



SNC • LAVALIN

SNC-LAVALIN GROUP INC.

ANNUAL INFORMATION FORM

Year Ended December 31, 2019

February 27, 2020

TABLE OF CONTENTS

INTERPRETATION.....	3
CAUTION REGARDING FORWARD-LOOKING STATEMENTS	3
1. CORPORATE STRUCTURE.....	5
1.1 INCORPORATION OF THE COMPANY	5
1.2 SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES.....	5
2. GENERAL DEVELOPMENT OF THE BUSINESS.....	7
3. DESCRIPTION OF THE BUSINESS.....	11
3.1 GENERAL	11
3.2 REVENUE BACKLOG.....	14
3.3 RISK FACTORS.....	14
3.4 NUMBER OF EMPLOYEES.....	14
3.5 SOCIAL AND OTHER IMPORTANT POLICIES: THE VALUES THAT GUIDE US	15
4. DIVIDENDS.....	18
5. CAPITAL STRUCTURE	18
6. MARKET FOR SECURITIES	22
7. DIRECTORS AND OFFICERS	22
8. LEGAL PROCEEDINGS.....	27
9. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	30
10. TRANSFER AGENT AND REGISTRAR.....	30
11. MATERIAL CONTRACTS.....	31
12. EXPERTS.....	31
13. AUDIT COMMITTEE	31
14. ADDITIONAL INFORMATION.....	33
SCHEDULE “A” MANDATE OF THE AUDIT COMMITTEE.....	35

INTERPRETATION

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

Unless otherwise stated, currency amounts in this Annual Information Form are presented in Canadian dollars, or “\$”. Certain totals, subtotals and percentages may not agree due to rounding.

Information in this Annual Information Form is as at December 31, 2019 unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this Annual Information Form that describe the Company’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”, “cost savings”, “estimates”, “expects”, “goal”, “intends”, “may”, “plans”, “projects”, “should”, “synergies”, “target”, “vision”, “will”, or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and ii) business and management strategies and the expansion and growth of the Company’s operations. All such forward-looking statements are made pursuant to the “safe-harbour” provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company’s current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company’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 Annual Information Form are based on a number of assumptions believed by the Company to be reasonable on February 27, 2020. The assumptions are set out throughout the Company’s 2019 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 2019 Management’s Discussion and Analysis). If these assumptions are inaccurate, the Company’s actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company’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) results of the new 2019 strategic direction coupled with a corporate reorganization; (b) fixed-price contracts or the Company’s failure to meet contractual schedule, performance requirements or to execute projects efficiently; (c) contract awards and timing; (d) remaining performance obligations; (e) being a provider of services to government agencies; (f) international operations; (g) Nuclear liability; (h) ownership interests in Capital investments; (i) dependence on third parties; (j) joint ventures and partnerships; (k) information systems and data; (l) competition; (m) professional liability or liability for faulty services; (n) monetary damages and penalties in connection with professional and engineering reports and opinions; (o) insurance coverage; (p) health and safety; (q) qualified personnel; (r) work stoppages, union negotiations and other labour matters; (s) extreme weather conditions and the impact of natural or other disasters and global health crises; (t) intellectual property; (u) divestitures and the sale of significant assets; (v) impact of operating results and level of indebtedness on financial situation; (w) liquidity and financial position; (x) indebtedness; (y) security under the SNC-Lavalin Highway Holdings Loan; (z) dependence on subsidiaries to help repay indebtedness; (aa) dividends; (bb) post-employment benefit obligations, including pension-related

obligations; (cc) working capital requirements; (dd) collection from customers; (ee) impairment of goodwill and other assets; (ff) outcome of pending and future claims and litigations; (gg) ongoing and potential investigations; (hh) settlements; (ii) further regulatory developments as well as employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations; (jj) reputation of the Company; (kk) inherent limitations to the Company's control framework; (ll) environmental laws and regulations; (mm) Brexit; (nn) global economic conditions; and (oo) fluctuations in commodity prices.

The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company'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" in the Company's 2019 Management's Discussion and Analysis filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com or on the Company's website at www.snclavalin.com under the "Investors" section.

The forward-looking statements herein reflect the Company's expectations as at February 27, 2020, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake 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.

1. CORPORATE STRUCTURE

1.1 INCORPORATION OF THE COMPANY

SNC-Lavalin Group Inc. (the “**Company**”) was incorporated under the laws of Canada on May 18, 1967 and was continued under the *Canada Business Corporations Act* on March 24, 1980. The articles of the Company 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 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 addition of a requirement that at least two-thirds of the directors must not be employees of the Company or its affiliates; the re-designation of its class A subordinate voting shares as common shares, and 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 one-third of the number of directors elected at the previous annual meeting of shareholders.

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

1.2 SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The chart appearing on the next page lists the main subsidiaries, joint arrangements and associates of SNC-Lavalin, as well as the principal capital investments in which the Company participates, their jurisdiction of incorporation and the percentage of voting shares or other interests beneficially owned, controlled or directed, directly or indirectly, by SNC-Lavalin.

<u>Percentage of voting securities held</u>			<u>Percentage of voting securities held</u>		
Subsidiaries, Joint Arrangements and Associates			Subsidiaries, Joint Arrangements and Associates (continued)		
407 East Construction General Partnership (Ontario)	50%	◊	SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company (Saudi Arabia)	50%	◊
Atkins China Limited (Hong Kong)	100%	•	SNC-Lavalin International S.A.S. (France)	100%	•
Atkins Danmark A/S (Denmark)	100%	•	SNC-Lavalin Major Projects Inc. (Canada)	100%	•
Atkins Limited (England & Wales)	100%	•	SNC-Lavalin (Malaysia) Sdn. Bhd. (Malaysia)	100%	•
Atkins North America, Inc. (Florida)	100%	•	SNC-Lavalin Nuclear Inc. (Canada)	100%	•
Atkins US Holdings, Inc. (Delaware)	100%	•	SNC-Lavalin Operations & Maintenance Inc. (Canada)	100%	•
Canadian National Energy Alliance Ltd. (Canada)	50%	◊	SNC-Lavalin Peru S.A. (Peru)	100%	•
Candu Energy Inc. (Canada)	100%	•	SNC-Lavalin Polska Sp. z o.o. (Poland)	100%	•
Central Plateau Cleanup Company LLC (Delaware)	22%	◊	SNC-Lavalin Projetos Industriais Ltda (Brazil)	100%	•
Comprehensive Decommissioning International, LLC (Delaware)	40%	◊	SNC-Lavalin (Proprietary) Limited (South Africa)	100%	•
Crosslinx Transit Solutions Constructors G.P. (Alberta)	25%	◊	SNC-Lavalin Rail & Transit Limited (England & Wales)	100%	•
Faithful+Gould, Inc. (Minnesota)	100%	•	SNC-Lavalin Romania S.A. (Romania)	100%	•
Faithful+Gould Limited (England & Wales)	100%	•	SNC-Lavalin SA (Pty) LTD (South Africa)	70%	◆
Faithful+Gould Saudi Arabia Limited (Saudi Arabia)	51%	◆	SNC-Lavalin Stavibel Inc. (Canada)	100%	•
Kentz Canada Holdings Limited (Canada)	100%	•	SNC-Lavalin UK Limited (England & Wales)	100%	•
Kentz Corporation Limited (Jersey)	100%	•	The Atkins North America Holdings Corporation (Florida)	100%	•
Kentz Pty Ltd. (Australia)	100%	•	The SNC-Lavalin Corporation (Delaware)	100%	•
Linxon Gulf LLC (United Arab Emirates)	49%	•	UGL Kentz Joint Venture (Australia)	50%	◊
Linxon Pvt Ltd (England & Wales)	51%	◆	Valerus Field Solutions Holdings LLC (Delaware)	100%	•
Linxon Switzerland Ltd (Switzerland)	100%	•	WS Atkins International Limited (England & Wales)	100%	•
NouvLR General Partnership (Quebec)	24%	◊	WS Atkins Limited (England & Wales)	100%	•
Protrans BC Operations Ltd. (British Columbia)	100%	•			
P.T. SNC-Lavalin TPS (Indonesia)	95%	•			
Saudi Arabia Kentz Co. LLC (Saudi Arabia)	75%	◆			
Signature on the Saint Lawrence Construction G.P. (Quebec)	45%	◊			
SLN-Aecon JV (Canada)	50%	◊			
SNC-Dragados-Pennecon G.P. (Newfoundland)	40%	◊	407 East Development Group General Partnership (Ontario)	50%	♣
SNC-Lavalin (Belgium)	100%	•	407 International Inc. (Canada)	6.76%	♣
SNC-Lavalin Algérie EURL (Algeria)	100%	•	Crosslinx Transit Solutions General Partnership (Alberta)	25%	♣
SNC-Lavalin Arabia LLC (Saudi Arabia)	100%	•	InPower BC General Partnership (Alberta)	100%	♣
SNC-Lavalin ATP Inc. (Canada)	100%	•	Myah Tipaza S.p.A. (Algeria)	51%	♣
SNC-Lavalin Australia Pty. Ltd. (Australia)	100%	•	Rideau Transit Group General Partnership (Ontario)	40%	♣
SNC-Lavalin Capital Inc. (Canada)	100%	•	Shariket Kahraba Hadjret En Nouss S.p.A. (Algeria)	51%	♣
SNC-Lavalin Chile SpA (Chile)	100%	•	SNC-Lavalin Highway Holdings Inc. (Canada)	100%	•
SNC-Lavalin Colombia S.A.S (Colombia)	100%	•	SNC-Lavalin Infrastructure Partners LP (Canada)	20%	♣
SNC-Lavalin Construction Inc. (Canada)	100%	•	Signature on the Saint-Laurent Group G.P. (Quebec)	50%	♣
SNC-Lavalin Construction (Ontario) Inc. (Canada)	100%	•	TC Dôme S.A.S. (France)	51%	♣
SNC-Lavalin Constructors Inc. (Delaware)	100%	•	TransitNEXT General Partnership (Ontario)	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 Europe B.V. (Netherlands)	100%	•			
SNC-Lavalin Europe S.A.S. (France)	100%	•			
SNC-Lavalin (GB) Holdings Limited (England & Wales)	100%	•			
SNC-Lavalin (GB) Limited (England & Wales)	100%	•			
SNC-Lavalin GEM Ontario Inc. (Ontario)	100%	•			
SNC-Lavalin GEM Québec Inc. (Quebec)	100%	•			
SNC-Lavalin Inc. (Canada)	100%	•			
SNC-Lavalin International Inc. (Canada)	100%	•			

- Subsidiary
- ◆ Associate
- ♣ Capital investment entity
- ◊ Joint Arrangement

2. GENERAL DEVELOPMENT OF THE BUSINESS

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

2017

Transactions

On May 15, 2017, the Company amended its then revolving credit facility and merged its then revolving and term facilities under a single agreement (the "**Prior Credit Agreement**").

On June 22, 2017, SNC-Lavalin announced that it had completed the sale of its Montreal head office building and the adjacent empty lot of land located on René-Lévesque Boulevard West for \$173.3 million to GWL Realty Advisors on behalf of institutional clients. The decision to sell the property was made as part of SNC-Lavalin's Operational Excellence program where the Company conducted a review of its owned real estate portfolio, previously announced in 2016. Concurrently, SNC-Lavalin entered into a 20-year lease for the building.

On June 30, 2017, the McGill Healthcare Infrastructure Group joint venture ("**MHIG**"), in which SNC-Lavalin previously held a 60% ownership interest, issued equity instruments to the other investor in MHIG, which resulted in a dilution of SNC-Lavalin's ownership interest to 50%. In addition, the Company's subordinated loan receivable from MHIG of \$109.3 million was partially sold to the other investor in MHIG and was partially reimbursed by MHIG for a total cash consideration of \$23.3 million.

Also, on June 30, 2017, SNC-Lavalin announced the formation and launch of SNC-Lavalin Infrastructure Partners LP ("**SNCL IP Partnership**"), established to efficiently redeploy capital back into development opportunities. SNCL IP Partnership initially held 100% of SNC-Lavalin's interests in a selection of its mature Canadian infrastructure assets and their holding companies, namely: Okanagan Lake Concession Limited Partnership ("**Okanagan**"), InTransit BC Limited Partnership ("**InTransit**"), Chinook Roads Partnership ("**Chinook**") and Rainbow Hospital Partnership ("**Rainbow**"). Subsequently, on September 28, 2017, a Canadian subsidiary of BBGI SICAV S.A. subscribed for 80% of the limited partnership units of SNCL IP Partnership.

On July 3, 2017, SNC-Lavalin completed the acquisition of WS Atkins plc ("**Atkins**"), one of the world's most respected consultancies in design, engineering and project management, with a leadership position across the infrastructure, transportation and energy sectors. The aggregate cash consideration for the acquisition was approximately \$3.5 billion, which was funded through a combination of public and private equity and debt consisting of: (i) a £300 million (\$498 million) term facility and drawdowns of US\$185 million (\$238 million) and £56 million (\$93 million) under the then revolving facility, (ii) the net proceeds from an \$880 million public bought deal offering of subscription receipts completed through a syndicate of underwriters, (iii) a \$400 million concurrent private placement of subscription receipts with the Caisse de dépôt et placement du Québec (the "**Caisse**"), and (iv) a \$1.5 billion loan (the "**CDPQ Loan**") made by CDPQ Revenu Fixe Inc. ("**CDPQ RF**"), a wholly-owned subsidiary of the Caisse, to SNC-Lavalin Highway Holdings Inc. ("**Highway Holdings**").

The CDPQ Loan is a limited recourse debt comprised of two tranches: i) tranche A which is a non-revolving term loan in an aggregate amount of \$1 billion; and ii) tranche B which was a non-revolving term loan in an aggregate amount of \$500 million. Recourse is limited to specific circumstances of enforcement on or against the shares of Highway Holdings, an indirect wholly-owned subsidiary of the Company holding shares of 407 International Inc. ("**Highway 407 ETR**"). Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. The maturity date of the CDPQ Loan is on the seventh anniversary of the funding date. Borrowings under tranche A and tranche B bear interest at a base rate, which is the greater of: i) the CDOR rate; and ii) 0.9%, plus an applicable margin. Tranche A is subject to a non-call period of 4 years after the disbursement date of the loan, a time during which early voluntary repayment of the loan by the Company is not allowed. Tranche B was repaid in 2018. The CDPQ Loan is subject to affirmative and negative covenants, as well as

financial covenants, notably not to exceed, on a rolling 12-month and consolidated basis, a maximum net recourse debt to EBITDA ratio, as defined under the CDPQ Loan agreement, on two consecutive quarters, starting six full quarters after the initial funding date. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the CDPQ Loan.

On October 30, 2017, SNC-Lavalin completed the acquisition of Data Transfer Solutions LLC for US\$45 million (approximately \$59 million).

2018

Various Developments

On May 22, 2018, the Company reached a settlement agreement in relation to class actions in Quebec and Ontario filed in 2012 on behalf of security holders, with the Company agreeing to pay \$88.0 million to the plaintiffs. The settlement was subsequently approved by the Ontario and Quebec courts.

On July 18, 2018, SNC-Lavalin and Holtec International group announced a new US-based joint venture company named CDI. The joint venture company was established to bring together the expertise of both companies with a goal of performing accelerated decommissioning of retired nuclear power plants using innovative technologies to cut the total time elapsed to release plant sites for unrestricted use to eight years or fewer.

Transactions

On April 30, 2018, the Company and its lenders entered into a second amended and restated credit agreement (as amended, the “**Current Credit Agreement**”), which effectively amended, restated and replaced the Prior Credit Agreement for the purposes of, among other things: i) making available a new 5-year non-revolving term loan in the principal amount of \$500 million maturing on April 30, 2023 and ii) making other amendments to the provisions of the unsecured revolving facility. The net proceeds from the issuance of the term loan of \$500 million were used by the Company to repay tranche B of the CDPQ Loan. The unsecured revolving credit facility under the Current Credit Agreement is comprised of two tranches: (i) tranche A in an amount of \$2.0 billion; and (ii) tranche B in an amount of \$600 million. Borrowings under tranche A may be obtained in the form of: (i) prime rate loans; (ii) acceptances; (iii) US base rate loans; (iv) Libor loans in US dollars, Euros and British pounds; and (v) non-financial, financial or documentary letters of credit. Borrowings under tranche B may be obtained only in the form of non-financial or documentary letters of credit. The revolving facility maturity date is May 15, 2022 or such other date as may be agreed pursuant to extension provisions of the Current Credit Agreement. The aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Current Credit Agreement is \$3.0 billion. The revolving facility and term loan under the Current Credit Agreement are committed and subject to affirmative, negative and financial covenants, including a requirement to maintain, at all times on a rolling 12-month basis, a specifically defined net recourse debt to EBITDA ratio, as defined in the Current Credit Agreement not to exceed a certain limit.

On June 28, 2018, SNC-Lavalin announced that it had completed the transfer of its investment in MHIG through an intermediary holding company to SNCL IP Partnership for a total cash consideration of approximately \$191 million, which followed on the sale and transfer in September 2017 of SNC-Lavalin’s interest to SNCL IP Partnership in four other mature Canadian P3 assets, namely Okanagan, InTransit, Chinook and Rainbow.

On August 28, 2018, SNC-Lavalin announced an agreement to sell its remaining interest in Astoria Project Partners II LLC, the legal entity that owns and operates the Astoria II power plant in New York City. On October 24, 2018, SNC-Lavalin completed the sale of its ownership interest in Astoria Project Partners II LLC for a total consideration of US\$41.4 million (\$54.1 million).

On September 1, 2018, SNC-Lavalin acquired, from a subsidiary of ABB Ltd (“**ABB**”), a 51% ownership interest in Linxon Pvt Ltd (“**Linxon**”), incorporated under the laws of England and Wales, for the execution of turnkey electrical substation projects. Turnkey solutions include project design, engineering, procurement, construction, management, commissioning and after-sales support. The primary reason for this business combination was to combine ABB’s technology leadership with SNC-Lavalin’s expertise in managing projects to deliver enhanced customer value.

2019

Various Developments

Effective April 2019, the Company appointed Craig Muir as President, Resources.

On June 18, 2019, the Company appointed Nigel W.M. White as Executive Vice-President, Project Oversight, effective August 1, 2019. Mr. White reports to Mr. Edwards and leads the newly created Project Oversight function. Project Oversight is an operational function that focuses on assisting all operating segments in achieving timely delivery and on-budget project execution. The objective is to drive consistency and assess risk for the Company in a way that enhances its ability to foresee and fix project-related issues in a timely fashion.

On July 22, 2019, the Company announced that it would be focusing on the high-performing and growth areas of the business and that it was exiting lump-sum turnkey (“**LSTK**”) construction contracting.

The Company also announced a reorganization into two separate business lines:

- SNCL Engineering Services which includes Engineering, Design & Project Management (“**EDPM**”), Nuclear, Infrastructure Services (including Linxon) and Capital.
- SNCL Projects which includes Resources (Oil & Gas and Mining & Metallurgy) and the then existing Infrastructure LSTK construction projects.

The Company also announced that it was exploring all options for its Resources activities, particularly its Oil & Gas business, including transition to a services-based business or divestiture. At the end of 2019, the Company decided to exit the unprofitable midstream fabrication business, including its compression and production equipment product lines, which were also known under the Valerus brand.

The reorganization and exit from LSTK construction contracting are aligned with the new strategic direction of the Company that is focused on de-risking the business and generating more consistent earnings and cash flow. The Company’s goal is to strengthen the balance sheet and enhance financial flexibility, while removing volatility. While the Company is exiting the LSTK construction activity, it will fulfil the contractual obligations of its current projects. It may be necessary for the Company to accept change orders under existing LSTK construction contracts, which may temporarily extend the performance timeframe of such contracts.

On September 18, 2019, the Company appointed Charlene A. Ripley to the role of Executive Vice-President and General Counsel, effective October 15, 2019.

On October 11, 2019, the Company announced that it had reached a full and final settlement with Codelco, following the latter’s decision to terminate its Mining & Metallurgy contract, as announced on March 25, 2019. This settlement eliminated the potential for any and all future risk stemming from the disputes related to the contract termination.

Effective October 31, 2019, Ian L. Edwards was appointed as President and Chief Executive Officer of the Company. Mr. Edwards was previously appointed as SNC-Lavalin’s Interim President and Chief Executive Officer on June 11, 2019, after spending approximately 5 months in the role of Chief Operating Officer.

On December 18, 2019, the Company announced that the federal charges arising from legacy activities in Libya between 2001 and 2011 had been settled with the Public Prosecution Service of Canada (“PPSC”). The Court of Quebec accepted a guilty plea from SNC-Lavalin Construction Inc. (a subsidiary of the Company) to a single charge of fraud. All other charges against the Company, SNC-Lavalin International Inc., and SNC-Lavalin Construction Inc. have been withdrawn by the PPSC. As part of the settlement, SNC-Lavalin Construction Inc. will pay a fine in the amount of \$280 million, payable in equal installments over 5 years, and will be subject to a three-year probation order. The Company will comply with the probation order for the three-year period. For further detail see “Legal Proceedings – Settlements – PPSC Settlement” below.

Transactions

On March 29, 2019, the Company announced that its wholly-owned subsidiary, TransitNEXT General Partnership (“TransitNEXT”), had finalized an agreement on the Trillium Line Extension project with the City of Ottawa. Through TransitNEXT, SNC-Lavalin will design, build, finance and maintain the new extension, and will also assume long-term maintenance of the existing Trillium line. The project, including the long-term cost to maintain and rehabilitate both the existing Trillium Line and its new extension, was valued at \$1.6 billion.

On August 15, 2019, SNC-Lavalin announced that it completed the sale of 10.01% of the shares of Highway 407 ETR to a company controlled by Canada Pension Plan Investment Board (“CPPIB”) pursuant to a share purchase agreement dated August 14, 2019 (the “407 Sale SPA”). At closing and in accordance with the terms and conditions of the 407 Sale SPA, SNC-Lavalin received the base purchase price proceeds of \$3.0 billion, with up to an additional \$250 million contingently payable over a period of 10 years, conditional on the attainment of certain financial thresholds related to the ongoing performance of Highway 407 ETR. Through Highway Holdings, SNC-Lavalin continues to own 6.76% of the outstanding shares of Highway 407 ETR.

Amendments to Current Credit Agreement and CDPQ Loan

On February 1, 2019, the Company amended its Current Credit Agreement, modifying the definition of EBITDA to provide that losses related to engineering, procurement and construction (“EPC”) contracts in Mining & Metallurgy, a segment of the Company at that time, be considered as non-recurring items, up to an amount of \$310 million. The Current Credit Agreement was also amended to provide that the net recourse debt to EBITDA ratio calculation be temporarily increased to 4x. It should be noted that the ratio calculation in the Current Credit Agreement excludes interest and depreciation and amortization resulting from the adoption of IFRS 16, Leases. In the third quarter of 2019, the Company and its lenders amended the Current Credit Agreement to extend the temporary increase in the net recourse debt to EBITDA ratio to 4x from June 30, 2019 to December 31, 2019.

In the second quarter of 2019, the Company and CDPQ RF renegotiated certain terms of the CDPQ Loan, which included, among others, the following amendments: (i) modification to the net recourse debt to EBITDA ratio covenant to align it with the Current Credit Agreement and extend the application of such covenant from March 31, 2019 to June 30, 2019; (ii) following the then expected disposal by the Company of 10.01% of the shares of Highway 407 ETR, the Company committed to repay an amount of \$600 million out of \$1 billion outstanding under tranche A of the CDPQ Loan; and (iii) decrease of the margin applicable to the base rate. On October 15, 2019 and similar to the last amendments to the Current Credit Agreement, the CDPQ Loan was also amended to extend the temporary increase in the net recourse debt to EBITDA ratio to 4x from June 30, 2019 to December 31, 2019.

2020

Various Developments

On January 22, 2020, the Company announced the appointment of Louis G. Véronneau to the newly created role of Chief Transformation Officer (CTO), charged with rapidly simplifying the Company's structure and processes, while supporting the new strategic direction with a focus on Information Technology (IT) and divestitures.

Effective February 3, 2020, the Company appointed Jonathan Wilkinson, previously President, Infrastructure, to the newly created role of President of Infrastructure Projects, charged with overseeing the rapid and successful run-off of the Company's LSTK backlog. At the same time, the Company has appointed, on an interim basis, Dale Clarke, previously Executive Vice-President, Strategy and Growth, Infrastructure, to the newly created role of Executive Vice-President Infrastructure Services, responsible for growing the high-performing services business in North America.

On February 10, 2020, the Company announced the appointment of Jeff Bell as Chief Financial Officer (CFO), effective April 14, 2020. His appointment follows a number of recent appointments that is a part of the ongoing strengthening process of the Company's leadership team focused on supporting the execution of the Company's new strategic direction.

3. DESCRIPTION OF THE BUSINESS

3.1 GENERAL

Founded in 1911, SNC-Lavalin is a fully integrated professional services and project management company with offices around the world.

SNC-Lavalin connects people, technology and data to help shape and deliver world-leading concepts and projects, while offering comprehensive innovative solutions across the asset lifecycle. Our expertise is wide-ranging –consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, operations & maintenance (“O&M”), decommissioning and sustaining capital.

SNC-Lavalin maintains exceptionally high standards for health and safety, ethics and compliance, and environmental protection. The Company is committed to delivering quality projects on budget and on schedule to the complete satisfaction of its clients.

How We Conduct our Business and Report our Results: Business Lines, Segments, E&C and Capital

In accordance with its new strategy, the Company carries out its business through two broad lines of business, SNCL Engineering Services and SNCL Projects, which are in turn comprised of six operating and reportable segments as described below.

We report and break down the results of our SNCL Engineering Services line of business through four operating and reportable segments, namely: (i) EPDM; (ii) Nuclear; (iii) Infrastructure Services; and (iv) Capital; while we report and break down the results of our SNCL Projects line of business through two operating and reportable segments, namely: (v) Resources; and (vi) Infrastructure EPC Projects.

In addition, we further report certain results and provide certain financial information separately for (i) engineering and construction (“E&C”) activities across our lines of business, which is thus comprised of five

of our six operating and reportable segments, namely EDPM, Nuclear, Infrastructure Services, Resources and Infrastructure EPC Projects, and (ii) Capital.

Operating and Reportable Segments

EDPM incorporates all consultancy, engineering, design and project management services around the world (including the Canadian market, which was previously in the former Infrastructure segment prior to January 1, 2019). It also leads our efforts to transform the global infrastructure sector by leveraging data and technology to improve the delivery of our clients' projects from conception through to eventual operation. EDPM projects are mainly in transportation (including rail, mass transit, roads and airports), civil infrastructure, aerospace, defence and security and technology, including some of the world's most transformational projects. A significant portion of revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

Nuclear supports clients across the entire nuclear life cycle with the full spectrum of services from consultancy, EPC management ("EPCM") services, field services, technology services, spare parts, reactor support & decommissioning and waste management. As stewards of the CANDU technology, it also provides new-build and full refurbishment services of CANDU reactors.

Infrastructure Services includes O&M projects, as well as the Company's repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary. The segment also includes engineering solutions in hydro, transmission and distribution, renewables, energy storage, and intelligent networks and cybersecurity. Segment EBIT now includes the contribution attributable to non-controlling interests. As such, the Segment EBIT of Linxon, a 51% subsidiary, is reported at 100% both in 2019 and 2018.

Capital is SNC-Lavalin's investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure: such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals). The Capital segment includes SNC-Lavalin's 20% ownership interest in and management of SNCL IP Partnership. Also, as mentioned above, although Capital is a segment forming part of the SNCL Engineering Services line of business, it is excluded from E&C.

Resources provides a full suite of delivery services to the oil & gas and mining & metallurgy sectors, covering the project lifecycle from project development through project delivery and support services. Resources have ceased bidding for new EPC projects under the LSTK construction contracting model. Resources is now focused on providing engineering, EPCM, project management consultancy, construction & commissioning and technical support services through a lower risk contracting model. The operational delivery is focused on key regions and global clients.

Infrastructure EPC Projects includes LSTK construction contracts related to mass transit, heavy rail, roads, bridges, airports, ports and harbours and water infrastructure. In addition, Infrastructure EPC Projects includes the LSTK construction contracts related to the former Clean Power segment, as well as from thermal power activities which the Company exited in 2018. In 2019, the Company decided to cease contracting for new LSTK construction contracts.

E&C

What we report in **E&C** includes contracts generating revenues related mainly to consulting & advisory, intelligent networks & cybersecurity, design & engineering, procurement, project & construction management, O&M, decommissioning and sustaining capital. It also includes revenues from LSTK construction contracts, for which the Company ceased to bid in July 2019, except for certain repetitive EPC offerings that are lower-risk, standardized solutions.

Contracts that provide for EPCM services are often referred to as “EPCM” contracts. Contracts that include engineering services, providing materials and providing or fabricating equipment, and construction activities are often referred to as “EPC” contracts.

While our contracts are negotiated using a variety of contracting options, E&C revenues are derived primarily from three major types of contracts: Reimbursable and engineering services contracts, EPC Fixed-price contracts, and Standardized EPC contracts. E&C contracts can be found in the following segments and lines of business (excluding Capital):

E&C Breakdown

	SNCL Engineering Services ⁽¹⁾			SNCL Projects	
	EDPM	Nuclear	Infrastructure Services	Infrastructure EPC	Resources
Reimbursable and engineering service contracts	√	√	√	N/A	√
EPC Fixed-Price contracts	N/A	N/A ⁽²⁾	N/A	√	√
Standardized EPC Contracts	N/A	N/A	√	N/A	N/A

(1) The SNCL Engineering Services business line also includes Capital activities, which segment is excluded from E&C.

(2) Nuclear includes certain legacy EPC Fixed-Price contracts.

Capital

As stated above, **Capital** is SNC-Lavalin’s investment, financing and asset management arm, responsible for developing projects, arranging financing, investing equity, undertaking complex financial modeling and managing its infrastructure investments for optimal returns. Its activities are principally concentrated in infrastructure: such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals). The Capital segment includes SNC-Lavalin’s 20% ownership interest in and management of SNCL IP Partnership. Also, as mentioned above, although Capital is a segment forming part of the Company’s SNCL Engineering Services line of business, it is excluded from E&C.

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 Company operates in a highly competitive environment and has numerous competitors in all of its market segments. The competitive landscape varies by industry, geographic region and project type. Companies that compete within its E&C activities are principally: AECOM, Balfour Beatty, Bechtel, Fluor Corporation, Jacobs

Engineering Group Inc., McDermott International Inc., Wood and Worley Parsons Ltd. Companies that compete with its Capital segment are principally: ACS Group, Bechtel, Ferrovial, Fluor Corporation, Hochtief, Kiewit, Vinci Concessions, Ellis Don for North American Infrastructure P3 and Aecon Concessions for Canadian P3, Engie and Marubeni for the power industry.

SNC-Lavalin has clients worldwide; many of which are repeat clients. In any given year, a single client may represent a material portion of the Company'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 as well as other statutory entities, such as the Caisse. 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 Company invests its cash balances, primarily, in high-yield bank accounts, 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 50 other countries. At any given time, its employees are active around the world 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 or joint ventures, 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 in the Company's 2019 Management's Discussion and Analysis, under the heading "Backlog (Remaining Performance Obligations)" which discussion is incorporated herein by reference. The Company's 2019 Management's Discussion and Analysis is available on SEDAR at www.sedar.com and on the Company'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 in the Company's 2019 Management's Discussion and Analysis under the heading "Risks and Uncertainties" which discussion is incorporated herein by reference. The Company's 2019 Management's Discussion and Analysis is available on SEDAR at www.sedar.com and on the Company's website at www.snclavalin.com under the "Investors" section.

3.4 NUMBER OF EMPLOYEES

SNC-Lavalin had 46,490 employees as at December 31, 2019. The number of employees varies depending on the number and nature of ongoing projects, acquisitions, divestitures and restructuring initiatives.

3.5 SOCIAL AND OTHER IMPORTANT POLICIES: THE VALUES THAT GUIDE US

SNC-Lavalin is a truly global company – our employees live and work in over 50 countries, represent some 130 nationalities and speak more than 70 languages. There's only one way to bring together a group that is so large, diverse and dispersed – and that's through a set of values that form the bedrock for our collective journey. Our shared values of Safety, Integrity, Collaboration and Innovation are the essence of our Company's identity. They represent how we act, speak and behave together, and how we engage with our clients and stakeholders.

Safety

For SNC-Lavalin, safety means protecting people, assets and the environment from harm and we put forward a safety-first approach in everything we do. This means that we establish standards and ensure they are applied, that we evaluate risks to make sound and responsible decisions as well as report and address issues, and implement solutions.

SNC-Lavalin has a Global Health, Safety and Environment ("HSE") policy that sets the tone for any work we undertake. The Company also has strategies and tools to ensure that this policy is implemented in all its activities across the globe. The policy is based on the principles of visible safety leadership, creating secure working conditions and respect for the environment at all levels. From these basic commitments a series of tools have been developed, which include the implementation of our global health and safety and environmental management systems. HSE metrics form part of the Company's annual incentive plan, highlighting their importance for our employees.

Integrity

SNC-Lavalin is committed to doing the right thing, whatever it takes. We are accountable for both our successes and our shortcomings. We focus on respecting each other, our communities and our environment, on having the courage to stand up for what's right and on keeping our promises.

Our Integrity Program is a benchmark in our industry and is an integral part of our daily work and decision-making process. We demand integrity and professionalism of ourselves, just as others – such as our shareholders and clients – expect it of us. To that end, we continue to formalize our best practices, solidify them and make them more observable. Our Integrity Program is there to help us act on our values. It is more than just a program – it's a way of doing business. Integrity metrics also form part of the Company's annual incentive plan, reminding our employees of their importance.

Our Integrity team encompasses highly experienced professionals who work in three areas: the corporate Integrity & Regulatory compliance function; dedicated sector, regional and functional Integrity officers; and the Compliance remediation and monitoring group.

Our Integrity team's responsibilities include developing, implementing and maintaining a comprehensive Integrity Program that influences the Company's activities and supports our sectors and regions. Integrity officers are appointed for each sector of activity and for each region in which SNC-Lavalin operates, and ultimately report to the Chief Integrity Officer, ensuring true independence of the compliance function. The Chief Integrity Officer reports to the Executive Vice-President and General Counsel, with a direct reporting line to the Board of Directors.

Highlights of our Integrity Program are available on the Company's website at www.snclavalin.com.

SNC-Lavalin's Code of Conduct is made available in nine languages. Every employee working for SNC-Lavalin must, as a condition of employment, certify on an annual basis that they will abide by its provisions. The Company's Code of Conduct is available on SEDAR at www.sedar.com and on the Company's website at www.snclavalin.com.

SNC-Lavalin expects its business partners to adhere to its business principles, culture and values and comply with all applicable laws and regulations. Our business units perform risk assessments as well as compliance due diligence on the prospective business partners. A Supplier Code of Conduct applies to all of our suppliers, including our business partners. The Supplier Code of Conduct is available on the Company's website at www.snclavalin.com.

Our commitment to integrity has earned us the prestigious Compliance Leader Verification from the Ethisphere Institute, an independent centre for research, best practices and thought leadership. Ethisphere conducted a thorough assessment of our Integrity Program and benchmarked it against its 2018 World's Most Ethical Companies data set, providing insight into the programs and practices of leading companies around the world.

Collaboration

We work together to achieve success by embracing our differences to deliver amazing results. SNC-Lavalin fosters an environment where respectful and collegial interactions can take place, where we can harness the power of teamwork and where relationships can be based on trust and openness.

At SNC-Lavalin, we nurture collaboration across our sectors, functions and regions in order to offer the best solutions to our clients and to unlock new sources of growth. Working collaboratively among our teams and creating enduring partnerships with clients is equally important to our long-term success and competitiveness.

To enable and support our aspirations, the Company provides employees with a work environment that:

- Prohibits harassment, discrimination and any form of violence;
- Promotes diversity, inclusivity and equal opportunity;
- Fosters mutual trust and respect at all levels of the organization;
- Enables employees to report misconduct without fear of retaliation; and
- Provides employees with the opportunity to develop their potential.

Innovation

At SNC-Lavalin, we want to be one step ahead. To do so, we put the focus on reimagining our collective capabilities to better serve our clients by nurturing a culture conducive to new ideas, by thinking boldly, proudly and differently. We also strive to leverage technology, our competencies and our assets.

By cultivating an innovative company culture that empowers employees to engage one another, embrace new ideas and challenge the status quo, we will change our business for the better and have a meaningful impact on the way we approach our work.

Sustainability

SNC-Lavalin has a responsibility to put sustainability at the heart of our business strategy through our market leadership role, our operations and the services we provide. SNC-Lavalin recognises that our operations can make an important contribution to a more sustainable world. It is our leadership responsibility to both improve our own sustainability performance through the way we run our business and to influence others. This will be through the alignment of our strategic advice, design, construction, asset life-cycle operations and services aligned with our business strategy and plans. Our Sustainability Policy Statement is available on the Company's website at www.snclavalin.com.

Modern Slavery and Human Trafficking Statement

At SNC-Lavalin, we do all we can to prevent modern slavery and human trafficking. We are dedicated to protecting every individual working directly or indirectly for SNC-Lavalin from any form of modern slavery and human trafficking by promoting our core values: Safety, Integrity, Collaboration and Innovation. Our Modern Slavery and Human Trafficking Statement is available on the Company's website at www.snclavalin.com.

Environmental Protection

Our business involves in part the planning, design, program management, construction and construction management, and operations and maintenance at various sites, including but not limited to, nuclear facilities, hazardous waste sites, contract mining sites, hydrocarbon and petroleum production, distribution and transport sites, and military and other infrastructure-related facilities. Some of our work can be performed adjacent to environmentally sensitive locations such as wetlands, lakes and rivers. These activities can require us to manage, handle, remove, treat, transport or dispose of certain toxic, radioactive or hazardous substances. In the conduct of our operations, accidental releases of such substances can result in fines, penalties and other sanctions under environmental laws and regulations, and many of these laws call for joint and several and/or strict liability, which can render a party liable without regard to negligence or fault.

The Company's management is not aware of any pending violations of environmental legislation or significant cost of compliance with environmental legislation which would be likely to have a material impact on any of the Company's operations, capital expenditure requirements or competitive position. Some factors, however, could result in additional expenditures or the provision of additional accruals in expectation of such expenditures. These include the imposition of more stringent requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or the allocation of such costs among potentially responsible parties, or a determination that the Company is potentially responsible for the release of hazardous substances at sites other than those currently identified.

The Company has certain asset retirement obligations and environmental liabilities, and as a result, a provision is made for the associated costs in the financial period when the related event occurs, based on estimated future costs using information available at the date of the statement of financial position.

Specialized Skill and Knowledge

We are a knowledge-based organization, always seeking talented and skilled professionals for all of our specialized services. As we operate in a competitive industry where turnover costs are high and long-term relationships are key, the Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry in particular is faced with an increasing shortage of skilled labourers in some areas and disciplines, particularly in remote locations that require workers to live in temporary "camp" environments. The resulting competition for labour may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis.

Foreign Operations

A significant portion of the Company's revenues are attributable to projects in international markets outside of Canada. The Company's business is dependent on the continued success of its international operations, and the Company expects its international operations to continue to account for a significant portion of total revenues. To the extent that the Company's international or Canadian operations are affected by unexpected or adverse economic, political and other conditions, the Company's business, financial condition and results of operations may be adversely affected. The Company continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks. Foreign exchange risks are actively managed and hedged where possible and considered cost effective, but the Company

does not have hedging strategies in place with respect to the currencies of all countries in which it does business. The Company's hedging strategy includes the use of forward foreign exchange contracts, which also contain an inherent credit risk related to default on obligations by the counterparties to such contracts.

4. DIVIDENDS

In 2019, SNC-Lavalin declared and paid 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 three fiscal years, SNC-Lavalin has declared and paid the following quarterly dividends per common share:

	Q1 (\$)	Q2 (\$)	Q3 (\$)	Q4 (\$)	Annual (\$)
2019	0.10	0.02	0.02	0.02	0.16
2018	0.287	0.287	0.287	0.10	0.961
2017	0.273	0.273	0.273	0.287	1.106

5. CAPITAL STRUCTURE

1. **General Description**

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares (collectively, the "**Preferred Shares**"). Only common shares are currently issued and outstanding.

The following summarizes certain provisions relating to the Company'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 attached to such shares.

Common Shares

Dividends: Holders of the Company's common shares are entitled to receive dividends as and when declared by the Board of Directors.

Voting rights: Entitled to one vote per share.

Rights upon liquidation, winding up or dissolution: Right to receive the residual of the Company's assets subject to the prior rights of the holders of any then issued and outstanding Preferred Shares.

2. **First Preferred Shares**

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

Dividends: 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:

Dividends: Priority over all other classes of shares. Cumulative for an amount equal to 77% of the prime rate set by the National Bank of Canada. 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 Company for an amount paid on the shares and all accrued unpaid dividends.

3. Second Preferred Shares

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

Dividends: Priority over all other classes of shares, except for the 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 for the First Preferred Shares.

Debentures

The following table summarizes the principal amounts outstanding as at February 27, 2020 under the Company's unsecured debentures, which are described in greater detail below.

Type	Maturity Date	Principal Amount Outstanding
2017 Debentures	November 24, 2020	\$300 million
Series 3 Debentures	March 2, 2021	\$175 million
Series 4 Debentures	March 2, 2023	\$200 million

On November 24, 2017, the Company issued, by way of private placement, \$300 million aggregate principal amount of unsecured debentures with a fixed annual interest rate of 2.689%, payable in equal semi-annual installment over a 3 year term (the "**2017 Debentures**"). On the date of issuance of the 2017 Debentures, the Company, as issuer, and Computershare Trust Company of Canada, as trustee, entered into a trust indenture (the "**Initial 2017 Trust Indenture**"), and the 2017 Debentures were issued pursuant to an indenture supplemental to the Initial 2017 Trust Indenture (together with the Initial 2017 Trust Indenture and all other trust indentures supplemental thereto, the "**2017 Trust Indenture**").

On March 2, 2018, the Company issued \$525 million aggregate principal amount of unsecured debentures in three series by way of private placement consisting of (i) \$150 million in floating rate debentures due March 4, 2019, (ii) \$175 million in floating rate Series 3 Debentures due March 2, 2021 (the "**Series 3 Debentures**"), and (iii) \$200 million in 3.235% Series 4 Debentures due March 2, 2023 (the "**Series 4 Debentures**" and, together with the Series 3 Debentures, the "**March 2018 Debentures**" and, together with the 2017 Debentures, the "**Debentures**"). The March 2018 Debentures were issued pursuant to trust indentures supplemental to the Initial 2017 Trust Indenture. The Series 3 Debentures bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%) to be set quarterly on the 2nd day of March, June,

September and December of each year. Interest on the Series 3 Debentures is payable in cash quarterly in arrears, over the three-year term on the 2nd day of March, June, September and December of each year. The Series 4 Debentures bear interest at a fixed annual rate of 3.235%, payable in equal semi-annual installments over the 5-year term, on the 2nd day of March and September of each year.

The 2017 Trust Indenture contains customary restrictive covenants (including with respect to incurrence of certain indebtedness and a negative pledge) with respect to the Company and certain of its subsidiaries and customary events of default.

The Debentures are solidarily (jointly and severally) guaranteed, on an unsecured basis, as to the payment of principal, interest and premium, if any, and certain other amounts specified in the 2017 Trust Indenture, by certain material subsidiaries of the Company.

The 2017 Debentures and the Series 4 Debentures are redeemable at the Company's option, under certain circumstances and at the redemption prices set forth in the 2017 Trust Indenture.

Under the 2017 Trust Indenture, if a "Change of Control Triggering Event" (as defined in the 2017 Trust Indenture) occurs, unless the Company has exercised its optional right to redeem all of the Debentures of the relevant series (where applicable), the Company will be required to make (or arrange for a third party to make) an offer to repurchase all or, at the option of each holder of Debentures, part of such holder's Debentures, at a purchase price payable in cash equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

Amended and Restated Shareholder Rights Plan Agreement

The Company entered into an Amended and Restated Shareholder Rights Plan Agreement dated as of March 2, 2017, with Computershare Investor Services Inc. as rights agent, which was subsequently ratified by the Company's shareholders on May 4, 2017 and filed under the Company's SEDAR profile on May 4, 2017. The shareholders of the Company will be asked to adopt a resolution at the next annual meeting of shareholders of the Company to be held on May 7, 2020 to reconfirm the Amended and Restated Shareholder Rights Plan Agreement until the close of business on the date on which the annual meeting of the shareholders of the Company is held in 2023.

Credit Ratings

The Debentures are currently rated BB+ by Standard & Poor's Rating Services ("**S&P**") and BBB (low) by DBRS Limited ("**DBRS**").

The definitions of each rating as well as the outlook/trend set forth below have been obtained from S&P's and DBRS's respective websites.

Credit ratings established by S&P and DBRS are based on quantitative and qualitative considerations relevant to the Company. The credit ratings are intended to indicate the risk that the Company 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 buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

During the last two years, the Company has paid customary rating fees to S&P and DBRS in connection with their ratings of the Company's outstanding debt. The Company reasonably expects that such payments will continue to be made in the future. In addition, during the last two years, the Company has, in the ordinary course of business, made payments to S&P and DBRS in respect of other services provided to the Company.

S&P (Rating: BB+, Outlook: Negative)

On August 19, 2019, S&P downgraded the Company's rating to BB+ from BBB- and maintained its negative outlook. The downgrade primarily reflects the significant losses realized on LSTK construction contracts year-to-date. S&P expects the Company's adjusted EBITDA to be in the range of \$300 million to \$350 million in 2019 compared to approximately \$900 million previously assumed and for an adjusted debt-to-EBITDA ratio, as per S&P's methodology, of 4x to 5x versus the low 2x area. The negative outlook primarily reflects uncertainty in the Company's ability to recover earnings and cash flow so that the adjusted debt-to-EBITDA ratio, as per S&P's methodology, returns below 3x by 2020. S&P expects the credit measures to meaningfully improve in 2020 supported by relatively stable earnings within SNCL Engineering Services, positive free cash flow generation, and debt reduction. S&P believes that relatively stronger credit characteristics such as growth profiles, earnings and cash flow stability, and higher margins of the remaining areas that include engineering, design, and project management, nuclear, infrastructure and capital investments offset the smaller scale and breadth of service offering resulting from exiting LSTK contracting and certain regions.

Long-term debt obligations rated "BB" exhibit less vulnerability in the near-term but face major ongoing uncertainties or exposure to adverse, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitment on the obligations. This rating falls within the fifth highest of S&P's ten long-term credit rating categories which range from "AAA" to "D". The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

An S&P 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 stable outlook means that a rating is not likely to change. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

DBRS (Rating: BBB (low), Trend: Negative)

On July 24, 2019, DBRS issued a rating report downgrading the Company to BBB (low) from BBB and changed the trend to Negative from Stable. The downgrade reflects considerably weaker than anticipated Q2 2019 results, which DBRS estimated would reduce 2019 forecast earnings resulting in a slower recovery of the Company's financial metrics. DBRS expected the Company's financial flexibility to improve as the \$3.0 billion in closing proceeds from the sale of a 10.01% ownership interest in 407 International Inc. was to be applied towards debt repayment. To return the trends to Stable, Company would need to display growth and progress in its Engineering Services business along with recovering earnings towards a level supportive of the Issuer Rating.

Long-term debt rated "BBB" is of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable but may be vulnerable to future events. This rating falls within the fourth highest of DBRS' ten long-term debt rating categories which range from "AAA" to "D". All rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

DBRS' rating trends provide guidance in respect of its opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories – "Positive", "Stable" or "Negative". DBRS' rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed.

6. MARKET FOR SECURITIES

Market

The common shares of the Company are listed for trading on the Toronto Stock Exchange (“TSX”) under the symbol “SNC”.

Trading Price and Volume

The following table sets out the trading prices and volumes of the Company’s common shares on the TSX and other Canadian marketplaces for the periods indicated.

2019	Volume (in ‘000s)	High*	Low*	Close
January	22,891	48.88	33.51	36.57
February	31,284	37.79	33.30	36.35
March	24,396	37.16	33.75	33.91
April	24,389	35.31	32.47	33.40
May	39,548	33.54	23.44	24.09
June	31,758	27.90	23.58	26.48
July	36,268	27.08	20.05	20.88
August	46,176	20.68	15.58	16.41
September	41,799	21.18	15.47	18.66
October	39,478	23.90	16.35	23.81
November	51,733	27.86	22.16	24.02
December	35,806	32.59	22.59	29.95

* Intra-day highs and lows during each month

In 2019, the Company did not issue any equity or debt securities of any class or series.

7. DIRECTORS AND OFFICERS

The following table lists the directors of the Company, as at February 27, 2020, their place of residence, and their respective principal occupations during the preceding five years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>	<u>Director Since</u>
Jacques Bougie, O.C. ^{(2), (3)} Quebec (Canada)	Corporate Director	2013
Isabelle Courville ^{(2), (3)} Quebec (Canada)	Corporate Director	2017

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>	<u>Director Since</u>
Ian L. Edwards Quebec (Canada)	President and CEO of the Company since October 2019; Former Interim President and CEO of the Company from June 2019 to October 2019; Former Chief Operating Officer of the Company from January 2019 to June 2019; Former President, Infrastructure Sector, of the Company from April 2015 to January 2019; Former Executive Vice-President, Infrastructure Construction, of the Company from November 2014 to April 2015	2019
Catherine J. Hughes, ICD.D ^{(1), (4)} Florida (United States of America)	Corporate Director	2016
Kevin G. Lynch, P.C., O.C., Ph.D., LL.D. Ontario (Canada)	Chairman of the Board of the Company since January 2018; Corporate Director; Vice-Chairman at BMO Financial Group (Financial Institution) since March 2010.	2017
Steven L. Newman ^{(2), (3), (4)} Utah (United States of America)	Corporate Director; Former Director and President and CEO at Transocean, Ltd. (Oil & Gas Drilling and Exploration) from March 2010 to February 2015.	2015
Jean Raby ^{(1), (4)} Paris (France)	Corporate Director; CEO of Natixis Investment Managers S.A. (previously Natixis Global Asset Management, S.A.) (Global Asset Management) since February 2017; Former Chief Financial Officer at SFR Group (Telecommunications) from May 2016 to November 2016; Former Advisor to the Chief Financial Officer at Nokia Corporation (Telecommunications Equipment) from March 2016 to April 2016; Former Executive Vice-President, Chief Financial and Legal Officer at Alcatel-Lucent S.A. (Telecommunications Equipment) from September 2013 to February 2016.	2015
Alain Rhéaume ⁽¹⁾ Quebec (Canada)	Corporate Director; Co-Founder and Managing Partner of Trio Capital Inc. (Private Investment Management Company) since September 2006.	2013

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>	<u>Director Since</u>
Eric D. Siegel, ICD.D ^{(1), (3)} Ontario (Canada)	Corporate Director; Former Ottawa Chapter Executive, Institute of Corporate Directors (Not-for-Profit Association Representing Canadian Directors and Boards) from October 2012 to June 2017.	2012
Zin Smati, Ph.D. ^{(2), (4)} Texas (United States of America)	Corporate Director; Former Board Member, Chairman and CEO at LifeEnergy LLC (Delivery of Energy Products) from March 2016 to September 2019; Former Senior Advisor at LS Power (Power Generation, Transmission and Investment Group) from January 2016 to December 2018; Former President and CEO at GDF Suez Energy North America, Inc. (Power Generation, Liquefied Natural Gas, Gas Distribution and Transmission, Marketing and Trading and Retail Energy) from May 2006 to December 2015.	2016
Benita M. Warmbold, FCPA, FCA, ICD.D ^{(1), (3)} Ontario (Canada)	Corporate Director; Former Senior Managing Director and Chief Financial Officer at Canada Pension Plan Investment Board (CPPIB) (Professional Investment Management Organization) from December 2013 to July 2017.	2017

- (1) Member of the Audit Committee
- (2) Member of the Governance and Ethics Committee
- (3) Member of the Human Resources Committee
- (4) Member of the Safety, Workplace and Project Risk Committee

Directors of the Company are elected at the annual meeting of shareholders of the Company. 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.

Except as described below, to the knowledge of the Company, in the last ten years, none of the above-named directors is or has been a director or officer of any company that, while that person was acting in that capacity 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 thirty consecutive days. In addition, to the knowledge of the Company, in the last ten years, none of the above-named directors is or has been a director or officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, 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 as described below.

- Mr. Jacques Bougie, a director of the Company, served as a director of AbitibiBowater Inc. (“**AbitibiBowater**”) (formerly Abitibi-Consolidated Inc. and now Resolute Forest Products Inc.) from 2004 to December 2010. In April 2009, AbitibiBowater, together with certain of its U.S. and Canadian subsidiaries, filed voluntary petitions in the U.S. Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the U.S. Bankruptcy Code, as amended, and certain of its Canadian subsidiaries sought creditor protection under the Companies’ Creditors Arrangement Act (“**CCAA**”) with the Superior Court of Quebec in Canada. AbitibiBowater completed its reorganization and emerged from creditor protection proceedings under the CCAA in Canada and Chapter 11 of the U.S. Bankruptcy Code in December 2010.
- Mr. Alain Rhéaume, a director of the Company, served as a director of Quebecor World Inc. (“**Quebecor World**”) from 1997 until July 2009. Quebecor World placed itself under the protection of the CCAA on January 21, 2008 and implemented a capital restructuring plan approved by its creditors in 2009, after obtaining a court order authorizing it.

Furthermore, to the knowledge of the Company, in the last ten years, no director or officer of the Company 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 Company currently has four standing Board Committees, namely the Audit Committee, the Governance and Ethics Committee, the Human Resources Committee, and the Safety, Workplace and Project Risk Committee. The Board of Directors does not have an executive committee. As at February 27, 2020, membership of the Board Committees was as follows:

Audit Committee

B.M. Warmbold (Chair)
C.J. Hughes
J. Raby
A. Rhéaume
E.D. Siegel

Governance and Ethics Committee

S.L. Newman (Chair)
J. Bougie
I. Courville
Z. Smati

Human Resources Committee

I. Courville (Chair)
J. Bougie
S.L. Newman
E.D. Siegel
B.M. Warmbold

Safety, Workplace and Project Risk Committee

Z. Smati (Chair)
C.J. Hughes
S.L. Newman
J. Raby

The following table lists the executive officers of the Company (who qualify as such under applicable securities regulations) who are not also directors of the Company, as at February 27, 2020, their place of residence and their respective principal occupations during the preceding five years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>
Jeffrey Allan Bell Egham (United Kingdom)	Executive Vice-President at SNC-Lavalin since February 2020; Non-Executive Director of Spirit Energy (Exploration & Production) since January 2018; Former Financial Advisor at Centrica Plc (Energy Services) from November 2018 to July 2019; Former Group Chief Financial Officer at Centrica Plc (Energy Services) from September 2014 to October 2018.

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>
James Cullens London (United Kingdom)	Executive Vice-President, Human Resources at SNC-Lavalin since November 2017; Former Group Director Human Resources & Marcomms and Executive Director Atkins at SNC-Lavalin from July 2017 to November 2017; Former Executive Director, Group HR and Marcomms at Atkins (Design, Engineering and Project Management) from July 2014 to July 2017.
Sylvain Girard Quebec (Canada)	Executive Vice-President and Chief Financial Officer at SNC-Lavalin since April 2016; Former Senior Vice-President and Corporate Controller at SNC-Lavalin from June 2015 to April 2016; Former Senior Vice-President, Finance, Power Sector at SNC-Lavalin from August 2014 to June 2015.
Philip Hoare Bristol (United Kingdom)	President, EPDM Sector at SNC-Lavalin since May 2019; Former CEO, Atkins, UK and Europe Region, at SNC-Lavalin from January 2018 to May 2019; Former Managing Director, UK and Europe Transportation Division, of Atkins (member of the SNC-Lavalin Group since July 2017) from February 2015 to January 2018.
Craig Muir Dubai (United Arab Emirates)	President, Resources Sector at SNC-Lavalin since April 2019; Former Chief Commercial Officer – Engineering & Construction at Petrofac International Ltd. (Oil & Gas) from August 2018 to March 2019; Former Group Managing Director – Engineering & Production Services at Petrofac International Ltd. (Oil & Gas) from January 2016 to July 2018; Former Managing Director – Engineering & Consulting Services at Petrofac International Ltd. (Oil & Gas) from February 2012 to December 2015.
Charlene Ripley British Columbia (Canada)	Executive Vice-President and General Counsel at SNC-Lavalin since October 2019; Former Executive Vice-President and General Counsel at Goldcorp Inc. (Mining) from April 2013 to April 2019.
Erik J. Ryan Quebec (Canada)	Executive Vice-President, Strategy, Marketing and External Relations at SNC-Lavalin since November 2013.
Alexander (Sandy) Taylor Quebec (Canada)	President, Nuclear Sector at SNC-Lavalin since January 2018; Former President, Power Sector at SNC-Lavalin from March 2014 to December 2017.

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five Years</u>
Stéphanie Vaillancourt Quebec (Canada)	Executive Vice-President, Capital and Treasurer at SNC-Lavalin since March 2019; Former Senior Vice-President and Treasurer at SNC-Lavalin from October 2016 to March 2019; Former Vice-President, Treasury and Capital Allocation at Bombardier Recreational Products (Vehicles Manufacturer) from May 2015 to October 2016; Former Treasurer at Bombardier Recreational Products (Vehicles Manufacturer) from October 2006 to May 2015.
Louis G. Véronneau Quebec (Canada)	Executive Vice-President and Chief Transformation Officer at SNC-Lavalin since January 2020; Former Senior Vice-President, Strategy and Corporate Development at Bombardier (Aviation and Rail Transportation) from June 2018 to July 2019; Former Vice-President, Mergers & Acquisition at Bombardier (Aviation and Rail Transportation) from June 2015 to June 2018.
Nigel W.M. White Staffordshire (United Kingdom)	Executive Vice-President, Project Oversight at SNC-Lavalin since August 2019; Former Executive Director at Gammon Construction Limited (General Contractors) from October 2011 to August 2019.
Jonathan (John) Wilkinson Quebec (Canada)	President, Infrastructure Projects at SNC-Lavalin since February 2020; Former President, Infrastructure Sector at SNC-Lavalin from January 2019 to February 2020; Former Executive Vice-President, Infrastructure Construction at SNC-Lavalin from July 2017 to January 2019; Former Managing Director, Infrastructure at Laing O'Rourke (Engineering, Construction and Asset Management) from 2015 to July 2017; Former Executive Managing Director at Kier Services Limited (a division of Kier Group plc (Infrastructure, Buildings, Developments and Housing)) from 2013 to 2015.

As at December 31, 2019, the above directors and executive officers of the Company, as a group, held, either directly or indirectly, or exercised control over 85,549 common shares, representing approximately 0.05% of the issued and outstanding common shares of the Company.

8. LEGAL PROCEEDINGS

Class actions

Ruediger Class Action

On February 6, 2019, a Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of Quebec's Securities Act (the "**Ruediger Class Action Motion**") was filed with the Quebec Superior Court (the "**Ruediger Class Action**"), on behalf of persons who acquired SNC-Lavalin securities

from February 22, 2018 through January 27, 2019 (the “**Ruediger Class Period**”), and held some or all of such securities as of the commencement of trading on January 28, 2019. The Ruediger Class Action Motion alleges that certain documents filed by SNC-Lavalin and oral statements made by its then Chief Executive Officer during the Ruediger Class Period contained misrepresentations related to SNC-Lavalin’s revenue forecasts and to the financial performance of the Mining & Metallurgy and Oil & Gas segments, which misrepresentations would have been corrected by way of SNC-Lavalin’s January 28, 2019 press release.

The Ruediger Class Action Motion seeks leave from the Quebec Superior Court to bring a statutory misrepresentation claim under Quebec’s *Securities Act*. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members an unspecified amount for compensatory damages with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution. On October 15, 2019, the plaintiffs in the Ruediger Class Action Motion delivered an amended “Motion for authorization of a class action and for authorization to bring an action pursuant to section 225.4 of Quebec’s *Securities Act*”. The amendments extend the class period for the Ruediger Class Action Motion to July 22, 2019 and broaden the scope of the claim from the Codelco project to the Company’s general execution of fixed price contracts for engineering services, materials, equipment or construction.

SNC–Lavalin believes the claims outlined in the Ruediger Class Action Motion are completely without merit.

Drywall Class Action

On June 5, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice (the “**Drywall Class Action**”), on behalf of persons who acquired SNC-Lavalin securities from February 22, 2018 through May 2, 2019 (the “**Drywall Class Period**”).

The Drywall Class Action claim alleges that disclosures by SNC-Lavalin during the Drywall Class Period contained misrepresentations related to: (i) its IFRS 15 reporting systems and controls compliance; (ii) its revenue recognition in respect of the Mining & Metallurgy segment being non-compliant with IFRS 15; (iii) revenue on the Company’s Codelco project in Chile being overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company’s disclosure controls and procedures and its internal controls over financial reporting which led to a \$350 million write-down on the Codelco project; (v) when IFRS was applied to the Mining & Metallurgy segment results in 2019, this led to the Company disbanding its Mining & Metallurgy segment; and (vi) the Company’s financial statements during the Drywall Class Period being materially non-compliant with IFRS.

The Drywall Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario’s *Securities Act*. The proposed action claims damages and seeks the condemnation of the Defendants to pay the class members \$1.2 billion or such other compensatory damages as the court may award, with interest and additional indemnity as well as full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution.

On September 13, 2019, counsel to the plaintiffs in the Ruediger Class Action brought a motion to stay the Drywall Class Action on the grounds that it is duplicative of the Ruediger Class Action Motion. Counsel for the Company filed a companion motion in support of this motion on October 1, 2019. These companion motions were heard together on November 8, 2019 and the Ontario Superior Court of Justice rendered its decision on November 21, 2019, dismissing the motions. On December 6, 2019, the plaintiff in the Ruediger Class Action and the Company brought motions for leave to appeal the dismissal of these motions.

On October 15, 2019, the plaintiffs in the Drywall Class Action delivered a proposed Amended Statement of Claim that contemplates expanding the Drywall Class Period to include SNC-Lavalin’s July 22, 2019 and August 1, 2019 press releases and increasing the claim for damages from \$1.2 billion to \$1.8 billion.

Peters Class Action

On February 25, 2019, a Notice of Action was issued with the Ontario Superior Court of Justice, on behalf of persons who acquired SNC-Lavalin securities from September 4, 2018 through October 10, 2018. On March 25, 2019, a Statement of Claim was filed with the Ontario Superior Court of Justice with respect to the claims set out in the Notice of Action (together, the Notice of Action and the Statement of Claim are the “**Peters Class Action**”).

The Peters Class Action alleges that the defendants, including the Company, its Chairman and certain of its officers, failed to make timely disclosure of a material change in the business, operations or capital of SNC-Lavalin, by failing to disclose that on September 4, 2018, the Director of the PPSC communicated her decision to SNC-Lavalin not to award an opportunity to negotiate a remediation agreement.

The Peters Class Action seeks leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under Ontario’s Securities Act and the comparable acts in other provinces. The Peters Class Action claims damages in the sum of \$75 million or such other amount as the Superior Court may determine plus interest and costs.

SNC-Lavalin intends to defend the Ruediger Class Action, the Drywall Class Action and the Peters Class Action vigorously.

Pyrrhotite case

On June 12, 2014, the Quebec Superior Court rendered a decision in “Wave 1” of the matter commonly referred to as the “Pyrrhotite Case” in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Quebec Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately \$168 million in damages apportioned amongst the then-known defendants, on an in solidum basis (the “**Wave 1 claims**”). SNC-Lavalin, among other parties, filed a Notice to Appeal the Quebec Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin’s share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). The appeal hearing started in October 2017 and was completed during the week of April 30th, 2018. A decision from the Quebec Court of Appeal is expected in early 2020.

In addition to the appeal of the decision, a recourse in warranty was filed against another party seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. This recourse, for which the trial commenced in March 2019 and should be completed in early 2020, may result in a reduction of SNC-Lavalin’s share of the damages.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in “**Wave 2**” of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin’s total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin’s liability period, as determined in the Wave 1 judgement. SNC-Lavalin also expects some insurance coverage for Wave 2 claims. In addition, SNC-Lavalin has undertaken a warranty recourse against another party with respect to Wave 2 claims.

Ongoing and potential investigations

The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters (unrelated to the settlements described below) in various jurisdictions, including, without limitation, Algeria.

The Company also understands that a Royal Canadian Mounted Police (the “**RCMP**”) investigation relating to alleged payments in connection with a 2002 contract for the refurbishment of the Jacques Cartier Bridge by a consortium which included SNC-Lavalin and which led to a guilty plea by the former head of the Canada Federal Bridges Corporation in 2017, continues and its scope may include the Company.

Settlements

PPSC Settlement

On February 19, 2015, the RCMP and the PPSC laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity was charged with one count of fraud under Section 380 of the Criminal Code (Canada) and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the “**Charges**”). These Charges followed the RCMP’s formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation also led to criminal charges being laid against two former employees of the Company.

On December 18, 2019, the Company announced it had reached a settlement with the PPSC regarding the Charges (the “**PPSC Settlement**”). As part of the PPSC Settlement, SNC-Lavalin Construction Inc. has accepted a plea of guilty to a single charge of fraud. All other Charges against the Company, SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. have been withdrawn by the PPSC. Also, as part of the PPSC Settlement, SNC-Lavalin Construction Inc. will pay a fine in the amount of \$280 million, payable in equal installments over 5 years, and will be subject to a three-year probation order. The Company will comply with the probation order for the three-year period.

Other Legal Proceedings

SNC-Lavalin Inc. has initiated court proceedings against a Canadian client stemming from engineering, procurement, and construction management services that SNC-Lavalin Inc. provided in relation to the client’s expansion of an ore-processing facility. SNC-Lavalin claimed from the client certain amounts due under the project contract. The client has counterclaimed alleging that SNC-Lavalin defaulted under the project contracts and is seeking damages.

9. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the CDPQ Loan (as amended) or as elsewhere described in this Annual Information Form, to the knowledge of the Company, none of the (i) directors or executive officers of the Company, (ii) shareholders of the Company that beneficially own, or control or direct, directly or indirectly, more than 10% of any class of shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or the current financial year that has materially affected or is reasonably expected to materially affect the Company or any of its affiliates or subsidiaries.

10. TRANSFER AGENT AND REGISTRAR

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

11. MATERIAL CONTRACTS

Other than those contracts entered into during the normal course of business, the only contracts that are material to the Company and that were entered into within the fiscal year ended December 31, 2019, or before such year and after January 1, 2002 that are still in effect, and which are required to be filed with the Canadian securities regulatory authorities pursuant to applicable securities laws, are (i) the 407 Sale SPA, and (ii) the Current Credit Agreement and the CDPQ Loan. Each of the 407 Sale SPA, the Current Credit Agreement and the CDPQ Loan is described in Section 2 of this Annual Information Form, “*General Development of the Business*” and has been filed on SEDAR at www.SEDAR.com under the Company’s issuer profile. As at December 31, 2019, an aggregate of \$188.1 million was outstanding under the Current Credit Agreement (the entire amount of which is related to letters of credit issued thereunder) and \$400 million was outstanding under the CDPQ Loan.

12. EXPERTS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

13. 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 Company consists of Ms. Benita M. Warmbold (Chair), Ms. Catherine J. Hughes, Mr. Jean Raby, Mr. Alain Rhéaume and Mr. Eric D. Siegel. Each member of the Audit Committee is independent as determined by the Board including in light of Canadian securities legislation and regulations, and none receives, directly or indirectly, any compensation from the Company 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 Company’s financial statements.

Relevant Professional Qualifications and Experience of Audit Committee Members

Each of the members of the Company’s Audit Committee has professional qualifications or business experience, or both, that are relevant to the performance of his/her responsibilities as a member of the Audit Committee.

Benita M. Warmbold (Chair) has more than 30 years of experience in the finance industry. She is the former Senior Managing Director and CFO of the Canada Pension Plan Investment Board (“CPPIB”), a position she held from December 2013 to July 2017. Prior to that, she was Senior Vice-President and COO from 2008 to 2013. CPPIB is a professional investment management organization responsible for investing funds on behalf of the Canada Pension Plan. Before joining CPPIB, she served as Managing Director and CFO for Northwater Capital Management Inc. from 1997 to 2008. She previously held senior positions with Canada Development Investment Corporation and KPMG. Ms. Warmbold is currently a director of The Bank of Nova Scotia (member of its audit and conduct review committee), Crestone Peak Resources (chair of its audit and risk committee), Methanex Corporation (chair of its audit, finance and risk committee), the Canadian Public Accountability Board and the Women’s College Hospital (vice-chair) and is also a member of the Board of Trustees of Queen’s

University and acts as chair of its capital asset and finance committee. She is also a former chair of the audit committee of Canada Development Investment Corporation. She holds an Honours Bachelor of Commerce degree from Queen's University, is a Fellow of the Institute of Chartered Accountants of Ontario and has been granted the ICD.D designation by the Institute of Corporate Directors.

Catherine J. Hughes has more than 25 years of experience in the oil and gas industry. She served as Executive Vice-President International at Nexen Inc. from January 2012 until her retirement in April 2013. Prior to that, she was Vice-President, Operational Services, Technology and Human Resources from December 2009 to December 2011. Before joining Nexen Inc. she served as Vice-President, Oil Sands at Husky Oil Operation Ltd. from 2007 to 2009. Ms. Hughes started her career with Schlumberger and held key positions in various countries including Italy, Nigeria, UK, US and France and was President of Schlumberger Canada Ltd. for five years in Calgary. As such, she was responsible for the Canadian accounting team. Ms. Hughes is currently a director of Royal Dutch Shell Plc. She is a former director of Precision Drilling Corporation and Statoil ASA and a former member of their respective audit committees. Ms. Hughes has also been granted the ICD.D designation by the Institute of Corporate Directors.

Jean Raby Mr. Raby is the CEO of Natixis Investment Managers (global asset management). He was previously CFO of SFR Group (telecommunications operator) from May to November 2016. Prior to his role at SFR Group, Mr. Raby was Executive Vice-President, Chief Financial and Legal Officer of Alcatel-Lucent S.A. from September 2013 to February 2016. Following the acquisition of Alcatel-Lucent by Nokia Corporation, he served as adviser to the CFO of Nokia from March to April 2016. Mr. Raby has more than 25 years of experience in investment banking, law and finance. Prior to his role at Alcatel-Lucent, he spent 16 years in roles of increasing responsibility at the investment banking division of Goldman Sachs & Co., in Paris, France, where he became Co-CEO of the division in France in 2006 (then CEO in 2009), and in Russia where he became Co-CEO of this company's activities in Russia and the Commonwealth of Independent States in 2011. He retired from Goldman Sachs & Co. at the end of 2012. In his early career, Mr. Raby was a corporate lawyer with the law firm Sullivan & Cromwell in New York (1989-1992) and in Paris (1992-1996). Mr. Raby is a member of the board of Université Laval. He holds a law degree from Université Laval, a Master of Philosophy in International Relations from University of Cambridge in the U.K., and a Master of Laws from Harvard Law School. Mr. Raby is also a member of the New York State Bar Association.

Alain Rhéaume is the Co-Founder and Managing Partner of Trio Capital Inc. and has over 25 years of senior management experience in the private and public sectors. He worked for the Ministry of Finance of the Quebec Government from 1974 to 1996, acting as Associate Deputy Minister, Financial Policies and Operations from 1988 to 1992, and from 1992 to 1996 as Deputy Minister. In 1996, Mr. Rhéaume joined Microcell Telecommunications Inc. as CFO. He was subsequently promoted to President and CEO of Microcell PCS (2001-2003) and President and COO of Microcell Solutions Inc. (2003-2004). Until June 2005, Mr. Rhéaume was Executive Vice-President of Rogers Wireless Inc. and President of Fido Solutions Inc. (a division of Rogers Wireless Inc.), roles he assumed when Microcell Telecommunications Inc. was acquired by Rogers. Mr. Rhéaume is a member and a former chair of the audit committee of Resolute Forest Products Inc. He is also a member of its finance committee. Mr. Rhéaume is also the chairman of the board of Boralex Inc. and a former member of its audit committee, a former chairman and public director of the Canadian Investor Protection Fund, a former public director of the Canadian Public Accountability Board and a former audit committee member of five publicly-traded corporations. Mr. Rhéaume graduated from Université Laval with a License in Business Administration (Finance and Economics).

Eric D. Siegel is the former President and CEO of Export Development Canada (EDC), a position he held from 2007 until his retirement in December 2010. Mr. Siegel joined EDC in 1979. In 1997, he was appointed Executive Vice-President and in 2005, COO, assuming overall leadership for EDC's business development and transacting groups until his appointment as President and CEO in 2007. He is currently a director of Citibank Canada and a member of its audit committee as well as a member of the Dean's Advisory Council of York University's Schulich School of Business. Mr. Siegel graduated from the University of Toronto with a Bachelor of Arts degree in history and economics and from York University with a Master of Business Administration.

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 procedure whereby the Chair of the Audit Committee shall pre-approve any non-audit services totalling segments of \$50,000 or less per occurrence, up to a total of \$500,000 per year, and shall be required to report on this at the first scheduled Audit Committee meeting following such pre-approval. Any amounts exceeding the \$500,000 threshold must be pre-approved by the Committee, according to the procedure.

Auditor's Fees

The aggregate fees paid, including the Company'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, for the year ended December 31, 2019 and the year ended December 31, 2018, are presented in the following table:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Audit fees⁽¹⁾	\$12,006,326	\$5,915,862
Audit-related fees⁽²⁾	\$446,477	\$704,328
Tax fees⁽³⁾	\$1,123,649	\$931,868
Other fees⁽⁴⁾	\$99,178	\$644,192
Total⁽⁵⁾	\$13,675,630	\$8,196,250

- (1) Audit fees include fees for professional services rendered for the audit of the Company's annual financial statements and the review of the Company's quarterly reports. They also include fees for audit services provided in connection with other statutory and regulatory filings, such as the audit of the financial statements of the Company's subsidiaries, as well as services that generally only the Company's auditor can provide, such as comfort letters, consents and assistance with and review of documents filed with the securities commissions.
- (2) Audit-related fees include fees for assurance services that are reasonably related to the audit or review of the financial statements and are not reported under "Audit fees", including special attest services not required by statute or regulation, reporting on the effectiveness of internal controls as required by contract or for business reasons, accounting consultations in connection with various transactions, and the audit of the Company's various pension plans.
- (3) Tax fees comprise fees for income, consumption and other tax compliance, advice and planning services relating to domestic and international taxation, review of tax returns and preparation of expatriate employee tax returns.
- (4) Other fees include fees for services other than those described under "Audit fees", "Audit-related fees" and "Tax fees".
- (5) The aggregate fees paid to Deloitte LLP, irrespective of the Company's proportionate interests in its joint ventures and other investees, totaled \$13,931,697 in 2019 and \$8,271,498 in 2018.

14. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the 2019 Management Proxy Circular relating to the May 7, 2020 annual meeting of shareholders of the Company.

Additional financial information, including comparative financial statements for the Company's most recently completed financial year, is contained in the Company's 2019 Management's Discussion & Analysis.

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 Company 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

AUDIT COMMITTEE MANDATE

The Audit Committee is a committee of the Board of Directors of SNC-Lavalin Group Inc. (the “Company”) which assists the Board in supervising the Company’s financial controls and reporting. The Audit Committee also monitors through reasonable measures whether the Company complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

1. COMPOSITION

The Audit Committee shall be composed of not less than three (3) and not more than seven (7) Directors, all of whom must be “independent” as determined by the Board in compliance with Canadian securities legislation and regulations.

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 Company’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 one (1) member of the Human Resources Committee shall sit on the Audit Committee and vice versa. At least one (1) member of the Safety, Workplace and Project Risk Committee shall sit on the Audit Committee and vice versa.

Audit Committee members may not simultaneously serve on more than three (3) audit committees of public issuers unless the Board determines that such service does not impair the ability of such member to serve effectively on the Committee

Subject to the By-Laws of the Company, the Chair and members of the Committee shall be recommended by the Governance and Ethics Committee and appointed by the Board. The appointment of the Chair of the Committee shall be considered annually by the Governance and Ethics Committee. If desired, a new Chair of the Committee shall be recommended by the Governance and Ethics Committee for appointment by the Board.

So as to promote new membership and ideas on the Committee and, taking into account the regulatory and internal requirements with respect to the personal expertise of the members of the Committee (e.g., financial literacy), a rotation of Committee members will occur ideally within 5 years of their joining the Committee. Upon the recommendation of the Governance and Ethics Committee, the tenure of a Committee member may be extended up to a maximum of 8 years. This rotation should be staggered to ensure continuity from year to year. The Committee shall also develop a succession and rotation plan for the Committee Chair and provide the Governance and Ethics Committee with its recommendation with respect to Chair succession.

2. RESPONSIBILITIES

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

Primary Accountability

- (a) Assist the Board of Directors in the discharge of its responsibilities relating to the Company's accounting policies, reporting practices and internal controls, in compliance with applicable legal and regulatory requirements.

Financial Reporting

- (b) Review and recommend approval by the Board before publication of the Company's unaudited quarterly financial statements and accompanying notes and related press release; review the independent auditor's report on its quarterly review.
- (c) Review and recommend approval by the Board before publication of the Company's audited annual financial statements and accompanying notes, related press release as well as significant accounting changes and disclosure of issues and review the independent auditor's report on its annual audit.
- (d) Review and recommend approval by the Board before publication of the Company's Management's Discussion and Analysis with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks, changes in accounting policies, and estimates or reserves, and all significant variances between comparative reporting periods.
- (e) Periodically receive reports and assess the adequacy of the procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure documents set out in paragraphs (b), (c) and (d) above.
- (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) Quarterly review specific financial matters and issues; at least annually review the results of the goodwill impairment testing.

Accounting Policies, Reserves & Tax Matters

- (h) Review and ensure the appropriateness of the accounting policies used in the preparation of the Company's financial statements, including an annual review of the key accounting policies and accounting treatments that are particular to the Company, and consider any proposed changes to such policies.
- (i) Quarterly review the list of projects that required a policy escalation to the Corporate Controller in determining the project forecast; discuss specific policy escalation to ascertain the risk of potential reversals in the future, as required.
- (j) Quarterly review the adequacy of the Company's reserves for litigation, claims or other contingencies and disclosure thereof.

- (k) Quarterly review tax assessments that could have a material effect upon the financial position or operating results of the Company, and ensure appropriate disclosure thereof.
- (l) Annually review the tax filing compliance for corporate and employee tax matters.

Controls and Control Deviations / CEO/CFO Certification

- (m) Monitor the quality and integrity of the Company's internal controls, disclosure controls and procedures and management information systems, with particular emphasis on accounting and financial controls, recommending changes where appropriate.
- (n) Supervise 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.
- (o) Conduct special investigations, if deemed necessary, having at all times access to personnel, books, records and facilities of the Company.
- (p) Review the 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 the results of interim and annual CEO/CFO certification testing.
- (q) Monitor the application of the procedures established by the Committee for: (a) the receipt, retention and treatment of complaints or concerns received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. To this end, the Chair of the Ethics and Compliance Committee shall report quarterly to the Committee on: (i) issues, violations or complaints reported to the Company regarding accounting, internal accounting controls, auditing or fraud (as the latter term is defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings), and (ii) all instances where management overrode or departed from prescribed policies and procedures relating to accounting, internal accounting controls, auditing or fraud (as the latter term is defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings), in accordance with the Company's Governance Framework (11-APO-001).
- (r) Receive reports on and review any other items deriving from the foregoing, either in respect of the Company or a subsidiary, as requested by the Board.

Independent Auditor

- (s) 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 Company and the auditor that relate to the auditor's opinion or a qualification thereof or a comment by the auditor.

- (t)** Recommend to the Board of Directors an independent auditor, which the Committee shall have established is independent, for approval by the shareholders of the Company; review the annual confirmation of independence provided by independent auditor and engage in dialogue with the independent auditor with respect to any relationships or services that may impact the objectivity and independence of the independent auditor.
- (u)** Review and approve audit and non-audit services to be provided by the independent auditor and the fees thereof and consider any impact of the provision of any such services on its independence; periodically review and approve the audit/non-audit services policy.
- (v)** 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 Committee and to the Board of Directors as representative of the Company's shareholders, and perform an annual review of the mandate, organization, staffing, qualifications, independence, performance and effectiveness of the independent auditor.
- (w)** Review and approve the scope and timing of the independent auditor's reviews of the unaudited quarterly financial statements and of its annual audit plan.
- (x)** Monitor the work of the independent auditor engaged for the purpose of preparing or issuing an independent auditor's report or performing other audit, review or attest services for the Company.
- (y)** Review with the independent auditor (i) the contents of its annual audit report to the Committee as well as the results of the independent audit, and (ii) the results of its quarterly reviews, and any significant recommendations from the independent auditor to strengthen the internal controls of the Company.
- (z)** Engage with the independent auditor on an annual discussion on fraud risk.
- (aa)** Review any significant problems encountered by the independent auditor in performing the audit as well as the contents of any management letter issued by the independent auditor to the Company, and management's response thereto.
- (bb)** Review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of the Company.
- (cc)** Resolve any disagreements between management and the independent auditor regarding financial reporting.
- (dd)** Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of the Company (see Attachment A hereto).
- (ee)** Ensure that the requirements regarding the rotation of applicable partners of the independent auditor are completed, as required.

Internal Audit Function

- (ff)** Annually review and approve the charter, nature, scope of work and budget 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.

- (gg)** Quarterly review the audit plan status, including a progress report on the Internal Audit mandates and a follow-up on current, outstanding and past due recommendations.
- (hh)** Quarterly review Internal Audit reports' conclusion and summary of findings as issued.
- (ii)** Ensure the independence 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 directly to the Committee and is accountable to the Committee and to the Board, 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.
- (jj)** Review succession plan for internal auditor as recommended by management.
- (kk)** Approve the appointment and dismissal of the Vice-President, Internal Audit as well as approve his/her performance evaluation and compensation.
- (ll)** Upon the recommendation of the CEO, approve the appointment and dismissal of the CFO as well as approve his/her performance evaluation.

Other Responsibilities and Issues

- (mm)** Review reports on significant litigation matters and material developments thereto.
- (nn)** Review and recommend approval by the Board of the Company's Disclosure and Insider Trading Policy 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; adopt and periodically review the Disclosure Committee charter as required and make recommendations to the Board regarding any required changes.
- (oo)** Review of treasury policy and portfolio; receive reports on the Company's credit rating and liquidity status.
- (pp)** Meet periodically with the General Counsel and Chief Integrity Officer to monitor compliance with finance-related legal and regulatory requirements.
- (qq)** Annually review a report on the Company's overall insurance coverage, including captive and directors' and officers' (D&O), review such report and make recommendations to the Board regarding any required changes.
- (rr)** Discuss management's views on the use of consistency of calculation of financial non-GAAP measures.
- (ss)** Periodically discuss earnings guidance with management, if applicable.

3. ORGANIZATION AND PROCEDURES

- (a)** Members of the Committee are appointed and removed by the Board.
- (b)** Meetings of the Committee shall be held at least quarterly and more frequently as required. The Chair of the Committee, the President and Chief Executive Officer, the Chairman 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 and special meetings of the Committee, an in camera session of the independent Directors shall be held.
- (c)** The Chair of the Committee shall develop the agenda for each meeting of the Committee in consultation with the President and Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The agenda and appropriate material shall be provided to the members of the Committee in a timely manner prior to any meeting of the Committee.
- (d)** The Chief Financial Officer, the Vice-President, Internal Audit and the independent auditor shall have direct access to the Committee. They shall receive notice of and be invited to attend all meetings of the Committee, if they choose to, as non-voting participants.
- (e)** The President and Chief Executive Officer and the Chairman of the Board shall have direct access to the Committee. They shall receive notice of and be invited to attend all meetings of the Committee as non-voting participants.
- (f)** The independent auditor, the Vice-President, Internal Audit and the Chief Financial Officer shall each meet separately, in camera with the Committee, at least quarterly.
- (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 Company, as it deems necessary.
- (h)** The Chair of the Committee shall preside at Committee meetings; in his/her absence, an alternate may be elected by the Committee.
- (i)** A majority of the members of the Committee constitute a quorum.
- (j)** The Corporate Secretary or, in the case where he/she is unable to attend, the Assistant Corporate Secretary, shall act as Secretary of the meeting.
- (k)** The proceedings of the Committee shall be conducted in accordance with the By-Laws of the Company.
- (l)** All minutes of Committee meetings will be forwarded by the Corporate Secretary to each Committee member in a timely manner.
- (m)** The Chair 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.
- (n)** The Committee will require the assistance of Company resources to research, investigate and report on matters within the Committee's responsibilities. The Chief Financial Officer may, if he/she deems it necessary, appoint a member of management to be the prime interface, and to coordinate the Committee's information requirements.

- (o) The Committee may from time to time and in appropriate circumstances, normally but not necessarily in consultation with the Chairman of the Board and the President and Chief Executive Officer, engage outside advisors at the expense of the Company to research, investigate and report on matters within the Committee's responsibilities, approve their retention terms, supervise their work and set their compensation.
- (p) The Committee will annually review its mandate to ensure it continues to be appropriate, establish its annual working plan and make recommendations thereon to the Board as required.
- (q) The Committee will annually assess its performance and that of its members and make recommendations thereon to the Governance and Ethics Committee as required.

Nothing contained in this mandate shall expand applicable standards of conduct or other obligations under any law or regulation for the Directors of the Company or the members of the Committee.

* * * * *

ATTACHMENT "A"

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

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

The Company and its subsidiaries shall not retain the services as an officer, employee or consultant in a position to influence the preparation of the Company '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 Company 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 one (1) year has elapsed from the date on which the financial statements audited by the engagement team were last filed with any regulatory authority.

* * * * *