



SNC-LAVALIN GROUP INC.

ANNUAL INFORMATION FORM
Year Ended December 31, 2012

March 8, 2013

TABLE OF CONTENTS

1.	CORPORATE STRUCTURE	4
1.1	INCORPORATION OF THE CORPORATION	4
1.2	SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES.....	4
2.	GENERAL DEVELOPMENT OF THE BUSINESS.....	6
3.	DESCRIPTION OF THE BUSINESS.....	10
3.1	GENERAL.....	10
	Competitive Conditions	12
	Cash Management Policy.....	12
	Organizational Structure.....	12
3.2	REVENUE BACKLOG	12
3.3	RISK FACTORS.....	12
3.4	HUMAN RESOURCES.....	13
3.5	“WE CARE” VALUE STATEMENT	13
	3.5.1 Well-Being of Employees	13
	3.5.2 Health and Safety	13
	3.5.3 The Communities in Which We Live and Work	14
	3.5.4 Environment	14
	3.5.5 Quality	14
4.	DIVIDENDS.....	14
5.	CAPITAL STRUCTURE	15
	General Description.....	15
	Common Shares	15
	First Preferred Shares.....	15
	Second Preferred Shares	16
	Credit Ratings.....	16
	Fees Paid to Credit Rating Organizations.....	17
6.	MARKET FOR SECURITIES.....	17
	Market.....	17
	Trading Price and Volume.....	17
7.	DIRECTORS AND OFFICERS.....	19
8.	LEGAL PROCEEDINGS.....	24
	Class Action Lawsuits.....	24
	Other	24
9.	AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT	25
10.	TRANSFER AGENT AND REGISTRAR.....	25
11.	EXPERTS.....	25
12.	AUDIT COMMITTEE	25
	Mandate of the Audit Committee.....	25
	Composition of Audit Committee	25
	Relevant Professional Qualifications and Experience of Audit Committee Members.....	25
	Pre-Approval Policies and Procedures.....	26
	Auditor’s Fees	26
13.	CAUTION REGARDING FORWARD-LOOKING STATEMENTS	27
14.	ADDITIONAL INFORMATION	29
	SCHEDULE “A” MANDATE OF THE AUDIT COMMITTEE.....	30

1. CORPORATE STRUCTURE

1.1 INCORPORATION OF THE CORPORATION

SNC-Lavalin Group Inc. (the “**Corporation**”) was incorporated under the laws of Canada on May 18, 1967 and was continued under the *Canada Business Corporations Act* (“**CBCA**”) on March 24, 1980. The articles of the Corporation were amended on several occasions, including for the following purposes: the split (in 1996) of its outstanding shares on a three-for-one basis, the implementation of a Shareholder Rights Plan, the change of its name, the creation of new classes of shares and the reorganization of its outstanding share capital, the modification of the maximum number of directors (the “**Directors**”), the addition of a requirement that at least $\frac{2}{3}$ of the Directors must not be employees of the Corporation or its affiliates and the re-designation of its class A subordinate voting shares as common shares.

On March 8, 2013, the Board of Directors of the Corporation adopted a resolution to amend the articles of the Corporation so as to permit the appointment by the Board of Directors of one or more additional Directors to hold office until the close of the next annual meeting of shareholders, subject to the total number of directors so appointed not exceeding $\frac{1}{3}$ of the number of directors elected at the previous annual meeting of shareholders, in accordance with Section 106(8) of the CBCA. A special resolution on the matter will be submitted to the shareholders of the Corporation for adoption at the Annual and Special Meeting of Shareholders to be held on May 2, 2013.

The Corporation’s head and registered office is located at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3.

Reference in this Annual Information Form to “**Company**” or to “**SNC-Lavalin**” means, as the context may require, the Corporation and all or some of its subsidiaries or joint ventures, or the Corporation or one or more of its subsidiaries or joint ventures.

1.2 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The chart appearing on the next page lists the main subsidiaries, joint ventures and associates of SNC-Lavalin, as well as the principal infrastructure concession entities in which the Corporation participates, their jurisdiction of incorporation (which is Canada or any of the provinces or territories, unless otherwise indicated) and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by SNC-Lavalin.

**Percentage of voting
securities held**

Subsidiaries, Joint Ventures and Associates

Candu Energy Inc. (Canada)	100%	•
407 East Construction General Partnership (Canada)	50%	◊
DBA Engineering Ltd. (Ontario)	100%	•
Evergreen Rapid Transit Holdings Inc. (Alberta)	100%	•
Groupe Qualitas Inc. (Quebec)	100%	•
Groupe Stavibel Inc. (Canada)	100%	•
Infrastructure Famille Santé Inc. (Canada)	100%	•
Intecsa-Inarsa, S.A. (Spain)	100%	•
Interfleet Technology Limited (U.K.)	100%	•
Itansuca Proyectos de Ingenieria S.A. (Colombia)	100%	•
JV Vault (Canada)	50%	◊
MDH Engineered Solutions Corp. (Saskatchewan)	100%	•
Marte Engenharia Ltda (Brazil)	100%	•
Minerconsult Engenharia Ltda (Brazil)	100%	•
Nexacor Realty Management Inc. (Canada)	100%	•
OAO VNIIneft (Russia)	48%	◆
P.T. SNC-Lavalin TPS (Indonesia)	95%	•
S.A. SNC-Lavalin N.V. (Belgium)	100%	•
SLN-Aecon JV (Canada)	50%	◊
SNC-Lavalin (Malaysia) Sdn. Bhd. (Malaysia)	100%	•
SNC-Lavalin (Shanghai) International Trading Co. Ltd. (China)	100%	•
SNC-Lavalin Aéroports S.A.S.U. (France)	100%	•
SNC-Lavalin Algérie EURL (Algeria)	100%	•
SNC-Lavalin Angola Lda (Angola)	100%	•
SNC-Lavalin Arabia LLC (Saudi Arabia)	100%	•
SNC-Lavalin ATP Inc. (Canada)	100%	•
SNC-Lavalin Australia Pty. Ltd. (Australia)	100%	•
SNC-Lavalin Capital Inc. (Canada)	100%	•
SNC-Lavalin Chile S.A. (Chile)	100%	•
SNC-Lavalin Construction (Atlantic) Inc. (Canada)	100%	•
SNC-Lavalin Construction Inc. (Canada)	100%	•
SNC-Lavalin Construction (Ontario) Inc. (Canada)	100%	•
SNC-Lavalin Construction International SAS (France)	100%	•
SNC-Lavalin Constructors Inc. (Delaware)	100%	•
SNC-Lavalin Constructors International Inc. (Canada)	100%	•
SNC-Lavalin Constructors (Pacific) Inc. (Canada)	100%	•
SNC-Lavalin Defence Programs Inc. (Canada)	100%	•
SNC-Lavalin Engineering India Private Limited (India)	100%	•
SNC-Lavalin Engineers & Constructors, Inc. (Texas)	100%	•
SNC-Lavalin Eurasia OOO (Russia)	100%	•
SNC-Lavalin Europe B.V. (Netherlands)	100%	•
SNC-Lavalin Europe S.A.S. (France)	100%	•
SNC-Lavalin Evergreen Line Holdings Limited (Alberta)	100%	•
SNC-Lavalin Graham Joint Venture (Canada)	50%	◊
SNC-Lavalin Gulf Contractors LLC (United Arab Emirates)	49%	◆
SNC-Lavalin Inc. (Canada)	100%	•
SNC-Lavalin International Inc. (Canada)	100%	•
SNC-Lavalin International Inc. and Zuhair Fayed Engineering Consultancies Company (Saudi Arabia)	50%	◊
SNC-Lavalin International S.A.S. (France)	100%	•
SNC-Lavalin Nuclear Inc. (Canada)	100%	•
SNC-Lavalin Operations & Maintenance Inc. (Canada)	100%	•
SNC-Lavalin Peru S.A. (Peru)	100%	•
SNC-Lavalin Pharma Inc. (Canada)	100%	•
SNC-Lavalin Polska Sp. Z o.o. (Poland)	100%	•

Subsidiaries, Joint Ventures and Associates (continued)

SNC-Lavalin Romania S.A. (Romania)	100%	•
SNC-Lavalin S.A.S. (France)	100%	•
SNC-Lavalin Services Ltd. (Canada)	100%	•
SNC-Lavalin South Africa (Proprietary)Limited (South Africa)	100%	•
SNC-Lavalin UK Limited (United Kingdom)	100%	•
Société d'expertise et d'ingénierie L.G.L., S.A. (Haiti)	33.3%	◆
The SNC-Lavalin Corporation (Delaware)	100%	•

Infrastructure Concession Investments

407 East Development Group General Partnership (Ontario)	50%	♣
407 International Inc. (Ontario)	16.77%	♣
AltaLink, L.P. (Alberta)	100%	♣
Ambatovy Minerals S.A. LLC (Madagascar)	5%	♣
Astoria Project Partners LLC (New York)	21%	♣
Astoria Project Partners II LLC (New York)	18.5%	♣
Chinook Roads Partnership (Alberta)	50%	♣
Groupe Immobilier Santé McGill, S.E.N.C. (Quebec)	60%	♣
In Transit BC Limited Partnership (British Columbia)	33.3%	♣
Malta International Airport p.l.c. (Malta)	15.5%	♣
Myah Tipaza S.p.A. (Algeria)	25.5%	♣
Okanagan Lake Concession Limited Partnership (British Columbia)	100%	♣
Ovation Real Estate Group (Quebec) Inc. (Quebec)	100%	♣
Rainbow Hospital Partnership (New Brunswick)	100%	♣
Rayalseema Expressway Private Limited (India)	36.9%	♣
Shariket Kahraba Hadjret En Nouss S.p.A. (Algeria)	26%	♣
Société d'Exploitation de Vetry Europort S.A. (SEVE) (France)	51.13%	♣
Société d'Exploitation de l'Aéroport de Mayotte S.A.S. (France)	100%	♣
TC Dôme S.A.S. (France)	51%	♣

- Subsidiary
- ◆ Associate
- ♣ Investment entity
- ◊ Joint Venture

2. GENERAL DEVELOPMENT OF THE BUSINESS

The highlights relating to the development of the Corporation's business over the past three years are described below.

Recent Events

Corporate Structure and Management Changes

On August 10, 2012, the Corporation announced that, effective October 1, 2012, Robert G. Card would become its new President and Chief Executive Officer (the "CEO"), and a member of the Board of Directors. Mr. Card has almost 40 years of experience in the operations and management of infrastructure and energy projects in the industry, including most recently with a Fortune 500 engineering services firm with 30,000 staff, a presence in more than 80 countries and approximately \$6 billion in annual revenues.

Mr. Card replaced Ian A. Bourne, who, at the request of the Board of Directors, agreed to assume the functions of interim Chief Executive Officer (the "Interim CEO") and Vice-Chairman of the Board of Directors, following the announcement on March 26, 2012 that Pierre Duhaime had stepped down from his position as Chief Executive Officer of the Corporation (the "Former CEO") and as a director of the Corporation. Mr. Bourne remains Vice-Chairman of the Board of Directors.

Under Mr. Card's leadership, the Corporation continues to assess and has begun to implement certain structural changes within the organization with goals, amongst others, to improve integration of products and services throughout the Corporation and increase global geographical presence to complement the existing global operating structure by sector of activity. As part of this process, the Corporation has also taken a number of measures to further strengthen its management structure and extend its scope. These measures include:

- Effective January 21, 2013, Neil Bruce assumed the newly created role of President, Resources & Environment, and became a member of the Office of the President. This newly formed group includes the Corporation's global business in Hydrocarbons & Chemicals, Mining & Metallurgy, Environment and Water;
- As announced on January 18, 2013, a Global Operations group has been created. Christian Jacqui, formerly Executive Vice-President, Europe, was assigned a new role as Executive Vice-President, Global Operations. This role will oversee the globalization of the Corporation's operations to complement the existing global operating structure by sector of activity;
- As announced on December 13, 2012, Gilles Laramée, Chief Financial Officer ("CFO") assumed responsibility as Executive Vice-President, Infrastructure, Concessions and Investments. The Corporation has initiated a search to replace Mr. Laramée as CFO. Mr. Laramée will continue as CFO until his replacement is in place;
- The following individuals were named Office of the President members in 2012 and early 2013: Charles Chebl, Executive Vice-President Infrastructure and Construction, Dale Clarke, Executive Vice-President Mining and Metallurgy, Réjean Goulet, Executive Vice-President and General Counsel, Ric Sorbo, Acting Executive Vice-President, Hydrocarbons and Chemicals, and Scott Thon, Acting Executive Vice-President, Power.

On February 22, 2013, the Corporation announced the appointment of the former Chief Compliance Officer of Siemens AG, Andreas Pohlmann, as its Chief Compliance Officer, effective March 1, 2013.

2012

Additions of Infrastructure Concession Investments (“ICI”)

In May 2012, the Corporation announced that 407 East Development Group General Partnership, 50%-owned by SNC-Lavalin, was awarded a contract by the Province of Ontario, in Canada, to design, build, finance, and maintain Phase 1 of the new highway 407 East, which will add 32 kilometres to the existing highway. The 407 East Development Group General Partnership subcontracted the design and build as well as the operation and maintenance portions to two partnerships 50%-owned by SNC-Lavalin. Once construction is completed, the 407 East Development Group General Partnership will maintain and rehabilitate the road until 2045. The Corporation committed to invest in this ICI an amount of \$15.9 million in equity.

In June 2012, the Corporation acquired from India Infrastructure Fund an equivalent to 10% of the issued and paid up capital of Piramal Roads Infra Private Limited, an entity that engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure, in the roads sector of India, for a total cash consideration of approximately \$10 million.

Business Acquisition

In June 2012, the Corporation acquired DBA Engineering, an Ontario-based engineering firm specializing in material and pavement engineering, and geotechnical and geo-environment studies. DBA Engineering had approximately 100 employees at offices in Toronto, Kingston, Cambridge and Trenton, and provides services to both public and private sector clients.

Formation of a New Joint Venture

In June 2012, SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company, also known as SNC-Lavalin Fayez Engineering (“SLFE”), an engineering consultancy jointly controlled entity between SNC-Lavalin and its partners in Saudi Arabia, acquired the industrial division of Zuhair Fayez Partnership. SNC-Lavalin holds an ownership interest of 50% in SLFE and will receive 35% of the distributions from SLFE during the first ten years and it will receive 50% of the distributions thereafter. SLFE was formed partly in response to Saudi Aramco’s General Engineering Services Plus (“GES+”) initiative, which aims to develop engineering capabilities in the Kingdom of Saudi Arabia. SNC-Lavalin invested \$40.3 million in SLFE in June 2012.

2011

Additions of Infrastructure Concession Investments (“ICI”) and increased ownership interest in ICI

In April 2011, Société d’Exploitation de l’Aéroport de Mayotte S.A.S., a wholly-owned subsidiary of the Corporation, entered into an agreement with the French government to upgrade the infrastructure and build a new terminal building for the Mayotte airport, on a French island located in the Indian Ocean. Société d’Exploitation de l’Aéroport de Mayotte S.A.S. also has the mandate to manage and maintain the airport, in addition to assuming the commercial development, for a 15-year period. The Corporation committed to invest in this ICI an amount of €10.6 million (approximately \$14 million) in equity.

In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Asset Partnership’s (“MEAP”) 23.08% ownership interest in AltaLink for a total consideration of \$228.8 million in cash. The transaction increased the Corporation’s ownership of AltaLink from 76.92% to 100%. AltaLink has technical expertise and extensive experience in Alberta, Canada, where it owns and operates regulated transmission facilities, such as transmission lines and substations.

In September 2011, Rainbow Hospital Partnership (“Rainbow”), wholly-owned by SNC-Lavalin, was awarded a public-private partnership contract by the Government of New Brunswick for the design, construction, commissioning, financing and certain operation and maintenance functions of the new Restigouche Hospital

Centre for psychiatric care in Campbellton, New Brunswick. Rainbow subcontracted the construction of the new hospital to an SNC-Lavalin-led joint venture. It will have 140 beds in seven in-patient units with facilities for education and research, clinical support, and administration and general support services. It will also serve as the forensic psychiatry facility for the province. SNC-Lavalin Operations & Maintenance will provide the operation and maintenance activities for the centre for a total of 30 years.

Business Acquisitions

In 2011, SNC-Lavalin completed the following business acquisitions, which added approximately 2,900 people to its workforce:

- Groupe Stavibel, a multidisciplinary consulting engineering firm based in Abitibi-Témiscamingue, Quebec. Groupe Stavibel provides engineering consulting expertise in numerous fields of activity in the buildings, infrastructure, transport, mining, and environment sectors. The firm has approximately 300 permanent employees working in several offices throughout Abitibi-Témiscamingue and in the Greater Montreal area.
- Aqua Data, a company of about 100 employees specializing in the computerized diagnosis and analysis of water distribution systems and wastewater collection systems for municipal, commercial and industrial clients. Formerly a subsidiary of Gaz Métro, Aqua Data has clients in Quebec, Ontario, the Maritimes and the United States. Its head office is in Pincourt, Quebec, near Montreal.
- MDH Engineered Solutions, an engineering consulting and research firm based in Saskatoon, Saskatchewan. MDH Engineered Solutions provides geo-environmental, geotechnical, hydrogeological and environmental engineering consulting services to the mining, oil and gas, transportation, utility and government sectors. The firm has approximately 175 permanent employees working in offices in Saskatoon, Regina, Prince Albert and Esterhazy, Saskatchewan, and in Edmonton and Fort McMurray, Alberta.
- Candu Energy Inc., a wholly-owned subsidiary of the Corporation, acquired certain assets of Atomic Energy of Canada Limited's ("AECL") commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc. In addition to the acquisition, Candu Energy Inc. will work towards completing the Enhanced CANDU reactor (EC6) development program.
- Interfleet Technology ("Interfleet"), an international rail technology consultancy group headquartered in Derby, United Kingdom. Interfleet specializes in rolling stock, railway systems, and strategic railway management and is well-known for its detailed understanding of both national rail systems and international best-practice. Interfleet has approximately 600 employees in 22 locations. Interfleet serves public and private clients around the world from its offices in United Kingdom, Scandinavia, Central Europe, Australasia, India and North America.
- Arcturus Realty Corporation ("Arcturus"), an entity that manages over 35 million square feet of office, retail and industrial properties in Canada. With over 350 employees, Arcturus provides a comprehensive scope of real estate services including property management, leasing, development advisory services and facilities management. Its client base consists of financial institutions, insurance companies, major retailers, public sector and private investors.
- Harder Associates Engineering Consulting, an engineering consulting firm based in Fort St. John, British Columbia. Harder Associates Engineering Consulting provides consulting services in construction, upstream oil and gas, and environmental and geotechnical fields. The firm has 16 employees working in offices in Fort St. John and Fort Nelson, British Columbia, and Grande Prairie, Alberta.

2010

Additional ICI

Chinook Roads Partnership (“**Chinook**”), held by SNC-Lavalin and Acciona S.A., entered into a contract with Alberta Transportation to design, build, operate, maintain, and partially finance the southeast section of Calgary’s Stoney Trail Ring Road in Canada. Upon signing the contract with Alberta Transportation, Chinook subcontracted the engineering, procurement, and construction (“**EPC**”), and the operation and maintenance (“**O&M**”) work to joint ventures 50% owned by SNC-Lavalin. The construction is expected to be completed in 2013. Once completed, Chinook will operate and maintain this infrastructure until 2043. SNC-Lavalin and its partner committed to invest a total of \$32.3 million in equity and subordinated debt in Chinook.

In July 2010, SNC-Lavalin, its partner and the McGill University Health Centre (“**MUHC**”) announced the financial closure and official signing of a partnership agreement between MUHC and Groupe immobilier santé McGill (“**MIHG**”), composed of SNC-Lavalin and Innisfree Ltd. Under this 34-year public-private partnership, MIHG will design, build, finance, and maintain MUHC’s new Glen Campus, comprised mainly of two hospitals, a cancer centre and a research institute, located in Montreal, Canada. Also in July 2010, MIHG awarded to SNC-Lavalin an EPC contract for approximately \$1.6 billion to design and build the facilities. Once completed, MIHG will maintain the campus for the next 30 years. SNC-Lavalin and its partner committed to invest, directly or indirectly, an amount of \$191.8 million in equity and subordinated debt.

The Corporation acquired in 2010 a 36.9% equity interest in Rayalseema Expressway Private Limited (“**REPL**”), an entity that had previously entered into a contract with the National Highways Authority of India to build and operate the 189-kilometre Cuddapah-Kurnool section of National Highway 18, in the state of Andhra Pradesh, India. Under this 30-year public-private partnership contract, REPL will expand the existing two-lane stretch to four lanes and operate the section of the toll highway. SNC-Lavalin committed to invest then an amount of \$36.7 million in equity and subordinated debt.

Disposals

During the third quarter of 2010, SNC-Lavalin disposed of certain Energy Control Systems (“**ECS**”)’s technology solution assets which help manage and optimize the flow of electricity through power grids. The gain of \$22.8 million before taxes (gain of \$19.6 million after taxes), was included in Packages activities, as part of Power.

In October 2010, SNC-Lavalin had entered into an agreement with a group of financial institutions to sell all of its 10.07% equity interest in Valener Inc. (TSX:VNR) (“**Valener**”) consisting of 3,516,453 common shares of Valener, on an underwritten block trade basis, for net proceeds of \$58.7 million, resulting in a loss after taxes of \$1.3 million. The transaction was closed in November 2010.

In November 2010, SNC-Lavalin had entered into an agreement with Caisse de dépôt et placement du Québec to sell all of its 11.1% interest in Trencap Limited Partnership. The transaction generated net proceeds of \$118.2 million and resulted in a gain after taxes of \$27.4 million.

Business Acquisitions

In 2010, SNC-Lavalin completed the following business acquisitions, which added approximately 1,200 people to its workforce:

- A South African firm, B E Morgan Associates (Proprietary) Limited, specializing in engineering and construction of various industrial facilities and that also provides project management and contracting services primarily to various South African corporations, employing approximately 50 people.
- Itansuca Proyectos de Ingenieria S.A., an engineering firm in the hydrocarbons and chemicals sector based in Bogota, Colombia, that employs approximately 1,000 people. Since 1989, Itansuca Proyectos

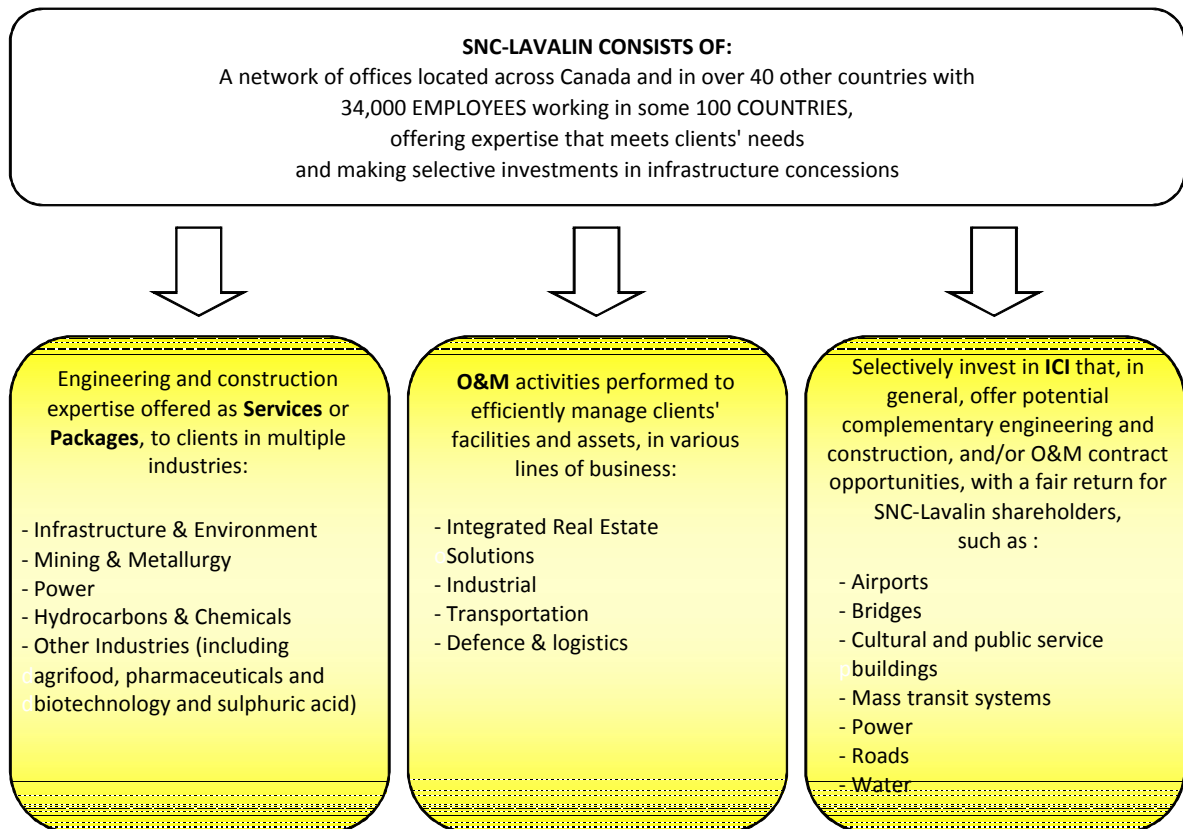
de Ingenieria S.A. has been offering energy consulting, electromechanical installation, design and supervision services from its Bogota head office and 21 other locations around the country to clients in Colombia and in a number of other countries around the world.

- Five engineering firms in France, namely EBI Conseil, Groupe Teco, Pénicaud Architecture Environnement EURL, ETF Ingénierie – Société d'ingénieurs conseils and Groupe Setor, that employ a total of approximately 160 people.
- Two engineering firms in Montreal, Canada, namely Nucleonex Inc. and Hydrosult, that employ a total of approximately 20 people.

3. DESCRIPTION OF THE BUSINESS

3.1 GENERAL

SNC-Lavalin is a leading international engineering and construction company, and a leader in Operations & Maintenance ("O&M") in Canada. The Corporation is also recognized for its select investments in infrastructure concessions.



SNC-Lavalin has ongoing projects in multiple geographic regions and for multiple segments, showing the diversity of the Corporation's operations. The Corporation's geographic and industry diversification is one of the key factors that allows SNC-Lavalin to differentiate itself from its competitors.

The Corporation reports its revenues under **four categories of activity**, which are as follows:

- **Services:** includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

Services revenues are derived primarily from cost-plus reimbursable contracts.

- **Packages:** includes contracts wherein SNC-Lavalin is responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials and equipment, and usually also include construction activities.

Packages revenues are derived primarily from fixed-price contracts.

- **Operations and Maintenance (“O&M”):** includes contracts under which the Corporation provides operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military.

O&M revenues are derived primarily from cost reimbursable with fixed-fee contracts, and from fixed-price contracts.

- **Infrastructure Concession Investments (“ICI”):** equity investments in infrastructure concessions for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

The Corporation’s results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management’s performance is evaluated.

- i) **Services and Packages** activities relate to engineering and construction operations and are presented in the way management performance is evaluated by regrouping its projects within the related industries, and are as follows:

- **Infrastructure & Environment** includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. The Corporation also provides environmental services worldwide, and has specialized expertise in the power, infrastructure, hydrocarbons & chemicals, mining, industrial, rural development and climate change sectors.
- **Mining & Metallurgy** includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers.
- **Power** includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.
- **Hydrocarbons & Chemicals** includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.
- **Other Industries** combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.

- ii) **O&M** activities as described above.

- iii) **ICI** as described above.

COMPETITIVE CONDITIONS

SNC-Lavalin derives its competitive strength from its project management expertise, its reputation for quality and delivery, its ability to work globally, its highly skilled and experienced technical personnel, its commitment to health and safety matters and to a sustainable environment, the scope of its geographical presence and its ability to execute projects of varying sizes calling for a wide range of services and technologies.

The Corporation operates in a highly competitive environment and has numerous competitors in all of its market segments. The competitive landscape varies by industry, geographic, and project type. Companies that compete within its engineering and construction segment are principally: AECOM, AMEC plc, The Bechtel Group Inc., CH2M Hill, Fluor Corporation, Foster Wheeler, Hatch Ltd, Jacobs Engineering Group Inc., Technip, Samsung Engineering, URS and Worley Parsons Ltd. Companies that compete within our O&M segment are principally: Aker Solutions, Atco Group, BLIC, Carillion, CBRE Group Inc., Jones Lang LaSalle, PTI Group Inc., Serco, Transfield Services, Veolia. Companies that compete with our ICI segment are principally: Acciona S.A., Balfour Beatty Capital, Cintra (Ferrovia), Iridium (ACS), Vinci Concessions.

SNC-Lavalin has clients worldwide, many of them are repeat clients. In any given year, a single client may represent a material portion of the Corporation's consolidated revenues due to the size of a particular project and the progress accomplished on such project.

Clients of engineering-construction firms in Canada range from small to large industrial companies and Crown corporations to municipal, provincial and federal governments. Most international clients of Canadian engineering-construction firms are in developing countries or are large industrial companies.

Cash Management Policy

SNC-Lavalin's cash management policy requires that cash balances be invested in highly secure and highly liquid instruments that provide yields comparable to those available on the market for high-grade investment instruments. The Corporation invests its cash balances, primarily, in money market instruments and bonds of high-credit quality.

Organizational Structure

SNC-Lavalin has a network of marketing and operating offices across Canada and in over 40 other countries. At any given time, its employees are working in approximately 100 countries carrying out projects, pursuing business opportunities and marketing its products and services. To gain better access to markets outside Canada and to facilitate the financing of international projects, SNC-Lavalin may form alliances, either with firms possessing expertise that is complementary to SNC-Lavalin's existing capabilities, or with leading local firms in such markets.

3.2 REVENUE BACKLOG

A discussion of the revenue backlog of SNC-Lavalin is presented under the heading "Management's Discussion and Analysis – Revenue Backlog", of the Corporation's most recent Financial Report which discussion is incorporated herein by reference. The Corporation's most recent Financial Report is available on SEDAR at www.sedar.com or on the Corporation's website at www.snclavalin.com under the "Investors" section.

3.3 RISK FACTORS

A discussion of the risks and uncertainties to which SNC-Lavalin is subject is presented under the heading "Management's Discussion and Analysis – Risks and Uncertainties", of the Corporation's most recent Financial Report which discussion is incorporated herein by reference. The Corporation's most recent Financial Report is available on SEDAR at www.sedar.com or on the Corporation's website at www.snclavalin.com under the "Investors" section.

3.4 HUMAN RESOURCES

The table below shows the approximate number of employees in the SNC-Lavalin group of companies:

Number of employees as at December 31st	2012	2011	2010
Total	33,900	28,100	23,900

The number of employees varies depending on the number and nature of ongoing projects.

3.5 “WE CARE” VALUE STATEMENT

SNC-Lavalin has a “WE CARE” value statement which reiterates the Corporation’s commitment to the well-being of its employees (see 3.5.1), the health and safety of people working on project sites and in offices worldwide (see 3.5.2), the communities in which its employees live and work (see 3.5.3), a sustainable environment (see 3.5.4), and quality (see 3.5.5). The “WE CARE” value statement reinforces values that have formed the cornerstone of SNC-Lavalin’s culture for more than 100 years. “WE CARE” has become the framework for ongoing corporate and individual division or business unit initiatives and programs in support of each of its core values. The Office of the President ensures continuity in our corporate programs and the development of new ones to maintain a high level of awareness throughout the Corporation of the importance of “living” these core values.

3.5.1 Well-Being of Employees

SNC-Lavalin’s rapid growth, particularly over the last decade, has heightened the need to build a longer term, company-wide strategy to manage its human capital. In the last year, Human Resources has deployed many initiatives throughout the organization aimed at creating a healthy and fulfilling work environment, including the Total Rewards Study which collected feedback on compensation, benefits, work environment and growth opportunities and identified areas where we need to close the gaps; the Employee Engagement Survey that asked employees to provide comments on how well the organization is meeting their needs and expectations; the SNC-Lavalin Academy which focuses on company-wide learning needs; the introduction of a revised Code of Ethics and Business Conduct and the creation of an Ethics and Compliance Hotline to report Code violations via an independent third party; and the implementation of a pay for performance culture that ensures a link exists between the performance of an employee and the compensation she or he receives. Initiatives such as these contribute not only to the well-being of current employees, but also play a role in attracting and retaining a skilled and engaged workforce.

3.5.2 Health and Safety

SNC-Lavalin’s value statement commits the Corporation to “caring about” the health and safety and security of people who work under our care, and of the people our projects serve.

SNC-Lavalin has a Global Health and Safety Policy for all work sites. The Corporation has developed strategies and tools to ensure that this Policy is implemented in all its activities. The strategies are based on the principles of visible safety leadership at all levels and individual competence in identifying and managing hazards in the accomplishment of all work. From these basic strategies a series of tools have been developed, which include the implementation of global health and safety management system, the use of comprehensive and active risk registers, use by individual employees of a personal risk assessment tool called the “StepBack Program”, and a positive incentive program to reward risk competent behaviour.

SNC-Lavalin also has a Global Security Policy which applies to all offices, project sites and ongoing operations. This policy is comprehensive, includes specific and measurable company objectives, sets clear expectations

and lines of accountability for each employee, and reinforces that the Corporation: (i) is committed to the highest standards of security, (ii) sets annual specific and measurable security performance objectives and (iii) looks for opportunities to reduce security risks to which employees and contractors are exposed.

The Office of the President receives monthly reports including statistics relating to health and safety performance throughout the Corporation. The implementation of health and safety policies as well as SNC-Lavalin's health and safety performance is monitored and reviewed by the Health & Safety, Security and Environment Committee of the Board of Directors which meets approximately 4 times per year.

3.5.3 The Communities in Which We Live and Work

The Corporation supports, encourages and acknowledges the increasing number of local community initiatives undertaken by divisions, business units, project teams and individual employees in their communities worldwide because it believes working in the community is the right thing to do and because it demonstrates the Corporation's active commitment as a responsible global citizen.

3.5.4 Environment

The Corporation has an Environmental Policy which commits SNC-Lavalin and its employees to integrate environmental considerations into all corporate activities worldwide, to comply with all applicable environmental laws, regulations and standards, and to implement pollution prevention procedures.

SNC-Lavalin is subject to Canadian federal, provincial and municipal laws and regulations relating to the environment. Projects that the Corporation implements outside Canada are subject to local environmental legislation. SNC-Lavalin ensures that it complies in all material respects with such laws and regulations. The Corporation's environmental professionals provide support to its business units and conduct environmental studies (such as environmental impact assessments) that may be required in the various jurisdictions in which the Corporation operates.

On construction sites which it manages, the Corporation implements construction site environmental management plans in order to ensure that its construction management activities comply with the requirements of applicable legislation, as well as the requirements of its own environmental policy. Construction sites managed by the Corporation provide reports on their environmental performance in accordance with standard environmental management indicators.

This Policy and its application are monitored and reviewed by the Health & Safety, Security and Environment Committee of the Board of Directors which meets approximately 4 times per year.

3.5.5 Quality

The final WE CARE value concerns the quality of our work. SNC-Lavalin has long prided itself regarding the quality of its work and divisions of the Corporation, between them, hold over 40 ISO quality management system certificates. The Corporate Quality Policy provides guidance to all business units in their implementation of the WE CARE value statement on quality.

4. DIVIDENDS

SNC-Lavalin aims to declare and pay cash dividends on a quarterly basis. SNC-Lavalin's Board of Directors considers several factors when reviewing dividend payments, including present and future: (i) earnings, (ii) cash flows, and (iii) capital requirements. There can be no assurance as to the amount or timing of such dividends in the future.

In the past 3 fiscal years, SNC-Lavalin has declared the following quarterly dividends per common share:

	Q1 (\$)	Q2 (\$)	Q3 (\$)	Q4 (\$)	Annual (\$)
	0.22	0.22	0.22	0.23	0.89
	0.21	0.21	0.21	0.22	0.85
	0.17	0.17	0.17	0.21	0.72

5. CAPITAL STRUCTURE

General Description

The Corporation's authorized share capital consists of an unlimited number of common shares, first preferred shares and second preferred shares. Only common shares are currently outstanding. The following summarizes certain provisions relating to the Corporation's common shares, first preferred shares and second preferred shares. This summary is qualified in its entirety by the actual rights, privileges, restrictions and conditions attaching to such shares.

Common Shares

Dividend: the holders of the Corporation's common shares are entitled to receive dividends as and when declared by the Board of Directors.

Voting rights: the holders of the Corporation's common shares are entitled to notice of, to attend and to one vote per share at all meetings of the Corporation's shareholders.

Rights upon liquidation, winding up or dissolution: the holders of the Corporation's common shares will be entitled to receive the remaining property of the Corporation upon liquidation, dissolution or winding-up.

First Preferred Shares

Issuable in series: the Corporation's Board of Directors is allowed to fix, before issuance the designation, rights, privileges, restrictions and conditions attached thereto.

Dividend: Priority over all other classes of shares.

Voting rights: Not entitled to vote separately as a class except as provided by law.

Rights upon liquidation, winding up or dissolution: Priority over all other classes of shares.

Series A:

Dividend:

Priority over all other classes of shares.

Cumulative for an amount equal to 77% of the prime rate set by the National Bank.

Payable quarterly.

No redemption or repurchase of other shares is permitted until the cumulative dividend is paid in full.

Voting rights:

Not entitled to vote separately as a class except as provided by law.

Rights upon liquidation, winding up or dissolution:

Priority over all other classes of shares.

Right to receive amount equal to the amount paid on the shares and all accrued unpaid dividends.

Redemption Right:

At the option of the Corporation for an amount paid on the shares and all accrued unpaid dividends.

Second Preferred Shares

Issuable in series: the Corporation's Board of Directors is allowed to fix, before issuance the designation, rights, privileges, restrictions and conditions attached thereto.

Dividend: Priority over all other classes of shares except First Preferred Shares.

Voting rights: Not entitled to vote separately as a class except as provided by law.

Rights upon liquidation, winding up or dissolution: Priority over all other classes of shares except First Preferred Shares.

Credit Ratings

The following table shows the ratings for the Corporation's \$350 million, 6.19% debentures due in July 2019

	Standard & Poor's Ratings Services ("S&P")	DBRS
\$350 million, 6.19% debentures due in July 2019	BBB+ Negative Outlook	BBB (high) Stable Trend

On November 30, 2011, S&P rated the Corporation's debentures BBB+ with a stable outlook. On April 20, 2012, S&P affirmed the Corporation's rating at BBB+ and revised the outlook to negative from stable. The negative outlook reflects S&P's concerns regarding a potential impact on the Corporation's competitive position following its disclosure of the results of an independent review in the Corporation's 2011 MD&A. Standard & Poor's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A negative outlook means that a credit rating may be lowered. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

On September 16, 2011, DBRS confirmed the Corporation's debenture rating at BBB (high) and changed the trend to Positive from Stable. On February 28, 2012, following the Corporation's update on the announcement of its revised guidance on its 2011 financial results and disclosure of the results of an independent review, DBRS placed SNC-Lavalin's debentures' rating at BBB (high) Under Review with Developing Implications. On March 27, 2012, DBRS confirmed the Corporation's Debenture rating at BBB (high) and changed the trend to Stable from Positive. With this confirmation, the rating was removed from Under Review with Developing Implications. On September 14, 2012, DBRS confirmed the Corporation's Debenture rating at BBB (high) with Stable trend.

Credit ratings established by S&P and DBRS are based on quantitative and qualitative considerations relevant to the Corporation. The credit ratings are intended to indicate the risk that the Corporation will not satisfy its

obligations on a timely basis and disregard certain factors such as market risk or price risk. These factors should be considered by investors as risk factors in their process of investment decision making. Such ratings do not constitute a recommendation to purchase, hold or sell the securities and may be changed or withdrawn at any time by the rating agencies.

The S&P and DBRS ratings for borrowing vary between AAA and D. The BBB+ and BBB (high) ratings granted by S&P and DBRS, respectively, testify to the existence of adequate protection mechanisms. However, an unfavourable economic situation or changing circumstances could affect the Corporation's ability to meet its financial commitments.

Fees Paid to Credit Rating Organizations

The fees described in the table below were paid by the Corporation to DBRS and S&P in order to obtain a credit rating for its corporate debentures.

Fees Paid by the Corporation to Credit Rating Organizations for Corporate Credit Rating		
	2012	2011
DBRS	\$54,000	\$52,000
S&P	\$42,500	\$45,000
TOTAL:	\$96,500	\$97,000

6. MARKET FOR SECURITIES

Market

The common shares of the Corporation are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "**SNC**". The Corporation's common shares are included in the S&P/TSX Composite Index as well as the S&P/TSX Industrials Index, S&P/TSX 60 Index and the S&P/TSX Canadian Dividend Aristocrats Index.

Trading Price and Volume

The following table sets out the trading prices and volumes of the Corporation's common shares on the TSX and on alternative Canadian trading systems for the periods indicated.

2012	Volume (in 000s)	High*	Low*	Close
January	8,579	55.95	51.27	51.63
February	31,631	54.00	36.56	37.40
March	38,418	42.74	37.48	39.93
April	24,200	40.92	34.92	37.14
May	20,048	40.22	35.85	38.14
June	14,199	41.82	36.52	38.14
July	7,298	40.45	37.81	39.56
August	18,237	40.45	35.00	35.00
September	13,422	39.47	34.36	37.95
October	8,885	40.40	36.88	40.23
November	20,595	43.80	38.61	39.40
December	17,175	41.59	36.79	40.32

* Intra-day highs and lows during each month

7. DIRECTORS AND OFFICERS

The following table lists the Directors of the Corporation, as at March 8, 2013, their place of residence, and their respective principal occupations during the 5 preceding years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the 5 Preceding Years</u>	<u>Director Since</u>
Ian A. Bourne, F.ICD, ICD.D. ^{(1), (3), (5), (6)} Alberta (Canada)	Company Director and Vice-Chairman of the Board of the Corporation; Former Vice-Chairman of the Board and Interim CEO of the Corporation	2009
Robert G. Card ⁽⁷⁾ Quebec (Canada)	President and Chief Executive Officer of the Corporation; Former Director and President, Energy, Water & Facilities Division, CH2M Hill Companies, Ltd. (" CH2M Hill ") (an engineering and services firm); Former President, Energy & Water Division, CH2M Hill; Former President, Facilities & Infrastructure Division, CH2M Hill; Former President, Government, Environment & Nuclear Division, CH2M Hill; Former Chairman, CH2M Hill International; Former Deputy Program Director, CLM Delivery Partner (a CH2M Hill lead joint venture).	2012
David Goldman ^{(1), (3), (4), (5), (6)} Ontario (Canada)	Company Director and President, Dave Goldman Advisors Ltd. (a general consultancy business)	2002
Patricia A. Hammick, Ph.D. ^{(1), (2)} Virginia (United States of America)	Company Director	2007
Pierre H. Lessard ⁽²⁾ Quebec (Canada)	Company Director and Executive Chairman, Metro Inc. (food retailer and wholesale distributor of food and pharmaceutical products)	1998
Edythe (Dee) A. Marcoux ^{(1), (3), (4)} British Columbia (Canada)	Company Director	1998
Professor Lorna R. Marsden, C.M., Ph.D. ^{(2), (4)} Ontario (Canada)	Company Director and Professor and President Emerita, York University	2006
Claude Mongeau ^{(1), (2)} Quebec (Canada)	President and Chief Executive Officer Canadian National Railway Company (" CN ") (North American railroad); Former Executive Vice-President, CN; Former Executive Vice-President and Chief	2003

<u>Name and Place of Residence</u>	<u>Principal Occupations During the 5 Preceding Years</u>	<u>Director Since</u>
	Financial Officer, CN	
Gwyn Morgan, C.M. ^{(3), (6)} British Columbia (Canada)	Company Director and Chairman of the Board of the Corporation	2005
Michael D. Parker, CBE ^{(4), (5)} London (United Kingdom)	Company Director; Former Group Chief Executive, British Nuclear Fuels PLC (manufacturer and transporter of nuclear products)	2010
Dubai (United Arab Emirates)	Chief Executive Officer, Schlumberger (international oilfield services)	
Eric D. Siegel, ICD.D. ^{(4), (5)} Ontario (Canada)	Company Director and Ottawa Chapter Executive, Institute of Corporate Directors (not-for- profit association representing Canadian directors and boards); Former President and Chief Executive Officer, Export Development Canada (Canada's export credit agency)	2012
Lawrence N. Stevenson ^{(2), (3), (6)} Ontario (Canada)	Company Director and Managing Director, Callisto Capital LP (private equity firm)	1999
<p>(1) Member of the Audit Committee</p> <p>(2) Member of the Human Resources Committee</p> <p>(3) Member of the Governance Committee</p> <p>(4) Member of the Health & Safety, Security and Environment Committee</p> <p>(5) Member of the Project Review Committee</p> <p>(6) Member of the ad-hoc Special Transitional Committee created on March 23, 2012 and terminated on October 1, 2012</p> <p>(7) On October 1, 2012, Mr. Robert G. Card became President and Chief Executive Officer and a Director of the Corporation</p> <p>(8) On November 2, 2012, Mr. Chakib Sbiti became a Director of the Corporation, as well as a member of the Health & Safety, Security and Environment Committee and the Project Review Committee</p>		

The Directors of the Corporation are elected by the shareholders at the Annual Meeting of the Corporation. They hold office until their term expires at the following Annual Meeting, subject to re-election, retirement, resignation or vacancy caused by death, removal or other cause.

To the knowledge of the Corporation, in the last 10 years, none of the above-named nominees is or has been a director or officer of any company 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 relevant company access to any exemptions under 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, 2006 and resigned at the end of August 2009. On January 14, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the Companies' Creditors Arrangement Act ("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.

- ii) Ms. 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, 2003 for a period of more than 30 consecutive days, and in respect of which receivers were appointed on December 2, 2003. SPP’s securities are not currently being traded. Ms. Marcoux resigned as a director of SPP with effect from 12 noon on December 5, 2003. Ms. Marcoux was also a Director and member of the Audit Committee of OPTI Canada Inc. (“OPTI”). On July 13, 2011, OPTI commenced proceedings for creditor protection under the CCAA. The TSX delisted OPTI’s common shares on August 26, 2011. The TSX approved the listing of OPTI’s common shares on the TSXV which commenced trading on August 29, 2011. OPTI’s common shares were subsequently delisted from the TSXV at the close of business on November 29, 2011, following the closing of OPTI’s acquisition by CNOOC Luxembourg S.à.r.l., an indirect wholly-owned subsidiary of CNOOC Limited (the “Acquisition”). Pursuant to the Acquisition, indirect wholly-owned subsidiaries of CNOOC Limited acquired over OPTI’s second lien notes and all of the outstanding shares of OPTI. The Acquisition was effected by way of a plan of arrangement through OPTI’s current proceedings under the CCAA and the CBCA. Ms. Marcoux resigned as a director of OPTI Canada Inc. on November 28, 2011.
- ii) Ms. Patricia A. Hammick, a Director of the Corporation, who became a director of Dynegy Inc. (“Dynegy”) in April, 2003 and ceased to be a director of Dynegy on June 15, 2011. On December 1, 2011, Dynegy and its direct subsidiary Dynegy Holdings LLC (“Dynegy Holdings”) filed, as co-plan proponents, a plan of reorganization in respect of Dynegy Holdings. On April 3, 2012, Dynegy announced that it had reached an agreement with key Dynegy Holdings creditors contemplating the resolution of all disputes with such creditors. On July 6, 2012, Dynegy filed a voluntary petition for relief pursuant to the U.S. Bankruptcy Code. On September 5, 2012, Dynegy announced that its Chapter 11 Plan of Reorganization under the U.S. Bankruptcy Code was confirmed and, on October 1, 2012, announced that it had consummated its reorganization under Chapter 11 of the U.S. Bankruptcy Code and had exited bankruptcy. Ms. Hammick ceased to be a director of Dynegy on June 15, 2011. Ms. Hammick has never been a director of Dynegy Holdings.

Furthermore, to the knowledge of the Corporation, in the last 10 years, no Director or officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to materially affect 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.

The Board of Directors of the Corporation currently has 5 standing Board Committees (the Audit Committee; the Governance Committee; the Health & Safety, Security and Environment Committee; the Human Resources Committee; and the Project Review Committee). The Board of Directors does not have an executive committee. As at March 8, 2013, membership of the Board Committees was as follows:

Audit Committee

I. A. Bourne (Chair)
D. Goldman
P.A. Hammick
E.A. Marcoux
C. Mongeau

Governance Committee

I.A. Bourne
D. Goldman
E.A. Marcoux
G. Morgan (Chair)
L.N. Stevenson

Health & Safety, Security and Environment Committee

D. Goldman
E.A. Marcoux (Chair)
L.R. Marsden
M.D. Parker

Human Resources Committee

P.A. Hammick
P.H. Lessard
L.R. Marsden
C. Mongeau

C. Sbiti
E. D. Siegel

L.N. Stevenson (Chair)

Project Review Committee

I.A. Bourne
D. Goldman (Chair)
M.D. Parker
C. Sbiti
E.D. Siegel

The following table lists the executive officers of the Corporation who are not also Directors of the Corporation, as at March 8, 2013, their place of residence and their respective principal occupations during the 5 preceding years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the 5 Preceding Years</u>
Jean Beaudoin Quebec (Canada)	Executive Vice-President, Integrated Management Systems; Executive Vice-President, Chemicals and Petroleum
Neil Bruce South Oxfordshire (United Kingdom)	President, Resources & Environment; Executive Director and Chief Operating Officer, AMEC (engineering consultancy and project management services); Executive Director and Chief Operating Officer, Natural Resources and Power & Process, AMEC; Executive Director and Chief Operating Officer, Natural Resources division, AMEC; Chief Operating Officer, Natural Resources division, AMEC
Jim Burke British Columbia (Canada)	Executive Vice-President, Airports, Mass Transit, Railways, Ports and Marine; Executive Vice-President, Airports, Mass Transit, Railways, Ports and Marine and Environment; Senior Vice-President and General Manager, Transportation and General Engineering
Darleen Caron Quebec (Canada)	Executive Vice-President, Global Human Resources; Vice-President, Human Capital Planning and Development, Dow Chemical (manufacturer of chemical products); Head of the Geographic Organization, Dow Chemical
Charles Chebl Quebec (Canada)	Executive Vice-President, Infrastructure and Construction; Senior Vice-President, Buildings Group – Quebec, Infrastructure & Construction; Senior Vice-President and General Manager, Construction Management and Construction-Canada

<u>Name and Place of Residence</u>	<u>Principal Occupations During the 5 Preceding Years</u>
Dale Clarke Ontario (Canada)	Executive Vice-President, Mining & Metallurgy; Senior Vice-President, Global Mining and Metallurgy
Réjean Goulet Quebec (Canada)	Executive Vice-President and General Counsel; Senior Vice-President and General Counsel; Vice-President, Law
Christian Jacqui Ivry-sur-Seine (France)	Executive Vice-President, Global Operations; Executive Vice-President, Europe; Deputy Chief Executive Officer, Ségurienne-Sidec SA (independent energy producer); Executive Vice-President, Areva NP Plants sector (nuclear); Chief Operating Officer, SAUR Group (engineering services)
Gilles Laramée Quebec (Canada)	Executive Vice-President, Infrastructure, Concessions and Investments, and Chief Financial Officer; Executive Vice-President and Chief Financial Officer
Michael Novak Quebec (Canada)	Executive Vice-President, Global Government, Aboriginal and Economic Affairs; Executive Vice-President, International and Aboriginal Affairs; Executive Vice-President, Corporate Risk Management, Global Information Technologies, Global Procurement, Health, Safety and Environment, and SNC-Lavalin International; Executive Vice-President, Global Information Technologies, Global Procurement, International, Health, Safety and Environment, Risk Evaluation Committee and Strategic Planning
Charles Rate Ontario (Canada)	Executive Vice-President, Operations and Maintenance; Executive Vice-President, Operations and Maintenance, Logistics and In-Service Support
Ric Sorbo Alberta (Canada)	Acting Executive Vice-President, Hydrocarbons and Chemicals; Senior Vice-President and General Manager, Hydrocarbons and Chemicals - Canada; Senior Vice-President, Energy and Chemicals Business Group, CH2M Hill; Senior Vice President, Petrochemicals and Ethylene, Shaw Energy and Chemicals (energy and chemicals); Vice-President, Project Management, KBR, Inc. (engineering, construction and services company)
Scott Thon Alberta (Canada)	Acting Executive Vice-President, Power; President and Chief Executive Officer, Altalink (regulated electricity transmission company)

As at December 31, 2012, the Directors and the above executive officers of the Corporation, as a group, held, either directly or indirectly, or exercised control over **803,755** common shares, namely approximately 0.54% of the common shares of the Corporation.

8. LEGAL PROCEEDINGS

Class Action Lawsuits

On March 1, 2012, a “Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative” (the “Quebec Motion”) was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The Quebec Motion raises both statutory and negligent misrepresentation claims.

On May 9, 2012, two proposed class actions were commenced in the Ontario Superior Court on behalf of all persons who acquired SNC-Lavalin securities during different time periods. These two actions were consolidated into a single action (the “Ontario Action”) on June 29, 2012. The Ontario Action seeks damages on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012 (the “Class Period”). The Ontario Action raises, among other things, both statutory and common law misrepresentation claims.

The Quebec Motion and the Ontario Action (collectively, the “Actions”) allege that certain documents filed by SNC-Lavalin contained misrepresentations concerning, among other things, SNC-Lavalin’s corporate governance practices, adequacy of controls and procedures, reported net income for the year ended December 31, 2010, and adherence to SNC-Lavalin’s Code of Ethics and Business Conduct.

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action seeks additional damages based on a further drop in share price on June 25, 2012.

On September 19, 2012, an Ontario judge agreed to the discontinuance of the plaintiffs’ claims other than the statutory misrepresentation claims under securities legislation in accordance with an agreement with the plaintiffs. The judge granted the plaintiffs leave to proceed with those statutory claims and has certified a class action covering shareholders who bought SNC-Lavalin shares during the Class Period except for Quebec residents. On January 24, 2013, a judge of the Quebec Superior Court rendered a similar judgement covering Quebec residents.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuit or other litigation. While SNC-Lavalin has directors’ and officers’ liability insurance insuring individuals against liability for acts or omissions in their capacities as directors and officers, the Corporation does not maintain any other insurance in connection with the Actions. The amount of coverage under the directors’ and officers’ policy is limited and such coverage may be an insignificant portion of any amounts the Corporation is required or determines to pay in connection with the Actions. In the event the Corporation is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin’s liquidity and financial results.

Other

The Corporation is a party to other claims and litigation arising in the normal course of operations. The Corporation does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

9. AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

On March 6, 2008, the Board of Directors of the Corporation approved an Amended and Restated Shareholder Rights Plan Agreement, which was subsequently ratified by the Corporation's shareholders on May 1, 2008 and filed under the Corporation's SEDAR profile on May 14, 2008. The Corporation subsequently entered into an Amended and Restated Shareholder Rights Plan Agreement dated as of March 4, 2011, with Computershare Investor Services Inc. as rights agent, which was subsequently ratified by the Corporation's shareholders on May 5, 2011 and filed under the Corporation's SEDAR profile on May 6, 2011.

10. TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc. is the Corporation's transfer agent and registrar for the Corporation's common shares, with principal offices in the cities of Montreal (Quebec), Toronto (Ontario), and Vancouver (British Columbia).

11. EXPERTS

Deloitte LLP is the auditor of the Corporation and is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*.

12. AUDIT COMMITTEE

Mandate of the Audit Committee

The mandate of the Audit Committee of SNC-Lavalin is attached as Schedule "A" to this Annual Information Form.

Composition of Audit Committee

The Audit Committee of the Corporation consists of Mr. Ian A. Bourne (Chairman), Mr. David Goldman, Ms. Patricia A. Hammick, Ms. Edythe A. Marcoux and Mr. Claude Mongeau. Each member of the Audit Committee is independent and none receives, directly or indirectly, any compensation from the Corporation other than for service as a member of the Board of Directors and its Committees. All members of the Audit Committee are financially literate, as this phrase is defined under National Instrument 52-110 (Audit Committees) of the Canadian Securities Administrators' (the "**CSA**"). In considering the criteria for determining financial literacy, the Board considers the ability of the director 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.

Relevant Professional Qualifications and Experience of Audit Committee Members

Each of the members of the Corporation's Audit Committee has professional qualifications, business experience, or both, that are relevant to the performance of his/her responsibilities as a member of the Audit Committee (for additional disclosure regarding the qualifications and experience of these Directors, see section 3.1 "Directors Proposed for Election" and Schedule F "Board Committee Reports – Report of the Audit Committee" of the 2012 management proxy circular of the Corporation - the "**Management Proxy Circular**").

Mr. Bourne with his many years as Executive Vice-President and CFO of TransAlta Corporation and as President and director of TransAlta Power LP and prior to that as CFO of Canada Post Corporation and General Electric Canada, has extensive financial expertise. Furthermore, Mr. Bourne is Chairman of the Audit

Committee of Wajax Corporation and the Canada Pension Plan Investment Board and is a member of the Audit Committee of Ballard Power Systems Inc. and Canadian Oil Sands Limited.

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).

Ms. Hammick is a director and member of the Finance Committee of Consol Energy Inc. and was until recently lead director and ex officio member of the Audit & Compliance Committee of Dynegy Inc. She also has financial expertise acquired through her experience as part of the management team at Columbia Energy Group.

Ms. Marcoux has extensive experience in financial matters from her many years as a director for a number of large public issuers such as the National Bank of Canada, Sherritt International Corporation and Placer Dome Inc. She is also a former member of the Audit Committee of OPTI Canada Inc.

Mr. Mongeau is presently the Chief Executive Officer of Canadian National Railway Company, was that company's Executive Vice-President and Chief Financial Officer from 2000 until his appointment as Chief Executive Officer on January 1, 2010 and was named Canada's CFO of the Year in 2005.

Pre-Approval Policies and Procedures

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditor's independence. The Audit Committee has adopted a policy that prohibits the Corporation from engaging auditors for "prohibited" categories of non-audit services and requires pre-approval, by the Audit Committee, of audit services and other services within permissible categories of non-audit services, as set out in the terms of the Audit Committee's mandate (see Schedule "A" to this Annual Information Form).

Auditor's 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 LLP and its affiliates, the Corporation's auditor, for the year ended December 31, 2012 and the year ended December 31, 2011, are presented below:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Audit fees⁽¹⁾	\$4,351,900	\$3,197,100
Audit-related fees⁽²⁾	\$1,899,000	\$983,500
Tax fees⁽³⁾	\$1,082,300	\$1,200,900
Other fees⁽⁴⁾	\$2,012,700	\$169,000
Total⁽⁵⁾	\$9,345,900	\$5,550,500

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 auditor can provide, such as comfort letters, consents and assistance with and review of documents filed with the securities commissions.

The increase of \$1,154,800 from \$3,197,100 in 2011 to \$4,351,900 in 2012 is mainly due to additional audit procedures relating to the Independent Review facts discussed in the Corporation's 2012

Management's Discussion and Analysis (section 14 – Risks and Uncertainties) and to higher audit costs relating to various subsidiaries.

- (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.

The increase of \$915,500 from \$983,500 in 2011 to \$1,899,000 in 2012 is mainly due to a mandate to audit the effectiveness of the Corporation's internal controls over financial reporting ("ICFR") based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework").

- (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". The increase of \$1,843,700 from \$169,000 in 2011 to \$2,012,700 in 2012 is mainly due to forensic effort relating to investigations on certain projects.
- (5) The aggregate fees paid to Deloitte LLP, irrespective of the Corporation's proportionate interests in its joint ventures and other investees, totaled \$10,523,000 in 2012 and \$6,544,400 in 2011.

13. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this AIF that describe the Corporation's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. All such forward-looking statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities laws. The Corporation cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Corporation's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Corporation's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this AIF are based on a number of assumptions believed by the Corporation to be reasonable on March 8, 2013. The assumptions are set out throughout the Company's 2012 Management's Discussion and Analysis (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report Our Results" in the Company's 2012 Management's Discussion and Analysis). If these assumptions are inaccurate, the Corporation's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Corporation's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (b) the Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant; (c) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government

laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and civil enforcement actions; (d) a negative impact on the Company's public image could influence its ability to obtain future projects; (e) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (f) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (g) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (h) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (i) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (j) there are risks associated with the Company's ownership interests in ICI that could adversely affect it; (k) the Company is dependent on third parties to complete many of its contracts; (l) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (m) the competitive nature of the markets in which the Company does business could adversely affect it; (n) the Company's project execution activities may result in professional liability or liability for faulty services; (o) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (p) the Company may not have in place sufficient insurance coverage to satisfy its needs; (q) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (r) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (s) work stoppages, union negotiations and other labour matters could adversely affect the Company; (t) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (u) any acquisition or other investment may present risks or uncertainties; (v) a deterioration or weakening of the Company's financial position, including its net cash position, would have a material adverse effect on its business and results of operations; (w) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (x) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (y) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (z) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (aa) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (bb) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and; (cc) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Corporation cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Corporation's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" of the Corporation's most recent Management's Discussion and Analysis filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com or on the Corporation's website at www.snclavalin.com under the "Investors" section.

The forward-looking statements in this document reflect the Corporation's expectations as at March 8, 2013, when the Corporation's Board of Directors approved this document, and are subject to change after this date. The Corporation does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

14. ADDITIONAL INFORMATION

Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the 2012 Management Proxy Circular, which relates to the May 2, 2013 annual meeting of shareholders of the Corporation.

Additional financial information, including comparative financial statements for the Corporation's most recently completed financial year, is contained in the Corporation's most recent Financial Report.

To order paper copies of this Annual Information Form, the most recent Management Proxy Circular, Annual Report and Financial Report, please visit the "Investors" section at www.snclavalin.com. These documents are also available on the CSA's Website at www.sedar.com. Additional information relating to the Corporation may also be found on SNC-Lavalin's Website at www.snclavalin.com and on the CSA's Website at www.sedar.com.

SCHEDULE "A"

Mandate of the Audit Committee

1. **COMPOSITION**

The Audit Committee of the Board of Directors of SNC-Lavalin Group Inc. (the "Corporation") shall be composed of not less than three (3) and not more than seven (7) Directors, all of whom must be "independent" (as this word is defined at Tab 3 entitled "Board Composition, Meeting Arrangements, Remuneration and Indemnification" ("Tab 3") of the Corporation's Corporate Governance Handbook ("CGH"), which is posted on the Corporation's Website (www.sncclavalin.com) under "About Us/Corporate Governance". A paper copy of Tab 3 may also be obtained on request from the Corporate Secretary.

Furthermore, every Committee member must be financially literate or must become financially literate within a reasonable period of time following appointment to the Committee (provided, however, in the latter case, that the Board of Directors determines that the fact that the Committee member is not initially financially literate will not materially adversely affect the ability of the Committee to act independently and fulfill its mandate). An individual is financially literate if he/she has 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. It is the Board that shall determine whether a Director who is to be appointed as member of the Committee satisfies the above criteria of financial literacy.

At least 1 member of the Human Resources Committee shall sit on the Audit Committee and vice versa.

Subject to the By-Laws of the Corporation, the Chairman and members of the Committee shall be recommended by the Governance Committee and appointed by the Board. The appointment of the Chairman of the Committee shall be reconsidered by the Governance Committee every 3 years. If desired, a new Chairman of the Committee shall be recommended by the Governance Committee and appointed by the Board.

To the extent possible, taking into account the regulatory and internal requirements with respect to the personal expertise of the members of the Committee (e.g., financial literacy), there will be a system of regular rotation of Directors on the Committee. Rotation should be staggered to ensure continuity from year to year.

2. **RESPONSIBILITIES**

The duties and responsibilities of the Committee shall include the following:

Primary Accountability

- (a) oversee corporate and financial reporting and the application of the Corporation's Disclosure Policy (included in the CGH), as more specifically detailed below, in full compliance with all applicable legal and regulatory requirements;

Financial Reporting

- (b) review and recommend approval by the Board before publication of the Corporation's unaudited quarterly financial statements and accompanying notes and press release relating thereto;

- (c) review and recommend approval by the Board before publication of the Corporation's audited annual financial statements and accompanying notes, auditor's report and press release, as well as significant accounting changes and disclosure of issues; review summary financial statements;
- (d) review and recommend approval by the Board before publication of the Corporation's Management's Discussion and Analysis with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, of significant non-recurring events, of significant risks, of changes in accounting principles, and of estimates or reserves, and all significant variances between comparative reporting periods;
- (e) review all financial information to be included in annual information forms, annual reports, management proxy circulars, prospectuses, other offering memoranda and other documents containing similar financial information requiring approval by the Board of Directors before their public disclosure or filing with regulatory authorities;
- (f) review the statement of management's responsibility for the financial statements as signed by senior management and to be included in any published document;
- (g) review specific financial matters and issues on a quarterly basis; annually review the results of the impairment testing;

Accounting Policies

- (h) review and ensure the appropriateness of the accounting policies used in the preparation of the Corporation's financial statements, including an annual review of the key accounting policies and accounting treatments that are particular to the Corporation, and consider any proposed changes to such policies;

Risk and Uncertainty

- (i) review on a quarterly basis any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation, and ensure appropriate disclosure thereof; review on an annual basis tax filing compliance (corporate and employee) and reserve for legal claims;
- (j) ensure that financial, accounting, auditing, control and reporting risks are identified and that the appropriate measures to mitigate and manage such risks are implemented;
- (k) discuss the measures management has taken to mitigate or manage financial, accounting, auditing, control and reporting risks;

Controls and Control Deviations / CEO/CFO Certification

- (l) monitor the quality and integrity of the Corporation's internal controls, disclosure controls and procedures and management information systems, with particular emphasis on accounting and financial controls, recommending changes where appropriate;
- (m) oversee management's reporting on internal controls and disclosure controls and procedures, including: (i) disclosure of significant deficiencies in the design and operation of internal controls, (ii) disclosure of significant changes in internal controls, and (iii) disclosure of fraud involving management or an employee with significant impact on internal controls;

- (n) review Chief Executive Officer's ("CEO") and Chief Financial Officer's ("CFO") annual certification plan; receive CEO/CFO certification of interim and annual filings to be made in accordance with National Instrument 52-109; review results of interim and annual CEO/CFO certification testing;

Independent Auditor

- (o) formally consider the continuation of, or a change in, the independent auditor and review all issues related to a change of independent auditor, including any differences between the Corporation and the auditor that relate to the auditor's opinion or a qualification thereof or a comment by the auditor;
- (p) recommend to the Board of Directors an independent auditor, which the Committee shall have established is independent, for approval by the shareholders of the Corporation; review annual confirmation of independence provided by independent auditor and engage in dialogue with independent auditor with respect to any relationships or services that may impact the objectivity and independence of the independent auditor; review and approve the scope and timing of its reviews of the unaudited quarterly financial statements and of its annual audit plan; review and approve independent auditor's budgeted and actual audit fees, audit-related fees and non-audit fees;
- (q) The Committee shall also be informed of and pre-approve, which pre-approval may be given by a designated "independent" member of the Committee (as this word is defined in the CGH at Tab 3, Section 1), certain **audit-related services** and **taxation services** as specified in paragraph (ii) below, as well as **non-audit services**, to be provided by the independent auditor and the costs thereof and consider any impact of the provision of any such **audit-related services**, **taxation services** and **non-audit services** on its independence; and determine appropriate funding for payment of the independent auditor. If any such services are pre-approved by a designated, "independent" member of the Committee, such pre-approval shall be presented to the Committee at its first scheduled meeting following such pre-approval.

For greater clarity, the independent auditor:

- (i) shall provide the following specific **audit services**:
- examination of the Corporation's annual consolidated financial statements;
 - examination of the annual financial statements of certain related entities or groups, as may be required or requested by management;
 - review of the Corporation's quarterly consolidated financial statements;
 - review of the Corporation's annual information form (**AIF**), management's discussion and analysis (**MD&A**), management proxy circular and other annual or quarterly filing documents;
 - review of the Corporation's prospectuses or other financing documents and issuance of appropriate consent, comfort or other required letters to interested parties; and
 - accounting research and consultations on the application of generally accepted accounting principles (**GAAP**) and International Financial Reporting Standards (**IFRS**);
- (ii) may, with the pre-approval of the Committee, which pre-approval may be given by a designated "independent" member of the Committee (provided, however, that any pre-approval by a designated, "independent" member of the Committee shall be presented to the Committee at its first scheduled meeting following such pre-approval), provide

the following audit-related services and taxation services and other similar services that are not incompatible, as to their nature, with the maintenance of its professional independence:

- examination of the annual financial statements of the employee pension plan(s);
- preparation of special reports to third parties required to comply with various contractual or other obligations of the Corporation or any of its business units;
- special audits on control procedures;
- due diligence services to assist management in the context of business investment or divestiture decisions;
- audit services in support of the internal audit function, as required;
- translation services relating to financial information and statutory filings referred to under paragraph (q)(i) above;
- preparation and/or review of income or other tax returns of the Corporation's domestic or foreign business units;
- consultations with respect to income tax compliance or planning with domestic or foreign jurisdictions, including federal, provincial, state and capital taxes; international tax financing, structuring and repatriation strategies; loss utilization strategies; advice with respect to research and development expenditures;
- consultations with respect to transfer pricing risk and assessment;
- executive compensation plans, including pensions, stock options and deferred compensation plans;
- expatriate tax compliance and planning, including tax return preparation services with respect thereto;
- foreign office tax advice regarding international tax projects and co-ordination thereof;
- discussions regarding new tax developments and responses to tax queries as they arise;
- support regarding tax authority audits;
- commodity tax advice; and
- forensic services that do not require an expert opinion to be provided.

(iii) shall be prohibited from providing the following non-audit services that are incompatible with the objective of preserving its professional independence:

- bookkeeping and accounting services;
- internal audit services (other than non-recurring, discrete services, items or programs);
- expert services and litigation support (other than special or forensic investigations);
- information technology services related to financial systems;
- actuarial services (other than special reviews in a non-financial context);
- valuation services (other than for non-financial purposes, i.e., transfer pricing or other tax-only purposes or other limited circumstances);
- legal services and any other advocacy services;
- management functions; and
- human resource services (other than tax planning and compliance services).

(r) establish with the independent auditor the Committee's expectations of the independent auditor (including that the independent auditor shall report directly to the Committee and shall be accountable to the Board of Directors and to the Committee as representative of the Corporation's shareholders) and perform an annual review of the mandate, organization, staffing, independence, performance and effectiveness of the independent auditor;

(s) oversee the work of the independent auditor engaged for the purpose of preparing or issuing an independent auditor's report or performing other audit, audit-related, taxation

and non-audit services for the Corporation;

- (t) review with the independent auditor: (i) the contents of its annual audit report, and (ii) its results on its quarterly reviews, and review any significant recommendations from the independent auditor to strengthen the internal controls of the Corporation;
- (u) review the results of the independent audit, any significant problems encountered in performing the audit and the contents of any management letter issued by the independent auditor to the Corporation, and management's response thereto;
- (v) review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of the Corporation;
- (w) resolve any disagreements between management and the independent auditor regarding financial reporting;
- (x) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of the Corporation;
- (y) ensure the respect of applicable requirements regarding the rotation of applicable partners of the independent auditor, on a regular basis;
- (z) ensure that the independent auditor report directly to the Committee;

Internal Audit Function

- (aa) annually review and approve the charter, nature and scope of work of the Internal Audit function as well as the annual audit plan and ensure that the Internal Audit function has the necessary resources to fulfill its mandate and responsibilities;
- (bb) quarterly review the audit plan status, including a progress report on the Internal Audit mandates and a follow-up on past due recommendations;
- (cc) review Internal Audit reports issued on a quarterly basis, including management responses, and ensure that the necessary steps are taken to follow up on important report recommendations;
- (dd) review reports on frauds and irregularities, including a status report on complaints and concerns received;
- (ee) ensure the independence and effectiveness of the Internal Audit function, including by requiring that the function be free of any influence that could adversely affect its ability to objectively assume its responsibilities, by ensuring that it reports to the Committee, and by meeting regularly with the Vice-President, Internal Audit without management being present in order to discuss, among others, the questions he/she raises regarding the relationship between the Internal Audit function and management and access to the information required;
- (ff) approve the appointment and dismissal of the Vice-President, Internal Audit, as well as approve his/her performance evaluation and compensation. The Vice-President, Internal Audit, shall report directly to the Committee;

Other Responsibilities and Issues

- (gg)** assist the Board of Directors in the discharge of its fiduciary responsibilities relating to the Corporation's accounting policies, reporting practices and internal controls;
- (hh)** maintain a direct line of communications with the Chief Financial Officer, the Vice-President, Internal Audit and the independent auditor, and monitor the scope and costs of audit activity and assess performance;
- (ii)** review and recommend approval by the Board of the Corporation's Disclosure Policy (included in the CGH), which addresses the disclosure of financial results, declarations of dividends and material change information to its shareholders, the securities commissions, the Toronto Stock Exchange, financial analysts and stockbrokers and the general public, periodically review such Policy to ensure that it conforms with applicable legal and regulatory requirements and make recommendations to the Board regarding any required changes;
- (jj)** monitor the application of the procedures established by the Committee for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; periodically review the text of these procedures and make recommendations to the Board regarding any required changes;
- (kk)** monitor the application of the Corporation's information technology ("I.T.") security and disaster recovery plan, periodically review this plan and make recommendations to the Board regarding any required changes;
- (ll)** review of treasury policy and portfolio;
- (mm)** annually obtain from the Vice-President, SNC-Lavalin Risk Engineering & Insurance his/her report on the Corporation's captive insurance, review such report and make recommendations to the Board regarding any required changes;
- (nn)** annually review the Commercial Agents/Representatives Policy and the Procedure for Commercial Agent and Representative Agreements within SNC-Lavalin;
- (oo)** annually obtain from the Executive Vice-President, International and Aboriginal Affairs, confirmation of compliance with the Commercial Agents/Representatives Policy and the Procedure for Commercial Agent and Representative Agreements within SNC-Lavalin;
- (pp)** review at least annually reports from the Agent Review Committee, a management committee;
- (qq)** annually review the Agent Review Committee charter;
- (rr)** quarterly review the report of the Chairman of the Ethics and Compliance Committee with respect to matters relating to anti-competition, bribery or corruption, boycotts or violations of trade controls, insider trading, accounting, internal accounting controls, auditing or fraud matters and all instances where management overrode or departed from prescribed policies and procedures relating to anti-competitive matters, bribery or corruption, boycotts or violations of trade controls, insider trading, accounting, internal accounting controls, auditing or fraud matters, in accordance with the Corporation's Management Override Policy;
- (ss)** annually review the Ethics and Compliance Committee charter;

- (tt) without limiting the provisions of paragraph 3(e) of Tab 4 of the CGH, engage independent counsel and other advisors as the Committee determines necessary to carry out its duties, and set and pay the compensation for any such advisors employed by the Committee; and
- (uu) receive reports on and review any other items deriving from the foregoing, either in respect of the Corporation or a subsidiary or any other entity in which the Corporation has a significant interest, as requested by the Board.

3. ORGANIZATION AND PROCEDURES

- (a) The Committee shall meet regularly, not less than 4 times per year, and at such other times as may be requested by the Chairman of the Committee or as directed by resolution of the Board. The Chief Financial Officer, the Vice-President, Internal Audit, the independent auditor or any member of the Committee may request a meeting of the Committee. At each of the regularly scheduled meetings of the Committee, the Chairman of the Committee shall hold an in camera session of the outside (non-management) Directors.
- (b) The Chairman of the Board and the Chairman of the Committee shall, in consultation with the Chief Financial Officer and the Vice-President, Internal Audit, set the agenda, which shall then be circulated among the Committee members and all other Board members.
- (c) The Chief Financial Officer shall have direct access to the Committee. He/she shall receive notice of and attend all meetings of the Committee, except in camera sessions.
- (d) The independent auditor and the Vice-President, Internal Audit shall have direct access to the Committee. They shall receive notice of and be invited to attend all meetings of the Committee, except in camera sessions.
- (e) The independent auditor, the Vice-President, Internal Audit and the Chief Financial Officer shall each meet separately with the Committee, in in camera sessions, at least 4 times per year.
- (f) If he/she is not already a member of the Committee, the Chairman of the Board and the President and Chief Executive Officer may attend all meetings of the Committee, as non-voting participants.
- (g) The Committee has the authority to communicate directly with the independent auditor, the Vice-President, Internal Audit and the Chief Financial Officer, and may also communicate directly with any employee of the Corporation, as it deems necessary.
- (h) The members of the Committee shall, at least once per year, meet with the Chief Financial Officer to enhance their financial literacy in respect of the Corporation's financial statements.
- (i) The Chairman of the Committee shall preside at Committee meetings; in his/her absence, an alternate may be elected by the Committee.
- (j) A majority of the members of the Committee constitute a quorum.
- (k) The Corporate Secretary, or a person delegated by the latter, shall act as Secretary of the Committee.
- (l) The proceedings of the Committee shall be conducted in accordance with the By-Laws of the Corporation.

- (m)** All minutes of Committee meetings will be forwarded by the Secretary of the Committee to each Committee member in a timely manner.
- (n)** The Chairman of the Committee shall report to the Board at the next regularly scheduled Board meeting following a Committee meeting with respect to its activities and with such recommendations as are deemed desirable in the circumstances.
- (o)** The Committee will require the assistance of Corporation resources to research, investigate and report on matters within the Committee's responsibilities. The President and Chief Executive Officer will appoint a member of management to be the prime interface, and to coordinate the Committee's information requirements.
- (p)** The Committee may from time to time, normally but not necessarily in consultation with the Chairman of the Board and the President and Chief Executive Officer, request the assistance of external advisors to research, investigate and report on matters within the Committee's responsibilities.
- (q)** The Committee will annually review its own mandate to ensure it continues to be appropriate, assess its own performance, establish its forward agenda (a copy of which shall be provided to all Board members) and make recommendations to the Governance Committee as required.

* * * * *

ATTACHMENT "A"

(to the mandate of the Corporation's Audit Committee)

**Policy for the Hiring of Employees and Former Employees of Present
and Former Independent Auditor of the Corporation**

The Corporation and its subsidiaries shall not retain the services as an officer, employee or consultant in a position to influence the preparation of the Corporation's financial statements of any person if he/she or any member of his/her immediate family is participating on the engagement team of any firm that is acting as the independent auditor of the Corporation or any of its subsidiaries.

The same prohibition applies with respect to any person if he/she or any member of his/her immediate family previously participated on the engagement team of any firm that is so acting or has so acted, unless a period of at least 1 year has elapsed from the date on which the financial statements audited by the engagement team were last filed with any regulatory authority.

* * * * *

ATTACHMENT “B”

(to the mandate of the Corporation’s Audit Committee)

Definition of “Independence”

To determine whether a Director is “independent”, the Board applies the applicable regulatory criteria (see below), to which it adds the requirement that no more than 2 of the Directors may sit on one same outside board of directors. These requirements are set out, as the criteria for “independence”, in Tab 3 entitled “Board Composition, Meeting Arrangements, Remuneration and Indemnification” of the Corporation’s Corporate Governance Handbook (“Tab 3”), which is posted on the Corporation’s Website (www.snclavalin.com) under “About Us/Corporate Governance”. A paper copy of Tab 3 may also be obtained on request from the Corporate Secretary.

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 3 years, an employee or executive officer of the Corporation;
 - (b) an individual whose immediate family member is, or has been within the last 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 auditor¹,
 - (ii) is an employee of that firm, or
 - (iii) was within the last 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 auditor²,
 - (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 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 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 12 month period within the last 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 30th, 2005; or
 - (b) he/she had a relationship identified in subsection (3) by virtue of subsection (8) if that

¹ With respect to IFRS, “external auditor” means “independent auditor”.

² Idem.

relationship ended before June 30, 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 auditor³ 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 an individual 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.

³ Idem.