and CSR reporting	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Drug and Alcohol Testing Rules in Canadian and Other Jurisdictions	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Climate Change: Risk and Opportunities	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Environmental Liabilities in Canada for Corporations and Directors and Officers	Management To: Health, Safety & Environment Committee	✓		Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Business Arising: Determination of Leading Indicators for European Business Units	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Greenhouse Gas Emissions and Reporting: Status Report	Management To: Health, Safety & Environment Committee	✓		Ian A. Bourne Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal
Say on Pay – What can we expect in the first year	Hugessen Consulting Inc.		✓	Lawrence N. Stevenson

DIRECTOR CONTINUING EDUCATION 2009				
TOPIC	PRESENTATION BY:	INTERNAL PRESENTATION	EXTERNAL PRESENTATION	DIRECTORS ATTENDING
Executive Compensation Seminar	SpencerStuart		✓	Lawrence N. Stevenson
Executive Compensation Seminar	Harvard Business School		✓	Lawrence N. Stevenson
International Financial Reporting Standards and Overview	Management To: Audit Committee	✓		Ian A. Bourne David Goldman Patricia A. Hammick Edythe A. Marcoux Claude Mongeau Lawrence N. Stevenson
Peer Group Governance	Management To: Governance Committee	✓		Gwyn Morgan Pierre H. Lessard Edythe A. Marcoux Claude Mongeau Lawrence N. Stevenson
Power Plant Project EPCM Lessons Learned	Management To: Board of Directors	✓		Pierre Duhaime David Goldman Patricia A. Hammick Pierre H. Lessard Edythe A. Marcoux Lorna R. Marsden Claude Mongeau Gwyn Morgan Hon. Hugh D. Segal Lawrence N. Stevenson Jean-Paul Vettier
Power Division Health, Safety & Environment Overview	Management To: Health, Safety & Environment Committee	✓		Patricia A. Hammick Edythe A. Marcoux Lorna R. Marsden Hon. Hugh D. Segal Jean-Paul Vettier
Health, Safety and Environment Programs in Chemicals and Petroleum Projects	Management To: Health, Safety & Environment Committee	✓		Lorna R. Marsden
Insurance Conference (Fraud & IFRS)	Deloitte & Touche LLP		✓	Lorna R. Marsden
Corporate Board Member Online Units ➤ Executive compensation ➤ IFRS ➤ Director Liability	Corporate Board Member Magazine		✓	Lorna R. Marsden
The New CEO Workshop	Harvard University		✓	Pierre Duhaime

<b>DIRECTOR CONTINUING EDUCATION 2009</b>				
<b>TOPIC</b>	<b>PRESENTATION BY: TO:</b>	<b>INTERNAL PRESENTATION</b>	<b>EXTERNAL PRESENTATION</b>	<b>DIRECTORS ATTENDING</b>
Five sessions – 2 hours each <ul style="list-style-type: none"> <li>➤ Say-on-Pay</li> <li>➤ Environmental Initiatives and the Law</li> <li>➤ CCGG presentation on Governance Issues</li> <li>➤ Risk Management</li> <li>➤ Board Succession</li> </ul>	Institute of Corporate Directors		✓	Ian A. Bourne
Review of executive compensation principles & designs	TD Bank		✓	Pierre H. Lessard
Review of executive compensation governance issues –	TD Bank		✓	Pierre H. Lessard

Mrs. Edythe A. Marcoux is also working with the University of Alberta where she has been a keynote speaker on effective governance as well as a speaker and participant at the University's Annual Conference on Corporate Governance for Women.

The Board of Directors also had access to a series of conferences, webcasts and documentation provided by Deloitte & Touche LLP on the following subjects:

- Risk Intelligent Governance
- Governing through recession
- Stress-Testing Governance: Developing Risk Intelligent Governance
- Stress-Testing Governance: The Impact of the Recession on Governance Practices

As part of the Directors' ongoing efforts to fully understand the Corporation and its specific operations, site visits are also organized throughout the year. Below are the details of the site visits organized in 2009 by the Health, Safety and Environment Committee.

<b>SITE VISITS 2009</b>		
<b>Site</b>	<b>Director</b>	<b>Date</b>
Cairo office (SNC-Lavalin Construction)	L.R. Marsden	March 12 <sup>th</sup> , 2009
Astoria II thermal power plant expansion (Thermal Power – New York)	J.P. Vettier (participation of M. Novak and M. Osterman)	May 8 <sup>th</sup> , 2009

Site visits by Health, Safety and Environment Committee members serve a dual purpose. By providing Committee members with direct access to construction site personnel, both SNC-Lavalin and contractor employees, visits enable members to ask questions regarding Health, Safety and Environmental management on a day to day basis in the field, thus deepening their understanding of Health, Safety and Environmental issues relevant to the Corporation and giving them first-hand understanding on how the Corporation's Health, Safety and Environmental policies and programs are implemented. Visits by Directors also reinforce the Corporation's Health, Safety and Environmental WE CARE message to field employees.

## SECTION 7: Board of Directors' and Board Committees' Reports

### Highlights

	Page
<b>7.1 BOARD OF DIRECTORS' REPORT</b>	70

The new Board Report provides:

- Insight into the Board's role;
- Details on the Board's accomplishments for 2009 set out in table format for quick reference;
- Details of key awards and recognitions; and
- Reference to experience and knowledge of Board is included.

	Page
<b>7.2 REPORT OF THE AUDIT COMMITTEE</b>	72

<b>7.3 REPORT OF THE GOVERNANCE COMMITTEE</b>	77
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<b>7.4 REPORT OF THE HEALTH, SAFETY AND ENVIRONMENT COMMITTEE</b>	80
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<b>7.5 REPORT OF THE HUMAN RESOURCES COMMITTEE</b>	83
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Each Board Committee Report provides:

- Insight into the Committee's role, accomplishments, and initiatives for 2009;
- Details on the Committee's accomplishments for 2009 set out in table format for quick reference;
- Details of the key initiatives, listed in table format which are above and beyond the ongoing mandate; and
- References to experience and knowledge of the Committee's members.

## SECTION 7: Board of Directors' and Board Committees' Reports

### 7.1 Board of Directors' Report

#### 7.1.1 Year in Review

The Board held eight meetings during 2009, including a one day off-site meeting with management on strategic planning and risk management. In addition to the five regularly scheduled Board meetings, a special Board meeting was held to consider and approve the issuance by the Corporation of debentures totalling \$350,000,000, as well as one meeting dedicated to the presentation by the Corporation's auditors on International Financial Reporting Standards (IFRS).

During the course of 2009, the Board concentrated its efforts in performing the duties set out in its mandate which include reviewing and/or approving the following:

Board of Directors 2009	
<b>Board Appointments, Assessments and Reports</b> <ul style="list-style-type: none"><li>✓ Appointed members of Board Committees</li><li>✓ Chairman of the Human Resources Committee's reports</li><li>✓ Chairperson of Health, Safety &amp; Environment Committee's reports</li><li>✓ Chairman of Governance Committee's reports</li><li>✓ Chairman of the Audit Committee's reports</li><li>✓ Adequacy of all Committee charters</li><li>✓ Evaluations of Chairman of the Board, the Board, individual Directors and Board Committees</li></ul> <b>Financial and Operational Performance</b> <ul style="list-style-type: none"><li>✓ 2009-2013 Strategic Plan</li><li>✓ Annual meeting of shareholders (resolution to call, Management Proxy Circular, etc.)</li><li>✓ Annual Information Form (AIF)</li><li>✓ Renewal of the normal course issuer bid</li><li>✓ 2010 budget</li><li>✓ Annual and quarterly financial statements, MD&amp;A, press releases and declaration of dividends</li><li>✓ Reports from management on investor relations</li><li>✓ Approval of important investments and acquisitions</li></ul>	<b>President and Chief Executive Officer</b> <ul style="list-style-type: none"><li>✓ President and Chief Executive Officer reports on key projects (bids, investments and divestitures related to the Strategic Plan)</li><li>✓ Chairman of the Board and Chairman of the Human Resources Committee's report on President &amp; Chief Executive Officer's performance</li><li>✓ Chief Executive Officer succession</li></ul> <b>Risk and Strategy</b> <ul style="list-style-type: none"><li>✓ Risk oversight</li><li>✓ Strategic Planning oversight</li></ul> <b>Other</b> <ul style="list-style-type: none"><li>✓ Site Visits</li><li>✓ Appointment of officers</li><li>✓ Human Resources Committee findings on compliance with the Code of Ethics and Business Conduct of the Corporation</li><li>✓ Amendments to the Corporate Governance Handbook upon recommendation by the Governance Committee</li></ul>

#### 7.1.2 2009 Key Matters Addressed

The Board devoted a substantial amount of its time on the following crucial tasks:

- choosing a new President and Chief Executive Officer;
- overseeing the Corporation's operational and financial performance;
- approving the issuance of debentures totalling \$350,000,000;
- reviewing major project bids, including financial and execution risk;
- reviewing major infrastructure investment proposals;
- reviewing and approving corporate strategy.

The Board also delegates specific responsibilities to its four Board Committees. A report from each of the Board Committees describing their individual mandate, accomplishments and key initiatives for 2009 is included below. For 2009, the four Board Committees recommended approval from the Board on many of the key initiatives listed in the "Key Matters Addressed" section of each Board Committee's report (sections 7.2.6, 7.3.4, 7.4.4 and 7.5.5 of this Management Proxy Circular).



### 7.1.3 Recognition — Governance Awards

In recognition of the Board and Board Committees' initiatives and pursuit of best governance practices, the Corporation was the recipient of the following awards in 2009:

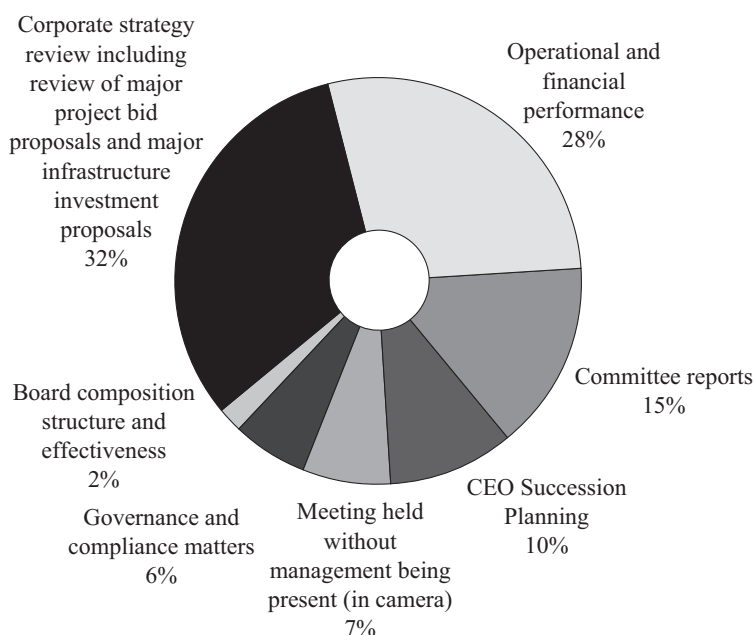
2009 Corporate Recognitions	
Canadian Institute of Chartered Accountants ("CICA") Corporate Reporting Awards 2009: Diversified Industries	➤ 1 <sup>st</sup> place
Globe & Mail Board Games	➤ 1 <sup>st</sup> place

### 7.1.4 Board Related Experience and Knowledge

The quality of the individual Directors, the balance of the Board's composition and the dynamics of the Board as a group, ensure the Board's effectiveness. Nominees for the position of Director are chosen for their specific skills, experience, qualifications and personal qualities. For a review of areas of expertise for each Board member, see the "Skills Matrix" set out in section 6.1.3 "Skill Requirements" and the Directors' individual biographies in section 3.1 "Board Nominees: Background Summary Information" of this Management Proxy Circular. In 2009, the Board of Directors as a whole, represented the requisite knowledge and experience and the right synergy and mix necessary to appropriately represent the Corporation's and its shareholders' interests.

The following chart outlines the approximate time spent by the Board on various matters.

**Board of Directors Approximate Allocation of Agenda Time**







Submitted by the members of the Board of Directors:

Ian A. Bourne  
Pierre Duhaime  
David Goldman  
Patricia A. Hammick  
Pierre H. Lessard  
Edythe (Dee) A. Marcoux

Lorna R. Marsden  
Claude Mongeau  
Gwyn Morgan, Chairman of the Board  
Hon. Hugh D. Segal  
Lawrence N. Stevenson

## 7.2 Report of the Audit Committee

### AUDIT COMMITTEE

					
I.A. Bourne	D. Goldman (Chairman)	P.A. Hammick	E.A. Marcoux	C. Mongeau	L.N. Stevenson

NI 52-110 sets out requirements concerning the composition and responsibilities of an issuer's audit committee, and concerning an issuer's reporting obligations with respect to audit-related matters. The Corporation complies with NI 52-110 and appropriate disclosure of such compliance is made in the following Report of the Audit Committee<sup>(1)</sup>.

#### 7.2.1 *Mandate*

The Audit Committee is responsible for overseeing the internal controls including controls over accounting and financial reporting systems.

#### 7.2.2 *Composition*<sup>(2)</sup>

As at December 31<sup>st</sup>, 2009, the Corporation's Audit Committee consisted of six Directors, all of whom are "independent" within the meaning of the Regulatory Independence Requirements. All members also satisfy the additional requirement set by the Corporation outlined in section 3.10 "Director Availability" of this Management Proxy Circular.

#### 7.2.3 *Financial Literacy of Audit Committee Members*<sup>(3)</sup>

For the purposes of determining whether a Director is suitably qualified to become a member of the Corporation's Audit Committee, the Board has adopted the definition of "financial literacy" set out in section 1.6 of the CSA Audit Committee Requirements, namely "the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements". This definition has been incorporated in the terms of the second paragraph of section 1 of the mandate of the Audit Committee. Furthermore, the terms of section 3(g) of this mandate also expressly provides that the members of the Committee shall, on an annual basis, meet with the Corporation's Chief Financial Officer to enhance their financial literacy with respect to the Corporation's financial statements.

Each of the members of the Committee has professional qualifications or business experience, or both, that are relevant to the performance of his/her responsibilities as a member of the Audit Committee. Mr. Goldman is or has been a member of the board and audit committee of several issuers listed on NASDAQ or on the TSX and has experience such as that gained when he was Executive Vice-President and Chief Operating Officer of Noranda Inc. (now known as Xstrata). Mr. Mongeau who is presently the Chief Executive Officer of Canadian National Railway Company, was this company's Executive Vice-President and Chief Financial Officer for many years as well as having been named Canada's CFO of the Year in 2005. Mr. Stevenson is Managing Director of Callisto Capital, a private equity firm based in Toronto and also has financial expertise acquired through his experience as President of Pathfinder Capital Inc., President and Chief Executive Officer of Chapters Inc. (e-tailer and book retailer), and as former Chief Executive Officer of Pep Boys Inc. (automotive aftermarket retail and service). As for Mr. Bourne, his many years as Chief Financial Officer and President of TransAlta Corporation has provided him with extensive financial expertise. With respect to Mrs. Hammick, she is lead Director of Dynegy Inc. and also has financial expertise acquired through her experience as part of the management team at Columbia Energy Group (an

(1) With respect to the Audit Committee's responsibilities as to the receipt, retention and treatment of complaints see section 3.12.2 "Whistleblowing Procedure" of this Management Proxy Circular.

(2) CSA Audit Committee Requirements, section 3.1.

(3) CSA Audit Committee Requirements, section 3.1 (4).

integrated gas company and utility). Finally, Mrs. Marcoux has extensive experience in financial matters from her many years as a board member for a number of large public issuers such as the National Bank of Canada, Sherritt International Corporation and Placer Dome Inc.

#### **7.2.4 Responsibilities of the Audit Committee**

The mandate of the Audit Committee explicitly describes the role and responsibilities of the Audit Committee<sup>(4)</sup>. The following summarizes these responsibilities.

##### **7.2.4.1 Appointment of External Auditors<sup>(5)</sup>**

In accordance with its mandate<sup>(6)</sup>, the Audit Committee recommends to the Board (for subsequent approval by the Corporation's shareholders) an independent firm of external auditors, and reviews and approves the terms of their engagement and fees, as well as the scope and timing of their audit, review and attest services for the Corporation. The terms of the mandate<sup>(7)</sup> also call for the Audit Committee to perform an annual review of the independence, performance and effectiveness of the external auditors.

##### **7.2.4.2 Relations with External Auditors<sup>(8)</sup>**

The Audit Committee has the authority to communicate directly with the external auditors and is responsible for ensuring that the external auditors also report directly to the Committee<sup>(9)</sup>. It is standard practice, at each meeting of the Committee, for the members to meet privately with the external auditors, without any representatives of management being present. The Audit Committee reviews:

- the results and process of the audit;
- and attests services provided by the external auditors (including the contents of any management letter issued by the external auditors to the Corporation and management's response thereto);
- any significant recommendations by the external auditors with respect to strengthening the Corporation's internal controls; and
- any significant issues between management and external auditors that could affect the Corporation's financial reporting or internal controls<sup>(10)</sup>.

The Audit Committee also has the authority to communicate directly with the Corporation's Internal Auditor. The Internal Auditor provides quarterly reports to the Audit Committee, and the Executive Vice-President and Chief Financial Officer makes the quarterly presentations on the financial results and forecasts to the Audit Committee and to the Board.

##### **7.2.4.3 Pre-Approval of Non-Audit Services<sup>(11)</sup>**

The Committee must pre-approve certain non-audit services that the external auditors may provide to the Corporation<sup>(12)</sup>. The mandate<sup>(13)</sup> also lists those non-audit services that are incompatible with the external auditors preserving their professional independence and that the external auditors may not, therefore, provide to the Corporation.

(4) The mandate of the Audit Committee is also available on the Website of the Corporation ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance". Furthermore, a paper copy of this mandate may be obtained on request from the Vice-President and Corporate Secretary.

(5) CSA Audit Committee Requirements, section 2.3(2) (a) and (b).

(6) Sections 2(i) and (j).

(7) Section 2(k).

(8) CSA Audit Committee Requirements, section 2.3.3.

(9) Sections 2(q) and 3(f).

(10) Sections 2(l), (m) and (n).

(11) CSA Audit Committee Requirements, section 2.3(4).

(12) Section 2(j)(ii).

(13) Section 2(j)(iii).

#### **7.2.4.4 Review of Financial Information Documents<sup>(14)</sup>**

The Committee is responsible for reviewing the annual and quarterly consolidated financial statements of the Corporation and accompanying information, including the Corporation's Management's Discussion and Analysis, and recommending their approval by the Board of Directors, prior to their release, filing and distribution<sup>(15)</sup>. The Audit Committee is also responsible for periodically reviewing the adequacy and monitoring the application of the Corporation's disclosure policy (which addresses the disclosure of financial and material change information to the Corporation's shareholders, the securities commissions, the TSX, financial analysts, stockbrokers and the general public)<sup>(16)</sup>.

#### **7.2.4.5 Complaints on Accounting or Other Matters<sup>(17)</sup>**

In compliance with the requirements of section 2.3(7) of the CSA Audit Committee Requirements as well as with the terms of its own mandate<sup>(18)</sup>, the Audit Committee has established and now monitors the Corporation's Procedures for Complaints and Concerns Regarding Accounting, Internal Accounting, Internal Accounting Controls, Auditing and Other Matters<sup>(19)</sup>. These procedures allow for the confidential and anonymous submission, by employees of the Corporation and by members of the general public, of reports on unethical or questionable acts by the Corporation or any of its employees.

#### **7.2.4.6 External Auditors Hiring Policy<sup>(20)</sup>**

The Audit Committee is responsible for reviewing and approving the Corporation's hiring policy regarding the partners, employees, and former partners and employees, of the external auditors of the Corporation<sup>(21)</sup>. This policy is provided as Attachment "A" to the Audit Committee's mandate<sup>(22)</sup>.

#### **7.2.4.7 Engagement of Independent Counsel**

Under the terms of the Audit Committee's mandate<sup>(23)</sup>, the Committee has the authority to engage independent advisors as the Committee deems necessary, to advise and assist the Committee in carrying out its duties, and to set the compensation for such advisors as are engaged by the Committee.

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(14) CSA Audit Committee Requirements, section 2.3 (5) and 2.3(6).

(15) Sections 2(b) and (d).

(16) Section 2(w).

(17) CSA Audit Committee Requirements, section 2.3(7).

(18) Section 2(x).

(19) These procedures are posted on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Policy"/"Complaints re Accounting and Other Matters". A summary of these procedures is found in section 3.12.2 of this Management Proxy Circular.

(20) CSA Audit Committee Requirements, section 2.3 (8).

(21) Section 2(o).

(22) Available on the Website of the Corporation ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance", and of which a paper copy may be obtained on request from the Vice-President and Corporate Secretary.

(23) Section 2(bb).

### 7.2.5 Year in Review

During the course of 2009, the Audit Committee concentrated its efforts on performing the duties set out in its mandate which include reviewing and/or approving and recommending to the Board, when required, the following:

Audit Committee Accomplishments 2009	
<b>Relationship with External Auditors</b> <ul style="list-style-type: none"> <li>✓ Formally considered the continuation of, or a change in, the external auditors</li> <li>✓ Approved the audit plan for quarterly reviews and annual audit</li> <li>✓ Reviewed and approved the terms of the external auditors' engagement, including compensation</li> <li>✓ Reviewed audit fees and non-audit fees of external auditors and other accounting firms for the past year</li> <li>✓ Reviewed and approved external auditors' fees for the coming year</li> <li>✓ Approved non-audit services by external auditors</li> <li>✓ Received reports from external auditors on quarterly and annual consolidated financial statements, annual information form, management's discussion and analysis and management proxy circular</li> <li>✓ Reviewed the annual letter of recommendations from external auditors with management's comments</li> <li>✓ Reviewed and approved hiring policy regarding external auditors</li> <li>✓ Complied with requirements regarding the rotation of applicable partners of the external auditors</li> <li>✓ Ensured that the external auditors report directly to the Committee</li> </ul>	<b>Relationship with Internal Auditor</b> <ul style="list-style-type: none"> <li>✓ Established the Committee's expectations</li> <li>✓ Annually reviewed a report on the internal audit function</li> <li>✓ Approved and monitored the execution of the annual internal audit plan</li> <li>✓ Reviewed internal audit reports including management's responses</li> <li>✓ Reviewed reports on frauds and irregularities</li> <li>✓ Assessed internal auditor's performance</li> </ul> <b>Financial and Accounting Information</b> <ul style="list-style-type: none"> <li>✓ Reviewed and recommended approval of the Disclosure Policy and the Committee's Charter</li> <li>✓ Followed-up on the status of material financial reporting issues, including material litigation, claim or other contingency, and tax assessments</li> <li>✓ Reviewed quarterly and annual consolidated financial statements, annual information form, management's discussion and analysis, press releases, management proxy circular and annual report</li> <li>✓ Reviewed new accounting rules and accounting policies</li> <li>✓ Ensured tax filing compliance (corporate and employees)</li> <li>✓ Received Chief Executive Officer/Chief Financial Officer certification update</li> <li>✓ Reviewed the statement of management's responsibility for financial reporting</li> <li>✓ Reviewed disaster recovery plan</li> <li>✓ Reviewed whistleblower complaints and concerns reports</li> </ul>

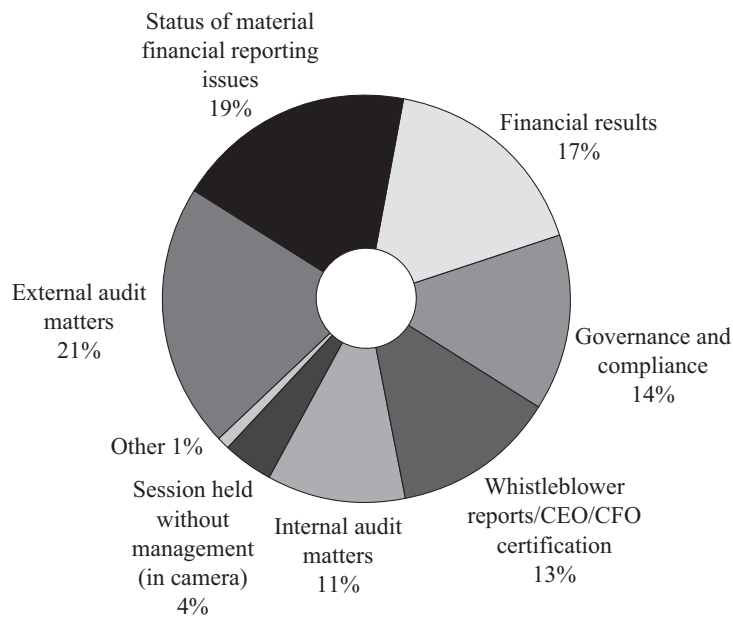
### 7.2.6 2009 Key Matters Addressed

Above and beyond the items prescribed by their mandate and set out in the forward agenda of the Audit Committee, the Committee reviewed a number of key matters throughout the course of 2009. The following table includes some of these matters:

Audit Committee	
➤ Chief Executive Officer/Chief Financial Officer Certification	➤ Reviewed requirements under National Instrument 52-109 and the analysis of the impact on the Corporation's disclosure practices
➤ New Financial and Human Resources systems	➤ Reviewed the implementation strategy of new financial and human resources applications, along with all associated technology
➤ International Financial Reporting Standards ("IFRS")	➤ Reviewed the status of IFRS implementation, and its calendar, within the Corporation

The following chart outlines the approximate time spent by the Audit Committee on various matters in 2009.

**Audit Committee: Approximative Allocation of Agenda Time**








Submitted by the members of the Audit Committee:

Ian A. Bourne  
David Goldman, Chairman  
Patricia A. Hammick

Edythe (Dee) A. Marcoux  
Claude Mongeau  
Lawrence N. Stevenson

## 7.3 Report of the Governance Committee

### GOVERNANCE COMMITTEE

				
D. Goldman	P.H. Lessard	E.A. Marcoux	G. Morgan (Chairman)	L.N. Stevenson

#### 7.3.1 Mandate

The Governance Committee is responsible in general for developing and maintaining good governance practices consistent with high standards of corporate governance. The Governance Committee also provides the Statement of Corporate Governance Practices required under the CSA Disclosure Requirements which is found throughout sections 3, 6 and 7 of this Management Proxy Circular<sup>(24)</sup>.

#### 7.3.2 Composition

As at December 31, 2009, the Corporation's Governance Committee consisted of five Directors, all of whom are "independent" within the meaning of the Regulatory Independence Requirements. All members also satisfy the requirement set by the Corporation outlined in section 3.10 "Director Availability" of this Management Proxy Circular.

#### 7.3.3 Year in Review

During the course of 2009, the Governance Committee concentrated its efforts on performing the duties set out in its mandate which include reviewing and/or approving the following:

Governance Committee Accomplishments 2009	
<p><b>Composition of the Board and its Committees</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed size, structure and composition of the Board</li> <li>✓ Maintained overview of Board membership and advised Chairman of change in status or credentials of individual Directors</li> <li>✓ Reviewed credentials of Directors to be proposed for election or re-election</li> <li>✓ Established and updated table of qualifications and skills of Directors and list of suitable candidates</li> </ul> <p><b>Performance of the Board and its Committees</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed evaluations made by Directors on Board-related issues</li> <li>✓ Considered requests from individual Directors or Board Committees for engagement of outside advisors</li> <li>✓ Assessed its own performance</li> </ul> <p><b>Remuneration of Directors</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed Directors' remuneration for 2010</li> </ul>	<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed draft Management Proxy Circular and draft Annual Information Form (AIF)</li> <li>✓ Prepared annual "Statement of Governance Practices", included in the Management Proxy Circular</li> </ul> <p><b>Chief Executive Officer Succession</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed the Chief Executive Officer succession plan</li> </ul> <p><b>Other Duties and Responsibilities</b></p> <ul style="list-style-type: none"> <li>✓ Reviewed the Directors' and officers' insurance coverage and indemnification and considered requirement for any changes to relevant by-laws</li> <li>✓ Reviewed its terms of reference</li> <li>✓ Reviewed and updated the Corporate Governance Handbook</li> <li>✓ Reviewed mandates of Board Committees</li> <li>✓ Responded to third party reports or position papers on corporate governance</li> <li>✓ Approved orientation and education program for new Directors</li> </ul>

(24) For a complete copy of the Governance Committee mandate see the Corporation's website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance".



#### **7.3.4 2009 Key Matters Addressed**

The Board has delegated the day-to-day responsibility for corporate governance to the Governance Committee. This Committee is responsible for defining the Corporation's approach to corporate governance issues (including reviewing the corporate governance guidelines on an ongoing basis and recommending any appropriate changes to the Board). The Committee reviews the corporate governance framework and practices and revises them as regulations change and expectations of corporate governance and best practices continue to evolve.

In 2009, the Governance Committee reviewed many of the Corporation's practices to reflect its governance processes and accepted best practices and spent a considerable amount of time on Board succession. The Committee, therefore, addressed the following key matters throughout the course of 2009:

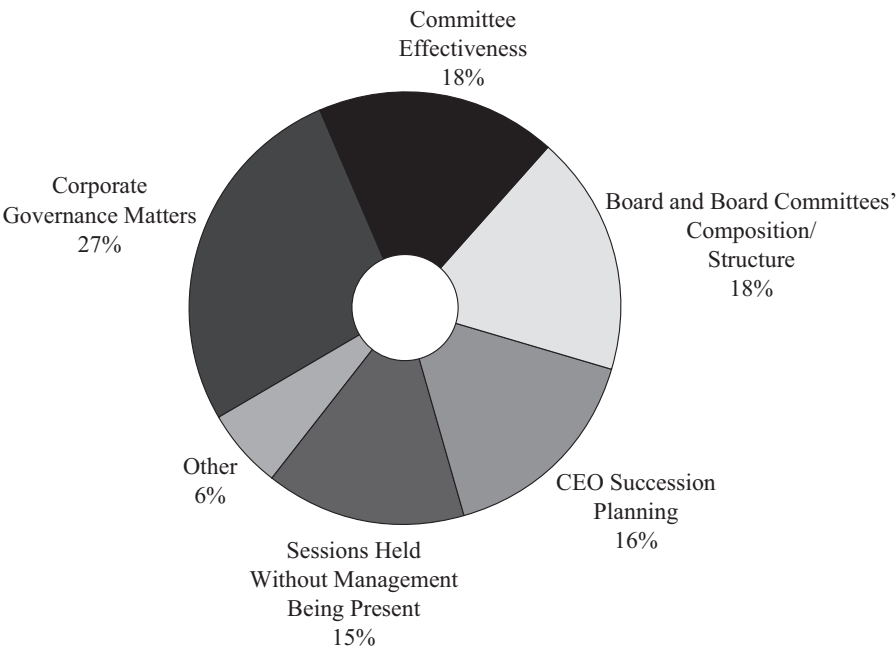
<b>Governance Committee</b>	
President and Chief Executive Officer Succession	➤ Led the Board of Directors in the succession process and recommended key candidates for their review and approval
Peer Group Governance Disclosure	➤ Reviewed Peer Group governance practices and benchmarked against the Corporation's practices
Say on Pay	➤ Reviewed arguments for and against and discussed the best practices in this matter; and ➤ Reviewed ideas as to further Board engagement with shareholders
Corporate Governance Handbook online	➤ Instituted and approved online version of the Corporate Governance Handbook
International Board candidate	➤ Began the process for targeting and selecting an international candidate to add to the Board
Selection of a new Board member	➤ Conducted the selection process for a new Board member which ended in the appointment of Mr. Ian A. Bourne as a Director of the Corporation given his extensive experience in finance and his accounting skills

#### **7.3.5 Governance and Related Experience and Knowledge**

The Chairman of the Committee, Mr. Gwyn Morgan, has extensive experience in governance matters as do the four other members of the Committee. All Committee members are also knowledgeable about the Corporation's governance programs and policies.

The following chart outlines the approximate time spent by the Governance Committee on various matters in 2009.

**Governance Committee: Approximative Allocation of Agenda Time**



Submitted by the members of the Governance Committee:

Pierre H. Lessard  
Edythe (Dee) A. Marcoux  
David Goldman

Gwyn Morgan, Chairman  
Lawrence N. Stevenson

## 7.4 Report of the Health, Safety and Environment Committee<sup>(25)</sup>

### HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

				
I.A. Bourne	P.A. Hammick	E.A. Marcoux (Chairperson)	L.R. Marsden	H.D. Segal

#### 7.4.1 Mandate

The Health, Safety and Environment Committee is responsible for reviewing the response by the Corporation to health, safety and environmental matters, including compliance with legal requirements and industry standards<sup>26</sup>.

#### 7.4.2 Composition

As at December 31, 2009, the Corporation's Health, Safety and Environment Committee consisted of five Directors, all of whom are « independent » within the meaning of the Regulatory Independence Requirements. All members also satisfy the additional requirement set by the Corporation outlined in section 3.10 « Director Availability » of this Management Proxy Circular.

#### 7.4.3 Year in Review

During the course of 2009, the Health, Safety & Environment Committee concentrated its efforts on fulfilling its mandate which includes reviewing and/or approving and recommending to the Board when required, the following:

#### Health, Safety and Environment Committee Accomplishments 2009

- ✓ Reviewed the response by the Corporation or its subsidiaries, as the case may be, to health and safety matters, including compliance with applicable legislation, regulatory requirements and industry standards
- ✓ Reviewed the response by the Corporation or its subsidiaries, as the case may be, to environmental issues, including compliance with applicable legislation, regulatory requirements and industry standards
- ✓ Reviewed with management whether health and safety policies are being effectively implemented
- ✓ Reviewed with management whether environmental policies are being effectively implemented
- ✓ Reviewed and considered, as appropriate, reports and recommendations issued by the Corporation and its subsidiaries relating to health and safety issues, together with management response thereto
- ✓ Reviewed and considered, as appropriate, reports and recommendations issued by the Corporation and its subsidiaries relating to environmental issues, together with management response thereto

(25) NI 58-101 Form 58-101F1, section 8.

(26) For a complete copy of the Health, Safety & Environment Committee mandate see the Corporation's website ([www.snclavalin.com](http://www.snclavalin.com)), under "About Us"/"Corporate Governance".

#### 7.4.4 2009 Key Matters Addressed

In 2009, the Health, Safety and Environment Committee was responsible for overseeing numerous corporate initiatives. The following table includes some of the key matters reviewed by the Committee throughout the year:

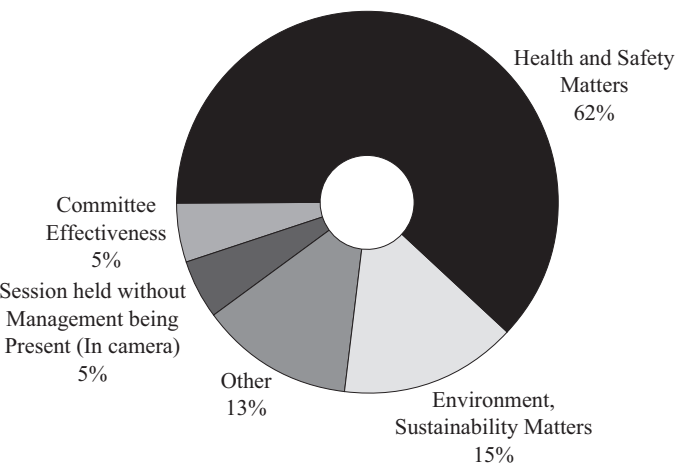
<b>Health, Safety and Environment Committee</b>	
WE CARE Safety Strategy	<ul style="list-style-type: none"> <li>➤ Reviewed the WE CARE Safety Strategy and the allocation of resources for the following project site activities:               <ul style="list-style-type: none"> <li>○ Active Project Management Plan;</li> <li>○ Comprehensive and Active Safety Risk Register;</li> <li>○ Step Back Program (personal risk assessment process);</li> <li>○ Positive Incentive Program to reward correct risk competent behaviour; and</li> <li>○ Risk Peer Review on critical projects</li> </ul> </li> </ul>
Risk Management Reports	<ul style="list-style-type: none"> <li>➤ Reviewed the framework for the development by members of the Office of the President of the Current and Leading Indicator Program</li> </ul>
Health, Safety & Environment Risk Evaluation Processes	<ul style="list-style-type: none"> <li>➤ Reviewed the harmonization efforts on risk evaluation processes headed by the Risk Evaluation Group</li> </ul>
Strengths, Weaknesses, Opportunities and Threats Analysis (“SWOT”)	<ul style="list-style-type: none"> <li>➤ Reviewed the SWOT analysis which includes:               <ul style="list-style-type: none"> <li>○ Health, Safety and Environmental risks to the Corporation (regulatory, physical, etc.);</li> <li>○ Financial and business implications related to climate change;</li> <li>○ Opportunities related to climate change; and</li> <li>○ Greenhouse gas emissions by the Corporation</li> </ul> </li> </ul>
Environmental Management Benchmarking Report	<ul style="list-style-type: none"> <li>➤ Reviewed updates to the Environmental Management Benchmarking Report which focuses on corporate responsibility reporting and key performance indicators amongst the Corporation’s peer group</li> </ul>
Carbon Disclosure Project	<ul style="list-style-type: none"> <li>➤ Reviewed the report on the Carbon Disclosure Project submissions for 2009 (voluntary disclosure of information related to carbon emissions)</li> </ul>

#### 7.4.5 Health, Safety and Environment Related Experience and Knowledge

Mrs. E. A. Marcoux, the Committee’s Chairperson, has extensive experience in the field of health, safety and environmental matters acquired within her career as an executive in the oil and mining industries. All other Committee members also have experience in the oversight of health, safety and environment matters.

The following chart outlines the approximate time spent by the Health, Safety and Environment Committee on various matters.

**Health, Safety and Environment Committee: Approximate Allocation of Agenda Time**



Submitted by the members of the Health, Safety and Environment Committee:

Ian A. Bourne  
Patricia A. Hammick  
Edythe A. Marcoux, Chairperson

Lorna R. Marsden  
Hon. Hugh D. Segal

## 7.5 Report of the Human Resources Committee

### HUMAN RESOURCES COMMITTEE

				
D. Goldman	P.H. Lessard	L.R. Marsden	H.D. Segal	L.N. Stevenson (Chairman)

#### 7.5.1 *Mandate*

The Human Resources Committee is responsible for reviewing and advising the Board on policies and plans relating to employment, succession planning for senior executives except for the President and Chief Executive Officer (which is performed by the Governance Committee) and compensation, benefit and retirement plans for employees, including officers of the Corporation<sup>(27)</sup>.

#### 7.5.2 *Composition*<sup>(28)</sup>

The Human Resources Committee consists of five Directors all of whom are “independent” within the meaning of the Regulatory Independence Requirements. All members also satisfy the additional requirement set by the Corporation as outlined in section 3.10 “Director Availability” of this Management Proxy Circular.

#### 7.5.3 *Compensation Consultant*<sup>(29)</sup>

During 2009, the Human Resources Committee retained the services of Hugessen Consulting Inc. (“**HCI**”) to provide advice on compensation programs for the President and Chief Executive Officer, and key officers. The Corporation retained the services of Towers Watson to provide advice on compensation for key executives as well as benefit and retirement plan issues. For more information on the mandate of Towers Watson and Hugessen Consulting Inc., as well as the total amount of fees paid by the Corporation for their services, see section 8.3 “Advice on Compensation” of this Management Proxy Circular.

(27) NI 58-101 Form 58-101F1, section 7(b) and (c).

(28) For a complete copy of the Human Resources Committee mandate see the Corporation’s website ([www.snclavalin.com](http://www.snclavalin.com)), under “About Us”/“Corporate Governance”.

(29) N158-101 Form 58-101F1, section 7(d)..

#### 7.5.4 Year in Review

In accordance with its mandate, the Human Resources Committee reviewed, and when required, recommended to the Governance Committee and the Board, amendments to the following:

Human Resources Committee Accomplishments 2009	
<p><b>President and Chief Executive Officer Performance, Evaluation and Compensation</b></p> <ul style="list-style-type: none"> <li>✓ Objectives of the President and Chief Executive Officer</li> <li>✓ Performance of the President and Chief Executive Officer</li> <li>✓ Compensation of the President and Chief Executive Officer</li> </ul> <p><b>Members of the Office of the President Performance, Evaluation and Compensation</b></p> <ul style="list-style-type: none"> <li>✓ Objectives of the Office of the President</li> <li>✓ Performance of the Office of the President</li> <li>✓ Compensation of the Office of the President</li> </ul> <p><b>Executive Total Compensation</b></p> <ul style="list-style-type: none"> <li>✓ Executive Management Retirement Income Plan (EMRIP)</li> <li>✓ Harvest Plus Retirement Savings Program</li> <li>✓ Management Incentive Program (MIP)</li> <li>✓ Management Share Ownership Program (MSOP)</li> <li>✓ Performance Share Unit Plan (PSUP)</li> <li>✓ Deferred Share Unit Plan (DSUP) for Executive Employees</li> </ul>	<p><b>Employee Total Compensation</b></p> <ul style="list-style-type: none"> <li>✓ Salaries for Canada and abroad</li> <li>✓ Salaries for Management Committee</li> <li>✓ Retirement Plans</li> <li>✓ Stock Options</li> <li>✓ Employee Share Ownership Plan (ESOP)</li> <li>✓ Harvest Retirement Savings Program</li> </ul> <p><b>Succession Planning</b></p> <ul style="list-style-type: none"> <li>✓ Succession planning for key executive positions<sup>(30)</sup></li> </ul> <p><b>Other Duties and Responsibilities</b></p> <ul style="list-style-type: none"> <li>✓ Compliance reports on Code of Ethics and Business Conduct</li> <li>✓ Human Resources Section of the Corporate Governance Handbook</li> <li>✓ Human Resources Committee Charter</li> <li>✓ Committee Performance</li> <li>✓ Review Management Proxy Circular</li> <li>✓ General employee information statistics</li> </ul>

(30) As much time and effort was spent by the Board in 2009 on the selection of a new President and Chief Executive Officer, and also given the fact that the participation and input from the President and Chief Executive Officer is an essential part of the 2009 succession planning for key executive positions, the customary succession planning for key executives was deferred to 2010.



### 7.5.5 2009 Key Matters Addressed

In 2009, the Human Resources Committee proposed certain changes throughout the year including, but not limited to, a review of major executive compensation plans and programs to better align these with best practices in executive compensation. The following table details key changes undertaken by the Committee throughout the year, as well as certain other changes:

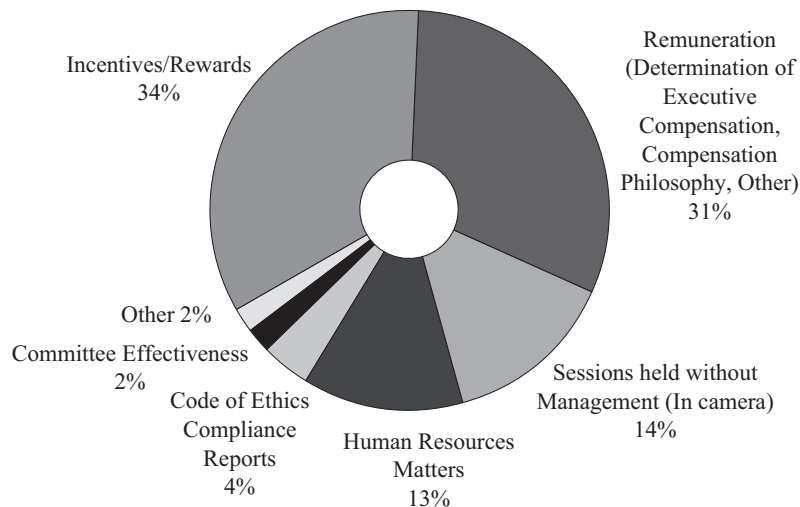
Human Resources Committee	
Executive Compensation	<ul style="list-style-type: none"><li>➤ Reviewed Comparator Groups used in positioning the Corporation's executive compensation plans and made changes to more closely align selected companies with the Corporation's annual revenues and market capitalization</li><li>➤ In-depth analysis in conjunction with HCI on remuneration package for new President and Chief Executive Officer</li></ul>
Performance Share Unit Plan ("PSUP")	<ul style="list-style-type: none"><li>➤ Extensively reviewed the PSUP which resulted in the introduction of a new PSUP to better reward performance and create an incentive to enhance shareholder value</li></ul>
Deferred Share Unit Plan ("DSUP") for Executive Employees	<ul style="list-style-type: none"><li>➤ Introduced a DSUP for Executive Employees to better align compensation with long-term objectives</li></ul>
Succession Planning	<ul style="list-style-type: none"><li>➤ Assisted the Governance Committee and the Board with President and Chief Executive Officer succession planning</li></ul>

7.5.6 Human Resources and Compensation Experience and Knowledge

Mr. Lawrence N. Stevenson has extensive experience in human resources and compensation matters acquired during his career as President and Chief Executive Officer of three publicly traded companies. Mr. Stevenson is also the Chairman of the Human Resources Committee of CAE Inc. and sat on the Human Resources Committee of Sobeys Inc. All other Committee members also have experience in executive compensation matters.

The following chart outlines the approximate time spent by the Human Resources Committee on various matters in 2009.

Human Resources Committee: Approximate Allocation of Agenda Time



Submitted by the members of the Human Resources Committee:

David Goldman  
Pierre H. Lessard  
Lorna R. Marsden

Hon. Hugh D. Segal  
Lawrence N. Stevenson, Chairman

## SECTION 8: Executive Compensation Discussion and Analysis (“CD&A”)

### Highlights

	Page
<b>8.1 EXECUTIVE COMPENSATION POLICY</b>	88
<ul style="list-style-type: none"> <li>➤ In 2009, changes were made to the Executive Compensation Policy to reflect recommendations made by the Human Resources (“HR”) Committee of the Board of Directors with respect to: <ul style="list-style-type: none"> <li>• The calculation of the award under the Management Incentive Program for the President and CEO;</li> <li>• The introduction of a Deferred Share Unit Plan for Executive Employees; and</li> <li>• The introduction of a new Performance Share Unit Plan.</li> </ul> </li> </ul>	
<b>8.2 IMPORTANCE OF SHARE OWNERSHIP</b>	89
<ul style="list-style-type: none"> <li>➤ The Corporation believes that share ownership by key employees contributes to the Corporation’s success. Within five years of appointment to the position of President and CEO, the President and CEO is required to hold a minimum of six times annual base salary in Common Shares of the Corporation; and</li> <li>➤ The share ownership requirement for the other NEOs as well as the other members of the Office of the President is three times annual base salary within five years of appointment to the Office of the President.</li> </ul>	
<b>8.3 ADVICE ON COMPENSATION</b>	90
<ul style="list-style-type: none"> <li>➤ In 2009, the HR Committee continued to retain the services of an independent compensation consultant, Hugessen Consulting Inc. (“HCI”), to provide advice and guidance to the HR Committee.</li> </ul>	
<b>8.4 COMPARATOR GROUPS AND MARKET POSITIONING</b>	90
<ul style="list-style-type: none"> <li>➤ The Comparator Groups used in positioning the Corporation’s executive compensation plans were reviewed by the HR Committee. Changes were made to the 2009 Comparator Group to more closely align the companies selected with the Corporation’s annual revenues and market capitalization.</li> </ul>	

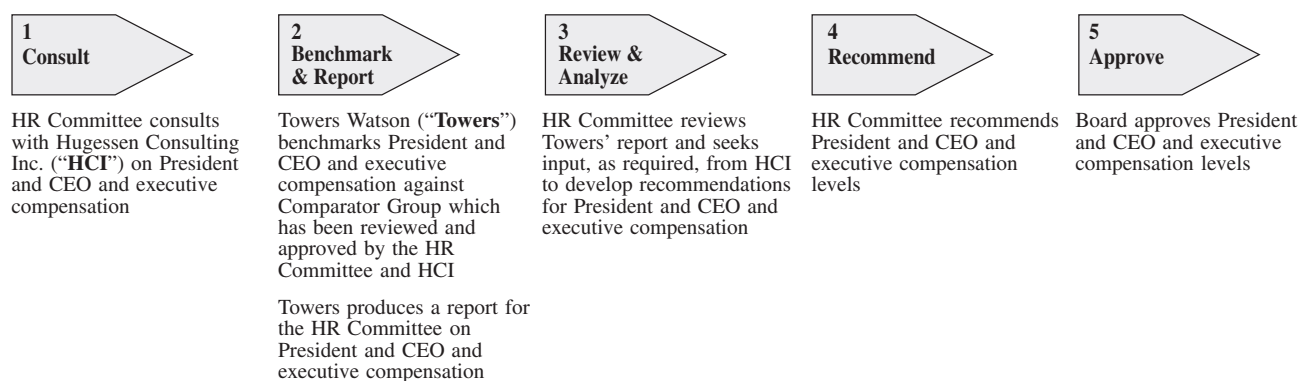
	Page
<b>8.5 EMPLOYEES WHO PARTICIPATE IN COMPENSATION PLANS</b>	91
<ul style="list-style-type: none"> <li>➤ In addition to the NEOs, several key employee groups also participate in the compensation plans provided under the executive compensation program.</li> </ul>	
<b>8.6 COMPONENTS OF THE EXECUTIVE COMPENSATION PROGRAM</b>	92
<ul style="list-style-type: none"> <li>➤ The fixed and variable components of the executive compensation program include both short-term and long-term components.</li> </ul>	
<b>8.7 FIXED COMPENSATION</b>	94
<ul style="list-style-type: none"> <li>➤ Four elements comprise fixed compensation.</li> </ul>	
<b>8.8 PERFORMANCE-BASED (VARIABLE) COMPENSATION</b>	95
<ul style="list-style-type: none"> <li>➤ Five elements comprise performance-based compensation.</li> </ul>	
<b><u>NAMED EXECUTIVE OFFICERS</u></b>	
For 2009, the Named Executive Officers are:	
<ul style="list-style-type: none"> <li>➤ Pierre Duhaime, President and CEO</li> <li>➤ Jacques Lamarre, President and CEO (retired May 7<sup>th</sup>, 2009)</li> <li>➤ Gilles Laramée, Executive Vice-President and CFO</li> <li>➤ Jean Beaudoin, Executive Vice-President</li> <li>➤ Riadh Ben Aïssa, Executive Vice-President</li> <li>➤ Michael Novak, Executive Vice-President</li> </ul>	
<b><u>OFFICE OF THE PRESIDENT</u></b>	
The Named Executive Officers are members of the Office of the President. In 2009, organizational restructuring resulted in changes to the Office of the President. These changes included the following:	
<ul style="list-style-type: none"> <li>➤ The retirement of Mr. Jacques Lamarre as President and CEO on May 7<sup>th</sup>, 2009;</li> <li>➤ The appointment of Pierre Duhaime as President and CEO by the Board of Directors on May 7<sup>th</sup>, 2009; and</li> <li>➤ As a result of Mr. Duhaime’s appointment, Mr. Feroz Ashraf was appointed Executive Vice-President and member of the Office of the President effective May 7<sup>th</sup>, 2009, assuming responsibility for global mining and metallurgy and sulphuric acid.</li> </ul>	

## SECTION 8: Executive Compensation Discussion and Analysis (“CD&A”)

### INTRODUCTION

The responsibility for determining the principles for compensation of executives and other key employees of the Corporation rests with the Board of Directors. The Board establishes a Human Resources (“HR”) Committee, which has among its responsibilities the mandate of administering the executive compensation policy. The HR Committee approves objectives for the President and CEO and other members of the Office of the President and makes appropriate recommendations to the Board for the compensation of executive officers and other key employees after independent consultation, followed by in-depth review and analysis.

The HR Committee follows the formal process illustrated below, which culminates in compensation levels for the President and CEO and other executives being presented to the Board of Directors for their approval.



In 2009, the HR Committee continued to retain the services of HCI to assist with the review of the compensation of the Corporation’s President and CEO and other executives in order to determine incentive awards for 2009 and set salary, incentive pay opportunities and performance conditions for 2010. To do so, the HR Committee obtained market data to evaluate the competitiveness of compensation. In this regard, Towers proposed a Comparator Group which was reviewed and approved by the HR Committee and HCI after which Towers conducted a compensation benchmarking review. The results of this market analysis were reviewed by the Chair of the HR Committee in consultation with HCI and the results were provided to the full Committee. The Chair of the Board of Directors and the Chair of the HR Committee utilized this information to develop recommendations for President and CEO compensation. The President and CEO utilized this market analysis as a reference point in developing recommendations for executive compensation for consideration by the HR Committee and the Board.

### 8.1 Executive Compensation Policy

The Corporation has a pay-for-performance philosophy which is reflected in the Corporation’s compensation plans. Total compensation is designed to reward the achievement of individual and business unit performance for which executive employees are responsible and over which they have control. However, to strengthen relationships among business units, total compensation also rewards corporate performance.

The Corporation has a formal policy pertaining to executive compensation (the “**Executive Compensation Policy**”), which is reviewed and approved by the HR Committee on an annual basis. In 2009, the HR Committee approved changes to the Executive Compensation Policy as follows:

- Changes to the selection criteria for inclusion in the Comparator Group. The changes made and a list of the companies in the 2009 Comparator Group are described in section 8.4 of this Management Proxy Circular.
- Changes to how the award under the Management Incentive Program (described in section 8.8.1 of this Management Proxy Circular) is calculated for the President and CEO.
- The introduction of a Deferred Share Unit Plan for Executive Employees (described in section 8.8.4 of this Management Proxy Circular).
- The introduction of a new Performance Share Unit Plan (described in section 8.8.5 of this Management Proxy Circular).

The following table illustrates for 2009, the positioning under the Executive Compensation Policy, of each Compensation Component (described in section 8.6 of this Management Proxy Circular) versus the Comparator Groups (described in section 8.4 “Comparator Groups and Market Positioning” of this Management Proxy Circular):

Compensation Component	Positioning vs. Comparator Group
Base Salary	100% of Median of Comparator Group
Benefits and Perquisites	Competitive within local Comparator Group
Retirement Programs	Competitive within local Comparator Group
Annual Incentive (Management Incentive Program)	Level required to position total cash compensation at the Median
Long-term Incentives (Stock Options, Management Share Ownership Program, Performance Share Unit Plan)	Level required to be at target on total compensation
Target Cash Compensation	100% of Median
Total Compensation	100% of Median

The Executive Compensation Policy supports the Corporation’s vision, mission and values and reinforces corporate and business unit strategies by:

- Being aligned with the overall Corporation and business units’ goals and key performance measures and by strengthening relationships between these businesses;
- Promoting stock ownership by key executives;
- Facilitating the recruitment and retention of high performing talent for key positions;
- Motivating executives to achieve and to exceed the Corporation’s financial objectives; and
- Providing excellent rewards for superior performance through both individual and corporate results over the short and long term.

The Executive Compensation Policy links pay with the Corporation’s performance and increased shareholder value, taking into account roles, responsibilities and performance. The Policy establishes the remuneration levels, which reflect the role of the incumbent and the responsibilities of the job and which are in line with market practices for equivalent positions in industry.

## 8.2 Importance of Share Ownership

The Corporation believes that share ownership by key employees contributes to the Corporation’s success. To facilitate this goal, the Corporation offers programs including the Employee Share Ownership Plan available to all employees and the Management Share Ownership Program offered to key employees.

In addition, the Corporation requires that:

- a) in the case of its key executive officers, that they hold, within five years of appointment to the position of President and CEO or to the Office of the President, Common Shares of the Corporation having a minimum total market value as presented in the following table and continue to hold such Common Shares throughout their tenure as President and CEO or as a member of the Office of the President; in order to exercise stock options granted while President and CEO or a member of the Office of the President, the required ownership level must have been met for one year preceding the date of exercise; and
- b) in the case of members of the Management Committee (as defined in section 8.5 “Employees Who Participate in Compensation Plans” of this Management Proxy Circular), that in order to exercise stock options granted to them while a member of the Management Committee, they are required to have owned, for one year preceding the date of exercise, Common Shares of the Corporation having a market value at least equal to one time annual base salary at the time of exercise.

Executive	Required Ownership Level
President and CEO	6 x annual base salary
Executive Vice-Presidents, Office of the President	3 x annual base salary
Members of the Management Committee	1 x annual base salary

### 8.3 Advice on Compensation

In 2009, the HR Committee continued to retain the services of HCI, a consulting firm which provides independent advice on executive compensation and related governance issues. HCI's role is to provide advice and guidance to the HR Committee when it is making decisions regarding compensation programs. The HR Committee considers the advice and recommendations of the consultant but decisions are their own. HCI does not provide any services to the Corporation directly. The total amount of fees paid by the Corporation to HCI for its services for the year 2009 (and comparable information for 2008) is provided in the following table:

Fees paid to HCI for the years ended December 31 <sup>st</sup> , 2009 and December 31 <sup>st</sup> , 2008		
Nature of work	2009	2008
Consulting to the HR Committee on Executive Compensation	\$218,237	\$60,593

In 2009, Towers continued to be retained by the Corporation to benchmark compensation and to provide advice on the appropriateness and competitiveness of compensation programs for the Corporation's members of the Office of the President. In addition, during 2009, the Corporation retained Towers to perform other work relating to the Corporation's benefit plans. The total amount of fees paid by the Corporation to Towers for its services for the year 2009 (and comparable information for 2008) is provided in the following table:

Fees paid to Towers for the years ended December 31 <sup>st</sup> , 2009 and December 31 <sup>st</sup> , 2008		
Nature of work	2009	2008
Compensation	\$96,072	\$72,954
Benefit plans	\$59,201	\$46,463
Retirement Plans	\$348,774 <sup>(1)</sup>	\$428,168 <sup>(1)</sup>
<b>Total</b>	<b>\$504,047</b>	<b>\$547,585</b>

*Note*

(1) This amount is with respect to special pension work for a subsidiary company.

On an annual basis, management presents the HR Committee with a schedule of the services Towers and HCI are expected to render in the upcoming year together with an estimated fee schedule for the HR Committee to review and approve.

### 8.4 Comparator Groups and Market Positioning

The Corporation's executive compensation plans are designed in such a way that executives and other key employees are compensated below market when the Corporation's financial performance does not compare favourably with that of groups of comparable organizations ("**Comparator Groups**"), and above market when this comparison is favourable. Market information is meant to be at the policy level and is neutral to performance management considerations specific to each company listed in the Comparator Groups.

In 2009, the HR Committee and HCI reviewed the 2008 Comparator Groups and made changes to the selection criteria to more closely align the companies selected with the Corporation's annual revenues and market capitalization. The selection criteria for inclusion in the Comparator Groups were as follows:

- Publicly-traded "common stock" parent company;
- Revenues between \$1 billion and \$20 billion;
- Market capitalization between \$1 billion and \$20 billion;
- Participant in Towers' Compensation Data Bank; and

- Organizations which were found under one of nineteen Global Industry Classification Standard (GISC) industry groups.

In 2009, the following companies were included in the Comparator Groups for the Named Executive Officers:

Canadian-based Positions (Compensation determined as a blend of 80% Canada and 20% US)	
CANADA (18)	UNITED STATES (23)
Agrium Inc.	Air Products and Chemicals Inc.
Atco Ltd.	Alliant Techsystems Inc.
Bombardier Inc.	Cabot Corp.
CAE Inc.	Cameron International Corp.
Canadian Pacific Railway Ltd.	Eastman Chemical Co.
Canfor Corp.	EMCOR Group Inc.
CGI Group Inc.	Exterran Holdings Inc.
Domtar Corp.	Fluor Corporation
Enbridge Inc.	Freeport-McMoran Copper & Gold Inc.
Finning International Inc.	Goodrich Corp.
Kinross Gold Corp.	Hercules Inc.
Methanex Corp.	Jacobs Engineering Group Inc.
Nexen Inc.	KBR Inc.
ShawCor Ltd.	L-3 Communications Holdings Inc.
Talisman Energy Inc.	McDermott International Inc.
Teck Cominco Ltd.	Mirant Corp.
TransAlta Corp.	Mosaic Company (The)
TransCanada Corp.	Murphy Oil Corp.
	NRG Energy Inc.
	PPG Industries Inc.
	Reliant Energy Inc.
	Rockwell Collins Inc.
	Weyerhaeuser Co.

The Comparator Groups are reviewed annually by the HR Committee to ensure that they represent the most appropriate and reliable samples possible. During these reviews, the HR Committee verifies that companies already included in the Comparator Groups continue to meet the selection criteria and may select new companies, as required, following changes in data.

## 8.5 Employees Who Participate in Compensation Plans

The compensation plans provided under the executive compensation program also apply to employees other than the Named Executive Officers (as defined below). The following key employee groups participate in some or all of the Corporation's compensation plans:

➤ Named Executive Officers

Pierre Duhaime, President and CEO  
 Jacques Lamarre, President and CEO (retired)  
 Gilles Laramée, Executive Vice-President and CFO  
 Jean Beaudoin, Executive Vice-President  
 Riadh Ben Aïssa, Executive Vice-President  
 Michael Novak, Executive Vice-President

➤ Members of the Office of the President

The Office of the President is composed of SNC-Lavalin Group's senior management who are responsible for one or several operating sectors. It currently has ten members, and includes the President and CEO and the Named Executive Officers, except for Mr. Jacques Lamarre who retired on May 7<sup>th</sup>, 2009.



➤ Members of the Management Committee

The Management Committee is composed of executives responsible for the administrative and operational units of SNC-Lavalin Group. As at December 31<sup>st</sup>, 2009, the Management Committee consisted of approximately 70 executives from across SNC-Lavalin business units worldwide.

➤ Executives and key employees

This group includes approximately 300 other executives and key employees.

## **8.6 Components of the Executive Compensation Program**

The Corporation's executive compensation program is comprised of two components: one fixed and one performance-based (variable). The fixed component includes base salary, benefits and perquisites, an Employee Share Ownership Plan ("ESOP") and retirement programs. The performance-based component is related to the financial performance of the Corporation and includes a Management Incentive Program ("MIP") and long-term incentives in the form of stock options, a Corporation-matched Management Share Ownership Program ("MSOP"), a Deferred Share Unit Plan for Executive Employees ("DSUP"), and Performance Share Unit Plan ("PSUP").

The following table summarizes each of the fixed and variable (performance-based) components of the compensation program and is followed by a description of each component:

Component	Compensation Period	Plan Determination	Short-Term	Long-Term	Objectives
<b>FIXED</b>					
Base salary	1 year	Based on market competitiveness. Reflects level of responsibility, skills and experience.	X		Retention
Benefits (group life and health insurance program) and Perquisites	1 year	Based on market competitiveness.	X		Retention
Employee Share Ownership Plan (“ESOP”)	3 years	Based on market competitiveness.		X	Promotes importance of share ownership.
Retirement Programs: – Executive Management Retirement Income Plan (“EMRIP”) – <i>EMRIP has been closed to new entrants since 2002</i> OR – Harvest Plus Retirement Savings Program (“Harvest Plus”)	Benefit accrues annually	Based on market competitiveness.		X  X	Retention
<b>VARIABLE (Performance-Based)</b>					
Management Incentive Program (“MIP”) (non-equity incentive plan)	1 year	Award based on combination of operational and relative external performance and individual contribution.	X		Rewards the individual’s contribution to the business unit and the Corporation as well as personal performance.
Stock Options: – 2001 Stock Option Plan – 2004 Stock Option Plan <i>No future options available to be granted under the 2001 and 2004 Stock Option Plans</i>	6-year term, 100% vesting 2 years from date of grant	Awarded annually, based on individual contribution and responsibilities.		X	Rewards contribution to long-term performance of the Corporation and creates incentive to enhance shareholder value.
– 2007 Stock Option Plan – 2009 Stock Option Plan <i>No future options available to be granted under the 2007 Stock Option Plan</i>	5-year term with options vesting 1/3 after 2 years from date of grant, 1/3 after 3 years and 1/3 after 4 years			X	Retention  Creates incentive to enhance shareholder value
Management Share Ownership Program (“MSOP”)	Vests over 5 years	Awarded annually, based on MIP award.		X	Rewards performance and promotes share ownership.
Deferred Share Unit Plan (“DSUP”) for Executive Employees	Vests over 5 years	Awarded annually, based on a percentage of annual base salary.		X	Retention
Performance Share Unit Plan (“PSUP”) – Up to 2009	Vests over 5 years	Awarded annually, based on a percentage of annual base salary subject to the attainment of individual objectives.		X	Rewards performance and creates incentive to enhance shareholder value.
– As of 2010	Vests over 3 years	Units awarded annually, based on a percentage of annual base salary. Actual number of units at vesting date adjusted to reflect growth in earnings per share (EPS) since date of grant.			Increased incentive to enhance shareholder value.

## **8.7 Fixed Compensation**

### **8.7.1 Base Salary (short-term)**

Executive salaries are targeted at the median salaries in the Comparator Groups described in section 8.4 “Comparator Groups and Market Positioning” of this Management Proxy Circular. These salaries are established by a comparison of competitive benchmark positions within the Comparator Groups. Individual base salaries take into account experience, responsibilities and sustained contribution to the success of the Corporation. The NEOs are compensated in accordance with the executive compensation policy (described in section 8.1 of this Management Proxy Circular). The total compensation for members of the Office of the President, including the President and CEO, is reviewed by the HR Committee during the first quarter of each calendar year.

### **8.7.2 Benefits and Perquisites (short-term)**

The Corporation’s executive employee benefit program includes life, medical, dental and disability insurance. Perquisites consist of an automobile allowance and reimbursement for club memberships and medical and financial services. Such benefits and perquisites are designed to be competitive overall with equivalent positions in comparable Canadian organizations and are reviewed periodically by the HR Committee.

### **8.7.3 Employee Share Ownership Plan (“ESOP”) (long-term)**

The ESOP is a voluntary share purchase plan available to the vast majority of Canadian employees, as well as to employees in a number of business units outside Canada. It provides for a matching contribution by the Corporation of 35% (paid in two instalments over a two-year period), on employee contributions of up to 10% of base salary. As at December 31<sup>st</sup>, 2009, approximately 4,800 employees were participants in the ESOP compared to 4,500 as at December 31<sup>st</sup>, 2008. Through this Plan, these employees held approximately 2.8% of all Common Shares outstanding as at December 31<sup>st</sup>, 2009. This Plan emphasizes the Corporation’s belief that share ownership by employees contributes to the Corporation’s success.

### **8.7.4 Retirement Programs (long-term)**

The Named Executive Officers participate in either the Executive Management Retirement Income Plan, which provides benefits on a defined benefit basis, or the Harvest Plus Retirement Savings Program, which provides benefits on a defined contribution basis.

#### **8.7.4.1 Executive Management Retirement Income Plan (“EMRIP”)**

The EMRIP was closed to new entrants, effective January 1<sup>st</sup>, 2002. At that time, and from time to time thereafter, existing members had the opportunity to transfer the value of their accrued benefits to the Harvest Plus.

As at December 31<sup>st</sup>, 2009, the EMRIP had 9 active members and 47 retirees. The EMRIP provides for retirement benefits of up to 2% for each year of service (to a maximum of 60%) multiplied by the final average earnings (average of the annual base salary over the three consecutive years of highest earnings in the last ten years of employment). The Plan is a registered defined benefit pension plan and provides retirement benefits up to the allowed limit under the *Income Tax Act (Canada)*. Retirement benefits in excess of the allowable limit are provided through a supplemental arrangement.

The retirement benefits are payable at normal retirement age (sixty-five). Should the executive retire between age sixty-two and sixty-five, no early retirement reduction applies; however, for retirement between the age of sixty and sixty-two, the retirement pension is reduced by 0.5% per month prior to age sixty-two. The following Pension Plan Table shows the

estimated pension benefits payable annually at normal retirement age (sixty-five) under the Plan, based on final average earnings and years of credited service under the Plan:

PENSION PLAN TABLE				
Final Average Earnings	Years of Service			
	15	20	25	30
\$ 300,000	\$ 90,000	\$120,000	\$150,000	\$180,000
\$ 400,000	\$120,000	\$160,000	\$200,000	\$240,000
\$ 500,000	\$150,000	\$200,000	\$250,000	\$300,000
\$ 600,000	\$180,000	\$240,000	\$300,000	\$360,000
\$ 700,000	\$210,000	\$280,000	\$350,000	\$420,000
\$ 800,000	\$240,000	\$320,000	\$400,000	\$480,000
\$ 900,000	\$270,000	\$360,000	\$450,000	\$540,000
\$1,000,000	\$300,000	\$400,000	\$500,000	\$600,000

#### 8.7.4.2 *Harvest Plus Retirement Savings Program (“Harvest Plus”)*

The Harvest Plus was implemented January 1<sup>st</sup>, 2002 as a result of the closing of the EMRIP (described in section 8.7.4.1 of this Management Proxy Circular.) It provides benefits on a defined contribution basis in excess of the maximum contributions permitted under the *Income Tax Act (Canada)* made in respect of participating Named Executive Officers under the Harvest Retirement Savings Program (the “**Harvest**”), which is a Group Registered Retirement Savings Plan/Deferred Profit Sharing Plan available to all employees. As at December 31<sup>st</sup>, 2009, one of the NEOs participated in the Harvest Plus.

The Corporation contributes 20% of the participating NEO’s annual base salary to the Harvest. Contributions in excess of the maximum under the *Income Tax Act (Canada)* are credited to a notional account under the Harvest Plus, which is guaranteed through a letter of credit with a major financial institution. The contributions attributed to the notional account accrue interest as if they were invested in long-term Government of Canada bonds or the moderate balanced portfolio under the Harvest, whichever would have provided a higher rate of return during the year. The notional account is payable upon retirement or termination of employment, either in a lump sum or in monthly instalments paid over a period of five or ten years.

## 8.8 Performance-Based (Variable) Compensation

### 8.8.1 *Management Incentive Program (“MIP”) (short-term)*

The objective of the MIP is to reward key employees for reaching strategic milestones and short-term operational goals. It is designed to encourage the attainment of superior results according to financial objectives approved annually by the Board and to produce a potential target incentive level of between 15% and 75% of base salary depending on the executive’s role

and responsibilities. In any given year, depending on performance, the calculated award paid varies from zero to twice the target bonus as illustrated in the following table:

	Target Bonus as a % of Base Salary	Maximum Bonus <sup>(1)</sup> as a % of Base Salary (twice the target bonus)	Operational Performance Weightings
President and CEO	75%	150%	100% Overall Company Results
Chief Financial Officer, Named Executive Officer responsible for certain corporate services	50%	100%	100% Overall Company Results
Named Executive Officers (other than the CFO and NEO responsible for certain corporate services) and other members of the Office of the President	50%	100%	50% Overall Company Results 50% Business Unit Results
Members of the Management Committee and other executives and key employees	15% to 35%	30% to 70%	25% Overall Company Results 75% Business Unit Results, or 100% Overall Company Results

**Note**  
(1) The calculated award may be increased or decreased to take into consideration special circumstances based on recommendations by the President and CEO and subject to approval by the Board.

Assuming target performance is achieved, target MIP awards are positioned to provide key employees with median target total cash compensation when compared to the Comparator Groups (described in section 8.4 “Comparator Groups and Market Positioning” of this Management Proxy Circular). MIP awards also affect the value of payments and awards under the Management Share Ownership Program (described in section 8.8.3 “Management Share Ownership Program” of this Management Proxy Circular).

On an annual basis, the Board approves financial objectives whereby no bonus, target bonus (i.e. between 15% and 75% of base salary), or maximum bonus (twice the target bonus), will be paid under the MIP. In addition, the HR Committee reviews the performance Peer Group (described in section 8.8.1.2 “Relative External Performance” of this Management Proxy Circular) of consulting engineering firms used for determining the relative performance of the Corporation.

#### President and CEO

In May 2009, changes to the bonus calculation for the President and CEO were approved by the Board of Directors to increase the weighting attributed to individual objectives and to remove the Relative External Performance factor. These changes to the plan will take effect for all other participants in 2010. The 2009 MIP award for the President and CEO is based on overall company results and individual objectives since he was appointed President and CEO and was calculated as follows:

#### **Operational Performance**

Annual Base Salary	X	MIP Target Percentage for CEO (75%)	X	Overall Company Results (0.0 – 2.0)	X	2/3	=	Calculated Bonus Based on Financial Results
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PLUS

#### **Individual Performance**

Annual Base Salary	X	MIP Target Percentage for CEO (75%)	X	Individual Objectives (0.0 – 2.0)	X	1/3	=	Calculated Bonus Based on Individual Results
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The MIP award for the President and CEO for the period he was in that position in 2009, is the sum of the calculated bonus based on Operational Performance and the calculated bonus based on Individual Performance, with the total amount payable

capped at two times target % – i.e. 150%. For the period of the year prior to his appointment, his MIP award was calculated in the same manner as for other MIP participants as described in the section which follows.

#### MIP awards for participants excluding the President and CEO

For participants other than the President and CEO, MIP bonuses are awarded based on three performance factors:

- i) Operational performance based on the following criteria:
  - o Overall company results; the weighting of this measure to obtain the operational performance factor will range from 25% to 100% depending on the responsibilities of the employee; and/or
  - o Business unit results; the weighting of this measure will range from 0% to 75%.

For the CFO, the NEO responsible for certain corporate services and key employees in corporate roles, the operational performance factor is entirely based on the financial results of the Corporation as a whole (overall company results). For the other NEOs, this factor is weighted equally between the financial results of the Corporation as a whole and those of the business units for which they are responsible (overall company results and business unit results). For other key employees who participate in the MIP and are not in a corporate role, this factor is weighted 25% on the overall company results and 75% on business unit results; and

- ii) Relative external performance of the Corporation compared to its current performance Peer Group (described in section 8.8.1.2 “Relative External Performance” of this Management Proxy Circular); and
- iii) The individual’s contribution.

The MIP award for participants excluding the President and CEO is calculated as follows:

		Operational Performance		Relative External Performance		Individual Contribution					
Base Salary	X	MIP Target Percentage for Each NEO (50%)	X	Mix of Overall Company Results and Business Unit* Results (0 – 1.45)	X	Peer Group (0.85 – 1.15)	X	Significant Contribution	1.20	=	Calculated Bonus
								Meets or Exceeds Expectations	1.10 1.00		
								Below Expectations	0.90 0.80		
									Less than 0.80		

\* The operational performance factor for the CFO and the NEO responsible for certain Corporate Services is based on overall company results only.

#### **8.8.1.1 Operational Performance**

The Corporation’s reward philosophy rests substantially on the achievement of an adequate return to shareholders. As such, the operational performance factor carries more weight than the other two factors.

The specific business units’ operational targets and the overall company target are approved by the HR Committee. As the business units’ operational targets contain competitively sensitive information and disclosing them could seriously prejudice the Corporation’s interests, they are not disclosed. The Corporation’s net income for 2009 was \$359.4 million, exceeding the overall company target of \$332.5 million. As a result, the maximum overall company result factor of 1.45 was used for purposes of calculating the 2009 MIP awards.

Each NEO has personal objectives with respect to overall company and/or business unit results, as well as strategic initiatives and health and safety objectives. These objectives are challenging. For example, although the potential maximum bonus for 2009 was 100% of base salary (twice the target bonus), actual bonuses to the NEOs ranged from 50% to 100% of base salary.

No bonuses are paid if the operational performance factor is 0 (i.e. minimum financial targets of the overall Corporation and the specific business unit(s) for which the executive is responsible for are not achieved). Bonuses are paid at up to twice the target percentage when all performance measures corresponding to the maximum targets are achieved or surpassed. Proportionate bonus amounts are paid for intermediate results.

### 8.8.1.2 Relative External Performance

The Corporation uses Return on Average Shareholder's Equity ("ROASE") as a relative measure to benchmark performance against a group of engineering and construction peer companies collectively referred to as the performance Peer Group. The ROASE is calculated using the cumulative trailing four Quarters Net Income divided by the trailing five quarter average shareholders' equity excluding accumulated comprehensive income/(loss). The performance Peer Group companies are selected using the following criteria: international presence, high ratio of engineering, comparable capital structure and similar accounting practices. It differs from the Comparator Groups used to benchmark the Corporation's executive compensation plans (these are described in section 8.4 "Comparator Groups and Market Positioning" of this Management Proxy Circular and include a larger group of companies which are more closely aligned to the Corporation's annual revenues and market capitalization). The performance Peer Group includes companies operating in the same business as the Corporation.

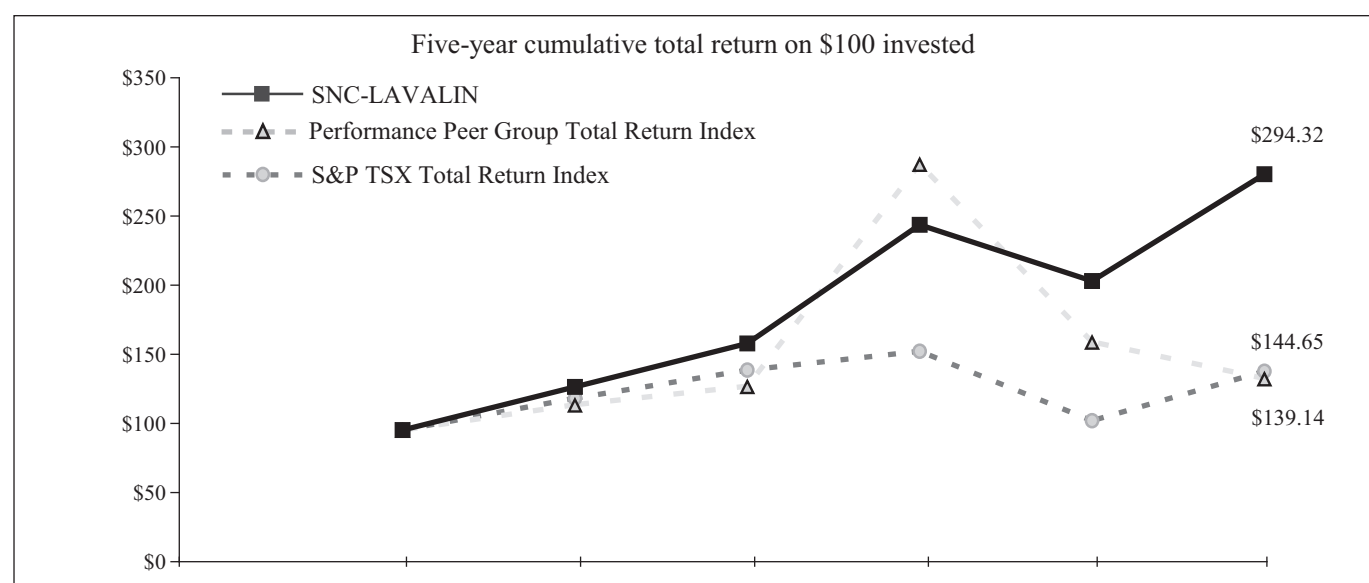
In 2009, the performance Peer Group was comprised of the following engineering and construction companies:

- Fluor Corporation, Foster Wheeler Corporation, Jacobs Engineering Group Inc., The Shaw Group Inc. and URS Corporation.

The Relative External Performance factor used for purposes of calculating the 2009 MIP was 1.15 (the maximum attainable under the Program) as the Corporation's ROASE ranked second in the performance Peer Group (a ranking of 1 or 2 results in the maximum factor).

### 8.8.1.3 Performance Graphs

The following Performance Graph illustrates the 5-year cumulative total return assuming \$100 was invested on December 31<sup>st</sup>, 2004 in Common Shares of the Corporation, in the S&P/TSX Composite Total Return Index and in the performance Peer Group described above (the weights used in the calculation reflect the market capitalization of each company in the Peer Group).



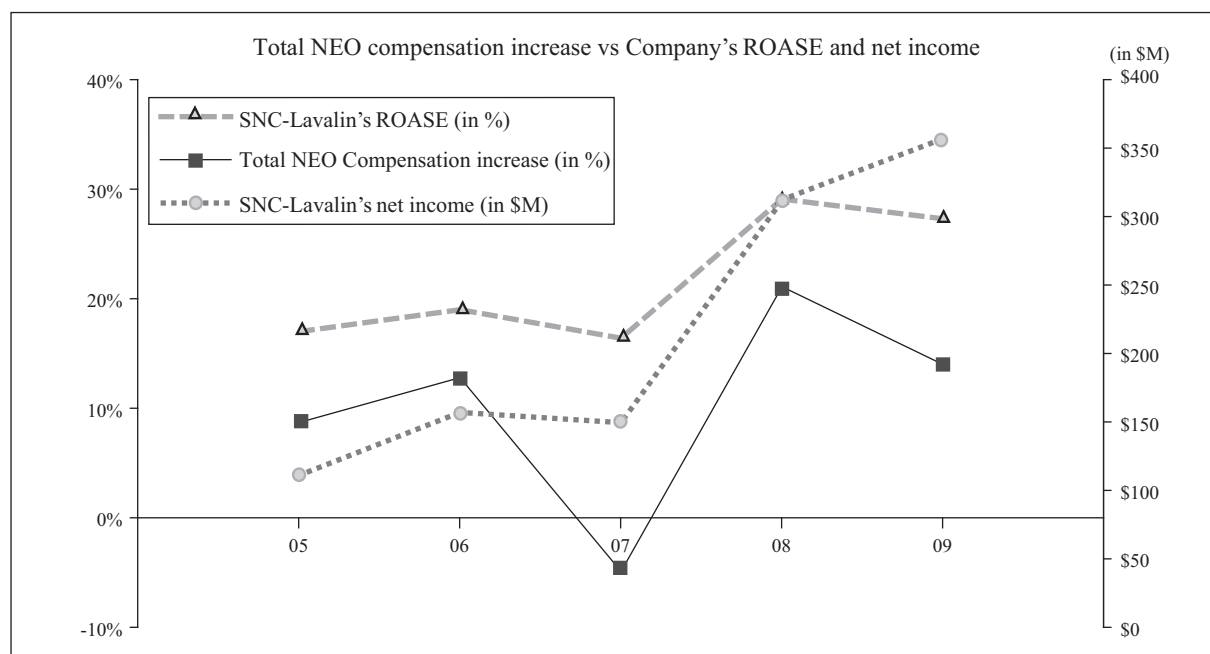
Financial Years	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
SNC-LAVALIN	100.00	132.77	165.77	255.88	213.19	294.32
Performance Peer Group Total Return Index	100.00	119.25	133.29	302.05	166.99	139.14
S&P TSX Total Return Index	100.00	124.13	145.55	159.86	107.10	144.65

Value of \$100 invested on December 31<sup>st</sup>, 2004 (assumes dividends are reinvested)

The next performance graph illustrates the trend in the total compensation of the NEOs over the same five-year period as the first graph. In general, total compensation for the NEOs followed the trend in the Corporation's ROASE (used to benchmark the Corporation's relative external performance against the Peer Group for purposes of determining the relative external



performance factor under the MIP described in section 8.8.1.2 “Relative External Performance” of this Management Proxy Circular) and net income.



Financial Years	2005	2006	2007	2008	2009
SNC-Lavalin’s ROASE (in %)	17.0%	19.0%	16.4%	29.1%	27.3%
Total NEO Compensation increase (in %)	8.7%	12.8%	–4.9%	21.1%	14%
SNC-Lavalin’s net income (in M\$)	129	158	151	313	359

This graph illustrates how the trend in NEO Compensation increased through 2006 as did the Corporation’s ROASE and its net income. In 2008, the Corporation’s pay-for-performance philosophy was demonstrated as NEO Compensation increased along with the Corporation’s ROASE and net income. For 2009, the ROASE decreased slightly and total NEO compensation and SNC-Lavalin net income increased. For the twelve-month period ending December 31<sup>st</sup>, 2009, the S&P/TSX Composite Index increased by 2,758 points or 30.7% to 11,746 points from 8,988, and the S&P/TSX 60 Index (an index the Corporation is a part of) increased by 151 points or 27.9%, while the Corporation’s share price increased by 36% to \$53.99 from \$39.69.

For each year shown, total NEO Compensation is based on the compensation of the NEOs as reported in the Corporation’s Management Proxy Circulars filed with the Canadian securities commissions across Canada and available on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### 8.8.1.4 Individual Contribution

NEOs are generally responsible for the achievement of six to eight individual objectives per year. These objectives are approved by the HR Committee and determined as follows:

- Must be measurable and clearly linked to specific time frames and/or project milestones;
- Must support business plans and goals; and
- Must be weighted in relation to their value in determining overall individual performance results.

The HR Committee assesses the individual performance of the President and CEO; the President and CEO assesses the individual performance of the NEOs and other members of the Office of the President. If the individual contribution factor is 0, no bonus is paid.

### 8.8.2 Stock Options (long-term)

Stock options are granted on an annual basis to key employees including the NEOs. They are granted to reward contribution to long-term performance of the Corporation and create an incentive to enhance shareholder value. As part of its review of the total compensation of the President and CEO and other executives of the Corporation, the Board of Directors approves stock option grants for the President and CEO and members of the Office of the President. On an annual basis, each member of the Office of the President makes recommendations for the granting of stock options to key employees in his business unit(s). These recommendations are reviewed by the President and CEO and submitted to the Board of Directors for approval.

In December 2008, the Board of Directors adopted a prohibition on monetization policy applicable to insiders of the Corporation, including the NEOs. This policy is described in section 4.11 “Certain prohibitions on Monetization by Directors” of this Management Proxy Circular.

On March 6<sup>th</sup>, 2009, the Board of Directors adopted the 2009 Stock Option Plan (“**2009 Plan**”), which subsequently received approval from the shareholders and regulatory authorities. The 2009 Plan provides for the granting of non-transferable options to purchase Common Shares. The total number of authorized and unissued Common Shares available for options under the 2009 Plan is 2,000,000. The grant of options under the 2009 Plan takes effect on the sixth (6<sup>th</sup>) trading day (the “**Date of Effect**”) following the date of such grant. The exercise price per Common Share, in respect of any option granted under the 2009 Plan, is the greater of: (i) the average closing price per Common Share for a board lot (100 shares) of the Common Shares traded on the TSX for the five trading days immediately preceding the Date of Effect; and (ii) the closing price per Common Share on the first (1<sup>st</sup>) trading day immediately preceding the Date of Effect.

Each option may be exercised only during a period commencing on the first (1<sup>st</sup>) day of the third (3<sup>rd</sup>) year following the Date of Effect of the option and expiring on the last day of the fifth (5<sup>th</sup>) year following the Date of Effect (the “**Option Exercise Period**”). Each option may be exercised during the Option Exercise Period in accordance with the following schedule (i) during the first year of the Option Exercise Period, an optionee may exercise up to 33.33% of the number of options initially granted; (ii) during the second year of the Option Exercise Period, the optionee may exercise up to 33.33% of the number of options initially granted, plus the number of options with respect to which he/she has not exercised the option during the first year of the Option Exercise Period; and (iii) during the third year of the Option Exercise Period, the optionee may exercise the options up to the balance (including all) of the options initially granted.

The 2004 Stock Option Plan provided for 100% vesting of options granted two years from the date of grant. Under the 2007 and 2009 Stock Option Plans, vesting over four years from the date of grant was introduced to increase the time horizon associated with decisions made by key employees for the long-term success of the Corporation and to add a retention element to the Plan.

<b>2004 Stock Option Plan</b>	— No options have been granted under this Stock Option Plan since the adoption of the 2007 Stock Option Plan and all options that had not been granted at that date were cancelled.
	— As at December 31 <sup>st</sup> , 2009, there were 1,306,000 options outstanding under the 2004 Plan, varying in price from \$16.66 to \$32.50 per Common Share. At the close of business on February 23 <sup>rd</sup> , 2007, the effective date of the 2007 Stock Option Plan, no additional options could be granted under the 2004 Plan.
<b>2007 Stock Option Plan</b>	— No options have been granted under this Stock Option Plan since the adoption of the 2009 Stock Option Plan and all options that had not been granted at that date were cancelled.
	— 1,051,437 options were granted in 2009 under the 2007 Stock Option Plan as shown in the following table.
	— As at December 31 <sup>st</sup> , 2009, there were 3,397,845 options (including options cancelled as a result of terminations of employment) outstanding under the 2007 Plan, varying in price from \$31.59 to \$55.10 per Common Share. At the close of business on March 6 <sup>th</sup> , 2009, the effective date of the 2009 Stock Option Plan, no additional options could be granted under the 2007 Plan.
<b>2009 Stock Option Plan</b>	— 375,358 options were granted in 2009 as shown in the following table.
	— 1,629,891 options remained available to be granted as at December 31 <sup>st</sup> , 2009. This amount

includes options granted in May 2009 under the 2009 Plan which were cancelled due to employees having left the Corporation. Such options were added back to the pool of options available to be granted.

The following table presents information concerning the stock options granted over the last five years, totalling 6,188,195.

	2005	2006	2007	2008	2009
<b>Number of Stock Options Granted</b>	884,550	1,232,150	1,262,200	1,382,500	1,426,795*
<b>Number of Employees who were Granted Stock Options</b>	148	329	425	537	566
<b>Number of Stock Options Outstanding as of Year-End</b>	3,675,600	4,094,850	4,036,670	4,319,100	5,073,954
<b>Average Weighted Exercise Price of Stock Options Outstanding</b>	\$14.13	\$19.28	\$26.92	\$34.48	\$35.57
<b>Number of Stock Options Granted as a % of Outstanding Shares</b>	0.58%	0.82%	0.84%	0.92%	0.94%
<b>Number of Stock Options Exercised</b>	913,500	702,800	1,231,930	827,920	538,393

\* In 2009, 1,051,437 options were granted under the 2007 Stock Option Plan in March and 375,358 options were granted under the 2009 Stock Option Plan in May.

In recent years, the number of key employees who were awarded stock options has increased. This is largely due to the continued growth of the Corporation and corresponding increase in the number of employees and the desire to reward the contribution of key employees to the long-term performance of the Corporation and create an incentive to enhance shareholder value. The number of stock options granted to the NEOs over the past five years is virtually unchanged.

Specifically, the number of options granted by the Board of Directors in 2009, under the 2007 and 2009 Stock Option Plans, can be broken down as follows:

<b>OPTIONS GRANTED IN 2009</b>			
<b>Date of Grant</b>	<b>Number of Employees Granted Options</b>	<b>Number of Options Granted</b>	<b>Exercise Price at which Options were Granted</b>
<b>March 6<sup>th</sup>, 2009 (2007 Stock Option Plan)</b>	566	1,051,437	\$31.59 per Common Share
<b>May 7<sup>th</sup>, 2009 (2009 Stock Option Plan)</b>	565	375,358	\$37.53 per Common Share
<b>TOTAL</b>		1,426,795	

The total number of options exercised in 2009 under the 2007, 2004 and 2001 Stock Option Plans is as follows:

OPTIONS EXERCISED IN 2009		
Number of Optionees Having Exercised Options	Number of Common Shares Acquired Upon Exercise of Options	Exercise Price
<b>2007 Plan</b>		
35 employees	22,993	\$37.64
<b>2004 Plan</b>		
5 employees	194,900	\$16.49
16 employees	53,600	\$16.66
1 employee	24,000	\$20.92
12 employees	35,000	\$24.27
22 employees	100,800	\$29.20
19 employees	18,400	\$32.50
<b>Total</b>	<b>426,700</b>	
<b>2001 Plan*</b>		
23 employees	88,700	\$11.89
<b>GRAND TOTAL</b>	<b>538,393</b>	

\* The 2001 stock option plan was terminated on May 9<sup>th</sup>, 2009.

### 8.8.3 Management Share Ownership Program (“MSOP”) (long-term)

The MSOP offers key executives an additional opportunity to increase their participation in the shareholding of the Corporation and thereby align their interests with those of shareholders. Through the MSOP, the Board of Directors encourages its executives to develop and implement business strategies that will increase shareholder value. In addition, the MSOP aims to retain those executives who make an important contribution to the success of the Corporation.

The MSOP allows selected participants to contribute 25% of their gross bonus payment under the MIP in a calendar year, towards the purchase of Common Shares of the Corporation. The Corporation will, in equal installments over a period of five years, make a total contribution equal to the participant’s contribution, which will be used to purchase Common Shares of the Corporation, provided that, during this time, the participant remains a full-time employee of the Corporation and does not sell the underlying Common Shares. A participant can sell shares in the MSOP at any time; however, if this occurs prior to the five equal installments having been made by the Corporation, these future employer contributions are forfeited.

In 2009, ten members of the Office of the President, including the NEOs, participated in the MSOP.

### 8.8.4 Deferred Share Unit Plan for Executive Employees (long-term)

The corporation’s DSUP was introduced in 2009. It is intended to increase the alignment between the interests of participants and shareholders as the redemption price for vested units is based on the Corporation’s share price. The plan also includes a retention component as units granted do not fully vest until five years from the date of grant. The following describes the main provisions of the new DSU plan. The first grant under this plan was March 5<sup>th</sup>, 2010 for the 2009 calendar year.

- Grant date value
  - 37.5% of annual base salary, 75% of annual base salary for the President and CEO.
  - For the purposes of determining the number of DSUs granted, each DSU is attributed the notional value equivalent to the greater of either the average closing price of the Corporation’s shares over the five business days following the DSU grant date, or the closing price of the Corporation’s shares on the fifth business day following the DSU

grant date. This methodology is consistent with the approach used when granting stock options and Performance Share Units.

Vesting schedule	➤ DSUs vest at a rate of 20% per year in respect of each grant and on each anniversary of such grant.
Value of vested units	➤ For the purpose of redemption, the value of a DSU is equivalent to the average of the closing price per share on the date one year following the participant's last day of employment, and on the last trading day of each of the twelve weeks preceding one year following the participant's last day of employment. A twelve-week average is used to lessen the impact of potential share price fluctuations.
Termination provisions	<p>➤ In the event of death, retirement, voluntary termination due to long-term disability, or termination without cause by the Corporation, all DSUs vest immediately.</p> <p>➤ In the event of voluntary termination of employment, unvested DSUs expire on the date of termination. In the event of termination of employment with cause, vested and unvested DSUs expire on the date of termination.</p> <p>➤ Vested DSUs will be redeemed for cash within thirty (30) days after one year following the participant's last day of employment. In the event the participant's last day of employment was in December, the deemed date of termination of employment shall be December 1<sup>st</sup>.</p> <p>➤ In the event of termination of employment by the Corporation or resignation by the participant due to a change of control, all DSUs vest immediately.</p>

For 2009, the Board approved the granting of DSUs to the ten members of the Office of the President. The NEOs received DSUs valued at 37.5% of annual base salary with the exception of Mr. Riadh Ben Aïssa who received 75% of annual base salary as a result of superior results and sustained backlog; 75% in the case of the President and CEO.

#### **8.8.5 Performance Share Unit Plan ("PSUP") (long-term)**

In 2009, the Corporation introduced a new Performance Share Unit Plan (PSUP), to replace the former Performance Share Unit Plan, in order to better align this plan with the long-term objectives of the participants to increase shareholder value. The new plan is similar to the former plan in that the value of units paid out is a function of share price. However, the new plan also links pay with performance by adjusting the final number of units on the vesting date by a multiplier that is based on three year cumulative Earnings Per Share ("EPS") growth. In addition, the cash feature under the previous plan which permitted a participant to receive up to 50% of the PSUs at the grant date in cash (subject to a share ownership requirement) has been eliminated, thereby increasing the level of compensation directly linked to long term (3 year) performance.

Grant date value	<p>➤ 37.5% of annual base salary, 75% of annual base salary for the President and CEO.</p> <p>➤ For the purposes of determining the number of PSUs granted, each PSU is attributed the notional value equivalent to the greater of either the average closing price of the Corporation's shares for the five business days following the date of grant, or the closing price of the Corporation's shares on the fifth business day following the date of grant. This methodology is consistent with the approach used when granting stock options and Deferred Share Units.</p>
Vesting date	➤ PSUs fully vest at the end of the third calendar year following the date of grant.
Value of vested units	<p>➤ At the vesting date, the number of units granted shall be adjusted by a payout multiplier based on the three year cumulative growth of EPS.</p> <p>➤ The redemption price is based on the average closing price per share at the vesting date and the four trading days preceding such date.</p>
Conversion option	➤ Participants have the option to convert their PSUs to DSUs at the time of redemption. PSUs converted into DSUs will be payable as set forth in the DSU Plan, as if they were all vested on the redemption date.

- Termination provisions
- In the event of death, retirement (defined as age 55 with ten years of service), long-term disability, or termination without cause by the Corporation, all granted PSUs vest immediately. However, no payment shall be made until the vesting date.
  - In the event of voluntary termination of employment by the participant, or in the event of termination with cause, PSUs will expire immediately on the date of termination.
  - In the event of termination of employment by the Corporation or resignation by the participant related to a change of control, PSUs fully vest and the maximum payout multiplier shall apply.

For 2009, the Board approved the granting of PSUs to ten members of the Office of the President, including the NEOs who received PSUs valued at 37.5% of base salary; 75% in the case of the President and CEO.

## SECTION 9: Executive Compensation Disclosure

### Highlights

	Page		Page
<b>9.1 COMPENSATION OF NAMED EXECUTIVE OFFICERS</b>	106	<b>9.4 RETIREMENT PLANS</b>	111
<ul style="list-style-type: none"> <li>➤ The HR Committee reviews and recommends to the Board all base salary changes, bonus awards and long-term incentive grants for the President and CEO; and</li> <li>➤ The President and CEO establishes objectives and recommends compensation changes for each Named Executive Officer (“NEO”) which are submitted to the Board for approval.</li> </ul>		<ul style="list-style-type: none"> <li>➤ Four of the NEOs participate in the Executive Management Retirement Income Plan (“EMRIP”), a defined benefit plan closed to new entrants since 2002; and</li> <li>➤ One of the NEOs participates in the Harvest Plus which provides benefits on a defined contribution basis and was implemented in 2002.</li> </ul>	
<b>9.2 SHARE OWNERSHIP</b>	107	<b>9.5 TERMINATION OF EMPLOYMENT</b>	111
<ul style="list-style-type: none"> <li>➤ Four of the five NEOs meet the share ownership requirement.</li> </ul>		<ul style="list-style-type: none"> <li>➤ An individual employment agreement is in place for the President and CEO, but not for the other NEOs.</li> </ul>	
<b>9.3 OPTION-BASED AND SHARE-BASED AWARDS</b>	108	<b>9.6 CHANGE OF CONTROL AND RETIREMENT</b>	112
<ul style="list-style-type: none"> <li>➤ In 2009, NEOs were granted the same number of stock options as in 2008, except for Mr. Pierre Duhaime;</li> <li>➤ Deferred share units were granted based on 75% of annual base salary (CEO) and 37.5% to 75% of annual base salary (other NEOs); and</li> <li>➤ Performance share units were granted based on 75% of annual base salary (CEO) and 37.5% of annual base salary (other NEOs).</li> </ul>		<ul style="list-style-type: none"> <li>➤ Change of control provisions are in place for each of the NEOs.</li> </ul>	
		<b>9.7 SUMMARY COMPENSATION TABLE</b>	113
		<b>9.8 TOTAL COMPENSATION TABLES (2007-2009)</b>	115
		<b>9.9 APPROVAL OF THE REPORT ON EXECUTIVE COMPENSATION</b>	120



## **SECTION 9: Executive Compensation Disclosure**

### **9.1 Compensation of Named Executive Officers**

#### **9.1.1 President and CEO Compensation**

The HR Committee reviews and recommends to the Board all base salary changes, bonus awards and long-term incentive grants for the President and CEO.

Mr. Jacques Lamarre was President and CEO until his retirement on May 7<sup>th</sup>, 2009. His annual base salary for 2009 remained unchanged from 2008 at \$1,035,000. The salary earned by Mr. Lamarre as President and CEO in 2009 was \$437,885. Upon his retirement, the Board of Directors approved the payment of a bonus under the Management Incentive Program (described in section 8.8.1 of this Management Proxy Circular) of \$621,000, which represents the maximum payout pro-rated for the period he acted as President and CEO. Mr. Lamarre was also granted Performance Share Units for a value of \$621,000 under the former Performance Share Unit Plan and 110,000 stock options (described in section 8.8.2 of this Management Proxy Circular). He contributed 25% of his bonus under the MIP to the Management Share Ownership Program (described in section 8.8.3 of this Management Proxy Circular) and received an employer contribution of \$120,500.

Mr. Pierre Duhaime was named President and CEO on May 7<sup>th</sup>, 2009. Prior to that, he was Executive Vice-President (EVP), responsible for Mining and Metallurgy and Sulphuric Acid worldwide, Industrial-Quebec and Pharmaceuticals.

Mr. Duhaime's compensation package as President and CEO, was established in accordance with the executive compensation policy of the Corporation as described in section 8.1 of this Management Proxy Circular and approved by the Board of Directors. Mr. Duhaime's annual base salary was established at \$700,000. In 2009, he earned \$152,886 as Executive Vice-President and \$430,776 as President and CEO, for a total annual base salary of \$583,662.

The compensation package for Mr. Duhaime has both fixed and variable components. For 2009, the pay mix is approximately 16% base salary, benefits and perquisites, 18% pension and 66% variable (performance-based).

The President and CEO participates in the MIP (described in section 8.8.1 of this Management Proxy Circular) provided to other executives. His short-term incentive target is 75% of his base salary, ranging to a maximum of 150% of salary for exceeding financial and individual performance objectives. For 2009, Mr. Duhaime's MIP will be calculated based on the formula applicable to other NEOs for the period he acted as EVP and the formula applicable to the President and CEO for the period he acted as such. To determine the actual award payable under the MIP as President and CEO, two thirds of the bonus is based on financial performance (to which a performance factor of 0 to 2 is applied) and one third on personal objectives (to which an individual contribution multiplier of 0 to 2 is applied, based on the Board's assessment of the President and CEO's performance). To attain the maximum incentive opportunity of 150% of base salary, a combined factor of two must be attained, which is applied to the target of 75% of base salary.

The HR Committee recommended that the Board of Directors approve an annual bonus of \$767,000 for the performance of Mr. Duhaime in 2009. Of that amount, \$67,000 is paid for his contribution as Executive Vice-President and \$700,000 as President and CEO. This recommendation was based on Mr. Duhaime having attained performance objectives approved by the Board which included but were not limited to a 2009 net return on shareholder's equity greater than 15%, maintaining a proactive risk management approach and ensuring Human Resources Management and Development remains at the forefront of our business decisions.

For 2009, Mr. Duhaime received DSUs of \$525,000 in value under the DSUP (described in section 8.8.4 of this Management Proxy Circular), PSUs of \$525,000 in value under the PSUP (described in section 8.8.5 of this Management Proxy Circular) and 74,000 stock options (described in section 8.8.2 of this Management Proxy Circular).

Mr. Duhaime's total compensation for the last three years can be found in section 9.8.

#### **9.1.2 Other Named Executive Officers ("NEOs")**

The other NEOs are responsible for one or more business units or have a senior corporate role as is the case of the Executive Vice-President and Chief Financial Officer. They report directly to Mr. Duhaime who approves their annual objectives and assesses their performance. These are also reviewed and approved by the Board of Directors.

All the NEOs participate in the Management Incentive Program (described in section 8.8.1 of this Management Proxy Circular), the Deferred Share Unit Plan (described in section 8.8.4) and received stock options under the 2007 and 2009 Stock Option Plans (described in section 8.8.2 of this Management Proxy Circular). They also participate in the new Performance Share Unit Plan (described in section 8.8.5 of this Management Proxy Circular).

The President and CEO recommended that the Board of Directors approve annual bonuses for each NEO. The amounts for each individual NEO can be found in the Summary Compensation Table in section 9.7 and the Total Compensation Tables in section 9.8 of this Management Proxy Circular.

In assessing the performance of each NEO, the level of attainment of his performance objectives, as approved by the President and CEO and by the Board, was considered. In the case of the Chief Financial Officer, these objectives included but were not limited to, achieving a diluted earnings per share of \$2.19 for the year ended December 31<sup>st</sup>, 2009 and supporting the implementation of a new financial reporting system. In the case of the other NEOs, these included objectives related but not limited to promoting the health and safety culture in their business units and ensuring proper risk management, a 2009 budget increase of at least 10% in operating income for their business units and achieving a diluted earnings per share of \$2.19 for the year ended December 31<sup>st</sup>, 2009.

## 9.2 Share Ownership

The following table summarizes the required ownership levels of each NEO. Each one satisfies the applicable share ownership requirements with the exception of Mr. Ben Aïssa. As he was appointed to the Office of the President in 2007, he has until 2012 (five years) to attain his shareholding requirement.

Name	Required Ownership Levels	Ownership Requirement (\$)	Shares Held <sup>(1)</sup>	Value as at December 31, 2009 <sup>(2)</sup>	Meets Requirement
Pierre Duhaime	6 x annual base salary	\$4,200,000	84,712	\$ 4,573,601	Yes
Gilles Laramée	3 x annual base salary	\$1,140,000	274,998	\$14,847,142	Yes
Jean Beaudoin	3 x annual base salary	\$1,140,000	60,981	\$ 3,292,364	Yes
Riadh Ben Aïssa	3 x annual base salary	\$1,134,000	11,350	\$ 612,787	In process
Michael Novak	3 x annual base salary	\$1,110,000	340,303	\$18,372,959	Yes

### Notes

(1) Directly held includes privately held, Employee Share Ownership Plan (ESOP) and Management Share Ownership Program (MSOP) holdings.

(2) Based on a closing share price of \$53.99 per Common Share as at December 31<sup>st</sup>, 2009.

## 9.3 Option-based and Share-based Awards

### 9.3.1 Stock Options Granted in 2009

The following table contains information concerning the stock options granted to NEOs during the 2009 fiscal year under the Corporation's 2007 and 2009 Stock Option Plans. The number of options granted is unchanged from 2008, except for Mr. Duhaime who was granted an additional 50,000 options when he became President and CEO.

Name	Number of Securities Under Options Granted	Date of Grant	% of Total Options Granted to Employees in Financial year	Exercise or Base Price (\$/Security)	Expiration Date
Pierre Duhaime	18,000	March 6, 2009	1.3%	\$31.59	March 16, 2014
	56,000	May 7, 2009	3.9%	\$37.53	May 15, 2014
Jacques Lamarre	110,000	March 6, 2009	7.7%	\$31.59	March 16, 2014
Gilles Laramée	18,000	March 6, 2009	1.3%	\$31.59	March 16, 2014
	6,000	May 7, 2009	0.4%	\$37.53	May 15, 2014
Jean Beaudoin	18,000	March 6, 2009	1.3%	\$31.59	March 16, 2014
	6,000	May 7, 2009	0.4%	\$37.53	May 15, 2014
Riadh Ben Aïssa	18,000	March 6, 2009	1.3%	\$31.59	March 16, 2014
	6,000	May 7, 2009	0.4%	\$37.53	May 15, 2014
Michael Novak	18,000	March 6, 2009	1.3%	\$31.59	March 16, 2014
	6,000	May 7, 2009	0.4%	\$37.53	May 15, 2014

### 9.3.2 Deferred Share Units and Performance Share Units Granted for 2009

On March 5<sup>th</sup>, 2010, Deferred Share Units and Performance Share Units were granted to NEOs for the 2009 fiscal year under the Corporation's executive Deferred Share Unit and Performance Share Unit Plans.

Name	Value <sup>(1),(2)</sup>	
	DSU	PSU
Pierre Duhaime	\$525,000	\$525,000
Gilles Laramée	\$142,500	\$142,500
Jean Beaudoin	\$142,500	\$142,500
Riadh Ben Aïssa	\$283,500	\$141,750
Michael Novak	\$138,750	\$138,750

#### Notes

- (1) For the purposes of determining the number of DSUs and PSUs granted, each DSU and PSU is attributed the notional value equivalent to the greater of either the average closing price of the Corporation's Common Shares over the five business days following the DSU and PSU grant date or the closing price of the Corporation's Common Shares on the fifth business day following the DSU and PSU grant date.
- (2) The value of the DSUs and PSUs granted is calculated based on a maximum of up to 37.5% of the participant's annual base salary (75% in the case of the President and CEO) with respect to the calendar year preceding the date of grant.

### 9.3.3 Incentive Plan Awards — Value Vested or Earned During the Year

The following table provides the dollar value which would have been realized, had stock options granted to NEOs on May 4<sup>th</sup>, 2007 under the 2007 plan and which vested during the 2009 fiscal year, been exercised on the vesting date. It also provides the dollar value of the portion of PSUs granted in the current and previous fiscal years as at the date they vested during the 2009 fiscal year.

Name	Option-based Awards – Value Vested During the Year (\$)¹	Share-based Awards (PSU) – Value Vested During the Year (\$)²	Non-equity Incentive Plan Compensation – Value Earned During the Year (\$)³
Pierre Duhaime	\$10,880	\$ 301,718	\$767,000
Jacques Lamarre	\$49,866	\$2,782,557	\$621,000
Gilles Laramée	\$10,880	\$ 254,488	\$380,000
Jean Beaudoin	\$10,880	\$ 178,250	\$190,000
Riadh Ben Aïssa	\$10,880	\$ 31,418	\$378,000
Michael Novak	\$10,880	\$ 124,908	\$309,000

**Notes**

(1) Based on a closing share price of \$39.00 on the vesting date.

(2) Based on a closing share price of \$29.39 on the vesting date.

(3) Bonus earned in the year under the Management Incentive Program (described in section 8.8.1 of this Management Proxy Circular).

### 9.3.4 Outstanding Share-based Awards and Option-based Awards

The following table sets forth information with respect to the NEOs, concerning unexercised stock options and performance share units held as at December 31<sup>st</sup>, 2009.

Option-based Awards						Share-based Awards	
Name	Date of Grant	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options <sup>(1)</sup> (\$)	Number of Performance Share Units that have not Vested (#)	Market Value of Share-based Awards that have not Vested <sup>(2)</sup> (\$)
Pierre Duhaime	March 4, 2005	24,000	\$20.9167	March 5, 2011	\$ 793,759	12,154	\$656,194
	February 24, 2006	24,000	\$ 29.20	February 25, 2012	\$ 594,960		
	May 4, 2007	24,000	\$ 37.64	May 15, 2012	\$ 392,400		
	March 6, 2008	24,000	\$ 46.29	March 15, 2013	\$ 184,800		
	March 6, 2009	18,000	\$ 31.59	March 16, 2014	\$ 403,200		
	May 7, 2009	56,000	\$ 37.53	May 15, 2014	\$ 921,760		
<b>Total</b>		<b>170,000</b>			<b>\$ 3,290,879</b>	<b>12,154</b>	<b>\$656,194</b>
Jacques Lamarre	March 4, 2005	100,220	\$20.9167	March 5, 2011	\$ 3,314,606	0	\$ 0
	February 24, 2006	101,580	\$ 29.20	May 20, 2011	\$ 2,518,168		
	May 4, 2007	110,000	\$ 37.64	May 15, 2012	\$ 1,798,500		
	March 6, 2008	110,000	\$ 46.29	March 15, 2013	\$ 847,000		
	March 6, 2009	110,000	\$ 31.59	March 16, 2014	\$ 2,464,000		
<b>Total</b>		<b>531,800</b>			<b>\$10,942,274</b>	<b>0</b>	<b>\$ 0</b>

Option-based Awards						Share-based Awards	
Name	Date of Grant	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options <sup>(1)</sup> (\$)	Number of Performance Share Units that have not Vested (#)	Market Value of Share-based Awards that have not Vested <sup>(2)</sup> (\$)
Gilles Laramée	March 4, 2005	24,000	\$20.9167	March 5, 2011	\$ 793,759	11,305	\$610,357
	February 24, 2006	24,000	\$ 29.20	February 25, 2012	\$ 594,960		
	May 4, 2007	24,000	\$ 37.64	May 15, 2012	\$ 392,400		
	March 6, 2008	24,000	\$ 46.29	March 15, 2013	\$ 184,800		
	March 6, 2009	18,000	\$ 31.59	March 16, 2014	\$ 403,200		
	May 7, 2009	6,000	\$ 37.53	May 15, 2014	\$ 98,760		
<b>Total</b>		<b>120,000</b>			<b>\$ 2,467,879</b>	<b>11,305</b>	<b>\$610,357</b>
Jean Beaudoin	August 6, 2004	9,000	\$16.6633	August 7, 2010	\$ 335,940	10,628	\$573,806
	May 5, 2005	12,000	\$24.2667	May 6, 2011	\$ 356,680		
	February 24, 2006	24,000	\$ 29.20	February 25, 2012	\$ 594,960		
	May 4, 2007	24,000	\$ 37.64	May 15, 2012	\$ 392,400		
	March 6, 2008	24,000	\$ 46.29	March 15, 2013	\$ 184,800		
	March 6, 2009	18,000	\$ 31.59	March 16, 2014	\$ 403,200		
	May 7, 2009	6,000	\$ 37.53	May 15, 2014	\$ 98,760		
<b>Total</b>		<b>117,000</b>			<b>\$ 2,366,740</b>	<b>10,628</b>	<b>\$573,806</b>
Riadh Ben Aïssa	August 6, 2004	7,500	\$16.6633	August 7, 2010	\$ 279,950	12,588	\$679,626
	May 5, 2005	7,500	\$24.2667	May 6, 2011	\$ 222,925		
	February 24, 2006	6,000	\$ 29.20	February 25, 2012	\$ 148,740		
	May 4, 2007	24,000	\$ 37.64	May 15, 2012	\$ 392,400		
	March 6, 2008	24,000	\$ 46.29	March 15, 2013	\$ 184,800		
	March 6, 2009	18,000	\$ 31.59	March 16, 2014	\$ 403,200		
	May 7, 2009	6,000	\$ 37.53	May 15, 2014	\$ 98,760		
<b>Total</b>		<b>93,000</b>			<b>\$ 1,730,775</b>	<b>12,588</b>	<b>\$679,626</b>
Michael Novak	March 4, 2005	24,000	\$20.9167	March 5, 2011	\$ 793,759	11,377	\$614,244
	February 24, 2006	24,000	\$ 29.20	February 25, 2012	\$ 594,960		
	May 4, 2007	24,000	\$ 37.64	May 15, 2012	\$ 392,400		
	March 6, 2008	24,000	\$ 46.29	March 15, 2013	\$ 184,800		
	March 6, 2009	18,000	\$ 31.59	March 16, 2014	\$ 403,200		
	May 7, 2009	6,000	\$ 37.53	May 15, 2014	\$ 98,760		
<b>Total</b>		<b>120,000</b>			<b>\$ 2,467,879</b>	<b>11,377</b>	<b>\$614,244</b>

**Notes**

(1) This amount is calculated based on the difference between the closing share price of \$53.99 on December 31<sup>st</sup>, 2009 and the option exercise price.

(2) This amount is calculated based on the closing share price of \$53.99 on December 31<sup>st</sup>, 2009.

## 9.4 Retirement Plans

### 9.4.1 Executive Management Retirement Income Plan (EMRIP)

The credited years of service under the EMRIP as of December 31<sup>st</sup>, 2009 (and projected to age 65), for the NEOs are as follows: Mr. Duhaime 10.8 (20.3) years, Mr. Laramée 18.8 (32.6) years, Mr. Beaudoin 12.0 (26.2) years and Mr. Novak 19.0 (28.0) years. Certain NEOs also have credited years of service in prior plans.

Since June 1<sup>st</sup>, 2009, Mr. Lamarre is receiving a monthly pension of \$3,619.22 from the registered plan and \$46,200.02 from the supplemental plan, for a total monthly pension of \$49,819.24.

DEFINED BENEFIT PLAN TABLE <sup>(1)</sup>							
Name	Number of Years of Credited Service (#)	Annual Benefits Payable <sup>(2)</sup> \$ (c)		Accrued Obligation at Start of Year <sup>(3)</sup> \$	Compensatory Change <sup>(4)</sup> \$	Non-compensatory Change <sup>(5)</sup> \$	Accrued Obligation at Year End <sup>(6)</sup> \$
		At Year End	At Age 65				
(a)	(b)	(c1)	(c2)	(d)	(e)	(f)	(g)
Pierre Duhaime	10.8	\$ 89,600	\$262,700	\$ 757,200	\$737,000	\$156,900	\$1,651,100
Jacques Lamarre	30.0	\$597,800	N/A	\$6,985,300	\$180,300	\$217,000	\$7,382,600
Gilles Laramée	18.8	\$116,000	\$228,000	\$1,257,200	\$ 83,900	\$224,500	\$1,565,600
Jean Beaudoin	12.0	\$ 67,800	\$179,400	\$ 694,600	\$ 77,700	\$120,800	\$ 893,100
Michael Novak	19.0	\$136,800	\$206,500	\$1,546,000	\$ 35,900	\$213,900	\$1,795,800

#### Notes

- (1) The amounts shown include pension benefits payable under the EMRIP and the Supplemental Plan.
- (2) The amounts shown are based on current compensation and credited service to the earlier of December 31<sup>st</sup>, 2009 or age 65.
- (3) The accrued obligation is the present value of the projected pension earned for service up to December 31<sup>st</sup>, 2009. For Mr. Lamarre, the calculation is for service up to May 31<sup>st</sup>, 2009.
- (4) The compensatory change is the current service cost and the value of the projected pension earned for the period from January 1<sup>st</sup>, 2009 to December 31<sup>st</sup>, 2009 including any differences between actual and estimated earnings.
- (5) Non-compensatory change in the obligation in 2009 includes the impact of changes in actuarial assumptions and other experienced gains and losses.
- (6) The accrued obligation is the present value of the projected pension earned for service up to December 31<sup>st</sup>, 2009. This amount increases with age and is significantly impacted by changes in the discount interest rate. The following assumptions were used to calculate the accrued obligation as at December 31<sup>st</sup>, 2009: interest rate of 5.75% for the EMRIP and 5.50% for the Supplemental Plan; future salary increases of 6.00% per year; increase in the maximum defined benefit limit at a rate of 3.25%; post-retirement indexation rate of 2.50%; and the UP94 mortality table with a 20-year projection.

### 9.4.2 Harvest Plus Retirement Savings Program (Harvest Plus)

The EMRIP has been closed to new participants since 2002. The following NEO currently participates in the Harvest Plus:

Name	Accumulated Value at Start of Year \$	Compensatory Change <sup>(1)</sup> \$	Non-compensatory Change <sup>(2)</sup> \$	Accumulated Value at Year End \$
Riadh Ben Aïssa	\$381,500	\$75,400	\$59,800	\$516,700

#### Notes

- (1) Includes the Corporation's contributions to Mr. Ben Aïssa's notional account under the Harvest Plus and contributions to his Harvest account.
- (2) Includes investment earnings (losses) under the notional account under the Harvest Plus and under the Harvest account.

## 9.5 Termination of Employment

An individual employment agreement is in place for the President and CEO. In the event of termination of employment initiated by the Corporation for reasons other than cause, the agreement stipulates that any amounts payable will be determined in accordance with applicable legal requirements and jurisprudence.

No specific arrangements cover the other NEOs. In the event of termination of their employment initiated by the Corporation for reasons other than cause, any amounts payable will be determined in accordance with applicable legal requirements and jurisprudence.

## 9.6 Change of Control and Retirement

### ➤ Change of Control

In the event of involuntary termination of employment related to a change of control of the Corporation, the following conditions will apply to the President and CEO and the other NEOs. The tables which follow describe and set out the incremental amounts which would have been payable had a change of control of the Corporation occurred December 31<sup>st</sup>, 2009 and resulted in involuntary termination of employment initiated by the Corporation.

	Severance	Benefits and Perquisites	MIP	Stock Options	MSOP	ESOP	Performance Share Units (Former Plan)
President and CEO and Other Named Executive Officers	2 times the sum of the annual base salary plus the average of the last 2 bonuses paid under the MIP.	Pension benefits continue to accrue for 2 years plus a lump sum payment representing the value of perquisites for a 2-year severance period.	The target annual bonus for the year will be paid as a lump sum, prorated for the period of employment in that year.	All granted, unvested options fully vest and can be exercised in accordance with the terms of the respective stock option plan. Any stock ownership requirements are suspended.	Future contributions required to be made under the terms of the Program but not yet made are accelerated in order for all outstanding matching contributions to be paid by the Corporation.	Future contributions required to be made under the terms of the Plan but not yet made are accelerated in order for all outstanding matching contributions to be paid by the Corporation.	All granted PSUs fully vest and are redeemable for cash within 3 months at the redemption price in accordance with the Plan provisions. Any stock ownership requirements are suspended.

Change of Control	Pierre Duhaime	Gilles Laramée	Jean Beaudoin	Riadh Ben Aïssa	Michael Novak
Severance	\$1,915,000	\$1,195,000	\$1,320,000	\$1,191,000	\$1,280,000
Benefits and Perquisites	\$ 457,900	\$ 239,400	\$ 237,800	\$ 205,000	\$ 229,000
MIP	\$ 525,000	\$ 190,000	\$ 190,000	\$ 189,000	\$ 185,000
Non-vested Stock Options <sup>(1)</sup>	\$1,771,360	\$ 948,360	\$ 948,360	\$ 948,360	\$ 948,360
MSOP	\$ 137,750	\$ 132,250	\$ 141,000	\$ 86,750	\$ 110,750
ESOP	\$ 28,197	\$ 20,736	\$ 8,412	\$ 16,359	\$ 20,406
Value of Non-vested PSUs	\$ 656,194	\$ 610,357	\$ 573,806	\$ 679,626	\$ 614,244
Total Incremental Payments	\$5,491,401	\$3,336,103	\$3,419,378	\$3,316,095	\$3,387,760

#### Note

(1) This amount is calculated based on the difference between the closing share price of \$53.99 on December 31<sup>st</sup>, 2009 and the option exercise price (\$37.64 in the case of stock options granted in 2007, \$46.29 in the case of stock options granted in 2008, \$31.59 in the case of stock options granted in March 2009 and \$37.53 in the case of stock options granted in May 2009.)

### ➤ Retirement

In the event of retirement, all granted Performance Share Units fully vest and are redeemable for cash within 3 months from the date of retirement at the redemption price in accordance with the Plan provisions. The following table sets out the incremental amounts which would have been payable under the Plan had retirement occurred on December 31<sup>st</sup>, 2009.

Retirement	Pierre Duhaime	Gilles Laramée	Jean Beaudoin	Riadh Ben Aïssa	Michael Novak
Value of non-vested PSUs	\$656,194	\$610,357	\$573,806	\$679,626	\$614,244
Total Incremental Payment	\$656,194	\$610,357	\$573,806	\$679,626	\$614,244



## 9.7 Summary Compensation Table

For Summary Compensation Tables related to previous years, please refer to the Corporation's Management Proxy Circulars filed with the Canadian securities commissions and available on SEDAR ([www.sedar.com](http://www.sedar.com)).

The following table sets forth, for the fiscal years ended December 31<sup>st</sup>, 2009 and December 31<sup>st</sup>, 2008, the compensation paid by the Corporation to the NEOs for services rendered in all capacities.

SUMMARY COMPENSATION TABLE <sup>(1)</sup>											
Name and principal position	Year	Salary (\$)	Share-based Awards (\$)			Option-based Awards <sup>(4)</sup> (\$)	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation <sup>(6)</sup> (\$)	Total Compensation (\$)
			DSUP <sup>(2)</sup>	PSUP <sup>(3)</sup>	MSOP		Annual Incentive Plans <sup>(5)</sup>	Long-term Incentive Plans			
(a)	(b)	(c)	(d)	(d)	(d)	(e)	(f1)	(f2)	(g)	(h)	(i)
Pierre Duhaime President and CEO	2009	\$ 583,662	\$525,000	\$525,000	\$ 69,500	\$ 751,880	\$ 767,000	–	\$737,000	\$ 72,438	\$4,031,480
	2008	\$ 375,000	N/A	\$281,250	\$ 68,535	\$ 247,920	\$ 235,000	–	\$103,100	\$ 11,202	\$1,322,007
Jacques Lamarre President and CEO (Retired)	2009	\$ 437,885	N/A	\$621,000	\$402,250	\$ 957,000	\$ 621,000	–	\$180,300	\$ 97,502	\$3,316,937
	2008	\$1,035,000	N/A	\$776,250	\$257,750	\$1,136,300	\$2,328,750	–	\$637,500	\$109,342	\$6,280,892
Gilles Laramée Executive Vice- President/CFO	2009	\$ 380,000	\$142,500	\$142,500	\$ 69,250	\$ 220,380	\$ 380,000	–	\$ 83,900	\$ 12,396	\$1,430,926
	2008	\$ 360,000	N/A	\$270,000	\$ 64,490	\$ 247,920	\$ 360,000	–	\$ 94,400	\$ 11,470	\$1,408,280
Jean Beaudoin Executive Vice- President	2009	\$ 380,000	\$142,500	\$142,500	\$ 51,750	\$ 220,380	\$ 190,000	–	\$ 77,700	\$ 4,992	\$1,209,822
	2008	\$ 365,000	N/A	\$273,750	\$ 33,500	\$ 247,920	\$ 365,000	–	\$103,600	\$ 4,046	\$1,392,816
Riadh Ben Aïssa Executive Vice- President	2009	\$ 378,000	\$283,500	\$141,750	\$ 28,380	\$ 220,380	\$ 378,000	–	\$ 75,400	\$ 9,707	\$1,515,117
	2008	\$ 350,000	N/A	\$262,500	\$ 10,380	\$ 247,920	\$ 360,000	–	\$ 72,540	\$ 6,680	\$1,310,020
Michael Novak Executive Vice- President	2009	\$ 370,000	\$138,750	\$138,750	\$ 65,000	\$ 220,380	\$ 309,000	–	\$ 35,900	\$ 12,637	\$1,290,417
	2008	\$ 360,000	N/A	\$135,016	\$ 67,675	\$ 247,920	\$ 405,016	–	\$ 42,500	\$ 11,938	\$1,270,065

### Notes

#### (1) Reconciliation Table

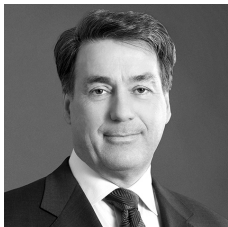
Column	Terms Used in Securities Legislation and in the Table Above	Terms Used in this Circular
(c)	Salary	Base Salary
(d)	Share-based awards	Deferred Share Units, Performance Share Units, Management Share Ownership Program
(e)	Option-based awards	Stock Options
(f1)	Annual Incentive plans	Management Incentive Program
(f2)	Long-term incentive plans	Not applicable
(g)	Pension value	Compensatory change as defined in section 9.4.1 "Executive Management Retirement Income Plan" of this Management Proxy Circular
(h)	All other compensation	Benefits and perquisites (where the aggregate value exceeds the lower of \$50,000 or 10% of base salary), employer contribution to the Employee Share Ownership Plan

- (2) This amount represents the value of Deferred Share Units ("DSUs") received as units. The number of units is established by using the greater of the average price of the Corporation's Common Shares over the five business days following the grant date or the closing price of the Corporation's Common Shares on the fifth business day following the grant date.
- (3) This amount represents the value of Performance Share Units ("PSUs") granted under the new Plan. The number of units is established by using the greater of the average price of the Corporation's common shares over the five business days following the grant date or the closing price of the Corporation's common shares on the fifth business day following the grant date. For Mr. Lamarre the PSUs were granted under the old Plan.
- (4) This amount is the weighted average fair value (the weighted average fair value is \$9.21 per stock options) of stock options granted pursuant to the 2009 Stock Option Plan of the Corporation (described in section 8.8.2 "Stock Options" of this Management Proxy Circular), calculated using the Black-Scholes option pricing model (non-amortized) in accordance with the accounting treatment. The weighted average assumptions used to determine the stock option compensation cost, for the year ended December 31<sup>st</sup>, 2009 were as follows: Risk-free interest rate 1.86%, expected stock price volatility 35.2%, expected option life four years and expected dividend yield, 1.00%.

- (5) Bonus amounts earned in 2009 and paid in 2010 under the MIP described in section 8.8.1 “Management Incentive Program” of this Management Proxy Circular. For 2008, this amount also includes the cash component paid under the former “Performance Share Unit Plan” for Mr. Lamarre and Mr. Novak.
- (6) This amount reflects the amounts received as executive benefits and perquisites. In 2009, each of the NEOs received benefits and perquisites of which the aggregate value was less than the lower of \$50,000 or 10% of their respective base salary, with the exception of Mr. Lamarre who received a total of \$61,926 in perquisites (\$7,885 as an automobile allowance, \$21,301 for club memberships, \$1,500 for medical services and \$23,265 for financial services) and executive benefits valued at \$7,975. Mr. Duhaime received, in 2009, a total of \$59,634 in perquisites (\$18,770 as an automobile allowance, \$16,616 for club memberships, \$6,675 for medical services and \$5,079 for financial services) and executive benefits valued at \$12,494. This column also includes employer contributions to the ESOP (described in section 8.7.3 “Employee Share Ownership Plan” of this Management Proxy Circular).

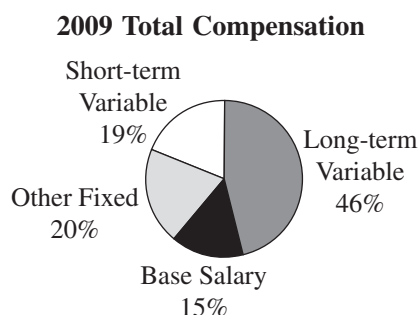
## 9.8 Total Compensation Tables (2007 – 2009)

The following tables show the total direct compensation for Mr. Duhaime and for the other active NEOs in the last three calendar years (2007, 2008 and 2009).

 <p><b>Pierre Duhaime</b> President and CEO</p> <p>Age: 55 Joined SNC-Lavalin: 1989 Responsibilities: President and CEO</p>	<p>Pierre Duhaime has over 30 years of engineering, construction and project management experience, primarily in the fields of industrial process plants and non-ferrous metals. Born in Quebec in 1954, Mr. Duhaime holds a Bachelor of Engineering in Metallurgy from the École Polytechnique de Montréal, Quebec, Canada and an MBA in Production and Finance from the École des Hautes Études Commerciales, Montreal, Quebec, Canada.</p> <p>Mr. Duhaime began his career at Noranda in 1975 as a metallurgist working on research and development programs. Through the 1980s, he quickly advanced to the level of Project Manager at Canadian Electrolytic Zinc and the American Iron and Metal Company, managing projects involving modernization, relocation and greenfield construction.</p> <p>Joining SNC-Lavalin's Industrial Division in 1989 as a Project Manager, Mr. Duhaime was promoted to Director of Technology for the Division in 1991 and appointed its Vice-President of Projects and Technology in 1997. In both senior positions, he was involved in major mining and industrial projects, such as the engineering and construction of the Troilus Gold Mine in northern Quebec, and the Magnolia Magnesium Plant, also in Quebec.</p> <p>Mr. Duhaime assumed increasingly senior positions in the Industrial Division, as well as responsibility for the Company's Aluminum Division. In 2003, he was appointed Executive Vice-President responsible for SNC-Lavalin's Mining and Metallurgy activities worldwide. Mr. Duhaime has been instrumental in securing some of SNC-Lavalin's most prestigious mining projects and overseeing their progress in locations as widespread as Canada's High Arctic, the Namibian Desert, Madagascar, Abu Dhabi and New Caledonia. Mr. Duhaime has strengthened SNC-Lavalin's global position in the Mining and Metallurgy industry. In May 2009, Mr. Duhaime was named President and CEO of SNC-Lavalin Group Inc.</p> <p>Mr. Duhaime is a member of the Canadian Institute of Mining and Metallurgy, the Commonwealth Business Council and l'Ordre des ingénieurs du Québec.</p>				
	<b>Three-Year Compensation 2007 – 2009</b>				
	<b>Fixed Compensation</b>				
	<b>Year</b>	<b>Base Salary (short-term)</b>	<b>Employee Share Ownership Plan (long-term)</b>	<b>Benefits and Perquisites (short-term)<sup>(1)</sup></b>	<b>Pension Value (long-term)<sup>(2)</sup></b>
	2009	\$583,662	\$12,804	\$59,634	\$737,000
	2008	\$375,000	\$11,202	\$33,499	\$ 94,100
	2007	\$350,000	\$10,062	\$31,170	\$ 82,600

Variable (Performance-Based) Compensation								
Year	Stock Options (long-term) <sup>(3)</sup>	MIP (short-term) <sup>(4)</sup>	MSOP (long-term) <sup>(5)</sup>	DSUP (long-term) <sup>(6)</sup>	PSUP <sup>(7)</sup>		Total Variable	Total Compensation
					Cash Award (short-term)	Value of Granted Units (long-term)		
2009	\$751,880	\$767,000	\$69,500	\$525,000	N/A	\$525,000	\$2,638,380	\$4,031,480
2008	\$247,920	\$235,000	\$68,535	N/A	\$0	\$281,250	\$ 832,705	\$1,346,506
2007	\$210,795	\$280,000	\$59,535	N/A	\$0	\$262,500	\$ 812,830	\$1,286,662

Aggregate Holding of PSUs and Stock Options							
PSUs <sup>(8)</sup>				Stock Options <sup>(9)</sup>			
Vested		Non-Vested		Exercisable		Unexercisable	
Number	Value	Number	Value	Number	Value	Number	Value
39,505	\$2,132,875	12,154	\$656,194	56,000	\$1,519,519	114,000	\$1,771,360





**Gilles Laramée**  
Executive Vice-President  
and Chief Financial Officer

Age: 49

Joined SNC-Lavalin: 1986

Responsibilities: Administration,  
Finance, Insurance, Internal Audit,  
Investor Relations, Legal Affairs,  
Taxation, Investment and Treasury

Mr. Laramée is a chartered accountant with 25 years experience in business acquisitions, corporate and project financing, financial reporting and controls, external auditing, investment, and asset management and taxation. He has a Bachelor of Business Administration, with a major in Public Accounting from the University of Montreal's School of Business Administration, HEC, and has completed the Advanced Management Program at Harvard University. He is also a Fellow of the Order of Chartered Accountants of Quebec.

In his 24 years with SNC-Lavalin, Mr. Laramée has occupied increasingly senior positions including Senior Accountant; Analyst, Reporting and Control; Chief Accountant; Assistant Treasurer; Treasurer; Senior Vice-President; Controller; and as of 1999, Executive Vice-President and CFO. As such, he has played a key role in many aspects of the Company's financial operations. Included under Mr. Laramée's responsibilities are Infrastructure Concession Investments, Administration, Finance, Internal Audit, Investor Relations, Legal, Mergers & Acquisitions, Risk & Insurance, Taxation and Treasury.

### Three-Year Compensation 2007 – 2009

#### Fixed Compensation

Year	Base Salary (short-term)	Employee Share Ownership Plan (long-term)	Benefits and Perquisites (short-term) <sup>(1)</sup>	Pension Value (long-term) <sup>(2)</sup>	Total Fixed
2009	\$380,000	\$12,396	\$29,100	\$83,900	\$505,396
2008	\$360,000	\$11,470	\$35,870	\$94,500	\$501,840
2007	\$340,000	\$10,762	\$33,735	\$92,600	\$477,097

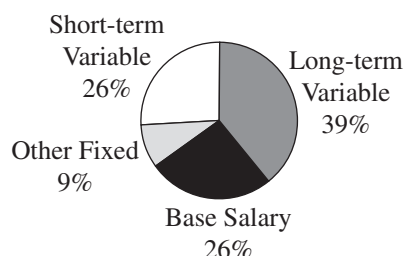
### Variable (Performance-Based) Compensation

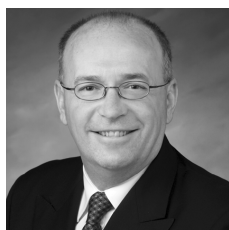
Year	Stock Options (long-term) <sup>(3)</sup>	MIP (short-term) <sup>(4)</sup>	MSOP (long-term) <sup>(5)</sup>	DSUP (long-term) <sup>(6)</sup>	PSUP <sup>(7)</sup>		Total Variable	Total Compensation
					Cash Award (short-term)	Value of Granted Units (long-term)		
2009	\$220,380	\$380,000	\$69,250	\$142,500	N/A	\$142,500	\$954,630	\$1,460,026
2008	\$247,920	\$360,000	\$64,490	N/A	\$0	\$270,000	\$942,410	\$1,444,250
2007	\$210,795	\$ 75,000	\$70,740	N/A	\$0	\$255,000	\$611,535	\$1,088,632

### Aggregate Holding of PSUs and Stock Options

PSUs <sup>(8)</sup>				Stock Options <sup>(9)</sup>			
Vested		Non-Vested		Exercisable		Unexercisable	
Number	Value	Number	Value	Number	Value	Number	Value
82,313	\$4,444,079	11,305	\$610,357	56,000	\$1,519,519	64,000	\$948,360

### 2009 Total Compensation





**Jean Beaudoin**  
Executive Vice-President

Age: 50  
Joined SNC-Lavalin: 1984  
Responsibilities: Chemicals & Petroleum worldwide, Offshore Oil & Gas, Pipelines  
Geographical responsibilities: Alberta, Newfoundland and Labrador, Saudi Arabia, U.S. Gulf Coast, UK, and SNC-Lavalin's engineering office in Mumbai, India

Jean Beaudoin has over 25 years of construction, consulting engineering and project management experience, primarily in the fields of infrastructure, bio-pharmaceutical, Industrial and Chemicals and Petroleum sectors for projects executed in North America, in the Middle-East, Russia, India and South America.

He holds a B. Eng., Mechanical Engineering degree from the École Polytechnique de Montréal, and a degree in Advanced Management from Harvard Business School.

Since joining SNC-Lavalin in 1984, he has assumed positions of increasing responsibility, including Senior Vice-President and General Manager of Pellemon Inc. in 1998, Senior Vice-President and General Manager of the Quebec Industrial Division in 2002, Senior Vice-president and General Manager of the Chemicals and Petroleum Business unit in Calgary in 2005. In 2006, he was named Executive Vice-President, and assumed leadership of SNC-Lavalin's activities worldwide in the Chemicals and Petroleum, Offshore Oil and gas and pipeline sectors.

Mr. Beaudoin is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, and l'Ordre des ingénieurs du Québec.

### Three-Year Compensation 2007 – 2009

#### Fixed Compensation

Year	Base Salary (short-term)	Employee Share Ownership Plan (long-term)	Benefits and Perquisites (short-term) <sup>(1)</sup>	Pension Value (long-term) <sup>(2)</sup>	Total Fixed
2009	\$380,000	\$4,992	\$26,962	\$77,700	\$489,654
2008	\$365,000	\$4,046	\$27,417	\$93,600	\$490,063
2007	\$340,000	\$3,098	\$26,792	\$78,500	\$448,390

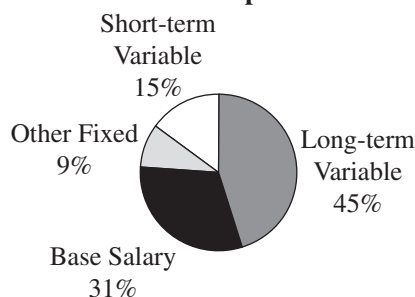
### Variable (Performance-Based) Compensation

Year	Stock Options (long-term) <sup>(3)</sup>	MIP (short-term) <sup>(4)</sup>	MSOP (long-term) <sup>(5)</sup>	DSUP (long-term) <sup>(6)</sup>	PSUP <sup>(7)</sup>		Total Variable	Total Compensation
					Cash Award (short-term)	Value of Granted Units (long-term)		
2009	\$220,380	\$190,000	\$51,750	\$142,500	N/A	\$142,500	\$747,130	\$1,236,784
2008	\$247,920	\$365,000	\$33,500	N/A	\$0	\$273,750	\$920,170	\$1,410,233
2007	\$210,795	\$195,000	\$23,750	N/A	\$0	\$255,000	\$684,545	\$1,132,935

### Aggregate Holding of PSUs and Stock Options

PSUs <sup>(8)</sup>				Stock Options <sup>(9)</sup>			
Vested		Non-Vested		Exercisable		Unexercisable	
Number	Value	Number	Value	Number	Value	Number	Value
6,694	\$361,409	10,628	\$573,806	53,000	\$1,418,380	64,000	\$948,360

### 2009 Total Compensation





**Riadh Ben Aïssa**  
**Executive Vice-President**

Age: 51  
Joined SNC-Lavalin: 1985  
Responsibilities: Infrastructure, Water, Geotechnical & Laboratories, Construction and Defence Contractors; Geographical responsibilities: Quebec, Latin America (Venezuela, Colombia, Dominican Republic, Haiti), North Africa (Algeria, Egypt, Morocco, Mauritania, Tunisia), Middle East (Libya, United Arab Emirates)

Year	Base Salary (short-term)	Employee Share Ownership Plan (long-term)	Benefits and Perquisites (short-term) <sup>(1)</sup>	Pension Value (long-term) <sup>(2)</sup>	Total Fixed
2007	\$330,000	\$4,430	\$28,037	\$64,850	\$427,317
2008	\$350,000	\$6,680	\$29,494	\$72,540	\$458,714
2009	\$378,000	\$9,707	\$30,787	\$75,400	\$493,894

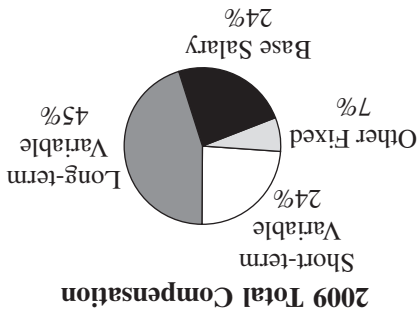
**Three-Year Compensation 2007 – 2009**

**Fixed Compensation**

Riadh Ben Aïssa has more than 20 years of executive-level experience in the development and implementation of large engineering construction projects in the Middle East. He obtained a Master in Business Administration (M.B.A.) from Ottawa University in Ottawa, Canada in 1985, and joined SNC-Lavalin the same year. He held positions of increasing responsibility in strategic planning and development prior to being named Senior Vice-President, SNC-Lavalin International. He has since been responsible for managing some of the Company's largest turnkey projects in North Africa and the Middle East, including clients such as ARAMCO, SAMAREC and SCECO in Saudi Arabia. In Libya, he was responsible for projects for AGIP Gas, the Civil Aviation Authority and, notably, the Great Man Made River Authority (GMRRA), where he developed and executed major lump sum turnkey contracts for the drilling of deep water wells in Tazerbo, the drilling of exploratory wells in Giahbub, the repairs of the PCCP Conveyance Lines (Tazerbo Ajdabya Benghazi) and the manufacture of 60,000 Pre-stressed Concrete Pipes, four metres in diameter, at the Sarir Factory. In 2007, Mr. Ben Aïssa was promoted to Executive Vice-President in charge of worldwide water concessions and infrastructure projects, construction, defence contractors and geotechnical & laboratories.

Variable (Performance-Based) Compensation							
Year	Stock Options <sup>(3)</sup> (long-term)	MIP <sup>(4)</sup> (short-term)	MSOP <sup>(5)</sup> (long-term)	DSUP <sup>(6)</sup> (long-term)	Cash Award (short-term)	PSUP <sup>(7)</sup> Value of Granted Units (long-term)	
						Total Variable	Total Compensation
2009	\$220,380	\$378,000	\$28,380	\$283,500	N/A	\$141,750	\$1,545,904
2008	\$247,920	\$360,000	\$10,380	N/A	\$0	\$262,500	\$880,800
2007	\$210,795	\$75,000	\$6,630	N/A	\$0	\$247,500	\$539,925

Aggregate Holding of PSUs and Stock Options							
PSUs <sup>(8)</sup>				Stock Options <sup>(9)</sup>			
Vested		Non-Vested		Exercisable		Unexercisable	
Number	Value	Number	Value	Number	Value	Number	Value
1,069	\$57,715	12,588	\$679,626	29,000	\$782,415	64,000	\$948,360





**Michael Novak**  
Executive Vice-President

Age: 56

Joined SNC-Lavalin: 1986

Responsibilities: Corporate Risk Management, Global Information Technology, Global Procurement, Health, Safety and Environment and SNC-Lavalin International

Michael Novak has over 25 years of experience in business development and operations, risk management and international relations. He is a member of the Bar of the Province of Quebec, and holds a B.Sc. (biochemistry), L.L.B and B.C.L. from McGill University. He is also a graduate of Harvard's Advanced Management Program.

Mr. Novak joined SNC-Lavalin as Legal Advisor, and was promoted to the position of Senior Vice-President, Law in 1999. In this capacity, he managed SNC-Lavalin's legal and insurance departments, supervising comprehensive legal and risk management activities throughout the Company, and acquiring extensive experience in managing international business transactions. In 1996, Mr. Novak was appointed President of SNC-Lavalin International, where he was responsible for developing international business in some 125 countries. In 2003, he was named President and CEO of SNC Technologies, the Company's defence-related manufacturing unit, until it was sold in 2007. Following the divestiture, he returned to SNC-Lavalin as Executive Vice-President and Chairman of SNC-Lavalin International.

### Three-Year Compensation 2007 – 2009

#### Fixed Compensation

Year	Base Salary (short-term)	Employee Share Ownership Plan (long-term)	Benefits and Perquisites (short-term) <sup>(1)</sup>	Pension Value (long-term) <sup>(2)</sup>	Total Fixed
2009	\$370,000	\$12,637	\$35,888	\$35,900	\$454,425
2008	\$360,000	\$11,938	\$34,631	\$94,100	\$500,669
2007	\$350,000	\$11,185	\$34,306	\$92,300	\$487,791

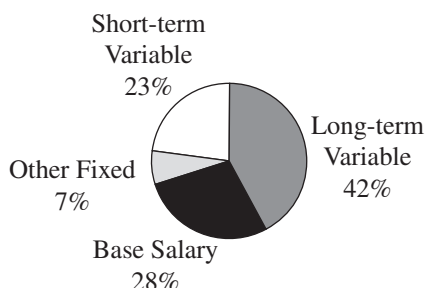
### Variable (Performance-Based) Compensation

Year	Stock Options (long-term) <sup>(3)</sup>	MIP (short-term) <sup>(4)</sup>	MSOP (long-term) <sup>(5)</sup>	DSUP (long-term) <sup>(6)</sup>	PSUP <sup>(7)</sup>		Total Variable	Total Compensation
					Cash Award (short-term)	Value of Granted Units (long-term)		
2009	\$220,380	\$309,000	\$65,000	\$138,750	N/A	\$138,750	\$871,880	\$1,326,305
2008	\$247,920	\$270,000	\$67,675	N/A	\$135,016	\$135,016	\$855,627	\$1,356,296
2007	\$210,795	\$270,000	\$69,175	N/A	\$131,232	\$131,250	\$812,452	\$1,300,243

### Aggregate Holding of PSUs and Stock Options

PSUs <sup>(8)</sup>				Stock Options <sup>(9)</sup>			
Vested		Non-Vested		Exercisable		Unexercisable	
Number	Value	Number	Value	Number	Value	Number	Value
108,936	\$5,881,455	11,377	\$614,244	56,000	\$1,519,519	64,000	\$948,360

### 2009 Total Compensation





#### Notes

- (1) This amount represents the employer contribution with respect to executive benefit programs and perquisites.
- (2) Prior to 2009 the value of the pension was expressed as the annual service cost. In 2009, the method was changed to show the compensatory change as calculated for the purpose of the summary compensation table in section 9.7 of this Management Proxy Circular as it better reflects the pension benefit earned by NEOs for the year. For comparison purpose, the value of the annual service cost in 2009 for each NEO's was: Pierre Duhaime (\$92,100), Gilles Laramée (\$88,200), Jean Beaudoin (\$89,500), Riadh Ben Aïssa (\$75,400) and Michael Novak (\$88,500).
- (3) This amount represents the value of the stock options at the time of grant, using the Black-Scholes option-pricing model (non-amortized) in accordance with the accounting treatment.
- (4) The MIP is described in section 8.8.1 "Management Incentive Program" of this Management Proxy Circular.
- (5) The MSOP is described in section 8.8.3 "Management Share Ownership Program" of this Management Proxy Circular.
- (6) The DSUP is described in section 8.8.4 "Deferred Share Unit Plan" of this Management Proxy Circular.
- (7) The PSUP is described in section 8.8.5 "Performance Share Unit Plan" of this Management Proxy Circular.
- (8) The PSUs were valued using the price of \$53.99 for a Common Share of the Corporation as at December 31<sup>st</sup>, 2009.
- (9) The stock options were valued using the difference between the closing share price of \$53.99 on December 31<sup>st</sup>, 2009 and the option exercise price.

The following table indicates the total compensation for the NEOs, including Mr. Jacques Lamarre, as well as the total compensation as a percentage of operating income before taxes and as a percentage of shareholder equity.

	<b>Total Compensation<sup>(1)</sup> for Named Executive Officers<sup>(2)</sup></b>	<b>Total Compensation for Named Executive Officers as a % of Operating Income Before Taxes</b>	<b>Total Compensation for Named Executive Officers as a % of Shareholder Equity</b>
<b>2009</b>	\$12,917,436	2.7%	0.9%
<b>2008</b>	\$11,330,395	2.8%	1.0%
<b>Change</b>	\$ 1,587,041	(0.1%)	(0.1%)

#### Notes

- (1) Total compensation consists of fixed and variable compensation as shown in section 9.8 "Total Compensation Tables (2007-2009)" of this Management Proxy Circular, with the exception of Mr. Lamarre, as his total compensation is reported in section 9.7 "Summary Compensation Table".
- (2) For each year shown, the NEOs are those reported in the Corporation's Management Proxy Circulars filed with the Canadian Securities Commissions and available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## 9.9 Approval of the Report on Executive Compensation

It is the responsibility and duty of the HR Committee to determine, in accordance with the Executive Compensation Policy and program noted above, the principles for establishing specific compensation levels for the NEOs and other key executives. In carrying out these duties, the Committee reviews the compensation plans, programs and policies, approves objectives for the President and CEO and members of the Office of the President, monitors their performance and compensation and makes appropriate recommendations to the Board of Directors.

The HR Committee, whose members' names are set out below, has reviewed and approved the remuneration of executive officers as described under section 8 and section 9 of this Management Proxy Circular. The HR Committee was appointed by the Board of Directors and is composed of Directors who meet the legislative and regulatory standards governing independence, and none of whom have any indebtedness towards the Corporation.

The following is the list of the members of the HR Committee:

David Goldman  
 Pierre H. Lessard  
 Lorna R. Marsden  
 Hon. Hugh D. Segal  
 Lawrence N. Stevenson (Chairman)

## **SECTION 10: General and Additional Information**

### **10.1 Directors' and Officers' Insurance**

The Corporation maintains liability insurance, for a total amount of \$70,000,000 for all Directors and officers of the Corporation and its subsidiaries. Under the terms of this insurance, the cost incurred in 2009 was \$396,192 (tax included) and was fully paid by the Corporation.

### **10.2 Indebtedness of Directors and Officers**

As of December 31<sup>st</sup>, 2009 there was no indebtedness of current and former Directors and officers and employees of the Corporation and its subsidiaries, whether entered into in connection with the purchase of Common Shares of the Corporation or otherwise.

### **10.3 Additional Information**

Financial information is provided in the Corporation's annual and quarterly financial statements and annual and quarterly Management's Discussion and Analysis ("MD&A"). The Corporation is a reporting issuer under the securities acts of all provinces of Canada and complies with the requirement to file annual and quarterly financial statements, annual and quarterly MD&A, as well as its annual Management Proxy Circular and Annual Information form ("AIF") with the various securities commissions in such provinces. The Corporation's most recent AIF, audited financial statements, MD&A, quarterly financial statements and quarterly MD&A subsequent to the audited financial statements, and Management Proxy Circular may be viewed on the Corporation's Website ([www.snclavalin.com](http://www.snclavalin.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)) under the name of SNC-Lavalin Group Inc., and paper copies may be obtained on request from the Vice-President and Corporate Secretary of the Corporation. The Corporation may require the payment of a reasonable charge when the request for copies is made by a person other than a holder of securities of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short form prospectus, in which case such paper copies will be provided free of charge.

### **10.4 Approval of Directors**

The contents and mailing of this Management Proxy Circular have been approved by the Directors of the Corporation.

### **10.5 Website References**

Information contained in or otherwise accessible through any Website mentioned in this Management Proxy Circular does not form part of this Circular. Any reference in this Circular to any Website is an inactive textual reference only.

YVES LAVERDIÈRE (signed)  
Vice-President and Corporate Secretary

Montreal, Quebec, March 8<sup>th</sup>, 2010

## **SCHEDULE “A”**

### **MANDATE OF THE BOARD OF DIRECTORS, RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The Board of Directors is responsible for supervising the management of the Corporation’s business and its affairs. It has the statutory authority and obligation to protect and enhance the assets of the Corporation in the interest of all of its shareholders.

Although Directors may be elected by the shareholders to bring a special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interest of the Corporation must be paramount at all times.

The involvement and commitment of Directors is evidenced by regular Board and Committee attendance, preparation and active participation in setting goals, and requiring performance in the interest of shareholders.

Management of the Corporation’s business is done through the President and Chief Executive Officer (**CEO**), who is charged with the day-to-day management of the Corporation. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, management keeps the Board fully informed of the progress of the Corporation towards the achievement of its established goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

The Board may delegate certain tasks to its Committees. The Board’s principal duties fall into the following eight (8) categories.

#### **1. BOARD ORGANIZATION AND SELECTION, RETENTION AND SUCCESSION OF MANAGEMENT**

- (a) Subject to the Articles and By-Laws of the Corporation, the Board manages its own affairs, including planning its composition, selecting its Chairman, who shall not be the CEO, nominating candidates for election to the Board, appointing the members of its Committees, establishing the terms of reference and duties of its Committees, determining Board compensation and assessing the performance of the Board, Board Committees, Chairman of the Board and individual Directors.
- (b) The Board has responsibility for the appointment and replacement of the CEO, for monitoring CEO performance, and for determining CEO compensation.
- (c) The Board has the responsibility for approving the appointment and remuneration of all corporate officers, acting upon the advice of the CEO, and for ensuring that adequate provision has been made for management succession.
- (d) The Board shall provide an orientation and induction program for new Directors and shall encourage and provide opportunities for all Directors to continually update their skills as well as their knowledge of the Corporation, its business and its senior management.

#### **2. STRATEGY DETERMINATION**

- (a) The Board has the responsibility to participate directly or through its Committees, in developing and approving the mission of the Corporation’s business, its objectives and goals, and the strategy for their achievement. The Board shall, among other assessment processes, evaluate management’s analysis of the strategies of the Corporation’s competitors or of companies of a scale similar to that of the Corporation.
- (b) The Board has the responsibility to ensure congruence between shareholders’ expectations, the Corporation’s plans and management performance.
- (c) The Board holds a special meeting with management to review the Corporation’s annual strategic plan with senior management prior to the commencement of each year and to approve the plan. The plan shall take into account, among other things, the opportunities and risks of the Corporation’s business.

### **3. RISK EVALUATION**

The Board has the responsibility to identify the principal risks of the Corporation's business and ensure the implementation of appropriate systems to manage such risks.

### **4. MONITORING AND ACTING**

- (a) The Board has the responsibility to monitor the Corporation's progress towards its goals, and to revise and alter its direction in light of changing circumstances. At every regularly scheduled meeting, the Board shall review recent developments, if any, that impact upon the Corporation's strategy. The Board shall, as part of its annual strategic planning process, conduct a review of human, technological and capital resources required to implement the Corporation's strategy and of the regulatory, cultural or governmental constraints on the Corporation's business.
- (b) The Board has the responsibility to provide advice and counsel to the CEO, and to take action when performance falls short of its goals or other special circumstances warrant.
- (c) The Board monitors the general application of the corporate governance practices described in the Corporation's Corporate Governance Handbook and reviews the updates that may be required to be made from time to time to the main mandates, policies and procedures contained in such Handbook.

### **5. POLICIES AND PROCEDURES**

- (a) The Board has the responsibility to approve and monitor compliance with all significant policies and procedures by which the Corporation is operated, including the Environmental Policy and the Occupational Health and Safety Policy. In particular, the Environmental Committee and the Occupational Health and Safety Committee, which have been established by management, shall report to the Health, Safety and Environment Committee of the Board of Directors on their respective activities once a year.
- (b) The Board has the particular responsibility to ensure that the Corporation operates at all times within applicable laws and regulations, and ethical and moral standards.
- (c) The Board has responsibility for monitoring compliance with the Corporation's written Code of Ethics and Business Conduct, granting any waivers from compliance for Directors and officers and causing disclosure of any such waivers to be made in the Corporation's next quarterly report, including the circumstances and rationale for granting the waiver.

### **6. DISCLOSURE TO SHAREHOLDERS AND OTHERS**

- (a) The Board has responsibility for ensuring that the performance of the Corporation is adequately reported to its shareholders, its other security holders, the investment community, the relevant regulators and the public on a timely and regular basis.
- (b) The Board has responsibility for ensuring that timely disclosure is made by press release of any development that results in, or may reasonably be expected to result in, a significant change in the value or market price of the Corporation's listed securities.
- (c) The Board is responsible for reviewing and approving the Corporation's annual information forms and management proxy circulars.
- (d) In relation to communications with shareholders, the Board is responsible for approving resolutions to call meetings of shareholders, renewing the normal course issuer bid, and reviewing and approving the general content of the documents disclosed or filed by the Corporation in relation to such meetings of shareholders.
- (e) The Board reviews the Corporation's communication policy governing the Corporation's communications with analysts, investors and the public.

## **7. FINANCIAL MATTERS AND INTERNAL CONTROLS**

- (a) The Board is responsible for (i) reviewing and approving the Corporation's unaudited quarterly financial statements and accompanying notes, together with the related management's discussion and analysis and press release, and (ii) ensuring that the Corporation's audited annual financial statements are presented fairly and in accordance with generally accepted accounting standards and reviewing and approving such financial statements and accompanying notes, together with the related management's discussion and analysis and press release.
- (b) The Board approves the annual budget and the issuance of securities.
- (c) The Board approves the declaration of dividends.

## **8. GENERAL LEGAL OBLIGATIONS**

- (a) To supervise the management of the business and affairs of the Corporation.
- (b) To act honestly and in good faith with a view to the best interest of the Corporation.
- (c) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (d) To act in accordance with the *Canada Business Corporations Act*, securities, environmental and other relevant legislation and the Corporation's Articles and By-Laws.
- (e) To consider as the full Board and not delegate to a Committee:
  - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii) the filling of a vacancy among the Directors;
  - (iii) the manner and the terms of the issuance of securities;
  - (iv) the declaration of dividends;
  - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - (vi) the approval of a management proxy circular;
  - (vii) the approval of any take-over bid circular or Directors' circular;
  - (viii) the approval of the annual financial statements of the Corporation; or
  - (ix) the adoption, amendment or repeal of By-Laws of the Corporation.

\* \* \* \* \*

## **BOARD COMPOSITION, MEETING ARRANGEMENTS, REMUNERATION AND INDEMNIFICATION**

### **1. COMPOSITION**

The election of Directors occurs at the annual general meeting and is for a term of one (1) year. The foregoing notwithstanding, the Board may unanimously appoint Directors during the year, for a term ending at the next annual general meeting. The Corporation's practice with respect to the election of its Directors is not to use slate voting, but rather to allow every shareholder to vote for each Director individually or withhold his/her vote from each Director individually.

A majority of Directors must be "independent", as determined by the Board on the basis of the applicable regulatory criteria for "independence" set out at the end of this mandate. Furthermore, no more than two (2) of the Directors may sit on one same outside board of directors.

The articles of the Corporation provide that the Board of Directors shall consist of a minimum number of eight (8) and a maximum number of twenty (20) Directors to be elected annually.

The only officer who is currently a member of the Board is the President and Chief Executive Officer.

The Corporation is committed to building a skilled, diverse Board of Directors reflective of Canadian society and consisting of a cross-section of highly professional and competent members with the necessary disciplines to facilitate the Corporation meeting its legal, financial, operational and societal objectives.

### **2. MEETINGS**

- (a) The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. The Board will meet at least five (5) times per year. Meetings will not normally exceed one (1) day in duration. A quorum for meetings is a majority of Directors. The Board sets the schedule of the Board and Board Committee meetings to be held in any given calendar year, a year or more in advance.
- (b) The Chairman of the Board and the President and Chief Executive Officer shall, in consultation with the Vice-President and Corporate Secretary, set the agenda. Such agenda and background material on agenda items will be provided to Board members prior to each meeting so that they have an opportunity for advance review of relevant materials. Senior management will be made accessible to Board members at Board and Committee meetings to help them to fulfill their obligations.
- (c) A Director may participate in a meeting of the Board or of a Committee by means of telephone or other communications facilities which permit all persons participating in the meeting to hear each other, and a Director participating in such a meeting by such means is deemed to be present at the meeting. If a regular meeting has been convened, telephone participation in the meeting by individual Board members is discouraged, except in special circumstances.
- (d) At each of the five (5) regularly scheduled meetings of the Board, the Chairman of the Board shall hold an in camera session of the outside (non-management) Directors and shall, in any event, hold an in camera session of the outside Directors when compensation issues are discussed.
- (e) At each of the five (5) regularly scheduled meetings of the Board, management shall report on the Corporation's investor relations, and the President and Chief Executive Officer shall report on key prospects, principal matters reviewed by the Bid and Investment Approval Committee and such other business as the Board deems appropriate and timely for discussion at the meeting.

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### Applicable Regulatory Criteria for “Independence”

- (1) An individual is independent if he/she has no direct or indirect material relationship with the Corporation.
- (2) For the purposes of subsection (1), a “**material relationship**” is a relationship which could, in the view of the Corporation’s Board of Directors, be reasonably expected to interfere with the exercise of a member’s independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with the Corporation:
  - (a) an individual who is, or has been within the last three (3) years, an employee or executive officer of the Corporation;
  - (b) an individual whose immediate family member is, or has been within the last three (3) years, an executive officer of the Corporation;
  - (c) an individual who:
    - (i) is a partner of a firm that is the Corporation’s internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three (3) years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the Corporation’s internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three (3) years a partner or employee of that firm and personally worked on the Corporation’s audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three (3) years, an executive officer of an entity if any of the Corporation’s current executive officers serves or served at that same time on the entity’s compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the Corporation during any twelve (12) month period within the last three (3) years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because:
  - (a) he/she had a relationship identified in subsection (3) if that relationship ended before March 30<sup>th</sup>, 2004; or
  - (b) he/she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30<sup>th</sup>, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
  - (a) remuneration for acting as a member of the Board of Directors or of any Board Committee of the Corporation, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.



- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the Corporation solely because the individual or his/her immediate family member:
  - (a) has previously acted as an interim chief executive officer of the Corporation, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the Board of Directors or of any Board Committee of the Corporation on a part-time basis.
- (8) For the purposes of determining whether a person is “independent” in accordance with the above provisions, “the Corporation” includes a subsidiary entity of the Corporation and a parent of the Corporation.

**Additional Applicable Regulatory Criteria for “Independence” with respect to Audit Committee Members**

- (1) Despite any determination made under the above independence criteria, an individual who:
  - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his/her capacity as a member of the Board of Directors or any Board Committee, or as a part-time chair or vice-chair of the Board or any Board Committee; or
  - (b) is an affiliated entity of the Corporation or any of its subsidiary entities,is considered to have a material relationship with the Corporation.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
  - (a) an individual’s spouse, minor child or stepchild, or a child or stepchild who shares the individual’s home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

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**SCHEDULE “B”**

**RESOLUTION ADOPTING  
A NON BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**“RESOLVED:**

**THAT**, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the Corporation’s Management Proxy Circular delivered in advance of the 2010 annual meeting of shareholders of the Corporation.”

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## SCHEDULE “C”

### SUMMARY OF 2001 STOCK OPTION PLAN

On March 2<sup>nd</sup>, 2001, the Board of Directors of the Corporation adopted the 2001 Stock Option Plan (the “**2001 Plan**”) in favour of key employees of the Corporation and its subsidiaries and other corporations in which the Corporation has an equity interest and in favour of the non-employee directors of the Corporation, to further the development and growth of the Corporation. Under the 2001 Plan, the Corporation is authorized to grant non-transferable options representing 4,827,900 Common Shares.

Under the 2001 Plan, an optionee who is a member of the Management Committee when he/she receives options granted after August 4<sup>th</sup>, 2001 and before March 7<sup>th</sup>, 2003 is required, in order to exercise his/her options, to own Common Shares of the Corporation having a value at least equal to his/her annual base salary at the time of exercise (such value being calculated by multiplying the number of Common Shares then held by him/her by the closing price per Common Share for a board lot (100 Common Shares) of the Common Shares traded on the Toronto Stock Exchange on the trading day immediately preceding the date on which such option is exercised or, if a board lot of Common Shares is not traded on such Exchange on such date, then the closing price on the next preceding day on which such a trade took place). In the case of members of the Office of the President, the value must be at least twice the base salary and, in the case of the President and/or Chief Executive Officer, it must be at least three times the annual base salary.

Under the 2001 Plan, an optionee who is a member of the Management Committee when he/she receives options granted after March 6<sup>th</sup>, 2003, is required, in order to exercise his/her options, to have owned, throughout the one-year period immediately preceding such exercise, Common Shares having a value at least equal to his/her annual base salary at the time of such exercise. In the case of an optionee who is a member of the Office of the President when he/she receives options granted after March 6<sup>th</sup>, 2003, the value of the Common Shares to be held throughout the one-year period immediately preceding the exercise of his/her option must be at least twice his/her annual base salary and, in the case of the optionee who is the President and/or Chief Executive Officer of the Corporation when he/she receives options granted after March 6<sup>th</sup>, 2003, the value of the Common Shares to be held throughout the one-year period immediately preceding the exercise of his/her option must be at least three times his/her annual base salary.

At its meeting of August 6<sup>th</sup>, 2004, the Board approved certain non-material changes to the 2001 Plan, which have been reviewed and approved by the Toronto Stock Exchange. Further to these changes, the optionees can henceforth exercise their options before having fulfilled the above-mentioned shareholding requirements providing, however, that the following conditions are met: the after-tax benefit of the exercise (as determined by the Corporation on the basis of the difference between the sale price and the exercise price, less applicable taxes) must immediately be remitted to a custodian, who will use the amount of the benefit to purchase shares on behalf of the optionee; these shares must be held in a separate account for the optionee and cannot be sold or transferred until the optionee’s shareholding requirements are met.

The option price is equal to the closing price per Common Share of a board lot of Common Shares (100 Common Shares) traded on the Toronto Stock Exchange on the trading day immediately preceding the date on which the option is granted. The option price is payable in full at the time of exercise of the option. Each option may be exercised only during a period commencing on the first day of the third year and expiring on the last day of the sixth year following the date of granting the option (hereinafter called the “**Option Period**”). At any time during the Option Period, an optionee may exercise the options, in whole or in part. The Board of Directors of the Corporation shall select the optionees and will establish the number of Common Shares under each option.

In addition, an optionee who retires must exercise the options within a period of two years of retirement or before the expiration of the Option Period, whichever comes first and, if an optionee should die, the legal representatives must exercise such options within a period of two years of the death of the optionee or before the expiration of the Option Period, whichever comes first. The Board has created a specific Retiree category. A “Retiree” means an optionee who, upon his/her last day of work as a full-time regular employee, has reached 55 years of age and has completed a minimum of ten years of continuous service with the Corporation. For the calculation of the value of the Common Shares, which a Retiree is required to hold when he/she wishes to exercise his/her options, his/her annual base salary in effect at the time of his/her retirement shall be deemed to be his/her annual base salary at the time of such exercise.

On March 5<sup>th</sup>, 2010, there were no options outstanding under the 2001 Plan.

Under the 2001 Plan, (i) the number of Shares reserved for issuance pursuant to options granted to insiders under the 2001 Plan and other share compensation arrangements of the Corporation must not exceed 10% of the issued shares, and (ii) the number of Shares which may be issued under the 2001 Plan and other share compensation plans of the Corporation in a one-year period shall not exceed (a) 10% of the issued Shares, or (b) to any one insider and such insider's associates, 5% of the issued Shares.

Under the 2001 Plan, an Optionee may exercise all or any portion of his/her options at anytime after the occurrence of any the following events: (i) a person or a group of persons acting jointly or in concert holds or exercises control over, directly or indirectly, 30% or more of the shares of a class of voting shares of the Corporation; (ii) a person or a group of persons acting jointly or in concert launches a take-over bid or an exchange bid for 30% or more of the shares of a class of voting shares of the Corporation; (iii) the persons who are directors of the Corporation cease at any time to constitute a majority of the members of the Board, except in certain limited circumstances.

Under the 2001 Plan, the Board may at any time and from time to time by resolution amend, subject to prior regulatory approval where required, or terminate the 2001 Plan, but no such amendment or termination shall, except with the written consent of the Optionees concerned, respectively, affect the terms and conditions of options previously granted under the 2001 Plan to the extent that they have not then been exercised, unless the rights of such Optionees shall then have terminated in accordance with the 2001 Plan.

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## SCHEDULE “D”

### SUMMARY OF 2004 STOCK OPTION PLAN

On March 5<sup>th</sup>, 2004, subject to the approvals from certain regulatory authorities and from the Corporation’s shareholders, which approvals were subsequently obtained, the Board of Directors of the Corporation adopted the 2004 Stock Option Plan (the “**2004 Plan**”) in favour of key employees of the Corporation and its subsidiaries and other corporations in which the Corporation has an equity interest.

The 2004 Plan provides for the granting of non-transferable options to purchase Common Shares. The total number of authorized and unissued Common Shares available for options under the 2004 Plan is equal to 3,651,000 which, together with the number of options outstanding (i.e., granted but not exercised) as at March 19<sup>th</sup>, 2004 under previous stock option plans, totals less than 5% of the Common Shares of the Corporation outstanding as at the same date. The Board of Directors of the Corporation shall select the optionees and will establish the number of Common Shares under each option. The option price is equal to the closing price of a board lot of Common Shares (100 Common Shares) traded on the Toronto Stock Exchange on the trading day immediately preceding the date on which the option is granted. The option price is payable in full at the time of exercise of the option. Each option may be exercised only during a period commencing on the first day of the third year and expiring on the last day of the sixth year following the date of granting the option (the “**Option Period**”). The 2004 Plan prohibits any modification of the option exercise price and of the number of unexercised options, except in the limited circumstances of a declaration of a stock dividend or of a cash dividend other than in the ordinary course of business, or a subdivision, consolidation, reclassification or other change with respect to the Common Shares. In these limited circumstances, the Board may make the modifications that it deems appropriate to the exercise price and to the number of unexercised options, subject always to the approval of the Toronto Stock Exchange.

An optionee may exercise his/her options, in whole or in part, at any time during the Option Period. An optionee who is a member of the Management Committee when he/she receives options, however, is required, in order to exercise his/her options, to have owned, throughout the one-year period immediately preceding such exercise, Common Shares having a value at least equal to his/her annual base salary at the time of such exercise. In the case of a member of the Office of the President, the required value is at least twice his/her annual base salary and, in the case of the President and/or Chief Executive Officer, the required value is at least three times his/her annual base salary. The value of the Common Shares is calculated by multiplying the number of Common Shares held by the optionee by the closing price per Common Share for a board lot (100 Common Shares) of the Common Shares traded on the Toronto Stock Exchange, on the trading day immediately preceding the date on which such option is exercised.

At its meeting of August 6<sup>th</sup>, 2004, the Board approved certain non-material changes to the 2004 Plan, which have been reviewed and approved by the Toronto Stock Exchange. Further to these changes, the optionees can henceforth exercise their options before having fulfilled the above-mentioned shareholding requirements providing, however, that the following conditions are met: the after-tax benefit of the exercise (as determined by the Corporation on the basis of the difference between the sale price and the exercise price, less applicable taxes) must immediately be remitted to a custodian, who will use the amount of the benefit to purchase shares on behalf of the optionee; these shares must be held in a separate account for the optionee and cannot be sold or transferred until the optionee’s shareholding requirements are met.

An optionee who retires must exercise his/her options within a period of two years of his/her retirement or before the expiration of the 2004 Plan Option Period, whichever comes first. The Board has created a specific Retiree category. A “Retiree” means an optionee who, upon his/her last day of work as a full-time regular employee, has reached 55 years of age and has completed a minimum of ten years of continuous service with the Corporation. For the calculation of the value of the Common Shares, which a Retiree is required to hold when he/she wishes to exercise his/her options, his/her annual base salary in effect at the time of his/her retirement shall be deemed to be his/her annual base salary at the time of such exercise.

On March 5<sup>th</sup>, 2010, there were 1,305,500 options outstanding under the 2004 Plan, representing 0.9% of the total number of Common Shares of the Corporation outstanding (i.e. 150,963,535) on that date.

Under the 2004 Plan, (i) the number of Shares reserved for issuance pursuant to options granted to insiders under the 2004 Plan and other share compensation arrangements of the Corporation shall be less than 5% of the issued shares, and (ii) the number of Shares which may be issued under the 2004 Plan and other share compensation plans of the Corporation in a one-year period shall be less than (a) 5% of the issued Shares, and (b) to any one insider and such insider’s associates, 2.5% of the issued Shares.

Under the 2004 Plan, an Optionee may exercise all or any portion of his/her options at anytime after the occurrence of any of the following events: (i) a person or a group of persons acting jointly or in concert holds or exercises control over, directly or indirectly, 50% or more of the shares of a class of voting shares of the Corporation; (ii) a person or a group of persons acting jointly or in concert launches a take-over bid or an exchange bid for 50% or more of the shares of a class of voting shares of the Corporation; (iii) the persons who are directors of the Corporation cease at any time to constitute a majority of the members of the Board, except in certain limited circumstances.

Under the 2004 Plan, the Board may at any time and from time to time by resolution amend, subject to prior regulatory approval where required, or terminate the 2004 Plan, but no such amendment or termination shall, except with the written consent of the Optionees concerned, respectively, affect the terms and conditions of options previously granted under the 2004 Plan to the extent that they have not then been exercised, unless the rights of such Optionees shall then have terminated in accordance with the 2004 Plan.

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## SCHEDULE “E”

### SUMMARY OF 2007 STOCK OPTION PLAN

On February 23<sup>rd</sup>, 2007, subject to the approvals from certain regulatory authorities and from the Corporation’s shareholders, which approvals were subsequently obtained, the Board of Directors of the Corporation adopted the 2007 Stock Option Plan (the “**2007 Plan**”) in favour of key employees of the Corporation and its subsidiaries and other corporations in which the Corporation has an equity interest.

The 2007 Plan provides for the granting of non-transferable options to purchase Common Shares. The total number of authorized and unissued Common Shares available for options under the 2007 Plan is equal to 3,500,000 which, together with the number of options outstanding (i.e., granted but not exercised) as at March 5<sup>th</sup>, 2007 under previous stock option plans, totaled less than 5% of the Common Shares of the Corporation outstanding as at the same date. The Board of Directors of the Corporation shall select the optionees (the “Optionees”) and shall establish the number of Common Shares under each option. The grant of options under the 2007 Plan shall take effect on the sixth (6<sup>th</sup>) trading day (the “**Date of Effect**”) following the date of such grant. The exercise price per Common Share, in respect of any option granted under the 2007 Plan, shall be the greater of: (i) the average closing price per Common Share for a board lot (100 Shares) of the Common Shares traded on the TSX for the five (5) trading days immediately preceding the Date of Effect; and (ii) the closing price per Common Share on the first (1<sup>st</sup>) trading day immediately preceding the Date of Effect. Each option may be exercised only during a period commencing on the first (1<sup>st</sup>) day of the third year following the Date of Effect of the option and expiring on the last day of the fifth (5<sup>th</sup>) year following the Date of Effect (the “**Option Period**”). Each option may be exercised during the Option Period in accordance with the following schedule (i) during the first year of the Option Period, an Optionee may exercise up to 33.33% of the number of Common Shares initially under option; (ii) during the second year of the Option Period, the Optionee may exercise up to 33.33% of the number of Common Shares initially under option, plus the number of Common Shares with respect to which he/she has not exercised the option during the first year of the Option Period; and (iii) during the third year of the Option Period, the Optionee may exercise the option up to the balance (including all) of the Common Shares initially under option. The 2007 Plan prohibits any modification of the option exercise price and of the number of unexercised options, except in the limited circumstances of a declaration of a stock dividend or of a cash dividend other than in the ordinary course of business, or a subdivision, consolidation, reclassification or other change with respect to the Common Shares. In these limited circumstances, the Board may make the modifications that it deems appropriate to the exercise price and to the number of unexercised options, subject always to the approval of the TSX.

An Optionee who is a member of the Management Committee when he/she receives options is required, in order to exercise his/her options, to have owned, throughout the one (1) year period immediately preceding such exercise, Common Shares having a value at least equal to his/her annual base salary at the time of such exercise. In the case of a member of the Office of the President, the required value is at least three (3) times his/her annual base salary and, in the case of the President and/or Chief Executive Officer, the required value is at least six (6) times his/her annual base salary. The value of the Common Shares is calculated by multiplying the number of Common Shares held by the Optionee by the closing price per Common Share for a board lot (100 Shares) of the Common Shares traded on the TSX, on the trading day immediately preceding the date on which such option is exercised.

Under the 2007 Plan, the Optionees can exercise their options before having fulfilled the above-mentioned shareholding requirements providing, however, that the following conditions are met: the after-tax benefit of the exercise (as determined by the Corporation on the basis of the difference between the sale price and the exercise price, less applicable taxes) must immediately be remitted to a custodian, who will use the amount of the benefit to purchase shares on behalf of the Optionee; these shares must be held in a separate account for the Optionee and cannot be sold or transferred until the Optionee’s shareholding requirements are met.

The 2007 Plan includes the following quantitative restrictions: (i) the number of Common Shares issuable to insiders, at any time, under the 2007 Plan and other share compensation arrangements of the Corporation must be less than 5% of the issued Common Shares; (ii) the number of Common Shares issued under the 2007 and other share compensation arrangements of the Corporation (a) to insiders, within any one year period, must be less than 5% of the issued Common Shares; and (b) to any one insider and such insider’s associates, within any one year period, must be less than 2.5% of the issued Common Shares; and (iii) the aggregate number of Common Shares reserved for issuance pursuant to options granted to any one person under the 2007 Plan must be less than 2.5% of the issued Common Shares.



An Optionee who becomes a Retiree before the expiration of the Option Period may exercise his/her options as per any other Optionee, in accordance with the Plan. A “Retiree” means an Optionee who, upon his/her last day of work as a full-time regular employee, has voluntarily terminated his/her employment and has completed a minimum of ten (10) years of continuous service with the Corporation. For the calculation of the value of the Common Shares, which a Retiree is required to hold when he/she wishes to exercise his/her options, his/her annual base salary in effect at the time of his/her retirement shall be deemed to be his/her annual base salary at the time of such exercise<sup>(1)</sup>. If an Optionee becomes a Retiree before the expiration of the Option Period but he/she engages in certain activities competing with those of the Corporation, as more fully described in the 2007 Plan, his/her options will end, effective upon his/her last day of work as a full-time regular employee of the Corporation.

If an Optionee is granted authorized leave of absence for sickness or other reasons, the Optionee will be entitled to exercise his/her options during his/her leave of absence according to the provisions of the 2007 Plan. Similarly, if an Optionee dies before the expiration of the Option Period, his/her legal representatives will be entitled to exercise his/her options according to such provisions.

Under the 2007 Plan, an Optionee may exercise all or any portion of his/her options at any time after the occurrence of any of the following events: (i) a person or a group of persons holds or exercises control over, directly or indirectly, 50% or more of the shares of a class of voting shares of the Corporation; (ii) a person or a group of persons launches a take-over-bid or an exchange bid for 50% or more of the shares of a class of voting shares of the Corporation; or (iii) the persons who are directors of the Corporation cease at any time to constitute a majority of the members of the Board, except in certain limited circumstances.

The 2007 Plan includes an amendment procedure pursuant to which the Board may amend the 2007 Plan or amend the terms of any then outstanding award of options under the 2007 Plan, provided, however, that the Corporation shall obtain shareholder approval for: (i) any amendment to the number of Common Shares issuable under the 2007 Plan, except for certain adjustments in the case of changes affecting the Common Shares (“**Shares Adjustment**”); (ii) any change which would allow non-employee directors to participate under the 2007 Plan; (iii) any amendment which would permit any option granted under the 2007 Plan to be transferable or assignable other than by will or pursuant to the laws of succession; (iv) the addition of a cashless exercise feature, payable in cash or Common Shares, which does not provide for a full deduction of the number of underlying securities from the 2007 Plan reserve; (v) the addition of provisions which results in employees receiving Common Shares while no cash consideration is received by the Corporation; (vi) any reduction in the exercise price of an option after the option has been granted, except in the case of Shares Adjustment; (vii) any extension to the term of an option beyond the original expiry date; (viii) any increase to the number of Common Shares that may be granted to insiders under the 2007 Plan and other share compensation arrangements of the Corporation, except in the case of Shares Adjustment; (ix) the addition of any form of financial assistance for Optionees in the 2007 Plan; and (x) a change to the vesting provisions of an option or of the 2007 Plan.

On March 5<sup>th</sup>, 2010, there were 3,370,587 options outstanding under the 2007 Plan, representing 2.2% of the total number of Common Shares of the Corporation outstanding (i.e. 150,963,535) on that date.

The Board may, in its sole discretion, make all other amendments to the 2007 Plan, including: (i) amendments of a “housekeeping” or clerical nature as well as any amendment clarifying any provision of the 2007 Plan; (ii) a change to the termination provisions of an option or the 2007 Plan which does not entail an extension beyond the original expiry date; (iii) any Shares Adjustment; and (iv) suspending or terminating the 2007 Plan.

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(1) Given the fact that the vesting of stock options continues after retirement it is, therefore, not necessary to include a hold period within the stock option plan as this hold period is implicit

## SCHEDULE “F”

### SUMMARY OF 2009 STOCK OPTION PLAN

On March 6<sup>th</sup>, 2009, subject to the approvals from certain regulatory authorities and from the Corporation’s shareholders, which approvals were subsequently obtained, the Board of Directors of the Corporation adopted the 2009 Stock Option Plan (the “**2009 Plan**”) in favour of key employees of the Corporation and its subsidiaries and other corporations in which the Corporation has an equity interest.

The 2009 Plan provides for the granting of non-transferable options to purchase Common Shares. The total number of authorized and unissued Common Shares available for options under the 2009 Plan is equal to 2,000,000 which, together with the number of options outstanding (i.e., granted but not exercised) as at March 6<sup>th</sup>, 2009 under previous stock option plans, totaled less than 5% of the Common Shares of the Corporation outstanding as at the same date. The Board of Directors of the Corporation shall select the optionees (the “Optionees”) and shall establish the number of Common Shares under each option. The grant of options under the 2009 Plan shall take effect on the sixth (6<sup>th</sup>) trading day (the “**Date of Effect**”) following the date of such grant. The exercise price per Common Share, in respect of any option granted under the 2009 Plan, shall be the greater of: (i) the average closing price per Common Share for a board lot (100 Shares) of the Common Shares traded on the TSX for the five (5) trading days immediately preceding the Date of Effect; and (ii) the closing price per Common Share on the first (1<sup>st</sup>) trading day immediately preceding the Date of Effect. Each option may be exercised only during a period commencing on the first (1<sup>st</sup>) day of the third year following the Date of Effect of the option and expiring on the last day of the fifth (5<sup>th</sup>) year following the Date of Effect (the “**Option Period**”). Each option may be exercised during the Option Period in accordance with the following schedule (i) during the first year of the Option Period, an Optionee may exercise up to 33.33% of the number of Common Shares initially under option; (ii) during the second year of the Option Period, the Optionee may exercise up to 33.33% of the number of Common Shares initially under option, plus the number of Common Shares with respect to which he/she has not exercised the option during the first year of the Option Period; and (iii) during the third year of the Option Period, the Optionee may exercise the option up to the balance (including all) of the Common Shares initially under option. The 2009 Plan prohibits any modification of the option exercise price and of the number of unexercised options, except in the limited circumstances of a declaration of a stock dividend or a subdivision, consolidation or reclassification, other change or action affecting the Common Shares. In these limited circumstances, the Board may make the modifications that it deems appropriate to the exercise price and to the number of unexercised options, subject always to the approval of the TSX.

An Optionee who is a member of the Management Committee when he/she receives options is required, in order to exercise his/her options, to have owned, throughout the one (1) year period immediately preceding such exercise, Common Shares having a value at least equal to his/her annual base salary at the time of such exercise. In the case of a member of the Office of the President, the required value is at least three (3) times his/her annual base salary and, in the case of the President and Chief Executive Officer, the required value is at least six (6) times his/her annual base salary. The value of the Common Shares is calculated by multiplying the number of Common Shares held by the Optionee by the closing price per Common Share for a board lot (100 Shares) of the Common Shares traded on the TSX, on the trading day immediately preceding the date on which such option is exercised.

Under the 2009 Plan, the Optionees are precluded from exercising any options until their minimum shareholding requirements have been met.

The 2009 Plan includes the following quantitative restrictions: (i) the number of Common Shares issuable to insiders, at any time, under the 2009 Plan and other share compensation arrangements of the Corporation must be less than 5% of the issued Common Shares; (ii) the number of Common Shares issued under the 2009 and other share compensation arrangements of the Corporation (a) to insiders, within any one year period, must be less than 5% of the issued Common Shares; and (b) to any one insider and such insider’s associates, within any one year period, must be less than 2.5% of the issued Common Shares; and (iii) the aggregate number of Common Shares reserved for issuance pursuant to options granted to any one person under the 2009 Plan must be less than 2.5% of the issued Common Shares.

An Optionee who becomes a Retiree before the expiration of the Option Period may exercise his/her options as per any other Optionee, in accordance with the Plan. A “Retiree” means an Optionee who, upon his/her last day of work as a full-time regular employee, has voluntarily terminated his/her employment and has completed a minimum of ten (10) years of continuous service with the Corporation and is 55 years of age or older. For the calculation of the value of the Common Shares, which a Retiree is required to hold when he/she wishes to exercise his/her options, his/her annual base salary in effect

at the time of his/her retirement shall be deemed to be his/her annual base salary at the time of such exercise<sup>(1)</sup>. If an Optionee becomes a Retiree before the expiration of the Option Period but he/she engages in certain activities competing with those of the Corporation, as more fully described in the 2009 Plan, his/her options will end, effective upon his/her last day of work as a full-time regular employee of the Corporation.

If an Optionee is granted authorized leave of absence for sickness or other reasons, the Optionee will be entitled to exercise his/her options during his/her leave of absence according to the provisions of the 2009 Plan. Similarly, if an Optionee dies before the expiration of the Option Period, his/her legal representatives will be entitled to exercise his/her options according to such provisions.

Under the 2009 Plan, an Optionee may exercise all or any portion of his/her options at any time after the occurrence of any of the following events: (i) a person or a group of persons holds or exercises control over, directly or indirectly, 50% or more of the shares of a class of voting shares of the Corporation; (ii) a person or a group of persons launches a take-over-bid or an exchange bid for 50% or more of the shares of a class of voting shares of the Corporation; or (iii) the persons who are directors of the Corporation cease at any time to constitute a majority of the members of the Board, except in certain limited circumstances.

The 2009 Plan includes an amendment procedure pursuant to which the Board may amend any of the provisions of the 2009 Plan or amend the terms of any then outstanding award of options under the 2009 Plan, provided, however, that the Corporation shall obtain shareholder approval for: (i) any amendment to the number of Common Shares issuable under the 2009 Plan, except for adjustments in the case of a declaration of dividend, a subdivision, consolidation, reclassification, issue of rights or changes affecting the Common Shares (“**Shares Adjustment**”); (ii) any change which would allow non-employee directors to participate under the 2009 Plan; (iii) any amendment which would permit any option granted under the 2009 Plan to be transferable or assignable other than by will or pursuant to the laws of succession; (iv) the addition of a cashless exercise feature, payable in cash or Common Shares, which does not provide for a full deduction of the number of underlying securities from the 2009 Plan reserve; (v) the addition of deferred or restricted share unit provisions or any other provisions which results in employees receiving Common Shares while no cash consideration is received by the Corporation; (vi) any reduction in the exercise price of an option after the option has been granted, or any cancellation of an option and the substitution of that option by a new option with a reduced exercise price, except in the case of Shares Adjustment; (vii) any extension to the term of an option beyond the Option Period, unless the end of the Option Period falls within a period during which insiders are prohibited from trading, in which case the Option Period shall be extended by ten (10) trading days following the end of the period during which insiders are prohibited from trading. However, such ten (10) trading day extension shall not apply in cases where the Option Period ends:

- (a) during a pre-determined, regularly scheduled period during which insiders of the Corporation are prohibited from trading; or
- (b) during a cease trade order;

(viii) any increase to the number of Common Shares that may be granted to (1) insiders under the 2009 Plan and other share compensation arrangements of the Corporation or (2) any one insider and such insider’s associates in any one-year period, except in the case of Shares Adjustment; (ix) the addition in the 2009 Plan of any form of financial assistance and any amendment to a financial assistance provision which is more favourable to Optionees; and (x) a change to the vesting provisions of an option or of the 2009 Plan.

No amendment, suspension or termination shall, except with the written consent of the Optionees concerned, affect the terms and conditions of options previously granted under the 2009 Plan, to the extent that such options have not then been exercised, unless the rights of the Optionees shall then have terminated in accordance with the 2009 Plan.

On March 5<sup>th</sup>, 2010, there were 1,515,484 options outstanding under the 2009 Plan, representing 1.0% of the total number of Common Shares of the Corporation outstanding (i.e. 150,963,535) on that date.

The Board may, subject to receipt of requisite regulatory approval, where required, in its sole discretion, make all other amendments to the 2009 Plan that are not contemplated above, including without limitation, the following: (i) amendments of a “housekeeping” or clerical nature as well as any amendment clarifying any provision of the 2009 Plan; (ii) a change to the termination provisions of an option or the 2009 Plan which does not entail an extension beyond the Option Period, as extended pursuant to item (vii) above, if applicable; (iii) any Shares Adjustment; and (iv) suspending or terminating the 2009 Plan.

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(1) Given the fact that the vesting of stock options continues after retirement it is, therefore, not necessary to include a hold period within the stock option plan as this hold period is implicit.









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