

Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. (the "Company") and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2021, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2021, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

IAN L. EDWARDS (signed)

PRESIDENT AND
CHIEF EXECUTIVE OFFICER

JEFF BELL (signed)

EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MARCH 2, 2022
MONTREAL, CANADA

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

Opinion

We have audited the consolidated financial statements of SNC-Lavalin Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue – Lump-sum turnkey construction ("LSTK") contracts – Refer to Notes 2F, 3 and 9 to the financial statements

Key Audit Matter Description

The Company recognizes revenue on LSTK contracts over time using an input method, based on costs incurred to date relative to total anticipated costs at completion. The accounting for LSTK contracts that are not complete at the reporting date ("uncompleted contracts") involves judgment, particularly as it relates to determining the transaction price and estimating total anticipated costs at completion. The transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. This amount could include an amount of variable consideration from estimated volume of work, claims and unpriced change orders, and incentives or penalties, to the extent that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Total anticipated costs at completion include both incurred costs to date as well as anticipated costs to complete which could include contingencies and reserves. These costs are impacted by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. Given the duration of LSTK contracts, these assumptions change over time, as the contract is completed.

Given the significant judgements necessary to account for the Company's LSTK uncompleted contracts such as the determination of the variable consideration to be included in the transaction price and the costs to complete each contract, auditing such estimates required extensive audit effort due to the complexity of these estimates and a high degree of auditor attention was required when performing audit procedures and evaluating the results of those procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the variable consideration and cost to complete of LSTK uncompleted contracts included the following, among others:

- For a sample of LSTK uncompleted contracts we:
 - Obtained and inspected the executed contracts, amendments, pending change orders or claims confirming key terms with project management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conducted inquiries with management and project personnel to gain an understanding of the status of project activities.
 - Performed site visits to certain project locations, directly observing project status, and making inquiries of site personnel regarding the status of project activities.
 - Examined the documentation from management's experts, including legal interpretation of relevant contractual clauses as well as third-party assessments as to the contractual entitlement and value of the variable consideration.
 - Based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretations, and probabilistic methodologies, evaluated that management's assessment that the variable consideration is limited to the amount that it is highly probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
 - Evaluated cost to complete by testing key components of the cost to complete estimates, including materials, labour, and subcontractor costs and evaluating support for estimates of project contingencies.
- Performed certain retrospective review procedures to assess management's historical ability to accurately estimate the transaction price (including variable consideration) and cost to complete as well as to identify any significant or unusual changes in project revenue and cost forecasts during the period in LSTK contracts.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christian Jacques.

/s/ Deloitte LLP ⁽¹⁾

MARCH 2, 2022
MONTREAL, QUEBEC

(1) CPA auditor, CA, public accountancy permit No. A124341

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS)		Note	DECEMBER 31 2021	DECEMBER 31 2020
ASSETS				
Current assets				
Cash and cash equivalents	7	\$	608,446	\$ 932,902
Restricted cash	7		13,398	29,300
Trade receivables	8A, 9B		1,145,932	1,199,166
Contract assets	8B, 9B		1,119,045	1,090,149
Inventories	10		17,037	16,122
Other current financial assets	11		138,371	257,432
Other current non-financial assets	12		246,158	253,311
Assets of disposal groups classified as held for sale	6D, 39		343,913	273,174
Total current assets			3,632,300	4,051,556
Property and equipment	13		333,493	375,864
Right-of-use assets	34		355,637	346,824
Capital investments accounted for by the equity method	5		380,736	378,730
Capital investments at fair value through other comprehensive income	5		41,327	9,666
Goodwill	14		3,382,943	3,429,478
Intangible assets related to business combinations	15		445,716	544,059
Deferred income tax asset	29A		658,061	655,838
Non-current portion of receivables under service concession arrangements			304,189	433,914
Other non-current financial assets	16		25,409	31,398
Other non-current non-financial assets	17		316,153	82,951
Total assets		\$	9,875,964	\$ 10,340,278
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables and accrued liabilities		\$	1,652,514	\$ 1,730,398
Contract liabilities	9B		838,209	836,991
Other current financial liabilities	18		205,770	187,754
Other current non-financial liabilities	19		328,119	473,780
Current portion of provisions	22		425,613	401,585
Current portion of lease liabilities	34		91,317	97,409
Short-term debt and current portion of long-term debt:				
Recourse	20		96,853	174,960
Non-recourse	20		14,021	31,262
Liabilities of disposal groups classified as held for sale	6D, 39		298,888	340,303
Total current liabilities			3,951,304	4,274,442
Long-term debt:				
Recourse	20		997,249	996,005
Limited recourse	20		400,000	400,000
Non-recourse	20		156,048	400,283
Other non-current financial liabilities	21		137,519	193,861
Non-current portion of provisions	22		470,410	753,226
Non-current portion of lease liabilities	34		405,741	399,201
Other non-current non-financial liabilities			37	219
Deferred income tax liability	29A		364,197	354,348
Total liabilities			6,882,505	7,771,585
Equity				
Share capital	23		1,805,080	1,805,080
Retained earnings			1,501,556	478,351
Other components of equity	24		(333,269)	(320,067)
Other components of equity of disposal groups classified as held for sale	6D		—	594,141
Equity attributable to SNC-Lavalin shareholders			2,973,367	2,557,505
Non-controlling interests			20,092	11,188
Total equity			2,993,459	2,568,693
Total liabilities and equity		\$	9,875,964	\$ 10,340,278

See accompanying notes to consolidated financial statements

Approved, on behalf of the Board of Directors, by:

IAN L. EDWARDS (signed)

DIRECTOR

BENITA M. WARMBOLD (signed)

DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2021

NUMBER OF COMMON SHARES	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL		RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL		
	COMMON SHARES (IN THOUSANDS)	AMOUNT					
Balance at beginning of year	175,554	\$ 1,805,080	\$ 478,351	\$ 274,074	\$ 2,557,505	\$ 11,188	\$ 2,568,693
Net income	—	—	666,563	—	666,563	5,493	672,056
Other comprehensive income (loss)	—	—	376,676	(607,343)	(230,667)	91	(230,576)
Total comprehensive income (loss)	—	—	1,043,239	(607,343)	435,896	5,584	441,480
Dividends declared (Note 23E)	—	—	(14,044)	—	(14,044)	—	(14,044)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(2,670)	(2,670)
Other transaction with non-controlling interests	—	—	(5,990)	—	(5,990)	5,990	—
Balance at end of year	175,554	\$ 1,805,080	\$ 1,501,556	\$ (333,269)	\$ 2,973,367	\$ 20,092	\$ 2,993,459

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
NUMBER OF COMMON SHARES)

2020

NUMBER OF COMMON SHARES)	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS					NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL		RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 24)	TOTAL		
	COMMON SHARES (IN THOUSANDS)	AMOUNT					
Balance at beginning of year	175,554	\$ 1,805,080	\$ 1,555,853	\$ 354,073	\$ 3,715,006	\$ 2,421	\$ 3,717,427
Net income (loss)	—	—	(965,447)	—	(965,447)	9,174	(956,273)
Other comprehensive income (loss)	—	—	(98,011)	(79,999)	(178,010)	1,159	(176,851)
Total comprehensive income (loss)	—	—	(1,063,458)	(79,999)	(1,143,457)	10,333	(1,133,124)
Dividends declared (Note 23E)	—	—	(14,044)	—	(14,044)	—	(14,044)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(1,578)	(1,578)
Capital contributions by non-controlling interests	—	—	—	—	—	12	12
Balance at end of year	175,554	\$ 1,805,080	\$ 478,351	\$ 274,074	\$ 2,557,505	\$ 11,188	\$ 2,568,693

See accompanying notes to consolidated financial statements

CONSOLIDATED INCOME STATEMENTS

YEARS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS AND NUMBER OF SHARES)

	Note	2021	2020
Continuing operations			
Revenues from:			
PS&PM		\$ 7,237,134	\$ 6,878,142
Capital investments accounted for by the consolidation method or at fair value through other comprehensive income		49,116	42,010
Capital investments accounted for by the equity method		85,002	87,349
		7,371,252	7,007,501
Direct costs of activities		6,881,947	6,882,152
Corporate selling, general and administrative expenses	25	145,073	175,933
Impairment loss from expected credit losses		—	874
Loss (gain) arising on financial instruments at fair value through profit or loss		(3,725)	61,859
Restructuring and transformation costs	26	70,117	63,324
Amortization of intangible assets related to business combinations		89,477	126,770
Adjustments on gain on disposals of Capital investments	5A	(5,000)	(25,000)
Loss on disposals of PS&PM businesses	6B, 6F	613	7,467
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	6B	(1,348)	6,094
EBIT ⁽¹⁾		194,098	(291,972)
Financial expenses	27	113,856	124,703
Financial income and net foreign exchange losses (gains)	27	(3,406)	(10,707)
Earnings (loss) before income taxes from continuing operations		83,648	(405,968)
Income tax recovery	29B	(22,031)	(59,039)
Net income (loss) from continuing operations		105,679	(346,929)
Net income (loss) from discontinued operations	6A	566,377	(609,344)
Net income (loss)		\$ 672,056	\$ (956,273)
Net income (loss) from continuing operations attributable to:			
SNC-Lavalin shareholders		\$ 100,186	\$ (356,103)
Non-controlling interests		5,493	9,174
Net income (loss) from continuing operations		\$ 105,679	\$ (346,929)
Net income (loss) attributable to:			
SNC-Lavalin shareholders		\$ 666,563	\$ (965,447)
Non-controlling interests		5,493	9,174
Net income (loss)		\$ 672,056	\$ (956,273)
Earnings (loss) per share from continuing operations (in \$)			
Basic		\$ 0.57	\$ (2.03)
Diluted		\$ 0.57	\$ (2.03)
Weighted average number of outstanding shares (in thousands)			
	23D		
Basic		175,554	175,554
Diluted		175,554	175,554

⁽¹⁾ Earnings before interest and taxes ("EBIT")

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOMEYEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)**2021**

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income from continuing operations	\$ 100,186	\$ 5,493	\$ 105,679
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(595,569)	(11)	(595,580)
Cash flow hedges (Note 24)	14,339	102	14,441
Share of other comprehensive income of investments accounted for by the equity method (Note 24)	1,419	—	1,419
Income taxes (Note 24)	(1,412)	—	(1,412)
Total of items that will be reclassified subsequently to net income	(581,223)	91	(581,132)
Equity instruments designated at fair value through other comprehensive income (Note 24)	5,749	—	5,749
Remeasurement of defined benefit plans (Note 24)	464,878	—	464,878
Income taxes (Note 24)	(94,662)	—	(94,662)
Total of items that will not be reclassified subsequently to net income	375,965	—	375,965
Total other comprehensive income (loss) from continuing operations	(205,258)	91	(205,167)
Net income from discontinued operations	566,377	—	566,377
Other comprehensive loss from discontinued operations	(25,409)	—	(25,409)
Total other comprehensive income from discontinued operations	540,968	—	540,968
Total comprehensive income	\$ 435,896	\$ 5,584	\$ 441,480

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)**2020**

	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income (loss) from continuing operations	\$ (356,103)	\$ 9,174	\$ (346,929)
Other comprehensive income (loss):			
Exchange differences on translating foreign operations	(70,020)	120	(69,900)
Cash flow hedges (Note 24)	(6,204)	1,039	(5,165)
Share of other comprehensive loss of investments accounted for by the equity method (Note 24)	(1,590)	—	(1,590)
Income taxes (Note 24)	827	—	827
Total of items that will be reclassified subsequently to net income	(76,987)	1,159	(75,828)
Equity instruments designated at fair value through other comprehensive income (Note 24)	(7,747)	—	(7,747)
Income taxes (Note 24)	40	—	40
Remeasurement of defined benefit plans	(122,601)	—	(122,601)
Income taxes	28,754	—	28,754
Total of items that will not be reclassified subsequently to net income	(101,554)	—	(101,554)
Total other comprehensive income (loss) from continuing operations	(178,541)	1,159	(177,382)
Net loss from discontinued operations	(609,344)	—	(609,344)
Other comprehensive income from discontinued operations	531	—	531
Total other comprehensive loss from discontinued operations	(608,813)	—	(608,813)
Total comprehensive income (loss)	\$ (1,143,457)	\$ 10,333	\$ (1,133,124)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾YEARS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2021	2020
Operating activities			
Net income (loss)		\$ 672,056	\$ (956,273)
Income taxes paid		(71,390)	(22,536)
Interest paid ⁽²⁾		(97,011)	(105,005)
Other reconciling items	28A	(272,238)	976,051
		231,417	(107,763)
Net change in non-cash working capital items	28B	(97,219)	229,248
Net cash generated from operating activities		134,198	121,485
Investing activities			
Acquisition of property and equipment		(106,291)	(75,821)
Payments for Capital investments	5C	(29,731)	(55,834)
Refunds for Capital investments		2,529	—
Change in restricted cash position		(6,551)	4,818
Increase in receivables under service concession arrangements		(386,157)	(239,584)
Recovery of receivables under service concession arrangements		255,622	173,934
Cash outflow on disposals of PS&PM businesses	6C, 6G	(21,076)	(15,043)
Cash inflow on disposal of a Capital investment accounted for by the equity method	5A	5,000	—
Other ⁽³⁾		22,948	22,407
Net cash used for investing activities		(263,707)	(185,123)
Financing activities			
Increase in debt	28C	121,039	1,329,225
Repayment of debt and payment for debt issue costs	28C	(201,466)	(1,387,901)
Payment of lease liabilities	28C	(99,775)	(118,651)
Dividends paid to SNC-Lavalin shareholders	23E, 28C	(14,044)	(14,044)
Other	28C	1,711	941
Net cash used for financing activities		(192,535)	(190,430)
Decrease from exchange differences on translating cash and cash equivalents		(248)	(1,666)
Net decrease in cash and cash equivalents		(322,292)	(255,734)
Cash and cash equivalents at beginning of year		932,902	1,188,636
Cash and cash equivalents at end of year		\$ 610,610	\$ 932,902
Presented on the statement of financial position as follows:			
Cash and cash equivalents		\$ 608,446	\$ 932,902
Assets of disposal group classified as held for sale	39	2,164	—
		\$ 610,610	\$ 932,902

⁽¹⁾ SNC-Lavalin has elected to present a consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 6A.

⁽²⁾ Effective January 1, 2021, the Company combined “Interest paid from PS&PM” and “Interest paid from Capital investments”, both presented in operating activities, into “Interest paid”, also in operating activities, in the consolidated statements of cash flows. The Company has re-presented the comparative figures accordingly.

⁽³⁾ Effective as of the fourth quarter of 2020, the Company combined “Proceeds from disposal of property and equipment” and “Other”, both presented in investing activities, into “Other”, also in investing activities, in the consolidated statements of cash flows. The Company has re-presented the comparative figures accordingly.

See accompanying notes to consolidated financial statements

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Notes to Consolidated Financial Statements

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. DESCRIPTION OF BUSINESS

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, H2Z 1Z3, Canada. SNC-Lavalin Group Inc. is a public company whose common shares are listed on the Toronto Stock Exchange in Canada. Reference to the “Company” or to “SNC-Lavalin” means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements or associates, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements or associates.

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.

The Company reports its revenues as follows:

- **Professional Services & Project Management (“PS&PM”)** includes contracts generating revenues related mainly to consulting and advisory, intelligent networks and cybersecurity, design and engineering, procurement, project and construction management, operations and maintenance (“O&M”), decommissioning and sustaining capital. It also includes revenues from lump-sum turnkey construction (“LSTK”) contracts, on which the Company ceased bidding in July 2019, except for certain repetitive engineering, procurement and construction (“EPC”) offerings that are lower-risk, standardized solutions.
- **Capital investments** include SNC-Lavalin’s investments in infrastructure concessions for public services such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals).

In these consolidated financial statements (“financial statements”), activities related to Professional Services & Project Management (“PS&PM”) are collectively referred to as “from PS&PM” or “excluding Capital investments” to distinguish them from activities related to the Company’s Capital investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company’s financial statements have been prepared in accordance with **International Financial Reporting Standards (“IFRS”)** issued and effective for the year ended December 31, 2021, and are presented in **Canadian dollars**. All values in the tables included in these notes are rounded to the nearest thousand dollars, except where otherwise indicated.

The accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3.

The Company’s financial statements have been prepared on the historical cost basis, with the exception of: i) certain financial instruments, derivative financial instruments and liabilities for share unit plans, which are measured at fair value; ii) defined benefit liabilities, which are measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets; iii) investments measured at fair value, which are held by SNC-Lavalin Infrastructure Partners LP, which is an investment entity accounted for by the equity method and for which SNC-Lavalin elected to retain the fair value measurement applied by that investment entity; and iv) certain assets held for sale, which are measured at fair value less cost to sell. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

The Company’s financial statements were authorized for issue by the Board of Directors of the Company on March 2, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) NEW AMENDMENTS ADOPTED IN THE YEAR ENDED DECEMBER 31, 2021

The following amendments to existing standards were adopted by the Company on January 1, 2021:

- *Interest Rate Benchmark Reform—Phase 2*, which amends IFRS 9, *Financial Instruments*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 7, *Financial Instruments: Disclosures*; IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*. The amendments relate to: i) changes to contractual cash flows—an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; ii) hedge accounting—an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and iii) disclosures—an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption by the Company of the amendments listed above did not have a significant impact on the Company's financial statements.

Progress in and risks arising from the transition to alternative benchmark interest rates

The transition from interbank offered rates (“IBORs”) to alternative benchmark interest rates impacts financial instruments referencing IBOR rates for terms that extend beyond December 31, 2021. Transition activities are focused on two broad streams of work: i) identifying existing LIBOR based contracts; and ii) determining how to convert such contracts to alternative risk-free rates.

SNC-Lavalin’s timeline to identify and eventually convert its existing LIBOR (USD) based contracts with terms other than 1-week and 2-months is currently estimated to be at the latest by June 30, 2023, based on the recommended target dates for cessation of LIBOR-based products provided by the regulators. With regard to existing GBP LIBOR, EUR LIBOR and USD LIBOR (with terms of 1-week and 2-months) based contracts, SNC-Lavalin determined that as at December 31, 2021 its only material contract based on these reference rates is the Company’s unsecured revolving credit facility (see Note 20C (i)), which was not converted or amended to reflect the fallback rates, namely the Sterling Overnight Index Average (“SONIA”) rate for GBP LIBOR and the Euro Short Term Rate (“€STR”) for EUR LIBOR and for the cessation of USD LIBOR with terms of 1-week and 2-months, effective from January 1st, 2022, since the Company does not expect to obtain borrowings based on these reference rates. SNC-Lavalin also monitors its exposures to benchmark rates that have no announced plans for cessation or further reform, including the Canadian Dollar Offered Rate (“CDOR”) and the Euro Interbank Offered Rate (“EURIBOR”).

C) AMENDMENTS ISSUED TO BE ADOPTED AT A LATER DATE

The following amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2022 and thereafter, with an earlier application permitted:

- Amendments to IFRS 3, *Business Combinations*, are designed to: i) update its reference to the 2018 *Conceptual Framework* instead of the 1989 *Framework*; ii) add a requirement that, for obligations within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, (“IAS 37”), an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC Interpretation 21, *Levies*, (“IFRIC 21”), the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.
- Amendments to IAS 16, *Property, Plant and Equipment*, prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to IAS 37 specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract” in assessing whether a contract is onerous. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, extend the relief, which allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, to the cumulative translation differences for all foreign operations.
- Amendments to IFRS 9, *Financial Instruments*, clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Amendments to IFRS 16, *Leases* ("IFRS 16"), remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

The following amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2023 and thereafter, with an earlier application permitted:

- Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.
- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendments to IAS 12, *Income Taxes*, specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions.

The Company is currently evaluating the impacts of adopting these amendments on its financial statements.

D) BASIS OF CONSOLIDATION

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's share of assets, liabilities, revenues and expenses
Associate	Significant influence	Equity method
Investment	Non-significant influence	Measured at fair value; dividend income is recognized in the income statement.

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of other comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint arrangements and associates to bring their accounting policies in line with those used by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business acquisitions

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

At the date of acquisition, the identifiable assets acquired and the liabilities assumed are recognized at fair value, except that:

- deferred income tax asset or liability, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*, at the date of acquisition;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with this standard; and
- right-of-use assets and lease liabilities are recognized in accordance with IFRS 16, *Leases*, for leases under which the acquiree is the lessee.

Acquisition-related costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control is obtained.

E) **FOREIGN CURRENCY TRANSLATION**

Functional and presentation currency

The individual financial statements of each entity within the Company are prepared in its functional currency, being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars, which is the presentation currency of the Company for its consolidated financial statements.

Foreign currency transactions and balances

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the appropriate average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedge accounting is applied, offsetting losses or gains from the hedging items are also recognized in net income.

As a result of applying the procedures described above, Canadian and foreign operations produce financial statements presented in their functional currency.

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses are translated at the appropriate average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of foreign operations.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) REVENUE RECOGNITION

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Company in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration which the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as finance income or expense, as applicable.

SNC-Lavalin may enter into contractual arrangements with a client to deliver services on one project with respect to more than one performance obligation, such as EPC or Engineering, Procurement, and Construction and Management ("EPCM"), O&M and/or Capital investments. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Company recognizes assurance-type warranty costs as a provision in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, based on the advancement of the projects, and the provision recognized is then either used when costs are incurred or reversed if it is no longer needed.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

The Company presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to receive consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the cumulative amount received and contractually receivable by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from **Capital investments** include the following:

ACCOUNTING METHODS FOR THE COMPANY'S CAPITAL INVESTMENTS	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Consolidation	Revenues that are recognized and reported by the Capital investments
Equity method	SNC-Lavalin's share of net results of the Capital investments or dividends from its Capital investments for which the carrying amount is \$nil but would otherwise be negative based on historical financial results and dividends if SNC-Lavalin had an obligation to fund the investment. Dividends are recognized when the Company's right to receive payment has been established
At fair value through other comprehensive income	Dividends and distributions from the Capital investments

G) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY – SUBSEQUENTLY MEASURED AT	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss (“FVTPL”)	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Fair value through other comprehensive income (“FVTOCI”)	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques.	Investment income, which includes interest, dividends and distributions, is recognized in net income. For equity instruments, gains (losses) from revaluation are recognized in other comprehensive income with no reclassification to net income on disposal of such assets.
Amortized cost	Financial assets and financial liabilities	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income

Impairment of assets subsequently measured at amortized cost

For “Trade receivables”, “Contract assets” and “Finance lease receivables”, the amount of the loss allowance recognized is the amount equal to lifetime expected credit losses that result from all possible events of default over the expected life of a financial instrument.

For “Non-current portion of receivables under service concession arrangements”, if the credit risk has not increased significantly since initial recognition, the amount of the loss allowance recognized is the amount equal to 12-month expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Write-off

The gross carrying amount of a financial asset is reduced when there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

HEDGING (APPLYING IAS 39)

In the normal course of its business, SNC-Lavalin enters into derivative financial instruments, mainly i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin may also enter into other derivative financial instruments to hedge its exposure to market risk. When applying hedge accounting, SNC-Lavalin formally documents its accounting choice, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH FLOW HEDGES

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in net income immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in net income in the same line item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under “Exchange differences on translating foreign operations” in the “Other components of equity”. The gain or loss relating to the ineffective portion is recognized immediately in net income, and is included in the “Financial expenses” line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the “Exchange differences on translating foreign operations” are reclassified to net income on the disposal of the foreign operation.

H) SERVICE CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide them, and at what price; and
- controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

ACCOUNTING MODEL	DEMAND RISK
Financial asset model	The concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, e.g. availability payments).
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (when a service concession arrangement involves the construction or upgrade of the public service infrastructure)	Revenues relating to such activities under a service concession arrangement are recognized based on the Company's accounting policy on recognizing revenue (see Note 2F).	The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Operations and maintenance (these activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users)		The Company classifies these revenues as "from PS&PM" when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)		The Company classifies these revenues as "from PS&PM" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "Capital investments" activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "Capital investments" activities.

Financial asset model

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the stand-alone selling price of the activity delivered.

Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor.

Intangible asset model

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from "Capital investments" activities.

I) **CASH EQUIVALENTS**

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as at FVTPL and accounted for at fair value.

J) **RESTRICTED CASH**

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in "Other non-current financial assets". Restricted cash is designated as at FVTPL and accounted for at fair value.

K) **INVENTORIES**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined: i) by using specific identification of the individual costs; or ii) on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

Property and equipment are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	10 to 50 years
Computer equipment	Straight-line	2 to 5 years
Office furniture	Diminishing balance or straight-line	20% or from 2 to 10 years
Machinery	Straight-line	1 to 15 years
Leasehold improvements	Straight-line	Over the shorter of: i) the term of the lease; and ii) the useful life of the asset

M) INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with definite useful life related to business combinations are primarily:

CATEGORY	AMORTIZATION METHOD	AMORTIZATION PERIOD
Revenue backlog	Straight-line	0.5 to 3.5 years
Customer relationships	Straight-line	7 and 10 years
Trademarks	Straight-line	4 to 8 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

N) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O) **GOODWILL**

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and joint ventures is included within investments accounted for by the equity method. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU *pro rata* on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for its annual impairment test.

P) **RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding five years.

Q) **INCOME TAXES**

Income taxes recognized in net income comprise the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint arrangements and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income taxes in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is recognized in other comprehensive income or equity, respectively.

R) **DEFINED BENEFIT PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS**

Defined benefit pension plans, other long-term benefits and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post-employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Remeasurement, comprising: i) actuarial gains and losses; ii) the effect of the changes to the asset ceiling (if applicable); and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise: i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

S) EARNINGS PER SHARE

Basic and diluted earnings per share are determined by dividing consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

T) SHARE-BASED PAYMENTS

Stock options

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

Share units

The 2019 Performance Share Unit plan ("2019 PSU plan"), 2017 Performance Share Unit plan ("2017 PSU plan"), 2019 Restricted Share Unit plan ("2019 RSU plan"), Restricted Share Unit plan ("RSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), and Deferred Share Unit plan ("DSU plan") are collectively referred as "share unit plans". For share units granted to employees under the share unit plans, a liability is recognized and measured at the fair value of the liability, which is based on the Company's share price. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period. The fair value of the grants of share units is expensed in the income statement on a straight-line basis over the vesting period, based on the Company's estimate of share units that will eventually vest.

U) PROVISIONS

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

V) **NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IFRS 9, *Financial Instruments*, unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the Company, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in “Net income (loss) from discontinued operations” in the consolidated income statement.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of other comprehensive income are re-presented as if the operation had been discontinued from the beginning of the comparative year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W) LEASING

Accounting for leases as a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, and represents a period ranging from 1 to 30 years for office real estate leases and 1 to 8 years for other leased assets. In addition, the right-of-use asset is reduced by impairment losses resulting from impairment tests conducted in accordance with IAS 36, *Impairment of Assets*, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments used for the calculations comprise mainly fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured to reflect changes in the lease payments, such as upon a lease modification that is not accounted for as a separate lease.

A lease modification is considered a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. Any other modification is not accounted for as a separate lease.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the modification, at its effective date, as follows:

- a. for a lease modification resulting in a decrease in the scope of the lease, such as a reduction in the term of a lease or in the space being leased, the lease liability is remeasured to reflect the revised lease payments and the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss. Furthermore, the difference between the reduction in the lease liability and the reduction in the corresponding right-of-use asset's carrying value is recognized in profit or loss.
- b. for all other lease modifications, the lease liability is remeasured to reflect the revised lease payments, with a corresponding adjustment to the right-of-use asset.

The remeasurement of a lease liability upon a lease modification, or upon any change to the lease payments resulting from a change in the lease term or in the assessment of an option to purchase the underlying asset, is based on a revised discount rate reflecting the remainder of the lease term. The remeasurement of a lease liability to reflect revised lease payments due to a change in the amounts expected to be payable to the lessor under a residual value guarantee or to a change in an index or a rate used to determine those payments, other than a change in floating interest rates, is based on an unchanged discount rate.

Accounting for leases as a lessor

When acting as a lessor, the Company determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company subleases one of its leases and concludes that it is a finance lease, it derecognizes the right-of-use asset relating to the head lease being sublet, recognizes a receivable equal to the net investment in the sublease and retains the previously recognized lease liability in its capacity as lessee. The Company then recognizes interest expense on its lease liability and interest income on the receivable in its capacity as finance lessor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for sale and lease back transactions

In a sale and lease back transaction, the transfer of an asset is recognized as a sale when the customer has obtained control of such asset based on the Company's revenue recognition policy, otherwise the Company continues to recognize the transferred asset on its statement of financial position and recognizes a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Company's revenue recognition policy to be accounted for as a sale, a partial recognition of the gain on disposal is recognized immediately after the sale, based on the proportion of the asset not retained by the Company through the lease. The proportion of the asset retained by the Company through the lease is recognized as a right-of-use asset and the lease liability is measured as the present value of future lease payments.

X) GOVERNMENT GRANTS

SNC-Lavalin recognizes grants from the government where there is a reasonable assurance that the grant will be received and SNC-Lavalin will comply with all attached conditions.

Government grants are recognized in the income statement on a systematic basis over the periods in which SNC-Lavalin recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property and equipment) are recognized by deducting the grants from the carrying amount of the related assets in the statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the income statement in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities recognized that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

COVID-19 related matters

The COVID-19 pandemic has significantly disrupted and, although vaccination campaigns are currently underway in certain countries/regions, it continues to significantly disrupt global health, economic and market conditions and has triggered and continues to induce an indeterminate period of volatility and slowdown in the global economy and recessions. The full impact of the COVID-19 pandemic, including the impact of the preventative and mitigation measures that the Company, other businesses and governments worldwide are taking to combat the spread of the disease and subsequent waves and variants thereof, continues to evolve and the pandemic continues to have material adverse repercussions in the jurisdictions where the Company has offices, delivers services and holds investments, and it continues creating significant volatility and negative pressure on virtually all national economies as well as financial markets, in each case, notwithstanding the fact that vaccination campaigns are currently underway.

The impacts of the COVID-19 pandemic on the main areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant, for the preparation of the Company's financial statements are: revenue recognition, values used in impairment tests, assessment of deferred income tax assets and measurement of financial instruments at fair value.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a point in time) for each performance obligation and the measure of progress for each performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require the exercise of judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration which the Company expects to be entitled to receive in exchange for transferring promised goods or services to a customer. Such amount may require the Company to estimate an amount of variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Company needs to constrain the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses, and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of variable consideration may vary significantly over time. Such estimated amount of variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

More specifically, since 2020, the Company reviews numerous variables having an impact on revenue recognition that are, or could be, affected by the COVID-19 pandemic, such as limitations or suspensions of certain business operations throughout the world, significant travel, particularly air travel, restrictions and associated quarantine and self-isolation requirements, the inability to execute work on certain sites for, in certain cases, indeterminate periods of time and the potential increased costs and delays resulting therefrom, unavailability of labour and supply chain disruptions. Where available, *force majeure* relief (or similar) clauses contained in the contracts that underpin certain of the Company's major revenue generating projects were invoked and relied upon by the Company in response to the impacts of the COVID-19 pandemic and, consequently, the Company continues to monitor these contracts in light of the evolving situation and address all the claims that have arisen in connection with this process. The amount of anticipated incremental revenues (and decline thereof) and costs have been included in the forecast of performance obligations satisfied over time using the input method where such figures could be estimated with reasonable assurance based on facts and circumstances that existed at the time of such estimate. Where such figures could not be estimated with reasonable assurance, they were excluded from the forecast of performance obligations satisfied over time using the input method.

Service concession arrangements

The accounting for certain Capital investment activities requires the application of judgment in determining if they fall within the scope of IFRIC 12. Additional judgments need to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for Capital investments under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the Capital investments.

Basis of consolidation

Under certain circumstances, the determination of the Company's level of power over an investee requires the exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, an associate or an investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors, and various other factors.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU or group of CGU. Such recoverable amount corresponds, for the purpose of impairment assessment, to the higher of the value in use or the fair value less costs of disposal of the CGU or group of CGU to which goodwill has been allocated.

The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cash flows growth rate and the discount rate.

When using the value in use approach, cash flows for each CGU or group of CGU are derived from the budget for the upcoming year, which is approved on an annual basis by members of the Company's Board of Directors, and a long-term forecast prepared by management, which covers an additional period from 3 to 5 years. Cash flows beyond the long-term forecast are extrapolated using a growth rate estimated by management. The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted, where applicable, to take into account any specific risks.

When the fair value less costs of disposal approach is used, the fair value is derived from a market multiple approach. Under this approach, transaction multiples are applied to such CGU's future results, mainly EBIT and earnings before interest, income taxes, depreciation and amortization. The key assumptions required for the fair value less costs of disposal are the future results of the CGU or group of CGU, the multiples being used and the costs of disposal.

Future results for each CGU or group of CGU are derived from the budget for the upcoming year. Transaction multiples are derived from observable market value of comparable publicly traded companies or fair value observed from recent acquisitions or disposals of businesses that are comparable to the CGU or group of CGU. Costs of disposal, which usually corresponds to a percentage of the fair value of the CGU or group of CGU, are estimated based on historical transactions of the Company or on input from recent transactions.

For both the value in use and the fair value less costs of disposal approaches, the values assigned to key assumptions reflect past experience and external sources of information that are deemed accurate and reliable. The value in use and the fair value are categorized as Level 3 in the fair value hierarchy described under IFRS 13, *Fair Value Measurement*, as one or more key assumption used is based on unobservable data requiring the use of judgement.

When there is any indication that any tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of such tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events, such as COVID-19 and others, that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets if found to be impaired.

The main assumptions used for the goodwill impairment testing are disclosed in Note 14.

Measurement of retirement benefit obligations, other long-term benefit and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans, other long-term benefits and other post-employment benefits are determined using actuarial valuations and are dependent on assumptions such as the rate of compensation increase, as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

October 26, 2018 and November 20, 2020 U.K. High Court rulings

SNC-Lavalin has certain defined benefit pension plans in the United Kingdom (the "U.K.") that are subject to guaranteed minimum pension ("GMP") accruals. An October 26, 2018 U.K. High Court ruling resulted in a higher pension obligation for SNC-Lavalin since the ruling: (i) requires plans to amend their pension formula to equalize benefits for men and women to adjust for the unequal results produced by the GMP between May 1990 and April 1997; (ii) provides permissible equalization methods under the law and allows the plan sponsors to use the lowest cost method; and (iii) requires plans to make back payments subject to plan rule limitations, with interest applied at one percentage point over the Bank of England base rate. On November 20, 2020, the U.K. High Court ruled that defined benefit plans need to revisit individual transfer payments made since May 17, 1990 to determine if any additional value is due as a result of GMP equalization.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

While the ruling has put forward a range of possible approaches that could be adopted to equalize GMPs, it left it up to individual pension plan trustees and employers to determine their preferred approach. SNC-Lavalin expects that it will take time for trustees and employers to decide on the approach for GMP equalization, gather data for plan participants, calculate the new benefit and cost, and ultimately make payments to members.

Based on its preliminary assessment, SNC-Lavalin recognized \$25.1 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement for the year ended December 31, 2018. In the year ended December 31, 2020, SNC-Lavalin recognized an additional amount of \$4.0 million as past service cost in “Corporate selling, general and administrative expenses” in its consolidated income statement. As at December 31, 2021, the cumulative amount of \$29.1 million remains subject to uncertainty until the quantification exercise is completed.

October 15, 2020 U.K. Pensions Ombudsman ruling

An October 15, 2020 U.K. Pensions Ombudsman ruling resulted in a tranche of deferred and pensioner members who for a period of their pensionable service should receive their first annual increase post retirement in full rather than a *pro rata* increase to reflect the number of complete months they have been in retirement in the first year. This requirement for a full increase has not been applied historically. Instead a proportionate first increase has been applied for all members and for all service. Based on its preliminary assessment, SNC-Lavalin recognized \$26.7 million as actuarial losses arising from experience adjustments, which are included in “Remeasurement of defined benefit plans” in the consolidated statement of comprehensive income for the year ended December 31, 2020. As at December 31, 2021, such amount of \$26.7 million remains subject to uncertainty until the quantification exercise is completed.

Measurement of provisions shown in the consolidated statement of financial position

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to the timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

Contingent liabilities

As described in more detail in Note 33, the Company is subject to certain ongoing investigations, and various class action and other lawsuits and proceedings have been filed against the Company. The outcome of these investigations, actions, lawsuits and proceedings, while not determinable, could have a material adverse impact on the Company’s liquidity and financial results.

Measurement of share-based payment expenses

The Company offers PSU plans to selected individuals within the organization. Depending on the attainment of performance criteria and conditions, the number of units granted is adjusted depending on specific indicators to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of performance share units that will vest, which impacts the amount of associated liabilities and expenses.

Assessment of deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not it is probable that the Company’s deferred income tax assets would be recovered from future taxable income and, therefore, can be recognized in the Company’s consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

The Company measures some of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When data is not readily available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Most of the Company's financial instruments measured at fair value, such as cash and cash equivalents, restricted cash, derivatives, certain investments in equity instruments and pension plan assets, are based on the most readily available market data; therefore, the Company determined that there is no additional impact from the COVID-19 pandemic, other than what is already included in the market data, to be considered for the measurement of such financial instruments as at December 31, 2021 and 2020.

The Company also accounts for financial instruments classified in the category "Level 3" of the hierarchy of fair value, including the contingent consideration receivable from the acquirer of the 10.01% interest in 407 International Inc. ("Highway 407 ETR"). The value of this receivable was reduced to \$nil in 2020 and remained at \$nil since then due to the lower actual and expected traffic and lower associated revenues as a result of COVID-19 impacts, as the underlying payments by the acquirer are conditioned on the attainment of certain cumulative financial thresholds related to the performance of Highway 407 ETR.

Refer to Note 30 for additional disclosures on the Company's Level 3 financial instruments.

Assets and liabilities acquired in a business combination

Intangible assets and goodwill arising out of business combinations are accounted for by applying the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, the Company uses significant estimates and assumptions regarding cash flow projections, economic risk, and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill, as well as the amortization period for intangible assets with finite lives. If results differ from estimates, the Company may increase amortization or recognize impairment charges.

Identification of functional currency

The functional currency for each subsidiary, joint operation, joint venture and associate is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment and other entities may make different judgments based on similar facts. SNC-Lavalin reconsiders the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine their primary economic environment.

The determination of functional currency affects the carrying value of non-current assets included in the statement of financial position and, as a consequence, the amortization of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement and in equity.

Leases

Estimate of the lease term

When the Company recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise its extension or termination option, if any. It then uses the expected modified term under such option if it is reasonably certain that it will be exercised. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired in accordance with IAS 36, *Impairment of assets*, when indications that an impairment loss may have occurred are present. For example, such assessment occurs when it vacates an office space and it must determine the recoverability of the asset, to the extent that the Company can sublease the assets or surrender the lease and recover its costs. The Company examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premise. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect its future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Determining the discount rate for leases

IFRS 16 requires the Company to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (“IBR”). The Company generally uses its IBR when recording leases initially, since the implicit rates are not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The determination of the IBR requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Determining if a contract modification increasing the scope of a lease is a separate lease or not

When a lease modification increasing the scope of a lease occurs, the Company needs to determine whether or not such modification should be accounted for as a separate lease or not. Such determination requires the use of judgment on the stand-alone selling price and any appropriate adjustments to the stand-alone selling price reflecting the circumstance of the particular contract.

Classification and measurement of non-current assets or disposal groups classified as held for sale

The classification of non-current assets or disposal groups as held for sale is based on certain criteria, including the fact that the sale of such assets or disposal groups is highly probable. Such probability of a sale transaction to be completed within one year from the date of classification at a reasonable price in relation to the fair value of the assets or disposal groups is, by nature, subject to uncertainties.

Furthermore, the measurement of non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell requires the exercise of judgment. While fair value of certain assets or disposal groups can be determined based on valuation techniques using various inputs, themselves requiring the use of estimates, it might also require the valuation (and associated estimates) of anticipated contractual clauses related to the transfer, or not, of certain risks and uncertainties associated to these assets or disposal groups. In addition, events occurring subsequently to the classification of non-current assets or disposal groups as held for sale, or additional information received on past events unknown at the time of such classification, could change the estimate of fair value less costs to sell related to such assets or disposal groups.

4. SEGMENT DISCLOSURES

SNC-Lavalin’s reportable segments are i) **Engineering, Design and Project Management** (“EDPM”); ii) **Nuclear**; iii) **Infrastructure Services**; iv) **Resources**; v) **Infrastructure EPC Projects**; and vi) **Capital**.

The description of each of the segments is as follows:

EDPM incorporates all consultancy, engineering, design and project management services around the world. 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 EDPM revenues are derived from the public sector, including national, provincial, state and local and municipal authorities.

Nuclear supports clients across the entire nuclear lifecycle with the full spectrum of services from consultancy, EPCM services, field services, technology services, spare parts, reactor support and 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.

4. SEGMENT DISCLOSURES (CONTINUED)

Resources provides a full suite of delivery services primarily to the mining & metallurgy sector, covering the project lifecycle from project development through project delivery and support services. Resources ceased bidding for new EPC projects under the LSTK construction contracting model in July 2019. Resources is now focused on providing engineering, EPCM, project management consultancy (“PMC”), commissioning and technical support services through a lower risk contracting model and operational delivery is focused on key regions and global clients. Resources also includes the operating phase of a Build-Own-Operate (“BOO”) contract in the United States. In the past, Resources included services and LSTK projects in Oil & Gas, which are presented as discontinued operations for both 2021 and 2020 and were disposed of in the third quarter of 2021.

Infrastructure EPC Projects includes lump-sum turnkey (“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 July 2019, the Company decided to cease bidding on new LSTK construction contracts.

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 SNC-Lavalin Infrastructure Partners LP.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2). The Company evaluates segment performance using **Segment Adjusted EBIT**, which consists of revenues less i) direct cost of activities; ii) directly related selling, general and administrative expenses; and iii) corporate selling, general and administrative expenses that are directly and indirectly related to projects or segments. Corporate selling, general and administrative expenses that are not directly or indirectly related to projects or segments, impairment losses (reversal of impairment losses) arising from expected credit losses, gains (losses) arising on financial instruments at fair value through profit or loss, restructuring and transformation costs, amortization of intangible assets related to business combinations, acquisition-related costs and integration costs, gains (losses) on disposal(s) or adjustment on disposal(s) of PS&PM businesses, gains (losses) on disposal(s) or adjustment on disposal(s) of Capital investments, impairment of intangible assets related to business combinations, goodwill impairment, federal charges settlement (PPSC) and impairment loss (reversal of impairment loss) on remeasurement of assets of disposal group classified as held for sale are not allocated to the Company’s segments.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and Segment Adjusted EBIT for each of the Company's segments for the years ended December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31	2021		2020	
	REVENUES	SEGMENT ADJUSTED EBIT	REVENUES	SEGMENT ADJUSTED EBIT
EDPM	\$ 3,848,788	\$ 431,796	\$ 3,721,119	\$ 302,269
Nuclear	904,678	135,854	928,606	140,051
Infrastructure Services	1,416,579	92,705	1,325,313	97,212
SNCL Engineering Services	6,170,045	660,355	5,975,038	539,532
Resources ⁽¹⁾	171,757	(39,426)	162,916	(171,118)
Infrastructure EPC Projects ⁽²⁾	895,332	(250,925)	740,188	(359,680)
SNCL Projects	1,067,089	(290,351)	903,104	(530,798)
Capital	134,118	119,301	129,359	116,615
	\$ 7,371,252		\$ 7,007,501	
Segment Adjusted EBIT — Total		489,305		125,349
Corporate selling, general and administrative expenses not allocated to the segments — PS&PM		(116,879)		(147,739)
Corporate selling, general and administrative expenses not allocated to the segments — Capital		(28,194)		(28,194)
Impairment loss arising from expected credit losses		—		(874)
Gain (loss) arising on financial instruments at fair value through profit or loss		3,725		(61,859)
Restructuring and transformation costs (Note 26)		(70,117)		(63,324)
Amortization of intangible assets related to business combinations (Note 15)		(89,477)		(126,770)
Adjustments on gain on disposals of Capital investments (Note 5A)		5,000		25,000
Loss on disposals of PS&PM businesses (Notes 6B and 6F)		(613)		(7,467)
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 6B)		1,348		(6,094)
EBIT		194,098		(291,972)
Net financial expenses (Note 27)		110,450		113,996
Earnings (loss) before income taxes from continuing operations		83,648		(405,968)
Income tax recovery (Note 29B)		(22,031)		(59,039)
Net income (loss) from continuing operations		105,679		(346,929)
Net income (loss) from discontinued operations (Note 6A)		566,377		(609,344)
Net income (loss)		\$ 672,056		\$ (956,273)

⁽¹⁾ In 2020, the negative Segment Adjusted EBIT of Resources resulted mainly from charges for remaining LSTK contracts and other historical claims and litigation matters.

⁽²⁾ In 2021, the negative Segment Adjusted EBIT was mainly due to unfavourable cost reforecasts, primarily driven by COVID-19, supply chain disruptions and inflation, causing project productivity losses, delays and cost increases on the last remaining LSTK projects. In 2020, the negative Segment Adjusted EBIT of Infrastructure EPC Projects was mainly due to unfavorable reforecasts, commercial claims receivable reductions, additional provisions related to legacy litigation matters and the effect of lower productivity caused by COVID-19.

4. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below supplementary information such as its net income (loss) from PS&PM, its dividends from Highway 407 ETR, and its net income (loss) from other Capital investments.

It should be noted that the supplementary information provided in the following table does not reflect information related to the Company's segments, but is rather an allocation of net income (loss) attributable to SNC-Lavalin shareholders between various components.

YEARS ENDED DECEMBER 31	2021	2020
Supplementary information:		
Net loss on disposals of PS&PM businesses (Notes 6B and 6F)	\$ (613)	\$ (7,467)
Net income (loss) from discontinued operations (Note 6A)	566,377	(609,344)
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell (Note 6B)	1,348	(6,094)
Excluding the items listed above	26,284	(388,093)
Net income (loss) attributable to SNC-Lavalin shareholders from PS&PM	593,396	(1,010,998)
Adjustments on net gain on disposals of Capital investments (Note 5A)	3,650	25,000
Net loss arising on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR	—	(49,627)
Highway 407 ETR dividends	40,585	38,048
Excluding the items listed above	28,932	32,130
Net income attributable to SNC-Lavalin shareholders from Capital	73,167	45,551
Net income (loss) attributable to SNC-Lavalin shareholders	\$ 666,563	\$ (965,447)

The following table presents property and equipment, right-of-use assets, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

	DECEMBER 31 2021	DECEMBER 31 2020 ⁽¹⁾
Property and equipment, right-of-use assets, goodwill and intangible assets		
Canada	\$ 318,021	\$ 340,245
Outside Canada	4,199,768	4,355,980
	\$ 4,517,789	\$ 4,696,225

⁽¹⁾ Effective January 1, 2021, the Company includes its right-of-use assets in the allocation of non-current assets between Canada and Outside Canada. The Company has re-presented the comparative figures accordingly.

5. CAPITAL INVESTMENTS

SNC-Lavalin makes investments in infrastructure concessions for public services such as bridges, highways, mass transit systems, power facilities, energy infrastructure, water treatment plants and social infrastructure (e.g. hospitals).

The main concessions and public-private partnerships contracts reported under IFRIC 12 are all accounted for under the financial asset model.

In order to provide the reader of the financial statements with a better understanding of the financial position and results of operations of its Capital investments, the Company presents certain distinct financial information related specifically to its Capital investments throughout its financial statements, as well as additional information below.

A) VARIATIONS IN OWNERSHIP INTERESTS IN INVESTMENTS AND RELATED TRANSACTIONS

I) IN 2021

INPOWER BC GENERAL PARTNERSHIP

In the fourth quarter of 2021, SNC-Lavalin's offer to transfer its 100% ownership interest in InPower BC General Partnership and its related holding companies to SNC-Lavalin Infrastructure Partners LP (the "SNCL IP Partnership") was accepted by the external investor in the SNCL IP Partnership, subject to customary approvals and closing conditions. SNC-Lavalin holds a 20% interest in SNCL IP Partnership, a Capital investment accounted for by the equity method. This transaction was completed in early February 2022 (see Note 40).

5. CAPITAL INVESTMENTS (CONTINUED)

As at December 31, 2021, all assets and liabilities of InPower BC General Partnership and its related holding companies were classified as held for sale (see Note 39).

HIGHWAY CONCESSIONS ONE PRIVATE LIMITED

In the fourth quarter of 2021, SNC-Lavalin completed the sale of its ownership interest in Highway Concessions One Private Limited, which was measured at fair value through other comprehensive income, for total cash consideration of US\$1.0 million (approximately CA\$1.3 million), with no impact in the consolidated income statement.

ADJUSTMENT ON GAIN ON DISPOSAL OF A CAPITAL INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

In the fourth quarter of 2021, the Company received a contingent consideration related to the previous disposal of a Capital investment accounted for by the equity method in the amount of \$5.0 million, which is included in “Adjustments on gain on disposals of Capital investments” in the consolidated income statement for the year ended December 31, 2021. This adjustment on gain on disposal amounted to \$3.7 million after income taxes.

II) IN 2020

In the fourth quarter of 2020, the Company released in full a provision for contingent indemnification related to the previous disposal of a Capital investment accounted for under the consolidation method upon expiry of the indemnification period. Such non-cash reversal of the provision in the amount of \$25.0 million is included in “Adjustments on gain on disposals of Capital investments” in the consolidated income statement for the year ended December 31, 2020.

B) FINANCIAL INFORMATION AND DESCRIPTION OF CAPITAL INVESTMENTS

Statements of financial position

The Company’s consolidated statements of financial position include the following net assets (liabilities) from its consolidated Capital investments and net book value from its Capital investments accounted for by the equity method and at fair value through other comprehensive income.

	DECEMBER 31 2021	DECEMBER 31 2020
Net assets from Capital investments accounted for by the consolidation method ⁽¹⁾	\$ 197,918	\$ 38,296
Net book value of Capital investments accounted for by the equity method ⁽²⁾	380,736	378,730
Net book value of Capital investments at fair value through other comprehensive income	41,327	9,666
	\$ 619,981	\$ 426,692

⁽¹⁾ Includes net assets from InPower BC General Partnership classified as held for sale as at December 31, 2021 (see Note 39).

⁽²⁾ Includes the Company’s investment in Highway 407 ETR, for which the net book value was \$nil as at December 31, 2021 and 2020.

Income statements

The Company’s consolidated income statements include the following revenues and expenses from its Capital investments.

YEARS ENDED DECEMBER 31	2021	2020
Revenues from Capital	\$ 134,118	\$ 129,359
Direct cost of activities	14,817	12,744
	119,301	116,615
Corporate selling, general and administrative expenses not allocated to the segments — Capital	28,194	28,194
Loss arising on financial instruments at fair value through profit or loss ⁽³⁾	—	57,207
Adjustments on gain on disposals of Capital investments	(5,000)	(25,000)
EBIT	96,107	56,214
Net financial expenses	16,552	16,264
Income before income taxes	79,555	39,950
Income taxes	6,388	(5,601)
Net income	\$ 73,167	\$ 45,551

⁽³⁾ Represents a loss of \$57.2 million recognized in the year ended December 31, 2020, which arose on contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR.

5. CAPITAL INVESTMENTS (CONTINUED)

I) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE CONSOLIDATION METHOD

SNC-Lavalin's main Capital investments accounted for by the consolidation method are detailed below:

NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST	
					DECEMBER 31 2021	DECEMBER 31 2020
InPower BC General Partnership ⁽¹⁾	John Hart Generating Replacement Facility	Yes	2033	Canada	100.0%	100.0%
TransitNEXT General Partnership	New Trillium Line extension (under construction)	Yes	2049	Canada	100.0%	100.0%

II) CAPITAL INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's main Capital investments accounted for by the equity method are listed below:

					OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2021	DECEMBER 31 2020
Joint ventures:						
407 East Development Group General Partnership (“407 EDGGP”)	32-km toll Highway 407 East	Yes	2045	Canada	50.0%	50.0%
407 International Inc. ⁽²⁾ (“Highway 407 ETR”)	108-km toll highway under a 99-year concession agreement	No	2098	Canada	6.76%	6.76%
Crosslinx Transit Solutions General Partnership (“Eglinton Crosstown”)	Eglinton Crosstown Light Rail Transit project (under construction)	Yes	2051	Canada	25.0%	25.0%
Rideau Transit Group Partnership (“Rideau”)	The Confederation Line, City of Ottawa’s light rail transit system	Yes	2043	Canada	40.0%	40.0%
Signature on the Saint-Laurent Group General Partnership (“SSL”)	New Champlain Bridge Corridor	Yes	2049	Canada	50.0%	50.0%
TC Dôme S.A.S. ⁽³⁾ (“TC Dôme”)	5.3-km electric cog railway	Yes	2043	France	51.0%	51.0%
Associates:						
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	25.5%	25.5%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%
SNC-Lavalin Infrastructure Partners LP	Holding interests in mature Capital investments	No	N/A	Canada	20.0%	20.0%

⁽¹⁾ InPower BC General Partnership is classified as held for sale as at December 31, 2021 (see Note 39).

⁽²⁾ Although the Company holds less than 20% of the equity shares of Highway 407 ETR, the Company exercises joint control over this entity based on its contractual agreements.

⁽³⁾ Although the Company's ownership interest in TC Dôme is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

N/A: not applicable

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its Capital investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below:

YEAR ENDED DECEMBER 31, 2021	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 1,023,082	\$ 1,048,394	\$ 2,071,476
Interest income (at 100%)	\$ 7,928	\$ 699	\$ 8,627
Interest expense (at 100%)	\$ 470,211	\$ 90,025	\$ 560,236
Depreciation and amortization (at 100%)	\$ 102,163	\$ —	\$ 102,163
Income tax expense (at 100%)	\$ 78,960	\$ 2	\$ 78,962

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Income statements			
Revenues (at 100%)	\$ 908,566	\$ 1,028,104	\$ 1,936,670
Interest income (at 100%)	\$ 15,734	\$ 4,760	\$ 20,494
Interest expense (at 100%)	\$ 456,902	\$ 94,251	\$ 551,153
Depreciation and amortization (at 100%)	\$ 97,434	\$ —	\$ 97,434
Income tax expense (at 100%)	\$ 53,379	\$ 2	\$ 53,381

YEAR ENDED DECEMBER 31, 2021	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 212,365	\$ 49,844	\$ 262,209
Other comprehensive income (loss) (at 100%)	(686)	5,656	4,970
Total comprehensive income (at 100%)	\$ 211,679	\$ 55,500	\$ 267,179

YEAR ENDED DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of comprehensive income			
Net income (at 100%)	\$ 147,934	\$ 57,724	\$ 205,658
Other comprehensive loss (at 100%)	(833)	(6,359)	(7,192)
Total comprehensive income (at 100%)	\$ 147,101	\$ 51,365	\$ 198,466

YEARS ENDED DECEMBER 31	2021	2020
Company's share of net income of Capital investments based on its ownership interest ⁽¹⁾	\$ 31,518	\$ 30,858
Company's net income from Capital investments included in its income statement ⁽¹⁾	\$ 58,014	\$ 59,174

⁽¹⁾ See Note 1 on the following page

5. CAPITAL INVESTMENTS (CONTINUED)

DECEMBER 31, 2021	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 306,972	\$ 121,742	\$ 428,714
Other current assets (at 100%)	459,646	192,997	652,643
Non-current assets (at 100%)	4,574,051	2,911,364	7,485,415
Total assets (at 100%)	5,340,669	3,226,103	8,566,772
Trade payables (at 100%)	68,988	89,206	158,194
Other current financial liabilities (at 100%)	426,597	540,355	966,952
Other current non-financial liabilities (at 100%)	18,410	70,674	89,084
Other non-current financial liabilities (at 100%)	9,354,406	2,021,208	11,375,614
Other non-current non-financial liabilities (at 100%)	563,815	—	563,815
Total liabilities (at 100%)	10,432,216	2,721,443	13,153,659
Net assets (liabilities) (at 100%)	\$ (5,091,547)	\$ 504,660	\$ (4,586,887)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ —	\$ 221,546	\$ 221,546

DECEMBER 31, 2020	HIGHWAY 407 ETR	OTHER CAPITAL INVESTMENTS	TOTAL
Statements of financial position			
Cash and cash equivalents (at 100%)	\$ 614,532	\$ 66,329	\$ 680,861
Other current assets (at 100%)	439,922	223,125	663,047
Non-current assets (at 100%)	4,597,899	2,811,978	7,409,877
Total assets (at 100%)	5,652,353	3,101,432	8,753,785
Trade payables (at 100%)	58,390	78,525	136,915
Other current financial liabilities (at 100%)	124,418	131,804	256,222
Other current non-financial liabilities (at 100%)	18,359	55,783	74,142
Other non-current financial liabilities (at 100%)	9,602,978	2,360,444	11,963,422
Other non-current non-financial liabilities (at 100%)	551,433	534	551,967
Total liabilities (at 100%)	10,355,578	2,627,090	12,982,668
Net assets (liabilities) (at 100%)	\$ (4,703,225)	\$ 474,342	\$ (4,228,883)
Company's carrying value of Capital investments included in its statement of financial position ⁽¹⁾	\$ —	\$ 214,323	\$ 214,323

⁽¹⁾ Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends declared by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of a Capital investment based on its ownership, but rather recognizes the excess amount of dividends declared by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 ETR of \$40.6 million in 2021 (2020: \$38.0 million) and did not recognize its share of Highway 407 ETR's net income of \$14.3 million (2020: \$10.0 million) in the same period, as the carrying amount of its investment in Highway 407 ETR was \$nil at December 31, 2021 and 2020. The negative carrying value of the Company's investment in Highway 407 ETR, which is not recognized on the Company's statement of financial position, amounted to \$345.3 million as at December 31, 2021 (2020: negative carrying value of \$319.0 million).

5. CAPITAL INVESTMENTS (CONTINUED)

Capital investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of Capital investments classified as associates:

YEARS ENDED DECEMBER 31	2021	2020
Statements of comprehensive income		
Revenues (at 100%)	\$ 306,791	\$ 272,550
Expenses (at 100%)	185,506	162,146
Net income (at 100%)	121,285	110,404
Other comprehensive income (loss) (at 100%)	—	—
Total comprehensive income (at 100%)	\$ 121,285	\$ 110,404
Company's share of net income of Capital investments based on its ownership interest	\$ 26,988	\$ 28,175
Company's share of net income from Capital investments included in its income statement	\$ 26,988	\$ 28,175
	DECEMBER 31 2021	DECEMBER 31 2020
Statements of financial position		
Current assets (at 100%)	\$ 355,973	\$ 336,972
Non-current assets (at 100%)	549,052	592,094
Total assets (at 100%)	905,025	929,066
Current liabilities (at 100%)	125,987	77,808
Non-current liabilities (at 100%)	132,419	186,539
Total liabilities (at 100%)	258,406	264,347
Net assets (at 100%)	\$ 646,619	\$ 664,719
Company's carrying value of Capital investments included in its statement of financial position	\$ 159,190	\$ 164,407

III) CAPITAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The main Capital investments at fair value through other comprehensive income are listed below:

			OWNERSHIP INTEREST	
NAME OF CAPITAL INVESTMENT	PRINCIPAL ACTIVITY	LOCATION	DECEMBER 31 2021	DECEMBER 31 2020
Carlyle Global Infrastructure Opportunity Fund, L.P. ⁽¹⁾	Holding investments in infrastructure projects related to energy, power and other natural resources	U.S.A.	4.5%	4.5%
Highway Concessions One Private Limited ⁽¹⁾	Engaged in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	India	—%	10.0%

⁽¹⁾ Included in the measurement category of "at fair value through other comprehensive income"

The investment in Carlyle Global Infrastructure Opportunity Fund, L.P. is designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income in future periods. Until its disposal in the fourth quarter of 2021, the investment in Highway Concessions One Private Limited was designated to be measured at fair value through other comprehensive income to avoid the variability of the Company's net income.

For the years ended December 31, 2021 and 2020, the Company's consolidated income includes dividends of \$1.4 million and \$nil million, respectively, from investments at fair value through other comprehensive income.

5. CAPITAL INVESTMENTS (CONTINUED)

C) PAYMENTS AND REMAINING COMMITMENTS IN CAPITAL INVESTMENTS

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income as at December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31		2021	2020
Commitments to invest in Capital investments – January 1	\$	24,921	\$ 70,724
Increase in commitments to invest in Capital investments		29,731	10,031
Payments for Capital investments during the year		(29,731)	(55,834)
Commitments to invest in Capital investments – December 31	\$	24,921	\$ 24,921

At December 31, 2021, the commitments to invest in Capital investments were related to contributions for Eglinton Crosstown (2020: Eglinton Crosstown) and were presented as "Other current financial liabilities" (see Note 18) since they are either expected to be paid in the following year or are callable on demand.

In 2016, SNC-Lavalin signed an agreement to support a commitment of US\$100 million to a fund focused on global infrastructure investments sponsored by The Carlyle Group ("Carlyle"), subject to certain conditions. The intent of this agreement is for SNC-Lavalin and Carlyle to cooperate with respect to investments in, and work on, infrastructure projects. Such commitment to invest amounted to US\$60.5 million (approximately CA\$77.4 million) as at December 31, 2021 (2020: US\$82.5 million [approximately CA\$105.7 million]) and will be recognized as a liability, as a whole or in part, when the accounting conditions will be met.

6. DISPOSALS OF PS&PM BUSINESSES

I) IN 2021

A) DISPOSAL OF DISCONTINUED OPERATIONS — OIL & GAS BUSINESS

On February 9, 2021, the Company announced that it had entered into a binding agreement to sell its Oil & Gas business, which was previously included in the Resources segment. The associated assets, liabilities and other components of equity of the Oil & Gas business were consequently classified as held for sale from December 31, 2020 to the date of disposal. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in the amount of \$271.6 million before income taxes. A substantial portion of the sale of the Oil & Gas business was completed on July 29, 2021 and the sale of the remaining Saudi Arabian portion of the business was completed on August 15, 2021. Financial information relating to the discontinued operations is disclosed below for the year ended December 31, 2021, along with comparative numbers for the corresponding period of 2020.

6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

Financial performance

The results of the Oil & Gas business for the years ended December 31, 2021 and 2020 were as follows:

YEARS ENDED DECEMBER 31	2021	2020
Revenues	\$ 512,204	\$ 1,142,375
Other expenses	(570,748)	(1,423,078)
Gain on disposal of South African subsidiaries (Note 6E)	—	6,205
Reversal of impairment loss (impairment loss) on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	4,884	(271,566)
EBIT from discontinued operations	(53,660)	(546,064)
Net financial expenses	(164)	(261)
Loss before income taxes from discontinued operations and gain on disposal of Oil & Gas business	(53,824)	(546,325)
Income taxes related to pre-tax loss from the ordinary activities of discontinued operations	61,633	(73,064)
Income taxes related to remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell	(7,335)	10,045
Net income (loss) from discontinued operations before gain on disposal of Oil & Gas business	474	(609,344)
Gain on disposal of Oil & Gas business after income taxes (see below)	565,903	—
Net income (loss) from discontinued operations ⁽¹⁾	\$ 566,377	\$ (609,344)

⁽¹⁾ Included in "Net income (loss) from discontinued operations" in the consolidated income statement

Earnings (loss) per share from discontinued operations

The earnings (loss) per share from discontinued operations for the years ended December 31, 2021 and 2020 were as follows:

YEARS ENDED DECEMBER 31	2021	2020
Earnings (loss) per share from discontinued operations – Basic (in \$)	\$ 3.23	\$ (3.47)
Earnings (loss) per share from discontinued operations – Diluted (in \$)	\$ 3.23	\$ (3.47)

Cash flows from discontinued operations

The net cash flows related to the Oil & Gas business for the years ended December 31, 2021 and 2020 were as follows:

YEARS ENDED DECEMBER 31	2021	2020
Operating activities	\$ 37,776	\$ (165,899)
Investing activities	(180)	(15,945)
Financing activities	(6,379)	(12,611)
Net cash generated from (used for) discontinued operations	\$ 31,217	\$ (194,455)

6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

Details of the sale of the Oil & Gas business

Net gain on disposal of Oil & Gas business

Consideration paid in cash	\$ (1,802)
Consideration receivable ⁽¹⁾	11,920
Total consideration	10,118
Net assets disposed of ⁽²⁾	(4,388)
Cumulative exchange gain on translating foreign operations reclassified from equity on disposal	573,042
Disposition-related costs and other	(5,730)
Gain on disposal of Oil & Gas business	573,042
Income taxes	7,139
Net gain on disposal of Oil & Gas business	\$ 565,903

⁽¹⁾ The consideration receivable in cash from the purchaser is subject to changes for potential purchase price adjustments with the purchaser following finalization of the closing balance sheet.

⁽²⁾ The amount of "Net assets disposed of" includes all assets and liabilities that have been disposed of as part of the transaction and incorporates an estimate for the value related to agreed representations and warranties, and indemnities related to certain projects which were complete or nearing completion at the time the transaction closed. Any differences in value between the original estimates and revised estimates or actual outcomes will be recognized in the income statement.

Net assets disposed of

As part of the transaction, the major classes of assets and liabilities of the Oil & Gas business disposed of were as follows:

Cash and cash equivalents	\$ 17,876
Other current financial assets	96,196
Current non-financial assets	186,500
Deferred income tax asset	12,314
Assets disposed of	312,886
Current financial liabilities	210,161
Current non-financial liabilities	61,920
Deferred income tax liability	1,861
Non-current financial liabilities	4,918
Other non-current non-financial liabilities	29,638
Liabilities disposed of	308,498
Net assets disposed of	\$ 4,388

Cash outflow on disposal of Oil & Gas business

Consideration paid in cash	\$ (1,802)
Less: cash and cash equivalents balances disposed of	17,876
Cash outflow on disposal of Oil & Gas business	\$ (19,678)

B) DISPOSAL OF A SUBSIDIARY IN KENYA

At the beginning of 2021, the Company entered into an agreement to sell its ownership interest in Atkins Consulting Engineers Limited, which was part of the EDPM segment. The associated assets, liabilities and other components of equity were consequently classified as held for sale from December 31, 2020 to the date of disposal. Upon such classification, SNC-Lavalin recognized an impairment loss on remeasurement of assets of the disposal group to their fair value less cost to sell in an amount of \$6.1 million before and after income taxes. On July 16, 2021, SNC-Lavalin completed the sale of its ownership of 100% in Atkins Consulting Engineers Limited in Kenya. The loss on disposal of SNC-Lavalin's ownership interest in this subsidiary amounted to \$0.6 million before and after income taxes and is included in "Loss on disposals of PS&PM businesses" in the Company's consolidated income statement.

6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

C) PRESENTATION OF DISPOSALS OF PS&PM BUSINESSES IN THE STATEMENT OF CASH FLOWS

Statement of cash flows

In 2021, cash outflow on disposals of the Oil & Gas business and a subsidiary in Kenya included in the Company's consolidated statement of cash flows was as follows:

Cash outflow on disposal of Oil & Gas business	\$	(19,678)
Consideration paid in cash on disposal of Atkins Consulting Engineers Limited		(1,398)
Cash outflow on disposals of PS&PM businesses	\$	(21,076)

Note 28 — Statements of cash flows

The following table presents the amount of net gain on disposals of PS&PM businesses before income taxes included in Note 28A — Statements of cash flows — Other reconciling items for the year ended December 31, 2021:

Gain on disposal of Oil & Gas business before income taxes (Note 6A)	\$	573,042
Loss on disposal of Atkins Consulting Engineers Limited before income taxes (Note 6B)		(613)
Net gain on disposals of PS&PM businesses before income taxes	\$	572,429

D) PRESENTATION OF DISPOSAL GROUPS PREVIOUSLY CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of the disposal groups classified as held for sale (see Notes 6A and 6B) as at December 31, 2020 were as follows:

	DECEMBER 31 2020
Cash and cash equivalents	\$ —
Other current financial assets	134,689
Current non-financial assets	96,647
Deferred income tax asset	6,259
Non-current financial assets	2,202
Other non-current non-financial assets	33,377
Assets of disposal groups classified as held for sale	273,174
Current financial liabilities	198,231
Current non-financial liabilities	95,073
Deferred income tax liability	1,495
Non-current financial liabilities	12,279
Other non-current non-financial liabilities	33,225
Liabilities of disposal groups classified as held for sale	340,303
Net liabilities of disposal groups classified as held for sale	\$ (67,129)

The cumulative amount recognized in other comprehensive income related to the disposal groups classified as held for sale as at December 31, 2020 was as follows:

	DECEMBER 31 2020
Exchange differences on translating foreign operations	\$ 594,141
Other components of equity of disposal groups classified as held for sale	\$ 594,141

II) IN 2020

E) DISPOSAL OF SUBSIDIARIES IN SOUTH AFRICA

In 2020, SNC-Lavalin completed the sale of its ownership interests in three of its subsidiaries in South Africa, which were part of the Oil & Gas business, classified as a discontinued operation, previously included in the Resources segment, in exchange for a total consideration of \$14.9 million.

6. DISPOSALS OF PS&PM BUSINESSES (CONTINUED)

Net gain on disposal of South African subsidiaries

YEAR ENDED DECEMBER 31	2020
Consideration received	\$ 13,003
Additional deferred consideration receivable	1,908
Total consideration	14,911
Net assets disposed of	(38,006)
Cumulative exchange gain on translating foreign operations reclassified from equity	29,516
Disposition-related costs	(216)
Gain on disposal of South African subsidiaries	6,205
Income taxes	—
Net gain on disposal of South African subsidiaries ⁽¹⁾	\$ 6,205

⁽¹⁾ Included in “Net income (loss) from discontinued operations” in the consolidated income statement

Upon disposal, the major classes of assets and liabilities of subsidiaries disposed of in South Africa were as follows:

Cash and cash equivalents	\$ 20,462
Other current assets	31,437
Other non-current assets	6,546
Assets disposed of	58,445
Current liabilities	18,376
Non-current liabilities	2,063
Liabilities disposed of	20,439
Net assets disposed of	\$ 38,006

F) DISPOSAL OF A SUBSIDIARY IN BELGIUM

In 2020, SNC-Lavalin completed the sale of its ownership interest of 100% in SNC-Lavalin SA (Belgium) in exchange for a total consideration of \$nil. On the date of disposal, SNC-Lavalin SA held \$7.5 million in cash and cash equivalents, which amount was effectively transferred to the acquirer on closing as per the terms of the sale agreement. The loss on disposal of SNC-Lavalin’s ownership interest in SNC-Lavalin SA amounted to \$7.5 million before and after income taxes and is included in “Loss on disposals of PS&PM businesses” in the Company’s consolidated income statement.

G) PRESENTATION OF DISPOSALS OF PS&PM BUSINESSES IN THE STATEMENT OF CASH FLOWS

Statement of cash flows

In 2020, cash outflow on disposals of subsidiaries in South Africa and in Belgium included in the Company’s consolidated statement of cash flows was as follows:

YEAR ENDED DECEMBER 31	2020
Consideration received in cash	\$ 13,003
Less: cash and cash equivalents balances disposed of	28,046
Cash outflow on disposals of PS&PM businesses	\$ (15,043)

Note 28 — Statements of cash flows

The following table presents the amount of net loss on disposals of PS&PM businesses before income taxes included in Note 28A — Statements of cash flows — Other reconciling items for the year ended December 31, 2020:

Gain on disposal of South African subsidiaries before income taxes (Note 6E)	\$ 6,205
Loss on disposal of a subsidiary in Belgium before income taxes (Note 6F)	(7,467)
Net loss on disposals of PS&PM businesses before income taxes	\$ (1,262)

7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS	DECEMBER 31 2021	DECEMBER 31 2020
Bank balances, bank term deposits and bankers' acceptances	\$ 608,446	\$ 932,902
Cash and cash equivalents	\$ 608,446	\$ 932,902

B) RESTRICTED CASH	DECEMBER 31 2021	DECEMBER 31 2020
Bank balances, bank term deposits and bankers' acceptances	\$ 13,398	\$ 29,300
Restricted cash	\$ 13,398	\$ 29,300

8. TRADE RECEIVABLES AND CONTRACT ASSETS

A) TRADE RECEIVABLES

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with a reconciliation to the net carrying amount:

	DECEMBER 31 2021	DECEMBER 31 2020
Trade receivables:		
Within normal terms of payment	\$ 830,231	\$ 894,248
Past due	482,880	477,068
Total trade receivables	1,313,111	1,371,316
Allowance for expected credit losses	(167,179)	(172,150)
Trade receivables, net of allowance for expected credit losses	\$ 1,145,932	\$ 1,199,166

The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31	2021	2020
Balance at beginning of year	\$ 172,150	\$ 255,698
Change in allowance, other than write-offs and recoveries	25,403	43,750
Write-offs of trade receivables	(12,132)	(44,047)
Recoveries	(18,242)	(9,253)
Reclassification to assets of disposal groups classified as held for sale	—	(73,998)
Balance at end of year	\$ 167,179	\$ 172,150

B) CONTRACT ASSETS

As at December 31, 2021, the Company has contract assets of \$1,119.0 million (2020: \$1,090.1 million), which is net of an allowance for expected credit losses of \$25.4 million (2020: \$23.3 million). The change in the allowance for expected credit losses is detailed below:

YEARS ENDED DECEMBER 31	2021	2020
Balance at beginning of year	\$ 23,259	\$ 18,262
Change in allowance, other than write-offs	2,583	16,020
Write-offs of contract assets	(435)	(7,217)
Reclassification to assets of disposal groups classified as held for sale	—	(3,806)
Balance at end of year	\$ 25,407	\$ 23,259

The significant changes in the balance of contract assets are disclosed in Note 9B, while information about the credit exposures is disclosed in Note 30B.

9. REVENUE

A) DISAGGREGATION OF REVENUE

Revenues by geographic area

The following tables present revenues by geographic area according to project location for the years ended December 31, 2021 and 2020:

YEAR ENDED DECEMBER 31				2021
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,251,335	\$ 96,273	\$ 2,347,608
United States		1,266,222	33,101	1,299,323
Latin America		85,362	—	85,362
Europe:				
United Kingdom		2,120,073	16,740	2,136,813
Other		462,137	—	462,137
Middle East and Africa:				
Middle East ⁽¹⁾		518,080	4,347	522,427
Africa		138,250	16,546	154,796
Asia Pacific ⁽²⁾		362,786	—	362,786
	\$	7,204,245	\$ 167,007	\$ 7,371,252

YEAR ENDED DECEMBER 31				2020
	REVENUE FROM CONTRACTS WITH CUSTOMERS		OTHER REVENUE	TOTAL
Americas:				
Canada	\$	2,016,539	\$ 85,858	\$ 2,102,397
United States		1,357,825	25,819	1,383,644
Latin America		80,976	—	80,976
Europe:				
United Kingdom		1,881,723	11,866	1,893,589
Other		409,772	—	409,772
Middle East and Africa:				
Middle East ⁽¹⁾		549,459	3,590	553,049
Africa		178,076	25,289	203,365
Asia Pacific ⁽²⁾		380,709	—	380,709
	\$	6,855,079	\$ 152,422	\$ 7,007,501

⁽¹⁾ Effective as of the second quarter of 2021, revenues from Saudi Arabia and Other Middle East countries are now included in “Middle East”. The Company has re-presented the comparative figures accordingly.

⁽²⁾ Effective as of the fourth quarter of 2021, revenues from Australia and Other countries of Asia-Pacific are now included in “Asia Pacific”. The Company has re-presented the comparative figures accordingly.

In the years ended December 31, 2021 and 2020, Canada, the United Kingdom and the United States were the only countries where the Company derived more than 10% of its revenues.

9. REVENUE (CONTINUED)

Revenues by type of contracts

The types of contracts presented are defined as follow:

Reimbursable and engineering services contracts: Reimbursable and engineering services contracts include all revenue-generating contracts of the Company, except Standardized EPC contracts and LSTK construction contracts described below. Under reimbursable contracts, the Company charges the customer for the actual cost incurred plus a mark-up that could take various forms such as a fixed-fee per unit, a percentage of costs incurred or an incentive fee based on achieving certain targets, performance factors or contractual milestones. Reimbursable contracts also include unit-rate contracts for which a fixed amount per quantity is charged to the customer, and reimbursable contracts with a cap or a target price accompanied by incentives and/or disincentives. Engineering services contracts include time and material agreements based on hourly rates and fixed-price lump-sum contracts with limited procurement or construction risks. Reimbursable and engineering services contracts also include all O&M contracts, some of which are fixed-price agreements, with certain O&M contracts being subject to price-adjustment clauses such as inflation-driven indexation.

Standardized EPC contracts: Under standardized EPC contracts, the Company provides repetitive EPC offerings that are lower-risk, standardized solutions for: i) district cooling plants; and ii) power substations executed through its Linxon subsidiary.

LSTK construction contracts: Under LSTK construction contracts, the Company completes the work required for the project at a lump-sum price. Before entering into such contracts, the Company estimates the total cost of the project, plus a profit margin. The Company's actual profit margin may vary based on its ability to achieve the project requirements at above or below the initial estimated costs.

The following tables present revenues by type of contracts for the years ended December 31, 2021 and 2020:

YEAR ENDED DECEMBER 31				2021
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	\$ 3,831,735	\$ —	\$ —	\$ 3,831,735
Nuclear	844,400	—	25,412	869,812
Infrastructure Services	809,289	605,089	—	1,414,378
Revenue from contracts with customers – SNCL Engineering Services	5,485,424	605,089	25,412	6,115,925
Resources	151,589	—	20,101	171,690
Infrastructure EPC Projects	22,566	—	872,766	895,332
Revenue from contracts with customers – SNCL Projects	174,155	—	892,867	1,067,022
	\$ 5,659,579	\$ 605,089	\$ 918,279	\$ 7,182,947
Revenue from PS&PM investments accounted for by the equity method (Note 17)				54,187
Revenue from contracts with customers – Capital segment				21,298
Other revenue – Capital segment				112,820
				\$ 7,371,252
YEAR ENDED DECEMBER 31				2020
	REIMBURSABLE AND ENGINEERING SERVICE CONTRACTS	STANDARDIZED EPC CONTRACTS	LUMP-SUM TURNKEY CONSTRUCTION CONTRACTS	TOTAL
EDPM	\$ 3,721,120	\$ —	\$ —	\$ 3,721,120
Nuclear	882,470	—	11,079	893,549
Infrastructure Services	789,888	533,547	—	1,323,435
Revenue from contracts with customers – SNCL Engineering Services	5,393,478	533,547	11,079	5,938,104
Resources	134,918	—	23,657	158,575
Infrastructure EPC Projects	20,704	—	719,485	740,189
Revenue from contracts with customers – SNCL Projects	155,622	—	743,142	898,764
	\$ 5,549,100	\$ 533,547	\$ 754,221	\$ 6,836,868
Revenue from PS&PM investments accounted for by the equity method (Note 17)				41,274
Revenue from contracts with customers – Capital segment				18,211
Other revenue – Capital segment				111,148
				\$ 7,007,501

9. REVENUE (CONTINUED)

B) CONTRACT BALANCES

	DECEMBER 31 2021	DECEMBER 31 2020
Trade receivables (Note 8A)	\$ 1,145,932	\$ 1,199,166
Contract assets (Note 8B)	1,119,045	1,090,149
Contract liabilities	\$ 838,209	\$ 836,991

Trade receivables are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are only conditional on the passage of time. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets are rights to consideration in exchange for goods or services that the Company has transferred to a customer when such rights are not only conditional on the passage of time, but also on some other factor, such as the satisfaction of further performance obligations under the contract. Contract assets are initially recognized for revenue earned from PS&PM activities and are usually derecognized when they become trade receivables.

Contract liabilities arise from PS&PM activities and represent the cumulative amounts received and contractually receivable from customers by the Company that exceed the right to consideration resulting from the Company's performance under a given contract.

The following table presents the amount of revenue recognized from:

YEARS ENDED DECEMBER 31	2021	2020
Amounts included in contract liabilities at the beginning of the year	\$ 493,597	\$ 534,379
Performance obligations satisfied or partially satisfied in previous years (reversal)	\$ (116,002)	\$ (353,109)

As a significant portion of the Company's revenues are recognized over time, the contractual terms which determine when consideration becomes receivable from the customer, such as upon the achievement of certain milestones, the attainment by the Company of such milestones earlier or later than anticipated and the ability to obtain deposits on contracts will influence, among other factors, the balance of trade receivables, contract assets and contract liabilities on a given contract. Due to i) the large number of contracts entered into by the Company; ii) the variety of contractual terms of such contracts; and iii) the different level of progress of the underlying projects, the variance of the contract assets and contract liabilities balances is not usually attributable to a single factor, except for significant business combinations or divestitures. At the end of 2021, the amount of contract assets and contract liabilities remained at a level comparable to that of the end of 2020.

C) REMAINING PERFORMANCE OBLIGATIONS

The aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) at December 31, 2021, on all contracts with customers, is expected to be recognized in revenues as follows: 2022 – \$4.3 billion, 2023 – \$2.0 billion, 2024 – \$1.1 billion, and thereafter – \$5.2 billion (2020 (for continuing operations): 2021 – \$4.4 billion, 2022 – \$2.0 billion, 2023 – \$1.2 billion, and thereafter – \$5.6 billion). The aggregate amount of transaction price allocated to performance obligations that were unsatisfied (or partially satisfied) at December 31, 2020, on all contracts with customers, is expected to be recognized in revenues from discontinued operations was \$0.8 billion. It should be noted that these amounts exclude any estimated amounts of variable consideration that are excluded from the transaction price.

10. INVENTORIES

	DECEMBER 31 2021	DECEMBER 31 2020
Work in progress	\$ 2,757	\$ 130
Finished goods	14,280	15,992
Inventories	\$ 17,037	\$ 16,122

The cost of inventories recognized by the Company as an expense in continuing operations in its consolidated income statement during the year ended December 31, 2021 was \$12.3 million (2020: \$8.7 million).

11. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2021	DECEMBER 31 2020
Advances to suppliers, subcontractors and employees and deposits on contracts	\$ 46,159	\$ 45,282
Derivative financial instruments used for hedges – favourable fair value	11,524	41,808
Life insurance policies measured at FVTPL ⁽¹⁾	6,201	6,200
Current portion of receivables under service concession arrangements	—	17,370
Recovery of costs expected from suppliers and subcontractors	11,642	23,178
Current portion of finance lease receivables	2,661	2,627
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	6,237	148
Other	53,947	120,819
Other current financial assets	\$ 138,371	\$ 257,432

⁽¹⁾ Fair value through profit or loss (“FVTPL”)

12. OTHER CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2021	DECEMBER 31 2020
Income taxes and other taxes receivable	\$ 152,044	\$ 145,341
Prepaid expenses and other	94,114	107,970
Other current non-financial assets	\$ 246,158	\$ 253,311

13. PROPERTY AND EQUIPMENT

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	LEASEHOLD IMPROVE- MENTS ⁽¹⁾	OTHER ^{(1) (2)}	TOTAL
Gross carrying amount							
Balance as at January 1, 2021	\$ 50,715	\$ 490,112	\$ 126,799	\$ 90,945	\$ 188,422	\$ 9,916	\$ 956,909
Additions	377	52,448	4,746	10,531	15,528	12,277	95,907
Effect of foreign currency exchange differences	34	(2,780)	(340)	(484)	(528)	37	(4,061)
Disposals / retirements / salvage / transfers	(27,808)	(33,984)	(13,319)	(21,616)	(18,443)	(535)	(115,705)
Balance as at December 31, 2021	\$ 23,318	\$ 505,796	\$ 117,886	\$ 79,376	\$ 184,979	\$ 21,695	\$ 933,050
Accumulated depreciation and impairment losses							
Balance as at January 1, 2021	\$ 16,751	\$ 350,362	\$ 104,809	\$ 28,511	\$ 80,612	\$ —	\$ 581,045
Depreciation expense	1,755	47,314	6,740	22,776	15,086	—	93,671
Effect of foreign currency exchange differences	33	(2,048)	(272)	(116)	(443)	—	(2,846)
Impairment loss ⁽³⁾	—	5,483	612	2,204	5,009	3,662	16,970
Disposals / retirements / salvage	(13,286)	(32,765)	(13,019)	(12,984)	(17,229)	—	(89,283)
Balance as at December 31, 2021	\$ 5,253	\$ 368,346	\$ 98,870	\$ 40,391	\$ 83,035	\$ 3,662	\$ 599,557

⁽¹⁾ Effective January 1, 2021, the Company presents “Leasehold improvements” separately from “Other” and, consequently, the Company has re-presented the comparative figures accordingly.

⁽²⁾ “Other” includes assets in the course of their construction and land.

⁽³⁾ In the year ended December 31, 2021, SNC-Lavalin recognized impairment losses in the amount of \$8.3 million in “Restructuring and transformation costs” and in the amount of \$8.7 million in “Net income (loss) from discontinued operations” in the consolidated income statement.

13. PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	MACHINERY	LEASEHOLD IMPROVE- MENTS ⁽¹⁾	OTHER ⁽¹⁾⁽²⁾	TOTAL
Gross carrying amount							
Balance as at January 1, 2020	\$ 97,798	\$ 470,761	\$ 164,242	\$ 156,385	\$ 241,343	\$ 29,051	\$ 1,159,580
Additions	3,804	67,566	2,285	7,758	9,073	13,201	103,687
Effect of foreign currency exchange differences	(2,099)	(2,800)	(584)	(6,389)	(635)	(1,955)	(14,462)
Disposals / retirements / salvage / transfers	(4,276)	(31,732)	(12,856)	(34,723)	(54,396)	(1,417)	(139,400)
Reclassification to assets of disposal groups classified as held for sale	(44,512)	(13,683)	(26,288)	(32,086)	(6,963)	(28,964)	(152,496)
Balance as at December 31, 2020	\$ 50,715	\$ 490,112	\$ 126,799	\$ 90,945	\$ 188,422	\$ 9,916	\$ 956,909
Accumulated depreciation and impairment losses							
Balance as at January 1, 2020	\$ 42,103	\$ 349,089	\$ 128,210	\$ 66,132	\$ 103,416	\$ —	\$ 688,950
Depreciation expense	22,865	45,763	9,058	27,298	15,221	—	120,205
Effect of foreign currency exchange differences	(1,487)	(1,884)	(479)	(4,243)	(511)	—	(8,604)
Impairment loss ⁽³⁾	—	—	—	5,358	2,894	—	8,252
Disposals / retirements / salvage	(2,675)	(30,957)	(11,249)	(34,210)	(27,312)	—	(106,403)
Reclassification to assets of disposal groups classified as held for sale	(44,055)	(11,649)	(20,731)	(31,824)	(13,096)	—	(121,355)
Balance as at December 31, 2020	\$ 16,751	\$ 350,362	\$ 104,809	\$ 28,511	\$ 80,612	\$ —	\$ 581,045
Net book value:							
As at December 31, 2021	\$ 18,065	\$ 137,450	\$ 19,016	\$ 38,985	\$ 101,944	\$ 18,033	\$ 333,493
As at December 31, 2020	\$ 33,964	\$ 139,750	\$ 21,990	\$ 62,434	\$ 107,810	\$ 9,916	\$ 375,864
Net book value of assets subject to operating leases:							
As at December 31, 2021	\$ —	\$ —	\$ —	\$ 45,878	\$ —	\$ —	\$ 45,878
As at December 31, 2020	\$ —	\$ —	\$ —	\$ 57,059	\$ —	\$ —	\$ 57,059

⁽¹⁾ Effective January 1, 2021, the Company presents “Leasehold improvements” separately from “Other” and, consequently, the Company has re-presented the comparative figures accordingly.

⁽²⁾ “Other” includes assets in the course of their construction and land.

⁽³⁾ In the year ended December 31, 2020, SNC-Lavalin recognized impairment losses in the amount of \$2.9 million in “Restructuring and transformation costs” and in the amount of \$5.4 million in “Net income (loss) from discontinued operations” in the consolidated income statement.

An amount of \$16.9 million as at December 31, 2021 (2020: \$6.9 million) of property and equipment was not being depreciated as the assets were under construction. The non-cash additions of property and equipment amounted to \$6.0 million in the year ended December 31, 2021 (2020: \$30.9 million).

14. GOODWILL

The following table details a reconciliation of the carrying amount of the Company’s goodwill:

Balance at January 1, 2020	\$ 3,429,094
Net foreign currency exchange differences	384
Balance at December 31, 2020	3,429,478
Net foreign currency exchange differences	(46,535)
Balance at December 31, 2021	\$ 3,382,943

14. GOODWILL (CONTINUED)

For the purpose of annual impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

As at December 31, 2021 and 2020, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	DECEMBER 31 2021	DECEMBER 31 2020
EDPM	\$ 2,586,762	\$ 2,624,526
Infrastructure Services	142,572	142,782
Nuclear	634,343	642,770
Linxon	19,266	19,400
	\$ 3,382,943	\$ 3,429,478

As at October 31, 2021 and 2020, goodwill was not considered to be impaired.

In 2021, approximately 76% (2020: 77%) of the Company's goodwill balance is allocated to the EDPM CGU. The recoverable amount of this CGU, determined in accordance with the value in use approach, based on a terminal growth rate of 2.5% (2020: 2.5%) and a discount rate of 9.4% (2020: 9.5%), exceeded its carrying amount by approximately \$911 million as at October 31, 2021 (2020: by approximately \$563 million). As at October 31, 2021, assuming all other assumptions remained the same, a 263-basis point (2020: a 140-basis point) decrease in the terminal growth rate or a 196-basis point (2020: a 107-basis point) increase in the discount rate would have caused the EDPM CGU's carrying amount to be comparable to its recoverable amount as at that date.

No reasonable change in the key assumptions used for the other CGU or group of CGU would have resulted in an impairment loss as at October 31, 2021 and 2020. The recoverable amount of other CGU or group of CGU was determined based on the value in use approach. Under this approach, the following assumptions were used: cash flows beyond the long-term forecast were extrapolated using a growth rate of 2.5% in 2021 (2020: 2.5%) and discount rates ranging from 8.5% to 9.9% have been used in 2021 (2020: from 9.8% to 12.1%).

15. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS

The following tables reconcile the carrying amount of intangible assets related to business combinations:

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2021	\$ 16,531	\$ 766,333	\$ 107,323	\$ 890,187
Effect of foreign currency exchange differences	(116)	(13,685)	(1,434)	(15,235)
Balance as at December 31, 2021	\$ 16,415	\$ 752,648	\$ 105,889	\$ 874,952
Accumulated depreciation and impairment losses				
Balance as at January 1, 2021	\$ 11,987	\$ 266,548	\$ 67,593	\$ 346,128
Amortization expense	1,843	75,571	12,063	89,477
Effect of foreign currency exchange differences	(59)	(5,433)	(877)	(6,369)
Balance as at December 31, 2021	\$ 13,771	\$ 336,686	\$ 78,779	\$ 429,236

15. INTANGIBLE ASSETS RELATED TO BUSINESS COMBINATIONS (CONTINUED)

	REVENUE BACKLOG	CUSTOMER RELATIONSHIPS	TRADEMARKS	TOTAL
Gross carrying amount				
Balance as at January 1, 2020	\$ 214,630	\$ 999,907	\$ 137,981	\$ 1,352,518
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	1,906	8,131	(256)	9,781
Reclassification to assets of disposal groups classified as held for sale	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 16,531	\$ 766,333	\$ 107,323	\$ 890,187
Accumulated depreciation and impairment losses				
Balance as at January 1, 2020	\$ 173,205	\$ 430,238	\$ 83,477	\$ 686,920
Amortization expense	36,367	75,489	14,914	126,770
Derecognition of intangible assets	(200,005)	(54,600)	(4,642)	(259,247)
Effect of foreign currency exchange differences	2,420	2,526	(396)	4,550
Reclassification to assets of disposal groups classified as held for sale	—	(187,105)	(25,760)	(212,865)
Balance as at December 31, 2020	\$ 11,987	\$ 266,548	\$ 67,593	\$ 346,128
Net book value:				
As at December 31, 2021	\$ 2,644	\$ 415,962	\$ 27,110	\$ 445,716
As at December 31, 2020	\$ 4,544	\$ 499,785	\$ 39,730	\$ 544,059

16. OTHER NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2021	DECEMBER 31 2020
Derivative financial instruments related to share unit plans – favourable fair value (Note 23C)	\$ 2,354	\$ 908
Derivative financial instruments used for hedges – favourable fair value	2,276	1,065
Non-current portion of finance lease receivables	11,804	13,601
Other	8,975	15,824
Other non-current financial assets	\$ 25,409	\$ 31,398

The Company's finance lease receivables relate mainly to the subleases of its unused office space. In 2021, the decrease of finance lease receivables was mainly due to the passage of time.

17. OTHER NON-CURRENT NON-FINANCIAL ASSETS

	DECEMBER 31 2021	DECEMBER 31 2020
Post-employment benefit assets (Note 32A)	\$ 230,763	\$ 8,327
PS&PM investments accounted for by the equity method	71,577	54,067
Other	13,813	20,557
Other non-current non-financial assets	\$ 316,153	\$ 82,951

PS&PM investments accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its PS&PM investment activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below. Joint ventures included in assets of disposal groups classified as held for sale as at December 31, 2020 are not included in the tables below.

YEARS ENDED DECEMBER 31	2021	2020
Income statements		
Revenues (at 100%)	\$ 2,465,068	\$ 1,786,311
Interest income (at 100%)	\$ 81	\$ 4,743
Interest expense (at 100%)	\$ 3,665	\$ 5,520
Depreciation and amortization (at 100%)	\$ 2,627	\$ 317
Income tax expense (at 100%)	\$ 3,250	\$ —

YEARS ENDED DECEMBER 31	2021	2020
Statements of comprehensive income		
Net income (at 100%)	\$ 142,681	\$ 100,668
Other comprehensive loss (at 100%)	—	—
Total comprehensive income (at 100%)	\$ 142,681	\$ 100,668

YEARS ENDED DECEMBER 31	2021	2020
Company's share of net income of PS&PM investments based on its ownership interest	\$ 54,187	\$ 41,274
Company's net income from PS&PM investments included in its income statement	\$ 54,187	\$ 41,274

	DECEMBER 31 2021	DECEMBER 31 2020
Statements of financial position		
Cash and cash equivalents (at 100%)	\$ 164,410	\$ 211,852
Other current assets (at 100%)	591,537	279,008
Non-current assets (at 100%)	40,251	4,649
Total assets (at 100%)	796,198	495,509
Trade payables (at 100%)	482,315	344,412
Other current financial liabilities (at 100%)	74,621	14,983
Other current non-financial liabilities (at 100%)	7,241	4,934
Other non-current financial liabilities (at 100%)	27,731	7,504
Total liabilities (at 100%)	591,908	371,833
Net assets (at 100%)	\$ 204,290	\$ 123,676
Company's carrying value of PS&PM investments included in its statement of financial position	\$ 71,577	\$ 54,067

17. OTHER NON-CURRENT NON-FINANCIAL ASSETS (CONTINUED)

PS&PM investments accounted for by the equity method - associates

The summary tables below provide supplementary information in respect of PS&PM investments classified as associates.

YEARS ENDED DECEMBER 31	2021	2020
Statements of comprehensive income		
Revenues (at 100%)	\$ 26,797	\$ 33,053
Expenses (at 100%)	31,231	34,112
Net income (loss) (at 100%)	(4,434)	(1,059)
Other comprehensive income (at 100%)	—	—
Total comprehensive loss (at 100%)	\$ (4,434)	\$ (1,059)
Company's share of net income of PS&PM investments based on its ownership interest	\$ —	\$ —
Company's share of net income from PS&PM investments included in its income statement	\$ —	\$ —
	DECEMBER 31 2021	DECEMBER 31 2020
Statements of financial position		
Current assets (at 100%)	\$ 24,486	\$ 21,092
Non-current assets (at 100%)	4,841	3,716
Total assets (at 100%)	29,327	24,808
Current liabilities (at 100%)	20,732	17,225
Non-current liabilities (at 100%)	7,467	1,953
Total liabilities (at 100%)	28,199	19,178
Net assets (at 100%)	\$ 1,128	\$ 5,630
Company's carrying value of PS&PM investments included in its statement of financial position	\$ —	\$ —

18. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2021	DECEMBER 31 2020
Commitments to invest in Capital investments accounted for by the equity method and at fair value through other comprehensive income (Note 5C)	\$ 24,921	\$ 24,921
Retentions on supplier contracts	108,301	90,793
Derivative financial instruments used for hedges – unfavourable fair value	16,496	12,981
Derivative financial instruments related to share unit plans – unfavourable fair value (Note 23C)	—	3,025
Federal charges settlement (PPSC) payable	55,515	55,865
Other	537	169
Other current financial liabilities	\$ 205,770	\$ 187,754

On February 19, 2015, the Royal Canadian Mounted Police and the Public Prosecution Service of Canada (“PPSC”) laid charges (the “Charges”) against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. On December 18, 2019, the Company announced it had reached a settlement with the PPSC regarding the Charges (the “federal charges settlement (PPSC)”). As part of the federal charges settlement (PPSC), SNC-Lavalin Construction Inc. is required to pay a fine in the amount of \$280 million, payable over 5 years, and is subject to a three-year probation order. The Company estimated the net present value of these installments at \$257.3 million at October 18, 2019, the date of the federal charges settlement (PPSC), of which \$106.7 million is included in “Other non-current financial liabilities” (see Note 21) as at December 31, 2021 (2020: \$154.3 million).

19. OTHER CURRENT NON-FINANCIAL LIABILITIES

	DECEMBER 31 2021	DECEMBER 31 2020
Income taxes and other taxes payable	\$ 267,158	\$ 434,987
Share unit plans' liabilities (Note 23C)	60,961	38,793
Other current non-financial liabilities	\$ 328,119	\$ 473,780

20. SHORT-TERM DEBT AND LONG-TERM DEBT

As at December 31, 2021 and 2020, the Company's short-term debt and long-term debt included in its consolidated statement of financial position were as follows:

A) RECOURSE DEBT

	DECEMBER 31 2021	DECEMBER 31 2020
Recourse debt:		
Revolving Facility (i)	\$ 96,853	\$ —
Term Loan (ii)	499,635	499,360
Series 3 Debentures (iii)	—	174,960
Series 4 Debentures (iii)	199,748	199,540
Series 6 Debentures (iii)	297,866	297,105
Total recourse short-term debt and long-term debt	\$ 1,094,102	\$ 1,170,965
Less: recourse short-term debt	96,853	174,960
Recourse long-term debt	\$ 997,249	\$ 996,005

B) LIMITED RECOURSE DEBT

	DECEMBER 31 2021	DECEMBER 31 2020
Limited recourse debt:		
CDPQ Loan (iv)	\$ 400,000	\$ 400,000
Limited recourse long-term debt	\$ 400,000	\$ 400,000

C) NON-RECOURSE DEBT (UNSECURED OR SECURED ONLY BY CAPITAL OR PS&PM INVESTMENT'S SPECIFIC ASSETS)

	DECEMBER 31 2021	DECEMBER 31 2020
Non-recourse debt:		
Senior bonds – InPower BC General Partnership (v) ⁽¹⁾	\$ 259,704	\$ 276,297
Senior Secured Notes from a PS&PM investment (vi)	27,692	34,631
Unsecured Loan of Linxon (vii)	9,906	8,888
Credit facility – TransitNEXT General Partnership (viii)	124,256	102,843
Other	8,215	8,886
Total non-recourse short-term debt and long-term debt	\$ 429,773	\$ 431,545
Less: reclassification to "Liabilities of disposal groups classified as held for sale" ⁽¹⁾	259,704	—
Less: non-recourse short-term debt	14,021	31,262
Non-recourse long-term debt	\$ 156,048	\$ 400,283

⁽¹⁾ As at December 31, 2021, the carrying amount of senior bonds of InPower BC General Partnership is included in "Liabilities of disposal groups classified as held for sale" in the consolidated statement of financial position (see Notes 5A and 39).

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

- i. The Company's unsecured revolving credit facility (the "Revolving Facility"), which is part of the Company's second amended and restated credit agreement, dated April 30, 2018, between, among others, the Company, as borrower, and the syndicate of lenders party thereto (as amended, from time to time, the "Credit Agreement"), is comprised of two tranches as at December 31, 2021: (i) tranche A is for an amount of \$2,000 million (2020: \$2,000 million); and (ii) tranche B is for an amount of \$600 million (2020: \$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 aggregate outstanding amount of uncommitted bilateral letters of credit allowed under the Credit Agreement is \$3,000 million (2020: \$3,000 million).

On March 26, 2021, certain lenders under the Company's Revolving Facility agreed to extend the maturity of such facility with respect only to such lenders from May 15, 2022 to April 30, 2023 and, as a condition to securing the consent of such lenders to the maturity extension, the blended pricing applicable to the Revolving Facility was increased commensurately. As such, the notional amount of Tranche A of the Revolving Facility is \$2,000 million until May 15, 2022 and \$1,690.8 million from May 16, 2022 to April 30, 2023 and the notional amount of Tranche B of the Revolving Facility is \$600 million until May 15, 2022 and \$507.2 million from May 16, 2022 to April 30, 2023.

As at December 31, 2021 and 2020, the cash draws and letters of credit outstanding under the Company's Revolving Facility were as follows:

AT DECEMBER 31, 2021	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	\$ 2,600,000	\$ 99,950	\$ 207,389 ⁽¹⁾	\$ 2,292,661

⁽¹⁾ Includes \$3.5 million of financial letters of credit

AT DECEMBER 31, 2020	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Revolving Facility	\$ 2,600,000	\$ —	\$ 205,324 ⁽²⁾	\$ 2,394,676

⁽²⁾ Includes \$3.5 million of financial letters of credit

In addition, as at December 31, 2021, \$1,339.9 million (2020: \$1,495.5 million) of uncommitted bilateral letters of credit were outstanding, of which \$94.4 million (2020: \$98.2 million) related to financial letters of credit.

- ii. The Company's non-revolving term loan, which is part of the Company's Credit Agreement, is in the principal amount of \$500 million (the "Term Loan"). Borrowings under the Term Loan were available by way of prime rate loans or acceptances. The Term Loan maturity date is April 30, 2023.
- iii. These unsecured debentures were issued as follows: (i) \$175 million in floating rate Series 3 Debentures due in March 2021 bearing interest at a rate equal to the 3-month CDOR plus applicable margin (the "Series 3 Debentures"); (ii) \$200 million in 3.235% *per annum* Series 4 Debentures due in March 2023 (the "Series 4 Debentures"); and (iii) \$300 million in 3.80% *per annum* Series 6 Debentures due in August 2024 (the "Series 6 Debentures"). The Series 3 Debentures were repaid in full at their maturity in March 2021.
- iv. The loan ("CDPQ Loan") made under the loan agreement (as amended, from time to time, the "CDPQ Loan Agreement"), dated April 20, 2017, between SNC-Lavalin Highway Holdings Inc. ("Highway Holdings"), an indirect wholly-owned subsidiary of the Company holding the shares of Highway 407 ETR, as borrower, and CDPQ Revenu Fixe Inc., as lender, is a limited recourse debt comprised of two tranches: (i) tranche A which is a non-revolving term loan in an aggregate amount of \$400 million (2020: \$400 million); 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. Each of tranche A and tranche B was available by way of a single drawdown by Highway Holdings. 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. In 2018, the Company repaid borrowings under tranche B of its CDPQ Loan in full. Tranche A of the CDPQ Loan matures in 2024.

20. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

In 2020, the CDPQ Loan Agreement was amended to: (i) temporarily increase the financial ratio covenant in order to align it with that under the Credit Agreement; and (ii) disapply a condition under a restrictive covenant in order to allow a dividend received by Highway Holdings from Highway 407 ETR in September 2020 to be distributed to the Company. In 2021, the CDPQ Loan Agreement was further amended to disapply a condition under a restrictive covenant in order to allow dividends received by Highway Holdings from Highway 407 ETR in October 2021 and December 2021 to be distributed to the Company.

- v. The senior bonds of InPower BC General Partnership in the principal amount of \$300 million bear interest at a rate of 4.471% and are due in 2033. The credit facility of InPower BC General Partnership in the principal amount of \$63.2 million bore interest at a variable rate equal to CDOR plus an applicable margin and was due in 2020. The senior bonds are and the credit facility was secured by all assets of InPower BC General Partnership. The credit facility of InPower BC General Partnership was repaid in full in 2020.
- vi. The senior secured notes of a subsidiary of the Company are up to US\$40.0 million (approximately CA\$51.2 million) aggregate principal amount (the “Senior Secured Notes”), of which US\$38.0 million (approximately CA\$48.6 million) aggregate principal amount was issued as at December 31, 2021 (2020: US\$38.0 million [approximately CA\$48.7 million]). The Senior Secured Notes are due in 2026 and bear interest at a variable rate. The net proceeds from the issuance of the senior secured notes are used by the subsidiary of the Company to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract.
- vii. In relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of the non-controlling interest of 49% in Linxon granted an unsecured loan (the “Unsecured Loan”) and provided an unsecured working capital revolving credit facility to Linxon. The Unsecured Loan in the principal amount of US\$9.3 million (approximately CA\$11.9 million) (2020: approximately CA\$11.9 million) is an interest-free loan and is repayable in full on September 1, 2023. The working capital credit facility in a maximum aggregate amount of €30.0 million (approximately CA\$43.6 million) (2020: approximately CA\$47.1 million) bears interest at a variable rate and is repayable at the latest on September 30, 2022.
- viii. The credit facility of TransitNEXT General Partnership in the aggregate maximum principal amount of \$149.0 million bears interest at a rate of CDOR plus an applicable margin and is repayable at the latest on February 10, 2024. The credit facility is secured by all assets of TransitNEXT. In addition, a wholly-owned entity indirectly holding TransitNEXT entered into a term loan facility agreement. The aggregate principal amount of the term loan facility is \$99.7 million and cannot be drawn until substantial completion of the Trillium project is achieved. The term loan facility bears interest at a rate of: i) 4.82% prior to August 10, 2026; and ii) CDOR plus an applicable margin from and after August 10, 2026. The maturity of the term loan facility is the earlier of: i) the date that is 4 years after the substantial completion date of the Trillium project; and ii) March 29, 2028. The term loan facility is secured by all assets of such entity indirectly holding TransitNEXT and the interests and securities issued by the entity indirectly holding TransitNEXT have also been pledged to the project lenders.

D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

The future principal payments of SNC-Lavalin’s recourse, limited recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2021	Recourse	Limited recourse	Non-recourse	Total
2022	\$ 99,770	\$ —	\$ 15,378	\$ 115,148
2023	700,000	—	143,643	843,643
2024	300,000	400,000	7,163	707,163
2025	—	—	7,163	7,163
2026	—	—	256	256
Total ⁽¹⁾	\$ 1,099,770	\$ 400,000	\$ 173,603	\$ 1,673,373
Net unamortized deferred financing costs and unamortized discounts	(5,668)	—	(3,534)	(9,202)
Net carrying amount of short-term debt and long-term debt	\$ 1,094,102	\$ 400,000	\$ 170,069	\$ 1,664,171

⁽¹⁾ Excludes repayment of principal of senior bonds of InPower BC General Partnership, which are included in “Liabilities of disposal groups classified as held for sale” in the consolidated statement of financial position as at December 31, 2021 (see Notes 5A and 39).

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2021	DECEMBER 31 2020
Federal charges settlement (PPSC) payable (Note 18)	\$ 106,684	\$ 154,332
Contingent consideration payable to seller related to Linxon acquisition	15,020	15,181
Derivative financial instrument used for hedges - unfavourable fair value	940	3,929
Derivative financial instrument related to share unit plans - unfavourable fair value (Note 23C)	239	4,627
Other	14,636	15,792
Other non-current financial liabilities	\$ 137,519	\$ 193,861

22. PROVISIONS

	Pension, other long-term benefits and other post-employment benefits	Forecasted losses on certain contracts	Restructuring	Other ⁽¹⁾	Total
Balance at January 1, 2021	\$ 565,556	\$ 103,984	\$ 89,083	\$ 396,188	\$ 1,154,811
Additional provisions recognized in the year	18,236	26,182	14,693	196,729	255,840
Amounts used during the year	(92,554)	(41,843)	(44,355)	(46,830)	(225,582)
Unused amounts reversed during the year	—	(26,458)	—	(20,485)	(46,943)
Remeasurement recognized in equity	(464,878)	—	—	—	(464,878)
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	1,641	118	(879)	(541)	339
Increase in post-employment benefit assets	222,436	—	—	—	222,436
Balance at December 31, 2021	\$ 250,437	\$ 61,983	\$ 58,542	\$ 525,061	\$ 896,023

Presented on the statement of financial position as follows:

Current portion of provisions	\$ 425,613
Non-current portion of provisions	\$ 470,410

⁽¹⁾ Other provisions include mainly provisions recognized for legal proceedings and claims, indemnification from past disposals of PS&PM businesses, warranty and other project provisions, environmental liabilities and other asset retirement obligations. Due to the nature of these provisions, the Company does not provide information on each individual component separately.

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: i) most of the provisions for legal proceedings and claims relate to matters that are subject to significant uncertainties, including uncertainties over the timing of resolution, which could extend to several years; ii) forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; iii) most of the accrued restructuring costs are expected to be disbursed within the next 12 months; iv) warranty expenditures are expected to take place within the next 5 years; and v) most of the other provisions are expected to be resolved over the next 10 years. The main assumptions used to determine the provision for pension, other long-term benefits and other post-employment benefits and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 32.

23. SHARE CAPITAL

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The issued and outstanding share capital of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares shall be paid or distributed equally, share for share, to the holders of such common shares.

B) STOCK OPTION PLAN

The main features of the stock option plan are summarized below:

	2013 STOCK OPTION PLAN
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Six years after the grant date
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event the optionee is eligible to retire, both vested and unvested options continue to run their normal course. In the event of death, vested options of the optionee remain exercisable by his/her legal representatives within a period of one year following such death and unvested options of the optionee are cancelled as of the date of death.

As at December 31, 2021, 2,787,863 stock options remained available for future grants under the 2013 stock option plan (2020: 2,787,863 stock options).

There were no stock options outstanding in 2021 and 2020. The stock option compensation cost recorded in the year ended December 31, 2021 was \$nil (2020: \$nil).

23. SHARE CAPITAL (CONTINUED)

C) SHARE UNIT PLANS

As at December 31, 2021 and 2020, the Company had five share unit compensation plans for executives, namely the 2019 PSU plan, the 2019 RSU plan, the 2017 PSU plan, the 2009 DSU plan, and the RSU plan, and a share unit compensation plan, the DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

The terms and conditions of the executive plans are summarized below:

	2009 DSU PLAN	2019 RSU PLAN / RSU PLAN	2019 PSU PLAN / 2017 PSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Determined at grant date, without any further changes	Determined at grant date, without any further changes	Subject to performance conditions, the number of units granted shall be adjusted depending on the total shareholder return compared to peers, as defined in the plan
Vesting of units	Units vest at a rate of 20% per year at the end of each calendar year following the grant date	Units vest in full three years following their grant date	Units vest in full at the end of the third calendar year following the grant date
Payment	Units are redeemable for cash by the Company within thirty days following the first anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company no later than March 15 th of the year following the end of the vesting period	Units are redeemable for cash by the Company no later than two and a half months after the end of the performance period of such award. Performance period means the period starting on January 1 st of the calendar year during which the grant of such award was made and ending on the vesting date
Redemption price	Average closing price per share on the Toronto Stock Exchange on the first anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made no later than March 15 th of the year following the event	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made no later than two and a half months following the event

The terms and conditions of the DSU plan are as follows: each member of the Board of Directors of SNC-Lavalin Group Inc. (the "member") receives an annual retainer consisting of: (a) a lump sum credited in DSU plan units, and (b) a cash award payment. Each member may elect to receive 100% of the cash award payment, as well as 100% of their committee chair retainer, meeting fees and travel fees, if applicable, in either cash or DSU plan units. DSU plan units track the price of SNC-Lavalin's common shares on the Toronto Stock Exchange. They accumulate during a member's term in office and are redeemed in cash when the member leaves the Board of Directors. For the purposes of redeeming DSU plan units, the value of a unit on any given date is equivalent to the average of the closing price for a common share on the Toronto Stock Exchange for the five trading days immediately prior to such date. DSU plan units are credited on a quarterly basis and do not carry voting rights. Furthermore, additional DSU plan units accumulate as dividend equivalents whenever cash dividends are paid on common shares.

23. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2021 and 2020:

	2021		2020	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2019 PSU plan	841,434	\$ 28.69	802,180	\$ 26.09
2019 RSU plan	748,350	\$ 28.70	1,042,570	\$ 25.16
DSU plan	37,931	\$ 28.66	82,030	\$ 26.56
2009 DSU plan	64,144	\$ 31.44	71,204	\$ 21.62

The Company has entered into derivative financial instruments with investment grade financial institutions to limit the Company's exposure to the variability of the units caused by fluctuations in its share price. The derivative financial instruments, the fair value of which fluctuates in accordance with the movement in the Company's share price, are required to be classified as at FVTPL. As such, they are measured at fair value on the consolidated statement of financial position under "Other current financial assets" (see Note 11) and "Other non-current financial assets" (see Note 16) if the fair value of a derivative financial instrument is favourable or under "Other current financial liabilities" (see Note 18) and "Other non-current financial liabilities" (see Note 21) if the fair value of a derivative financial instrument is unfavourable.

The compensation expense related to the share unit plans was \$36.8 million for the year ended December 31, 2021 (2020: \$10.1 million).

The total intrinsic value of the share unit plans' liabilities for which the participants' right to cash vested was \$13.4 million as at December 31, 2021 (2020: \$7.8 million), while the share unit plans' liabilities amounted to \$61.0 million as at December 31, 2021 (2020: \$38.8 million).

D) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares in 2021 and 2020 used to calculate the basic and diluted earnings per share were as follows:

YEARS ENDED DECEMBER 31 (IN THOUSANDS)	2021	2020
Weighted average number of outstanding shares – basic	175,554	175,554
Weighted average number of outstanding shares – diluted	175,554	175,554

In 2021 and 2020, no dilutive effect of stock options has been calculated as no stock options were outstanding during these periods.

E) DIVIDENDS

During the year ended December 31, 2021, the Company recognized as distributions to its equity shareholders dividends of \$14.0 million or \$0.08 per share (2020: \$14.0 million or \$0.08 per share).

24. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2021 and 2020:

	DECEMBER 31 2021	DECEMBER 31 2020
Exchange differences on translating foreign operations	\$ (329,121)	\$ 292,568
Cash flow hedges	(4,148)	(17,450)
Share of other comprehensive loss of investments accounted for by the equity method	—	(1,044)
Other components of equity	\$ (333,269)	\$ 274,074
Presented on the statement of financial position as follows:		
Other components of equity	\$ (333,269)	\$ (320,067)
Other components of equity of disposal groups classified as held for sale (Note 6D)	\$ —	\$ 594,141

- Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal. Exchange differences also include gains and losses on hedging instruments, if any, relating to the effective portion of hedges of net investments of foreign operations, which are reclassified to net income on the disposal of the foreign operation.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's share of other comprehensive income (loss) from its investments accounted for by the equity method.

24. OTHER COMPONENTS OF EQUITY (CONTINUED)

A) ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

The following table provides a reconciliation of each element of other components of equity for the years ended December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31	2021		2020	
Exchange differences on translating foreign operations:				
Balance at beginning of year	\$	292,568	\$	365,600
Current year losses		(49,487)		(41,466)
Reclassification to net income		(572,817)		(28,305)
Net investment hedge – current year gains (losses)		615		(3,261)
Balance at end of year		(329,121)		292,568
Cash flow hedges:				
Balance at beginning of year		(17,450)		(11,652)
Current year gains		11,979		6,256
Income taxes relating to current year gains		(566)		(1,638)
Reclassification to net income		2,360		(12,460)
Income taxes relating to amounts reclassified to net income		(471)		2,044
Balance at end of year		(4,148)		(17,450)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of year		(1,044)		125
Current year share		1,419		(1,590)
Income taxes relating to current year share		(375)		421
Balance at end of year		—		(1,044)
Other components of equity	\$	(333,269)	\$	274,074
Presented on the statement of financial position as follows:				
Other components of equity	\$	(333,269)	\$	(320,067)
Other components of equity of disposal groups classified as held for sale (Note 6D)	\$	—	\$	594,141

B) ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME

Remeasurement recognized in other comprehensive income

The following table presents changes in the cumulative amount of remeasurement gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31	2021			2020		
	BEFORE TAX	INCOME TAX ⁽¹⁾	NET OF TAX	BEFORE TAX	INCOME TAX ⁽¹⁾	NET OF TAX
Cumulative amount at January 1	\$ (166,186)	\$ 35,253	\$ (130,933)	\$ (49,588)	\$ 6,184	\$ (43,404)
Remeasurement recognized during the year:						
Defined benefit pension plans	451,902	(93,898)	358,004	(111,311)	29,180	(82,131)
Other post-employment benefits	12,976	(764)	12,212	(5,287)	(111)	(5,398)
	464,878	(94,662)	370,216	(116,598)	29,069	(87,529)
Cumulative amount at December 31	\$ 298,692	\$ (59,409)	\$ 239,283	\$ (166,186)	\$ 35,253	\$ (130,933)

⁽¹⁾ For the year ended December 31, 2021, an amount of deferred income tax liability of \$106.3 million (2020: deferred income tax asset of \$18.5 million) is included in deferred income taxes while the remaining balance of income tax recovery of \$11.6 million (2020: \$10.6 million) is included in current income taxes.

24. OTHER COMPONENTS OF EQUITY (CONTINUED)

Equity instruments designated at fair value through other comprehensive income

The following table presents changes in fair value of the equity instruments designated at fair value through other comprehensive income for the years ended December 31, 2021 and 2020:

YEARS ENDED DECEMBER 31	2021			2020		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (9,782)	\$ 105	\$ (9,677)	\$ (2,035)	\$ 65	\$ (1,970)
Gains (losses) recognized during the year	5,749	—	5,749	(7,747)	40	(7,707)
Cumulative amount at December 31	\$ (4,033)	\$ 105	\$ (3,928)	\$ (9,782)	\$ 105	\$ (9,677)

25. CORPORATE SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEARS ENDED DECEMBER 31	2021	2020
Selling expenses	\$ 128	\$ 97
General and administrative expenses	144,945	175,836
Corporate selling, general and administrative expenses	\$ 145,073	\$ 175,933

26. RESTRUCTURING AND TRANSFORMATION COSTS

YEARS ENDED DECEMBER 31	2021	2020
Restructuring costs	\$ 49,222	\$ 63,324
Transformation costs	20,895	—
Restructuring and transformation costs	\$ 70,117	\$ 63,324

I) IN 2021

The restructuring costs of \$49.2 million recognized in 2021 were mainly related to actions taken in the EDPM and Nuclear segments, partly for severances, and also included \$25.2 million of non-cash charges, notably \$16.9 million of impairment of right-of-use assets and \$8.3 million of impairment of property and equipment.

II) IN 2020

The Company incurred \$63.3 million of restructuring costs in 2020. Restructuring actions were taken during the year to adjust the cost base of the Company's segments, notably in the Middle East and the U.K. regions of the EDPM segment, for which an amount of \$40.3 million of restructuring costs was recognized in 2020. The restructuring costs of \$63.3 million were mainly for severance obligations, but also included \$16.4 million of non-cash charges, notably \$13.5 million related to impairment of right-of-use assets and \$2.9 million of impairment of property and equipment.

27. NET FINANCIAL EXPENSES

YEARS ENDED DECEMBER 31	2021	2020
Interest on debt:		
Recourse	\$ 35,298	\$ 45,956
Limited recourse	15,827	17,160
Non-recourse	20,411	20,609
Interest on lease liabilities	18,024	21,174
Other	24,296	19,804
Financial expenses	113,856	124,703
Financial income	(4,809)	(11,257)
Net foreign exchange losses (gains)	1,403	550
Financial income and net foreign exchange losses (gains)	(3,406)	(10,707)
Net financial expenses	\$ 110,450	\$ 113,996

28. STATEMENTS OF CASH FLOWS

A) OTHER RECONCILING ITEMS

The following table presents the items to reconcile net income (loss) to cash flows from operating activities presented in the statements of cash flows the years ended December 31, 2021 and 2020:

	2021	2020
Depreciation of property and equipment and amortization of other non-current non-financial assets	\$ 183,148	\$ 246,975
Depreciation of right-of-use assets	88,166	107,318
Income taxes recognized in net income	(69,190)	3,980
Net financial expenses recognized in net income	110,614	114,257
Share-based expense (Note 23C)	36,801	10,079
Income from Capital investments accounted for by the equity method	(85,002)	(87,349)
Dividends and distributions received from Capital investments accounted for by the equity method	76,584	93,176
Income from PS&PM investments accounted for by the equity method	(56,329)	(47,186)
Dividends and distributions received from PS&PM investments accounted for by the equity method	55,965	38,262
Net change in provisions related to forecasted losses on certain contracts	(42,119)	20,653
Adjustments on gain on disposals of Capital investments (Note 5A)	(5,000)	(25,000)
Restructuring and transformation costs recognized in net income	87,613	121,128
Restructuring and transformation costs paid	(59,133)	(124,450)
Net loss (gain) on disposals of PS&PM businesses (Notes 6C et 6G)	(572,429)	1,262
Loss (gain) arising on financial instruments at fair value through profit or loss	(3,725)	61,859
Impairment loss (reversal of impairment loss) on remeasurement of assets of disposal groups classified as held for sale to fair value less cost to sell	(6,232)	277,660
Net change in other provisions ⁽¹⁾	68,725	231,355
Other	(80,695)	(67,928)
Other reconciling items	\$ (272,238)	\$ 976,051

⁽¹⁾ Net change in other provisions includes changes in all provisions, except for: i) pension, other long-term benefits and other post-employment benefits, which change is included in "Other"; ii) forecasted losses on certain contracts, which change is separately presented in the table above; iii) restructuring, which change is separately presented in the table above; and iv) reversal of a provision related to a disposal of a Capital investment, which change is separately presented in the table above.

28. STATEMENTS OF CASH FLOWS (CONTINUED)

B) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows the years ended December 31, 2021 and 2020:

	2021	2020
Decrease in trade receivables	\$ 42,036	\$ 196,175
Decrease (increase) in contract assets	(163,760)	361,597
Decrease (increase) in inventories	(941)	69,500
Decrease (increase) in other current financial assets	150,207	(29,454)
Increase in other current non-financial assets	(41,466)	(32,968)
Decrease in trade payables and accrued liabilities	(63,528)	(330,717)
Increase (decrease) in contract liabilities	(14,186)	6,803
Increase (decrease) in other current financial liabilities	75,082	(64,893)
Increase (decrease) in other current non-financial liabilities	(80,663)	53,205
Net change in non-cash working capital items	\$ (97,219)	\$ 229,248

C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended December 31, 2021:

	Recourse ⁽¹⁾ debt	Limited recourse debt	Non- ⁽²⁾ recourse debt	Lease ⁽³⁾ liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- ⁽⁴⁾ current financial liabilities	Other non- ⁽⁴⁾ current non- financial liabilities
Balance at January 1, 2021	\$ 1,170,965	\$ 400,000	\$ 431,545	\$ 496,610	\$ —	\$ 193,861	\$ 219
Changes arising from cash flows:							
Increase	99,950	—	21,089	—	—	3,605	50
Repayment	(177,214)	—	(24,252)	(99,775)	(14,044)	(1,679)	(265)
Total – changes arising from cash flows	(77,264)	—	(3,163)	(99,775)	(14,044)	1,926	(215)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	14,044	—	—
Effect of foreign currency exchange differences	(180)	—	(716)	(2,543)	—	(4,344)	33
Amortization of deferred financing costs and discounts and increase from the passage of time	3,690	—	2,107	—	—	7,634	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	(7,385)	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	(131)	—
Reclassification of deferred financing costs from “Other non-current non- financial assets”	(3,109)	—	—	—	—	—	—
Net increase of lease liabilities	—	—	—	102,766	—	—	—
Reclassification of payable related to federal charges settlement (PPSC) to “Other current financial liabilities”	—	—	—	—	—	(54,042)	—
Reclassification to liabilities of disposals groups classified as held for sale (Note 20C)	—	—	(259,704)	—	—	—	—
Balance at December 31, 2021	\$ 1,094,102	\$ 400,000	\$ 170,069	\$ 497,058	\$ —	\$ 137,519	\$ 37

(1), (2), (3), (4) See Notes 1, 2, 3 and 4 on the following page

28. STATEMENTS OF CASH FLOWS (CONTINUED)

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT AND NON-RECOURSE DEBT

YEAR ENDED DECEMBER 31	2021		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 99,950	\$ —	\$ (2,198)
Series 3 Debentures [Note 20C (iii)]	—	(175,000)	—
Series 6 Debentures	—	—	(16)
Total – Recourse debt	99,950	(175,000)	(2,214)
Non-recourse debt:			
Senior Bonds – InPower BC General Partnership	—	(17,239)	—
Credit facility – TransitNEXT General Partnership	21,089	—	—
Senior Secured Notes of a PS&PM investment	—	(7,013)	—
Total – Non-recourse debt	21,089	(24,252)	—
Total	\$ 121,039	\$ (199,252)	\$ (2,214)

- (1) Recourse short-term debt and recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2021	JANUARY 1 2021
Recourse short-term debt	\$ 96,853	\$ 174,960
Recourse long-term debt	997,249	996,005
Total	\$ 1,094,102	\$ 1,170,965

- (2) Non-recourse short-term debt and non-recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2021	JANUARY 1 2021
Non-recourse short-term debt	\$ 14,021	\$ 31,262
Non-recourse long-term debt	156,048	400,283
Total	\$ 170,069	\$ 431,545

- (3) Lease liabilities were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2021	JANUARY 1 2021
Current portion of lease liabilities	\$ 91,317	\$ 97,409
Non-current portion of lease liabilities	405,741	399,201
Total	\$ 497,058	\$ 496,610

- (4) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

YEAR ENDED DECEMBER 31	2021
Other non-current financial liabilities	\$ 1,926
Other non-current non-financial liabilities	(215)
Total	\$ 1,711

28. STATEMENTS OF CASH FLOWS (CONTINUED)

The following table provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities for the year ended December 31, 2020:

	Recourse ⁽¹⁾ debt	Limited recourse debt	Non- ⁽²⁾ recourse debt	Lease ⁽³⁾ liabilities	Dividends declared to SNC-Lavalin shareholders	Other non- ⁽⁴⁾ current financial liabilities	Other non- ⁽⁴⁾ current non- financial liabilities
Balance at January 1, 2020	\$ 1,172,663	\$ 400,000	\$ 485,118	\$ 611,750	\$ —	\$ 232,569	\$ 551
Changes arising from cash flows:							
Increase	1,297,600	—	31,625	—	—	7,272	611
Repayment	(1,300,729)	—	(87,172)	(118,651)	(14,044)	(5,906)	(984)
Total – changes arising from cash flows	(3,129)	—	(55,547)	(118,651)	(14,044)	1,366	(373)
Non-cash changes:							
Declaration of dividends to SNC-Lavalin shareholders	—	—	—	—	14,044	—	—
Effect of foreign currency exchange differences	—	—	48	1,392	—	78	41
Amortization of deferred financing costs and discounts and increase from the passage of time	1,431	—	1,926	—	—	6,950	—
Change in fair value of derivatives used for hedges	—	—	—	—	—	6,211	—
Change in fair value of contingent consideration related to the Linxon transaction	—	—	—	—	—	1,095	—
Reclassification of payable related to federal charges settlement (PPSC) to “Other current financial liabilities”	—	—	—	—	—	(54,408)	—
Reclassification to liabilities of disposal groups classified as held for sale	—	—	—	(20,472)	—	—	—
Net increase of lease liabilities	—	—	—	23,856	—	—	—
Disposal of a PS&PM business	—	—	—	(1,265)	—	—	—
Balance at December 31, 2020	\$ 1,170,965	\$ 400,000	\$ 431,545	\$ 496,610	\$ —	\$ 193,861	\$ 219

(1), (2), (3), (4) See Notes 1, 2, 3 and 4 on the following page

28. STATEMENTS OF CASH FLOWS (CONTINUED)

CHANGES ARISING FROM CASH FLOWS – RECOURSE DEBT AND NON-RECOURSE DEBT

YEAR ENDED DECEMBER 31	2020		
	INCREASE OF DEBT	REPAYMENT OF DEBT	PAYMENT FOR DEBT ISSUE COSTS
Recourse debt:			
Revolving Facility	\$ 1,000,000	\$ (1,000,000)	\$ —
Series 6 Debentures [Note 20C (iii)]	297,600	—	(729)
2020 Debentures (Note 28D)	—	(300,000)	—
Total – Recourse debt	1,297,600	(1,300,000)	(729)
Non-recourse debt:			
Credit facility – InPower BC General Partnership	—	(63,130)	—
Senior Bonds – InPower BC General Partnership	—	(16,495)	—
Credit facility – TransitNEXT General Partnership	31,625	—	—
Senior Secured Notes of a PS&PM investment	—	(7,547)	—
Total – Non-recourse debt	31,625	(87,172)	—
Total	\$ 1,329,225	\$ (1,387,172)	\$ (729)

(1) Recourse short-term debt and recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2020	JANUARY 1 2020
Recourse short-term debt	\$ 174,960	\$ 299,518
Recourse long-term debt	996,005	873,145
Total	\$ 1,170,965	\$ 1,172,663

(2) Non-recourse short-term debt and non-recourse long-term debt were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2020	JANUARY 1 2020
Non-recourse short-term debt	\$ 31,262	\$ 93,664
Non-recourse long-term debt	400,283	391,454
Total	\$ 431,545	\$ 485,118

(3) Lease liabilities were presented in the Company's consolidated statements of financial position as follows:

	DECEMBER 31 2020	JANUARY 1 2020
Current portion of lease liabilities	\$ 97,409	\$ 131,075
Non-current portion of lease liabilities	399,201	480,675
Total	\$ 496,610	\$ 611,750

(4) Change arising from cash flows of other non-current financial liabilities and other non-current non-financial liabilities was presented in the financing activities in the Company's consolidated statement of cash flows as follows:

YEAR ENDED DECEMBER 31	2020
Other non-current financial liabilities	\$ 1,366
Other non-current non-financial liabilities	(373)
Other	(52)
Total	\$ 941

D) 2020 DEBENTURES

The unsecured Series 1 Debentures in the principal amount of \$300 million bore interest at a rate of 2.689% *per annum* and matured on November 24, 2020 (the "2020 Debentures"). \$40 million in principal amount of the 2020 Debentures was repurchased in August 2020 using a portion of the proceeds of the issuance of the Series 6 Debentures and the remaining \$260 million in principal of the outstanding 2020 Debentures was repaid in full at maturity in November 2020.

29. INCOME TAXES

A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

Deferred income tax asset (liability) arising from temporary differences and unused tax losses can be summarized as follows:

	JANUARY 1 2021	Reclassification to a disposal groups classified as held for sale	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2021
Current:						
Contract assets	\$ 5,751	\$ —	\$ —	\$ 14,267	\$ 637	\$ 20,655
Retentions on supplier contracts	4,831	—	—	6,276	—	11,107
Accrued employee compensation	32,477	—	—	4,911	(34)	37,354
Current liabilities	91,401	—	—	28,617	(187)	119,831
Other	(1,633)	—	—	(6,753)	—	(8,386)
Non-current:						
Property and equipment, and goodwill	(122,706)	—	—	18,106	3,136	(101,464)
Right-of-use assets	(43,516)	—	—	2,953	84	(40,479)
Other non-current financial assets	(19,424)	33,574	—	5,617	(15)	19,752
Provisions	(33,367)	—	—	(61,110)	182	(94,295)
Capital investments accounted for by the equity method and at fair value through other comprehensive income	(147,647)	—	(375)	(46,767)	—	(194,789)
Lease liabilities	67,337	—	—	(5,574)	(20)	61,743
Pension plans and other post-employment benefits	104,646	—	(106,288)	(147)	(2,536)	(4,325)
Other	44,236	—	(1,037)	(30,781)	(517)	11,901
Unused tax losses	319,104	—	—	141,327	(5,172)	455,259
Deferred income tax asset, net	\$ 301,490	\$ 33,574	\$(107,700)	\$ 70,942	\$ (4,442)	\$ 293,864
Presented on the statement of financial position as follows:						
Deferred income tax asset	\$ 655,838					\$ 658,061
Deferred income tax liability	\$ 354,348					\$ 364,197

29. INCOME TAXES (CONTINUED)

Deferred income taxes for the comparative period of 2020 can be summarized as follows:

	JANUARY 1 2020	Reclassification to disposal groups classified as held for sale	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2020
Current:						
Contract assets	\$ (30,462)	\$ 426	\$ —	\$ 36,406	\$ (619)	\$ 5,751
Retentions on supplier contracts	7,509	—	—	(2,678)	—	4,831
Accrued employee compensation	33,113	(525)	—	574	(685)	32,477
Current liabilities	67,291	(731)	—	25,040	(199)	91,401
Other	5,808	—	—	(7,415)	(26)	(1,633)
Non-current:						
Property and equipment, and goodwill	(111,805)	(358)	—	(13,346)	2,803	(122,706)
Right-of-use assets	(77,192)	(918)	—	34,342	252	(43,516)
Other non-current financial assets	(41,808)	—	40	22,608	(264)	(19,424)
Provisions	(21,620)	—	—	(10,703)	(1,044)	(33,367)
Capital investments accounted for by the equity method and at fair value through other comprehensive income	(116,316)	—	421	(31,752)	—	(147,647)
Lease liabilities	100,842	955	—	(33,962)	(498)	67,337
Pension plans and other post-employment benefits	82,337	—	18,458	(344)	4,195	104,646
Other	40,592	238	406	2,333	667	44,236
Unused tax losses	233,228	(3,851)	—	94,778	(5,051)	319,104
Deferred income tax asset, net	\$ 171,517	\$ (4,764)	\$ 19,325	\$115,881	\$ (469)	\$ 301,490
Presented on the statement of financial position as follows:						
Deferred income tax asset	\$ 520,451					\$ 655,838
Deferred income tax liability	\$ 348,934					\$ 354,348

As at December 31, 2021, the Company had \$2,958.3 million (2020: \$2,495.6 million) of non-capital tax loss carryforwards, of which \$2,526.5 million will expire in varying amounts from 2022 to 2042 (2020: \$1,992.2 million expiring from 2021 to 2041). As at December 31, 2021, a deferred income tax asset of \$455.3 million (2020: \$319.1 million) has been recognized on \$1,858.0 million (2020: \$1,347.3 million) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at December 31, 2021, the Company had \$773.7 million of the unrecognized non-capital tax losses carryforwards that will expire in varying amounts from 2022 to 2042 (2020: \$783.3 million expiring in varying amounts from 2021 to 2041).

As at December 31, 2021, the Company had \$299.8 million (2020: \$83.6 million) of capital tax loss carryforwards on which no deferred income tax asset has been recognized of which \$139.3 million will expire in 2027 (2020: \$nil), while the remaining capital tax loss carryforwards have no expiry date.

As at December 31, 2021, a deferred income tax liability has not been recognized on taxable temporary differences of \$525.4 million (2020: \$620.6 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

29. INCOME TAXES (CONTINUED)

B) INCOME TAXES

The relationship between the expected income taxes based on the Canadian effective tax rate of SNC-Lavalin at 26.2% (2020: 26.3%) and the reported income taxes in net income can be reconciled as follows:

YEARS ENDED DECEMBER 31		2021		2020	
		AMOUNT	%	AMOUNT	%
Earnings (loss) before income taxes from continuing operations	\$	83,648		\$ (405,968)	
Canadian tax rate for SNC-Lavalin		—	26.2		26.3
Expected income taxes from continuing operations	\$	21,876		\$ (106,597)	
Increase (decrease) resulting from:					
Effect of federal charges settlement (PPSC)		2,049	2.4	2,327	(0.6)
Effect of differences of foreign tax rates compared to Canadian rates		(23,539)	(28.1)	2,124	(0.5)
Effect of Canadian provincial tax rate differences		318	0.4	(1,948)	0.5
Effect of adjustments to deferred tax attributable to tax rate changes		2,526	3.0	(5,737)	1.4
Net income and losses not affected by tax		(12,815)	(15.3)	6,350	(1.6)
Effect of benefit from a previously unrecognized tax loss used to reduce current tax expense		(436)	(0.5)	(9,672)	2.4
Non-deductible loss on revaluation of contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR		—	—	7,580	(1.9)
Effect of benefit for losses carried back to prior years at higher tax rate		—	—	(5,373)	1.3
Effect of reversal of a previous write-down of deferred income tax asset		—	—	(7,499)	1.8
Effect of write-down of previously recognized deferred income tax asset (liability)		16,418	19.6	55,023	(13.6)
Non-taxable income from certain Capital investments accounted for by the equity method and at fair value through other comprehensive income		(15,029)	(18.0)	(16,742)	4.1
Non-deductible impairment loss on remeasurement of assets of disposal group classified as held for sale to fair value less cost to sell		(1,594)	(1.9)	1,600	(0.4)
Non-deductible loss on disposal of a PS&PM business		(1,892)	(2.3)	1,870	(0.5)
Other permanent differences for tax purposes		4,112	4.9	(413)	0.1
Other		(14,025)	(16.7)	18,068	(4.3)
Income taxes from continuing operations at effective tax rate	\$	(22,031)	(26.3)	\$ (59,039)	14.5

SNC-Lavalin's income taxes from continuing operations were comprised of the following:

YEARS ENDED DECEMBER 31		2021		2020	
Current income taxes		\$ 71,577		\$ 63,674	
Deferred income taxes		(93,608)		(122,713)	
Income tax recovery	\$	(22,031)		\$ (59,039)	

30. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of SNC-Lavalin's financial assets as at December 31, 2021 and 2020 by category and classification, with the corresponding fair value, when available. Financial assets classified as held for sale as at December 31, 2021 and 2020 are not included in the tables below (see Notes 6D and 39).

AT DECEMBER 31	2021					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽¹⁾	FVTOCI ⁽²⁾	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 608,446	\$ —	\$ —	\$ —	\$ 608,446	\$ 608,446
Restricted cash	13,398	—	—	—	13,398	13,398
Trade receivables	—	—	1,145,932	—	1,145,932	1,145,932
Other current financial assets:						
Derivative financial instruments	—	—	—	17,761	17,761	17,761
Financial assets at FVTPL	6,201	—	—	—	6,201	6,201
Other	—	—	114,409	—	114,409	114,409
Capital investments at fair value through other comprehensive income	—	41,327	—	—	41,327	41,327
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	304,189	—	304,189	315,409
Other non-current financial assets:						
Derivative financial instruments	—	—	—	4,630	4,630	4,630
Other ⁽³⁾	—	—	20,779	—	20,779	20,779
Total	\$ 628,045	\$ 41,327	\$ 1,585,309	\$ 22,391	\$ 2,277,072	

AT DECEMBER 31	2020					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL ⁽¹⁾	FVTOCI ⁽²⁾	AMORTIZED COST	DERIVATIVES USED FOR HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	\$ 932,902	\$ —	\$ —	\$ —	\$ 932,902	\$ 932,902
Restricted cash	29,300	—	—	—	29,300	29,300
Trade receivables	—	—	1,199,166	—	1,199,166	1,199,166
Other current financial assets:						
Derivative financial instruments	—	—	—	41,956	41,956	41,956
Financial assets at FVTPL	6,200	—	—	—	6,200	6,200
Other ⁽³⁾	—	—	209,276	—	209,276	211,877
Capital investments at fair value through other comprehensive income	—	9,666	—	—	9,666	9,666
Non-current portion of receivables under service concession arrangements ⁽³⁾	—	—	433,914	—	433,914	505,332
Other non-current financial assets:						
Derivative financial instruments	—	—	—	1,973	1,973	1,973
Other ⁽³⁾	—	—	29,425	—	29,425	29,425
Total	\$ 968,402	\$ 9,666	\$ 1,871,781	\$ 43,929	\$ 2,893,778	

⁽¹⁾ Fair value through profit or loss ("FVTPL")

⁽²⁾ Fair value through other comprehensive income ("FVTOCI")

⁽³⁾ For receivables under service concession arrangements and most of the other non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

30. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities as at December 31, 2021 and 2020 by category and classification, with the corresponding fair value, when available. Financial liabilities classified as held for sale as at December 31, 2021 and 2020 are not included in the tables below (see Notes 6D et 39).

AT DECEMBER 31	2021				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL ⁽¹⁾	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 1,652,514	\$ 1,652,514	\$ 1,652,514
Other current financial liabilities:					
Derivative financial instruments	16,496	—	—	16,496	16,496
Other	—	—	189,274	189,274	189,274
Provisions	—	—	58,542	58,542	58,542
Lease liabilities	—	—	497,058	497,058	N/A ⁽²⁾
Short-term debt and long-term debt: ⁽³⁾					
Recourse	—	—	1,094,102	1,094,102	1,104,859
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	170,069	170,069	170,069
Other non-current financial liabilities	1,179	15,020	121,320	137,519	137,519
Total	\$ 17,675	\$ 15,020	\$ 4,182,879	\$ 4,215,574	

AT DECEMBER 31	2020				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	DERIVATIVES USED FOR HEDGES	FVTPL ⁽¹⁾	AMORTIZED COST	TOTAL	FAIR VALUE
Trade payables and accrued liabilities	\$ —	\$ —	\$ 1,730,398	\$ 1,730,398	\$ 1,730,398
Other current financial liabilities:					
Derivative financial instruments	16,006	—	—	16,006	16,006
Other	—	—	171,748	171,748	171,748
Provisions	—	—	89,083	89,083	89,083
Lease liabilities	—	—	496,610	496,610	N/A ⁽²⁾
Short-term debt and long-term debt: ⁽³⁾					
Recourse	—	—	1,170,965	1,170,965	1,185,977
Limited recourse	—	—	400,000	400,000	400,000
Non-recourse	—	—	431,545	431,545	476,918
Other non-current financial liabilities	8,556	15,181	170,124	193,861	193,861
Total	\$ 24,562	\$ 15,181	\$ 4,660,473	\$ 4,700,216	

⁽¹⁾ Fair value through profit or loss ("FVTPL")

⁽²⁾ N/A: not applicable

⁽³⁾ The fair value of short-term debt and long-term debt was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the Capital investments, depending on which entity has issued the debt instrument, for debt with similar terms and conditions.

30. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives, life insurance policies, which are included in "Other current financial assets" and equity investments measured at FVTOCI
Level 3	Inputs for the asset or liability that are not based on observable market data	Contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR included in "Other non-current financial assets" and contingent consideration payable to seller related to Linxon acquisition included in "Other non-current financial liabilities"

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	ASSETS AND LIABILITIES
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, receivables under service concession arrangements, trade payables and accrued liabilities, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, other non-current financial assets, other current financial liabilities, provisions and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

For the years ended December 31, 2021 and 2020, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

LEVEL 3 FINANCIAL INSTRUMENTS

The following table presents changes in fair value of Level 3 financial instruments for the year ended December 31, 2021:

	CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO SELLER RELATED TO LINXON ACQUISITION
Balance as at January 1, 2021	\$ —	\$ 15,181
Unrealized net gains ⁽¹⁾	—	(131)
Effect of foreign currency exchange differences	—	(30)
Balance as at December 31, 2021	\$ —	\$ 15,020

⁽¹⁾ Included in "Loss (gain) arising on financial instruments at fair value through profit or loss" in the consolidated income statement

Assumptions

When measuring Level 3 financial instruments at fair value using the present value technique, some assumptions are not derived from an observable market. The main assumptions developed internally relate to discount rate and to future expected cash flows, based on the projected future performance. The projected future performance is an important input for the determination of fair value and is prepared by the management of SNC-Lavalin based on the budget and the strategic plan.

The principal assumptions used in measuring fair value of Level 3 financial instruments as at December 31, 2021 were as follows: i) the discount rate, which was 7.80% for contingent consideration receivable from the acquirer of the 10.01% interest in Highway 407 ETR and 11.42% for contingent consideration payable to the seller related to the Linxon acquisition; and ii) the expected future cash flows of Highway 407 ETR and Linxon.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

These assumptions, not derived from an observable market, are established by the management of SNC-Lavalin using estimates and judgments that can have a significant effect on net income.

The following impact on net income has been calculated changing one of these assumptions to another reasonably possible alternative assumption for the year ended December 31, 2021:

		IMPACT ON NET INCOME	
		CONTINGENT CONSIDERATION RECEIVABLE FROM THE ACQUIRER OF THE 10.01% INTEREST IN HIGHWAY 407 ETR	CONTINGENT CONSIDERATION PAYABLE TO THE SELLER RELATED TO THE LINXON ACQUISITION
Increase (decrease)	If the discount rate is 100 basis points lower ⁽¹⁾	\$ —	\$ (870)
Increase (decrease)	If the discount rate is 100 basis points higher ⁽¹⁾	\$ —	\$ 793
Increase (decrease)	If the expected future cash flows are 1% lower ⁽¹⁾	\$ —	\$ —
Increase (decrease)	If the expected future cash flows are 1% higher ⁽¹⁾	\$ —	\$ —

⁽¹⁾ Assuming all other variables remain the same

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk, as presented in Note 30A.
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

- Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.
- Derivative financial instruments with a favourable fair value, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.
- Trade receivables, as detailed in Note 8A, and contract assets, as detailed in Note 8B. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The amounts of trade receivables presented in the consolidated statements of financial position are net of an allowance for expected credit losses, estimated by the Company and based, in part, on the age of specific and aggregated receivable balances, on the financial situation of specific customers and the current and expected collection trends. When assessing the credit risk associated with its trade receivables, the Company also considers the other financial and non-financial assets and liabilities recognized with the same customer or within the same project to provide additional indications on the Company's exposure to credit risk. As such, in addition to the age of its trade receivables, the Company also considers the age of its contract assets, as well as the existence of any contract liabilities on the same project or with the same customer.

In addition to providing for individual balances of trade receivables and other financial assets upon certain events, the Company has an internal policy in place which requires it to record, by default, an allowance on any trade receivable or contract asset that has been outstanding longer than a specific threshold period, unless it can be demonstrated that the recovery of such trade receivable is not at risk or only partially at risk, in which case the allowance is adjusted accordingly. Moreover, the Company records an amount of additional expected credit losses on trade receivables and contract assets for balances that are not provided for and for which no impairment indicator exist as at period end, but for which it can be reasonably expected that credit losses might occur in the future. Such analysis incorporates the Company's past experience, adjusted as needed to better reflect anticipated conditions.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Generally, trade receivables and contract assets are written off if they are no longer subject to enforcement activity. As such, the amount of trade receivables and contract assets that have been written off but are still being pursued is minimal.

The Company does not generally hold collateral as security.

- iv) Other current financial assets, as detailed in Note 11, and other non-current financial assets, as detailed in Note 16. The current portion of receivables under service concession arrangements is within normal terms of payment and there were no significant amounts that were past due as at December 31, 2021 and 2020.

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

The Company's liquidity is generally provided by available cash and cash equivalents, cash generated from operations, credit facilities and access to capital markets, as needed. Due to the nature of the Company's activities, the fact that its operations are conducted through multiple entities and joint operations and that it operates in many countries, the Company's cash and cash equivalents are distributed across numerous locations. In order to manage its cash needs and reserves, the Company is part of various cash pooling agreements with financial institutions, may transfer cash balances between subsidiaries, joint arrangements or investees and use credit facilities to meet the capital requirements of certain projects or other cash disbursements.

SNC-Lavalin's consolidated statement of financial position included \$138.0 million at December 31, 2021 (2020: \$457.2 million) of liabilities from Capital investments that are accounted for by the consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the Capital investments and are secured by the respective concession's assets, including \$319.9 million of financial assets at December 31, 2021 (2020: \$492.2 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its Capital investments accounted for by the consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities.

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 20.

I) MATURITY ANALYSIS OF FINANCIAL LETTERS OF CREDIT

A draw on letters of credit or bank guarantees (Note 30C) by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations. The following table presents a maturity analysis for the financial letters of credit outstanding as at December 31, 2021 and 2020:

MATURITY	DECEMBER 31 2021	DECEMBER 31 2020
Not later than 1 year	\$ 42,033	\$ 41,985
Later than 1 year and not later than 5 years	55,594	59,240
Later than 5 years	247	450
	\$ 97,874	\$ 101,675

II) MATURITY ANALYSIS OF TRADE PAYABLES AND ACCRUED LIABILITIES

As at December 31, 2021, 98% (2020: 98%) of the outstanding balance of "Trade payables and accrued liabilities" of \$1,652.5 million (2020: \$1,730.4 million) had a maturity of not later than 1 year.

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets (liabilities) of its foreign operations.

The Company manages foreign currency risk by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for revenue-generating projects in which foreign currencies are involved. Derivative financial instruments with financial institutions, usually forward foreign exchange contracts, are also used to hedge the cash flows in foreign currencies.

30. FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the major forward foreign exchange contracts that were outstanding for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2021					AT DECEMBER 31, 2020				
BUY		SELL		MATURITY	BUY		SELL		MATURITY
CA\$	552,415	US\$	438,174	2022-2024	CA\$	906,041	US\$	691,385	2021-2023
CA\$	32,112	€	21,342	2022-2023	CA\$	23,322	€	14,844	2021-2023
US\$	512,608	CA\$	650,203	2022-2023	US\$	361,387	CA\$	461,795	2021-2022
€	43,151	CA\$	64,160	2022	€	51,472	CA\$	80,371	2021-2022
CA\$	298,883	£	174,893	2022	CA\$	204,887	£	120,000	2021
AU\$	13,834	CA\$	12,761	2022	AU\$	47,088	CA\$	45,444	2021
£	300,004	CA\$	511,408	2022	£	227,287	CA\$	387,786	2021
INR	5,830,000	£	54,737	2022-2024	INR	8,314,500	£	78,936	2021-2023
US\$	80,042	£	60,294	2022	US\$	68,022	£	50,847	2021
CHF	22,540	US\$	24,704	2022-2023	CHF	30,068	US\$	33,692	2021-2022

As at December 31, 2021, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of \$3.0 million (2020: net favourable fair value of \$28.7 million). The majority of the forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar.

CURRENCY SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2021 has been calculated from the Company's net financial assets (liabilities) denominated in US dollars and British pounds.

		IMPACT ON EQUITY	
		CA\$/US\$ ^{(2), (3)}	CA\$/£ ^{(2), (4)}
Increase (decrease)	10% appreciation in the Canadian dollar ⁽¹⁾	\$ (141,152)	\$ (268,214)
Increase (decrease)	10% depreciation in the Canadian dollar ⁽¹⁾	\$ 141,152	\$ 268,214

⁽¹⁾ Assuming all other variables remain the same

⁽²⁾ The Company's exposure to other currencies is not significant.

⁽³⁾ Includes mainly \$153.6 million of change in exchange differences on translating foreign operations

⁽⁴⁾ Includes mainly \$229.6 million of change in exchange differences on translating foreign operations

As at December 31, 2021, a 10% appreciation in the Canadian dollar relative to: i) the US dollar would increase the Company's net income by \$18.1 million (10% depreciation in the Canadian dollar relative to the US dollar would decrease the Company's net income by \$18.1 million); and ii) the British pound would decrease the Company's net income by \$5.5 million (10% depreciation in the Canadian dollar relative to the British pound would increase the Company's net income by \$5.5 million).

II) INTEREST RATE RISK

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

NON-RECOURSE DEBT

Unlike PS&PM activities, Capital investments are often capital intensive due to the ownership of assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing interest rates provides a measure of stability and predictability to the financing cash outflows of the Company's Capital investments, which are usually structured to match the expected timing of their cash inflows.

30. FINANCIAL INSTRUMENTS (CONTINUED)

In 2021 and 2020, a subsidiary of the Company from PS&PM activities issued senior secured notes to finance certain long-term assets associated to a BOO (Build-Own-Operate) contract. The senior secured notes bear interest at a variable rate which exposes the Company to interest rate risk. Also, in relation to the acquisition of Linxon by SNC-Lavalin in 2018, the holder of non-controlling interest of 49% in Linxon granted an interest-free loan and provided a working capital revolving credit facility to Linxon. The working capital revolving credit facility bears interest at a variable rate which exposes the Company to interest rate risk.

LIMITED RECOURSE DEBT

SNC-Lavalin's limited recourse debt, being the CDPQ Loan, bears interest at a variable rate which exposes the Company to interest rate risk.

RECOURSE DEBT

SNC-Lavalin's Revolving Facility bears interest at a variable rate which exposes the Company to interest rate risk.

SNC-Lavalin's Series 4 Debentures and Series 6 Debentures bear interest at a fixed rate and are measured at amortized cost; therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

SNC-Lavalin's Term Loan bears interest at a variable rate which exposes the Company to interest rate risk. SNC-Lavalin's Series 3 Debentures bore interest at a variable rate which exposed the Company to interest rate risk until the repayment of these debentures in March 2021.

INTEREST RATE SWAP

TransitNEXT General Partnership entered into an interest rate swap agreement with financial institutions related to its credit facility in the aggregate maximum principal amount of \$149.0 million, which bears interest at a rate of CDOR plus an applicable margin, to hedge the variability of the interest rate. Under the interest rate swap agreement, TransitNEXT pays interest at a fixed rate and receives interest at a rate of CDOR. The interest rate swap agreement expires in August 2022. This hedge is classified as a cash flow hedge.

INTEREST RATE SENSITIVITY ANALYSIS

For floating rate debt, the analysis is prepared assuming the amount of the debt outstanding at the end of the reporting period was outstanding for the whole year. A 1% (100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower than the base rate and all other variables were held constant, the Company's net income for the year ended December 31, 2021 would decrease/increase by \$8.5 million. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates decreased in 2021 mainly due to repayment of its floating rate Series 3 Debentures.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the share unit plans caused by fluctuations in its share price, through financial arrangements with investment high-grade financial institutions described in Note 23C.

IV) COMMODITY PRICE RISK

In 2019, the Company entered into a copper commodity swap agreement with a financial institution related to its standardized EPC contracts for power substations executed through its Linxon subsidiary to hedge the variability of the copper price. The copper commodity agreement was for 1,308 metric tons at an average price of US\$5,805 (approximately CA\$7,617) per metric ton with gradual settlement dates until September 2020. This hedge was classified as a cash flow hedge.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. The amount outstanding under certain letters of credit decreases in relation to the percentage of completion of projects. As at December 31, 2021, SNC-Lavalin had outstanding letters of credit of \$1,547.3 million (2020: \$1,700.8 million).

31. CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results in part from the translation into Canadian dollars of its foreign operations having a different functional currency, and from the accounting treatment of cash flow hedges, including its accumulated share of other comprehensive income of investments accounted for by the equity method. These amounts are not representative of the way the Company evaluates the management of its foreign currency risk and interest rate risk. Accordingly, the other components of equity are not representative of the Company's financial position.

The Company does not consider non-recourse and limited recourse debt when monitoring its capital because such debt results from the consolidation of certain PS&PM investments and Capital investments or holding entities held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the PS&PM investments and Capital investments or investment in Capital investments they finance. The Company's investments and underlying assets in its PS&PM investments and Capital investments accounted for by the consolidation or equity methods may be at risk, if such investments or holding entities were to be unable to repay their long-term debt.

The Company's capital for the years ended December 31, 2021 and 2020 was as follows:

	DECEMBER 31 2021	DECEMBER 31 2020
Equity attributable to SNC-Lavalin shareholders	\$ 2,973,367	\$ 2,557,505
Less: Other components of equity	(333,269)	(320,067)
Less: Other components of equity of disposal groups classified as held for sale	—	594,141
Plus: Recourse debt	1,094,102	1,170,965
Total amount of capital	\$ 4,400,738	\$ 3,454,396

The Company has paid quarterly dividends for 32 consecutive years. Dividend policy is determined by the Board of Directors of the Company.

COVENANTS ON RECOURSE AND LIMITED RECOURSE DEBT

The Company's unsecured recourse debentures are subject to affirmative and negative covenants, as defined in the underlying indentures related thereto.

The Company's Revolving Facility and Term Loan 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 net recourse debt to EBITDA ratio, as defined in the Credit Agreement, not exceeding a certain limit.

The terms "net recourse debt" and "EBITDA" are defined in the Credit Agreement and do not correspond to the Company's financial measures as presented above and/or to the specific terms used in the Company's Management's Discussion and Analysis for the year ended December 31, 2021.

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.

In case of an event of default, the Company's debentures, the Revolving Facility, the Term Loan and the CDPQ Loan are subject to customary accelerated repayment terms.

In 2021, the Company complied with all of the covenants, as amended from time to time, related to its debentures, Revolving Facility, Term Loan and CDPQ Loan.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was \$252.0 million in 2021 (2020: \$248.8 million).

DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totaled \$171.0 million in 2021 (2020: \$170.4 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are mostly closed to new entrants, and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for all the plans. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All of SNC-Lavalin's defined benefit pension plans are partly funded, except for two plans, of which one plan is unfunded and one plan is secured by a letter of credit.

The defined benefit plans are administered by committees composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. Members of the committees are required by law and by their articles of association to act in the best interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The pension plan committees are responsible for the investment policy with regard to the assets of the pension plans, which are held by a trustee legally separated from SNC-Lavalin.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, compensation risk and longevity risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the plans' assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans' liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of the plans' participants.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.

The two main defined benefit pension plans of the Company are the Atkins Pension Plan and the U.K. Railways Pension Scheme (the "Railways Pension Scheme"), both of which are funded final salary schemes in the U.K. The latest actuarial valuations were performed on March 31, 2019 for the Atkins Pension Plan and on December 31, 2019 for the Railways Pension Scheme.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2021	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544
Current service cost	172	3,794	1,995	5,961
Interest cost	40,696	9,657	4,180	54,533
Past service cost	—	—	(290)	(290)
Benefits paid	(104,326)	(22,762)	(14,010)	(141,098)
Contributions by plan participants	—	1,552	429	1,981
Remeasurement:				
Actuarial losses (gains) arising from changes in demographic assumptions	8,105	(1,380)	(2,554)	4,171
Actuarial gains arising from changes in financial assumptions	(282,284)	(17,416)	(13,117)	(312,817)
Actuarial losses (gains) arising from experience adjustments	41,213	8,105	(3,900)	45,418
Effect of foreign currency exchange differences	(60,075)	(14,473)	(10,368)	(84,916)
Pension benefit obligation at end of year	\$ 3,096,367	\$ 775,632	\$ 283,488	\$ 4,155,487
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	\$ 3,235,788	\$ 559,420	\$ 291,496	\$ 4,086,704
Interest income	38,627	6,898	3,840	49,365
Remeasurement:				
Return on plan assets (excluding interest income)	125,709	69,493	(5,301)	189,901
Administration costs	—	(1,380)	(313)	(1,693)
Benefits paid	(104,326)	(22,762)	(14,010)	(141,098)
Contributions by the employer	65,355	7,243	8,350	80,948
Contributions by plan participants	—	1,552	429	1,981
Effect of foreign currency exchange differences	(59,502)	(10,599)	(9,878)	(79,979)
Fair value of pension plan assets at end of year	\$ 3,301,651	\$ 609,865	\$ 274,613	\$ 4,186,129
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	\$ 3,096,367	\$ 775,632	\$ 283,488	\$ 4,155,487
Fair value of pension plan assets	3,301,651	609,865	274,613	4,186,129
Funded status	(205,284)	165,767	8,875	(30,642)
Additional liability due to minimum funding requirements	—	—	1,227	1,227
Net accrued pension benefit liability (asset)	\$ (205,284)	\$ 165,767	\$ 10,102	\$ (29,415)
Presented on the statement of financial position as follows:				
Other non-current non-financial assets (Note 17)				\$ 230,763
Non-current portion of provisions				\$ 201,348

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables set forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Change in pension benefit obligation:				
Pension benefit obligation at beginning of year	\$ 3,073,604	\$ 703,654	\$ 306,073	\$ 4,083,331
Current service cost	172	3,784	2,074	6,030
Interest cost	61,228	14,103	5,872	81,203
Past service cost ⁽¹⁾	3,994	—	(1,577)	2,417
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by plan participants	—	1,720	552	2,272
Remeasurement:				
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Effect of foreign currency exchange differences	71,019	16,498	10,141	97,658
Pension benefit obligation at end of year	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544
Change in pension plan assets:				
Fair value of pension plan assets at beginning of year	\$ 2,845,134	\$ 527,527	\$ 276,560	\$ 3,649,221
Interest income	57,273	10,491	5,299	73,063
Remeasurement:				
Return on plan assets (excluding interest income)	314,226	26,142	20,970	361,338
Administration costs	—	(1,376)	(329)	(1,705)
Benefits paid	(110,590)	(23,047)	(29,379)	(163,016)
Contributions by the employer	63,464	6,192	8,707	78,363
Contributions by plan participants	—	1,720	552	2,272
Effect of foreign currency exchange differences	66,281	11,771	9,116	87,168
Fair value of pension plan assets at end of year	\$ 3,235,788	\$ 559,420	\$ 291,496	\$ 4,086,704
Funded status reflected in the statement of financial position:				
Present value of pension benefit obligation	\$ 3,452,866	\$ 808,555	\$ 321,123	\$ 4,582,544
Fair value of pension plan assets	3,235,788	559,420	291,496	4,086,704
Net accrued pension benefit liability	\$ 217,078	\$ 249,135	\$ 29,627	\$ 495,840
Presented on the statement of financial position as follows:				
Other non-current non-financial assets (Note 17)				\$ 8,327
Non-current portion of provisions				\$ 504,167

⁽¹⁾ Relates to November 20, 2020 U.K. High Court ruling for the Atkins Pension Plan (see Note 3)

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin's net defined benefit pension costs recognized in net income were comprised of:

YEAR ENDED DECEMBER 31, 2021	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 172	\$ 3,794	\$ 1,995	\$ 5,961
Net interest expense	2,069	2,759	340	5,168
Administration costs	—	1,380	313	1,693
Past service cost	—	—	(290)	(290)
Components of benefit pension costs recognized in net income	\$ 2,241	\$ 7,933	\$ 2,358	\$ 12,532

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Current service cost	\$ 172	\$ 3,784	\$ 2,074	\$ 6,030
Net interest expense	3,955	3,612	573	8,140
Administration costs	—	1,376	329	1,705
Past service cost ⁽¹⁾	3,994	—	(1,577)	2,417
Components of benefit pension costs recognized in net income	\$ 8,121	\$ 8,772	\$ 1,399	\$ 18,292

⁽¹⁾ Relates to November 20, 2020 U.K. High Court ruling for the Atkins Pension Plan (see Note 3)

SNC-Lavalin's net defined benefit pension costs recognized in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31, 2021	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (125,709)	\$ (69,493)	\$ 5,301	\$ (189,901)
Actuarial losses (gains) arising from changes in demographic assumptions	8,105	(1,380)	(2,554)	4,171
Actuarial gains arising from changes in financial assumptions	(282,284)	(17,416)	(13,117)	(312,817)
Actuarial losses (gains) arising from experience adjustments	41,213	8,105	(3,900)	45,418
Variation in liability due to minimum funding requirements	—	—	1,227	1,227
Components of reversal of benefit pension costs recognized in other comprehensive income	\$ (358,675)	\$ (80,184)	\$ (13,043)	\$ (451,902)

YEAR ENDED DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding interest income)	\$ (314,226)	\$ (26,142)	\$ (20,970)	\$ (361,338)
Actuarial gains arising from changes in demographic assumptions	(54,005)	(22,187)	(921)	(77,113)
Actuarial losses arising from changes in financial assumptions	485,528	126,241	32,252	644,021
Actuarial gains arising from experience adjustments	(78,084)	(12,211)	(3,964)	(94,259)
Components of benefit pension costs recognized in other comprehensive income	\$ 39,213	\$ 65,701	\$ 6,397	\$ 111,311

SNC-Lavalin expects to make contributions of \$85.7 million in 2022 to its defined benefit pension plans.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following tables present the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31, 2021	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	\$ 520,224	\$ 250,275	\$ 46,270	\$ 816,769
Debt securities	2,307,734	248,223	164,993	2,720,950
Other ⁽¹⁾	473,693	111,367	63,350	648,410
Total	\$ 3,301,651	\$ 609,865	\$ 274,613	\$ 4,186,129

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS	TOTAL
Asset category				
Equity securities	\$ 739,564	\$ 229,448	\$ 44,284	\$ 1,013,296
Debt securities	2,012,764	226,834	175,067	2,414,665
Other ⁽¹⁾	483,460	103,138	72,145	658,743
Total	\$ 3,235,788	\$ 559,420	\$ 291,496	\$ 4,086,704

⁽¹⁾ As at December 31, 2021 and 2020, the asset category "Other" includes mainly property and cash.

The fair values of the above equity and debt instruments are mainly determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2021:

AT DECEMBER 31, 2021	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	1.93%	1.93%	1.85%
Rate of compensation increase ⁽²⁾	3.11%	3.11%	1.96%
Inflation ⁽³⁾	3.11%	3.11%	2.23%
Longevity at age 65 for current pensioners			
Men	22.9 years	22.2 years	23.0 years
Women	24.9 years	23.3 years	25.0 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.2 years	23.5 years	24.7 years
Women	26.4 years	24.7 years	26.6 years

⁽²⁾ The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.75% as at December 31, 2021.

⁽³⁾ The inflation assumption shown for the Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.72% as at December 31, 2021.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation as at December 31, 2020:

AT DECEMBER 31, 2020	ATKINS PENSION PLAN	RAILWAYS PENSION SCHEME	OTHER PLANS
Accrued pension benefit obligation			
Discount rate	1.20%	1.20%	1.32%
Rate of compensation increase ⁽¹⁾	2.80%	2.80%	1.77%
Inflation ⁽²⁾	2.80%	2.80%	1.94%
Longevity at age 65 for current pensioners			
Men	22.9 years	22.2 years	23.1 years
Women	24.9 years	23.2 years	25.0 years
Longevity at age 65 for future pensioners (current age 45)			
Men	24.2 years	23.5 years	24.7 years
Women	26.3 years	24.6 years	26.7 years

⁽¹⁾ The weighted average rate of compensation increase for other plans, excluding pension plans for which benefits are not linked to future salary levels, represented 2.51% as at December 31, 2020.

⁽²⁾ The inflation assumption shown for Atkins Pension Plan and the Railways Pension Scheme is for the Retail Price Index. The assumption for the Consumer Price Index was 2.1% as at December 31, 2020.

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2021, while holding all other assumptions constant.

If the discount rate is 100 basis points higher (lower), the defined benefit pension obligation would decrease by an estimated amount of \$759.4 million (increase by an estimated amount of \$763.5 million).

If the rate of compensation increase is 100 basis points higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$16.2 million (decrease by an estimated amount of \$16.2 million).

If the rate of inflation is 100 basis points higher (lower), the defined benefit pension obligation would increase by an estimated amount of \$571.2 million (decrease by an estimated amount of \$571.0 million).

If longevity increases by 1 year, the defined benefit pension obligation would increase by an estimated amount of \$168.5 million.

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2021 was 17.0 years for the Atkins Pension Plan (2020: 18.0 years), 16.2 years for Railways Pension Scheme (2020: 17.4 years) and 17.8 years for the other plans (2020: 18.2 years).

B) OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

SNC-Lavalin has a number of other long-term benefit and other post-employment benefit plans, which are all defined benefit plans and include mainly termination indemnities, medical and dental care benefits, and life insurance benefits. SNC-Lavalin's other long-term benefit and other post-employment benefit plans are unfunded plans.

32. PENSION PLANS, OTHER LONG-TERM BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in obligation of SNC-Lavalin's other long-term benefit and other post-employment benefit plans:

YEARS ENDED DECEMBER 31	2021	2020
Change in obligation:		
Obligation at beginning of year	\$ 61,389	\$ 98,471
Current service cost	11,979	18,799
Past service cost	—	53
Loss (gain) arising from settlement	(486)	1,252
Interest cost	1,974	3,208
Remeasurement ⁽¹⁾	(621)	(956)
Benefits paid	(11,606)	(31,888)
Actuarial losses (gains) (Note 24)	(12,976)	5,287
Effect of foreign currency exchange differences	(564)	(1,000)
Reclassification to liabilities of disposal groups classified as held for sale	—	(31,837)
Obligation at end of year	\$ 49,089	\$ 61,389

SNC-Lavalin's net defined other long-term benefit and other post-employment benefit costs recognized in net income were comprised of:

YEARS ENDED DECEMBER 31	2021	2020
Current service cost	\$ 11,979	\$ 18,799
Past service cost	—	53
Loss (gain) arising from settlement	(486)	1,252
Interest cost	1,974	3,208
Remeasurement ⁽¹⁾	(621)	(956)
Components of other long-term benefit and other post-employment benefit costs recognized in net income	\$ 12,846	\$ 22,356

⁽¹⁾ Remeasurement relates to other long-term employee benefit plans of SNC-Lavalin for which remeasurement is not recognized in other comprehensive income, but rather in the income statement.

The following is a summary of the significant weighted average assumptions used in measuring SNC-Lavalin's accrued other long-term benefit and other post-employment benefit obligation:

	DECEMBER 31 2021	DECEMBER 31 2020
Accrued other long-term benefit and other post-employment benefit obligation		
Discount rate	4.56%	3.26%
Rate of compensation increase ⁽²⁾	4.47%	4.51%

⁽²⁾ Rate of compensation increase applies only to termination indemnities.

33. CONTINGENT LIABILITIES

Class actions

Ruediger Class Action

On February 6, 2019, a Motion for authorization of a class action and for authorization to bring an action against SNC-Lavalin and certain of its directors and officers (collectively, the “Ruediger Defendants”) pursuant to section 225.4 of the *Securities Act* (Québec) (the “Ruediger Class Action Motion”) was filed with the Superior Court of Québec (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 former Mining & Metallurgy segment and the former Oil & Gas segment, 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 the *Securities Act* (Québec). The plaintiff in the proposed action claims damages and seeks the condemnation of the Ruediger 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 to include, among other things, disclosure alleged to have been made regarding the Company’s ability to execute certain fixed price contracts.

The authorization hearing on the amended Ruediger Class Action Motion is scheduled for April 2022.

Drywall Class Action

On June 5, 2019, a Statement of Claim was filed against SNC-Lavalin and certain of its directors and officers (collectively, the “Drywall Defendants”) 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 from the Company’s Codelco project in Chile having been overstated in 2018 due to non-compliance with IFRS 15; (iv) the failure of the Company’s disclosure controls and procedures and its internal control over financial reporting which led to a \$350 million write-down on the Codelco project; (v) when IFRS 15 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 sought leave from the Ontario Superior Court of Justice to bring a statutory misrepresentation claim under the *Securities Act* (Ontario). The plaintiffs in the proposed action claimed damages and sought the condemnation of the Drywall 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 October 15, 2019, the plaintiffs in the Drywall Class Action delivered a proposed Amended Statement of Claim that contemplated expanding the Drywall Class Period to include SNC-Lavalin’s July 22, 2019 and August 1, 2019 press releases and increased the claim for damages from \$1.2 billion to \$1.8 billion. On November 5, 2019, the plaintiffs delivered a motion record for leave under the *Securities Act* (Ontario) and certification under the *Class Proceedings Act* (Ontario). The leave and certification hearing was scheduled for October 19 to 23, 2020 and prior to the hearing, the plaintiffs agreed to dismiss the Drywall Class Action on the basis that the claims asserted therein can be brought in the Ruediger Class Action and on October 20, 2021, the Drywall Class Action was dismissed.

33. CONTINGENT LIABILITIES (CONTINUED)

Peters Class Action

On February 25, 2019, a Notice of action was issued with the Ontario Superior Court of Justice by a proposed representative plaintiff, Mr. John Peters, 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 referred to as the “Peters Class Action”).

The Peters Class Action alleges that the defendants, including the Company, its Chairman and certain of its then 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 Public Prosecution Service of Canada (“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 the *Securities Act* (Ontario) and the comparable securities legislation in other provinces and also asserts a claim for common law negligent misrepresentation. 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.

On March 5, 2020, the plaintiff in the Peters Class Action brought a motion for leave and certification of the Peters Class Action. The leave and certification hearing was held between June 1 and June 3, 2021 and, on July 16, 2021, the court ruled dismissing the Peters Class Action. The Plaintiff has appealed the ruling and the appeal hearing is expected to occur in 2022.

SNC-Lavalin believes that the claims outlined in the Ruediger Class Action Motion and the Peters Class Action are, in each case, entirely without merit and is vigorously defending these claims. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcomes of the Ruediger Class Action or the Peters Class Action, or determine the amount of any potential losses resulting therefrom, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. SNC-Lavalin has directors’ and officers’ liability insurance insuring individuals against liability for acts or omissions in their capacity as directors and officers, and the Company itself has coverage for such claims. The amount of coverage under the directors’ and officers’ policy is limited and such coverage may be less than any amounts the Company is required or determines to pay in connection with these proceedings. If the Company is required or determines to pay an amount in connection with any or all of the Ruediger Class Action and/or the Peters Class Action, such amount could have a material adverse effect on SNC-Lavalin’s liquidity and financial results.

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 was 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 a solidary (in solidum) basis (the “Wave 1 claims”). The Quebec Superior Court ruled that SNC-Lavalin’s share of the damages award was approximately 70%. The Company’s external insurers disputed the extent of the insurance coverage available to the Company and this dispute was included in the Pyrrhotite Case. The Company, among other parties, appealed the Quebec Superior Court’s ruling and, on April 6, 2020, the Quebec Court of Appeal rendered its decision dismissing most of the appeals filed by all parties and upheld: (i) the Quebec Superior Court’s ruling regarding SNC-Lavalin’s approximate 70% share of liability; and (ii) the solidary nature of the defendants’ liability. In a further ruling, on June 12, 2020, the Quebec Court of Appeal confirmed SNC-Lavalin’s allocated share of the damages, inclusive of interest and costs at approximately \$200 million, and the Company paid this amount of damages awarded to the plaintiffs on August 3, 2020. The Company filed a notice seeking leave to appeal to the Supreme Court of Canada.

The Quebec Court of Appeal also dismissed an appeal from SNC-Lavalin’s external insurers and confirmed that multiple insurance policy towers were triggered by the Wave 1 claims, resulting in multiple years of coverage. The Company’s external insurers filed notices seeking leave to appeal to the Supreme Court of Canada.

On May 6, 2021, the Supreme Court of Canada dismissed both the Company’s and its external insurers’ applications seeking leave to appeal.

33. CONTINGENT LIABILITIES (CONTINUED)

Given that SNC-Lavalin's external insurers initially refused to comply with terms contained in the relevant policies of insurance and the orders of the Quebec Superior Court and the Quebec Court of Appeal requiring them to pay a substantial portion of the \$200 million damages award, SNC-Lavalin filed an application with the Quebec Superior Court seeking an order requiring the Company's external insurers to comply with the Quebec Court of Appeal's order and facilitate execution of the \$200 million damages award by way of the multiple towers of insurance. On October 16, 2020, the Quebec Superior Court ruled in favour of SNC-Lavalin ordering SNC-Lavalin's external insurers to pay the Company approximately \$141 million, which was fully collected. An additional \$33 million in insurance proceeds was also collected by the Company through a reinsurance policy which was not subject to this court ruling.

SNC-Lavalin filed a recourse in warranty claim against Lafarge Canada Inc. ("Lafarge") seeking its contribution to the damages awarded against SNC-Lavalin in the Wave 1 judgement. The trial commenced in March 2019 and concluded in 2020. On February 4, 2021, the Quebec Superior Court dismissed SNC-Lavalin's claim and SNC-Lavalin has appealed the Quebec Superior Court's ruling to the Quebec Court of Appeal.

In parallel to the Wave 1 claims, notices of additional potential claims have been made and continue to be made against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims that relate to damaged residential buildings have been given priority by the Court and a trial date has been set in May and June 2022, for those claims. The remaining claims will be dealt with separately. SNC-Lavalin expects some insurance coverage for the Wave 2 claims. In addition, SNC-Lavalin has filed a separate recourse in warranty claim against Lafarge with respect to the Wave 2 claims. SNC-Lavalin's liability exposure on all Wave 2 claims remains subject to several uncertainties.

Dubai civil case

In November 2018, WS Atkins & Partners Overseas, a subsidiary of the Company, was named as respondent together with other parties by the subrogated insurers of a property developer in a civil case initiated before the courts of Dubai. The claimant is seeking damages jointly from the respondents on account of the alleged refurbishment costs and loss of income arising from a fire at the property developer's building. WS Atkins & Partners Overseas was a subcontractor in the hotel's design and construction supervision and the claim revolves around alleged negligence in the specification, testing and installation of the building cladding which is claimed to have exacerbated the fire, thereby increasing the damage to the building. In a first instance court ruling in 2021, the claim was dismissed against all defendants including WS Atkins & Partners Overseas. The claimant has filed an appeal with a ruling anticipated in 2022.

Australian Arbitration

One of the Company's former subsidiaries, divested as part of the sale of the Company's Oil & Gas business, has a 35% interest in a joint operation for a project that has been completed. The construction joint operation is in a dispute with the project owner over labour rates. Pursuant to the agreement to sell the Oil & Gas business, the Company has retained the divested subsidiary's risk associated with, and conduct of, this dispute. Under the relevant project contract, the subsidiary is jointly and severally liable with the other joint operator vis-à-vis the project owner for performance and other liabilities. In December 2018, the joint operation received a split award of liability from an arbitration tribunal resulting in an adverse decision on certain aspects of the dispute. In August 2020, a hearing on residual legal issues occurred and, in September 2020, the tribunal ruled in favour of the joint operation. The ruling was challenged by the project owner and a court hearing occurred in June 2021 and on September 28, 2021, the court found in favor of the project owner effectively reversing the September 2020 tribunal ruling. The joint operation has appealed the September 2021 court ruling. A hearing by the arbitration tribunal on the quantum of damages to be awarded against the joint operation (if any) has been postponed and may occur in 2023.

General litigation risk

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of these and other related proceedings generally, (b) determine if the amount included in the Company's provisions is sufficient, or (c) determine the amount of potential losses, if any, that may be incurred in connection with any final judgment on these matters.

SNC-Lavalin maintains insurance coverage for various aspects of its business and operations. The Company's insurance programs have varying coverage limits and maximums, and insurance companies may deny claims the Company might make. In addition, SNC-Lavalin has elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under these programs. As a result, the Company may be subject to future liability in respect of lawsuits or investigations for which it is only partially insured, or completely uninsured.

33. CONTINGENT LIABILITIES (CONTINUED)

In addition, the nature of the Company's business sometimes results in clients, subcontractors, and vendors presenting claims for, among other things, recovery of costs related to certain projects. Similarly, SNC-Lavalin occasionally presents change orders and other claims to clients, subcontractors, and vendors. If the Company fails to properly issue the change orders or other claims, or fails to document the nature of claims and change orders or is otherwise unsuccessful in negotiating reasonable settlements with clients, subcontractors and vendors, the Company could incur cost overruns, reduced profits or, in some cases, a loss for a project. A failure to recover promptly on these types of claims could have a material adverse impact on SNC-Lavalin's liquidity and financial results. Additionally, irrespective of how well the Company documents the nature of its claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

In addition, a number of project contracts have warranty periods and/or outstanding claims that may result in legal proceedings that extend beyond the actual performance and completion of the projects.

Litigation and regulatory proceedings are subject to inherent uncertainties and unfavourable rulings can and do occur. Pending or future claims against SNC-Lavalin could result in professional liability, product liability, criminal liability, warranty obligations, and other liabilities which, to the extent the Company is not insured against a loss or its insurer fails to provide coverage, could have a material adverse impact on the Company's business, financial condition and results of operations.

Jacques Cartier Bridge Criminal Charges (Canada)

On September 23, 2021, the Royal Canadian Mounted Police (the "RCMP") represented by the Province of Quebec's Directeur des Poursuites Criminelles et Pénales ("DPCP") laid charges against the Company's subsidiary, SNC-Lavalin Inc. and indirect subsidiary, SNC-Lavalin International Inc. Each entity has been jointly charged (along with a former employee of the Company, Normand Morin) with the following counts: 1) forgery under Section 366 of the Criminal Code (Canada) (the "Criminal Code"), 2) fraud under Section 380 of the Criminal Code, and 3) fraud against the government under Section 121 of the Criminal Code. Each entity has also been charged with one count of conspiracy to commit the aforementioned crimes (the "Criminal Charges"). On the same date, the DPCP gave notice to SNC-Lavalin Inc. and SNC-Lavalin International Inc. of an invitation to negotiate a remediation agreement in accordance with Part XXII.1. of the Criminal Code with respect to the Criminal Charges and on October 1, 2021, both entities formally accepted the invitation. These Criminal Charges follow the RCMP's formal 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 Inc. and which has previously led to a guilty plea on certain criminal charges in 2017 by the former head of the Canada Federal Bridges Corporation. Another former employee of the Company, Kamal Francis was also charged separately with similar offenses.

Due to the inherent uncertainties of these proceedings, it is not possible to predict whether the parties will be able to successfully negotiate and enter into a remediation agreement or the final outcome of the Criminal Charges, which could possibly result in a conviction on one or more of the Criminal Charges. The Company cannot predict what, if any, other actions may be taken by any other applicable government or authority or the Company's customers or other third parties as a result of the Criminal Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

The Criminal Charges and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the Criminal Charges could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual consolidated revenue and of its revenue in Canada from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) would likely have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

Ongoing and potential investigations

The Company is subject to ongoing investigations that could subject the Company to criminal and administrative enforcement actions, civil actions and sanctions, fines and other penalties, some of which may be significant. These investigations, and potential results thereof, could harm the Company's reputation, result in suspension, prohibition or debarment of the Company from participating in certain projects, reduce its revenues and net income and adversely affect its business.

33. CONTINGENT LIABILITIES (CONTINUED)

The Company understands that there are investigations by various authorities which may remain ongoing in connection with certain legacy matters in various jurisdictions, including, without limitation, Algeria, Brazil, and Angola.

The Company is currently unable to determine when any of these investigations will be completed or whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. The Company continues to cooperate and communicate with authorities in connection with all ongoing investigations.

If regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise as a result of ongoing or future investigations, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties, including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects, or the revocation of authorizations or certifications, by certain administrative organizations or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue from government and government-related contracts. Further, public and private sector bid processes in some instances assess whether the bidder, or an affiliate thereof, has ever been the object of any investigations, or sanctions or other actions resulting therefrom. In such instances, if the Company or one of its subsidiaries or investee entities must answer affirmatively to a query as to past or current investigations, or sanctions or other actions resulting therefrom, such answer may affect that entity's ability to be considered for the applicable project. In addition, the Company may not win contracts that it has bid upon due to a client's perception of the Company's reputation and/or perceived reputational advantages held by competitors as a result of such investigations, sanctions or other actions. Loss of bidding opportunities resulting from such investigations, sanctions or other actions, whether discretionary (including as a result of reputational factors) or mandatory, from participating in certain government, government-related and private contracts (in Canada, Canadian provinces or elsewhere) could materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's issued and traded securities.

The outcomes of ongoing or future investigations could also result in, among other things, (i) covenant defaults under various project contracts, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's issued and traded securities. In addition, these investigations and outcomes of these investigations and any negative publicity associated therewith could damage SNC-Lavalin's reputation and ability to do business.

Due to the uncertainties related to the outcome of ongoing or future investigations, the Company is currently unable to reliably estimate an amount of potential liabilities or a range of potential liabilities, if any, in connection with any of these investigations.

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above and ongoing related matters, as well as the investigations leading to the settlements described below, which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with such investigations including substantial fees of lawyers and other advisors. In addition, the Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or below, or other matters, which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to a project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continued to be eligible to bid on and be awarded World Bank Group-financed projects as long as they complied with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also required that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms. On April 17, 2021, the Company received confirmation that the World Bank Group's Integrity Officer determined that the Company and its sanctioned affiliates had satisfied the conditions of the World Bank Settlement and were therefore removed from the World Bank Group list of sanctioned entities effective April 17, 2021.

33. CONTINGENT LIABILITIES (CONTINUED)

Other legal proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes an important ordinary course of business legal proceeding, including the general cautionary language relating to the risks inherent to all litigation and proceedings against SNC-Lavalin, which is equally applicable to the legal proceedings described below.

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 Inc. claimed from the client certain amounts due under the project contract. The client has counter-claimed alleging that SNC-Lavalin Inc. defaulted under the project contracts and is seeking damages.

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of this and other legal proceedings generally, (b) determine if the amount included in the Company's provisions is sufficient, or (c) determine the amount of potential losses, if any, that may be incurred in connection with any final judgment on these matters.

The Company is a party to other claims and litigation arising in the normal course of operations, including by clients, subcontractors, and vendors presenting claims for, amongst other things, recovery of costs related to certain projects. Due to the inherent uncertainties of litigation and/or the early stage of certain proceedings, it is not possible to predict the final outcome of all ongoing claims and litigation at any given time or to determine the amount of any potential losses, if any. With respect to claims or litigation arising in the normal course of operations which are at a more advanced stage and which permit a better assessment of potential outcome, the Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

34. LEASES

Right-of-use assets

YEAR ENDED DECEMBER 31, 2021	OFFICE REAL ESTATE	EQUIPMENT	TOTAL
Depreciation expense on right-of-use assets	\$ 71,828	\$ 13,763	\$ 85,591
Additions	\$ 85,369	\$ 11,329	\$ 96,698

YEAR ENDED DECEMBER 31, 2020	OFFICE REAL ESTATE	EQUIPMENT	TOTAL
Depreciation expense on right-of-use assets	\$ 91,697	\$ 15,621	\$ 107,318
Additions	\$ 33,506	\$ 6,926	\$ 40,432

Net book value:

As at December 31, 2021	\$ 328,654	\$ 26,983	\$ 355,637
As at December 31, 2020	\$ 320,621	\$ 26,203	\$ 346,824

Lease liabilities

The table below presents the future gross lease liabilities payments from continuing operations as at December 31, 2021 and 2020:

MATURITY	DECEMBER 31 2021 ⁽¹⁾	DECEMBER 31 2020 ⁽¹⁾
Not later than 1 year	\$ 118,492	\$ 124,137
Later than 1 year and not later than 5 years	288,529	281,070
Later than 5 years	230,575	218,794
	\$ 637,596	\$ 624,001

⁽¹⁾ Excludes future gross lease liabilities payments related to lease liabilities reclassified to “Liabilities of disposal groups classified as held for sale” in the consolidated statement of financial position as at December 31, 2021 and 2020.

Amounts recognized in the income statement from continuing operations

YEARS ENDED DECEMBER 31	2021	2020
Depreciation expense on right-of-use assets	\$ 85,591	\$ 99,475
Interest expense on lease liabilities (Note 27)	\$ 18,024	\$ 21,174
Expense relating to short-term leases	\$ 481	\$ 1,317
Gain arising from sale and leaseback transactions	\$ 1,671	\$ —
Expense relating to variable lease payments not included in the measurement of the lease liabilities	\$ 33,071	\$ 28,561
Income from subleasing right-of-use assets	\$ 7,368	\$ 5,594
Impairment losses on right-of-use assets ⁽²⁾	\$ 16,916	\$ 13,485

⁽²⁾ Included in “Restructuring and transformation costs” in the consolidated income statements

Amounts recognized in the statement of cash flows

Total cash outflows for leases amounted to \$161.1 million for the year ended December 31, 2021 (2020: \$182.4 million).

Operating leases

Operating leases, in which the Company is the lessor, relate mainly to equipment owned by the Company. For the year ended December 31, 2021, the lease income on operating leases amounted to \$14.3 million (2020: \$14.5 million).

35. REMUNERATION

A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEARS ENDED DECEMBER 31	2021	2020
Short-term benefits ⁽¹⁾	\$ 3,430,676	\$ 3,704,686
Share-based payments	36,801	10,079
Defined contribution pension plans	171,040	170,472
Defined benefit pension plans, other long-term benefits and other post-employment benefits	25,378	40,648
	\$ 3,663,895	\$ 3,925,885

⁽¹⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses, non-monetary benefits and termination benefits that are expected to be settled within twelve months after the end of the annual reporting period.

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

The Company's key management include all employees that are classified at the executive levels, corresponding mainly to the vice-presidents and above, and all members of the Company's Board of Directors.

In 2021, the number of individuals included as key management was 138 people (2020: 143 people).

Expenses recognized for key management remuneration and directors' fees, even if the services were provided only for a portion of the year, are detailed as follows:

YEARS ENDED DECEMBER 31	2021	2020
Short-term benefits ⁽²⁾	\$ 83,565	\$ 80,354
Share-based payments	31,099	7,505
Termination benefits	5,708	5,067
Defined benefit and defined contribution pension plans, other long-term benefits and other post-employment benefits	3,962	1,764
	\$ 124,334	\$ 94,690

⁽²⁾ Short-term benefits include mainly wages, salaries, social security contributions, sick leaves, profit-sharing and bonuses and non-monetary benefits that are expected to be settled within twelve months after the end of the annual reporting period.

36. RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its associates and joint ventures, mainly its Capital investments. Investments in which SNC-Lavalin has significant influence or joint control, which are accounted for by the equity method, are considered related parties.

For the years ended December 31, 2021 and 2020, SNC-Lavalin recognized the following transactions with its related parties:

YEARS ENDED DECEMBER 31	2021	2020
PS&PM revenue from contracts with investments accounted for by the equity method	\$ 554,173	\$ 556,541
Income from Capital investments accounted for by the equity method	85,002	87,349
Dividends and distributions received from Capital investments accounted for by the equity method	76,584	93,176
Income from PS&PM investments accounted for by the equity method	56,329	47,186
Dividends and distributions received from PS&PM investments accounted for by the equity method	\$ 55,965	\$ 38,262

As at December 31, 2021 and 2020, SNC-Lavalin has the following balances with its related parties:

	DECEMBER 31 2021	DECEMBER 31 2020
Trade receivables from investments accounted for by the equity method	\$ 114,435	\$ 177,598
Retentions on client contracts from investments accounted for by the equity method ⁽¹⁾	116,190	110,169
Remaining commitment to invest in Capital investments accounted for by the equity method ⁽²⁾ (Note 5C)	24,921	24,921
Dividends and distributions receivable from Capital investments accounted for by the equity method ⁽³⁾	\$ 290	\$ 2,400

⁽¹⁾ Included in "Contract assets" or "Contract liabilities" in the statements of financial position

⁽²⁾ Included in "Other current financial liabilities" in the statements of financial position

⁽³⁾ Included in "Other current financial assets" in the statements of financial position

All of these related party transactions are measured at fair value.

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2021 and 2020, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

	DECEMBER 31 2021	DECEMBER 31 2020	
SUBSIDIARIES	%	%	COUNTRY
Atkins China Limited	100.0	100.0	China
Atkins Danmark A/S	100.0	100.0	Denmark
Atkins International Holdings Limited	100.0	100.0	United Kingdom
Atkins Limited	100.0	100.0	United Kingdom
Atkins North America, Inc.	100.0	100.0	United States
Atkins Nuclear Secured Holdings Corporation	100.0	100.0	United States
Atkins Renewable Resources Corporation (previously, Kentz US Resources Corporation)	100.0	100.0	United States
Atkins US Holdings Inc. (previously, AUSHI LLC)	100.0	100.0	United States
Candu Energy Inc.	100.0	100.0	Canada
Faithful+Gould, Inc.	—	100.0	United States
Faithful+Gould Limited	100.0	100.0	United Kingdom
Faithful+Gould Saudi Arabia Limited	51.0	51.0	Saudi Arabia
InPower BC General Partnership	100.0	100.0	Canada
Kentz Canada Holdings Limited	100.0	100.0	Canada
Kentz Corporation Limited	100.0	100.0	Jersey
Kentz Pty Ltd.	—	100.0	Australia
Linxon Gulf LLC ⁽¹⁾	49.0	49.0	United Arab Emirates
Linxon India Private Limited	99.0	99.0	India
Linxon Pvt Ltd	51.0	51.0	United Kingdom
Linxon Sweden AB	100.0	100.0	Sweden
Linxon Switzerland Ltd	100.0	100.0	Switzerland
Linxon UK Ltd.	100.0	100.0	United Kingdom
Protrans BC Operations Ltd.	100.0	100.0	Canada
Saudi Arabian Kentz Co. Ltd.	—	75.0	Saudi Arabia
SNC-Lavalin (GB) Holdings Limited	100.0	100.0	United Kingdom
SNC-Lavalin (GB) Limited	100.0	100.0	United Kingdom
SNC-Lavalin (Guernsey) Holdings Ltd.	100.0	100.0	Guernsey
SNC-Lavalin Algérie EURL	100.0	100.0	Algeria
SNC-Lavalin Arabia Co. Ltd.	100.0	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	—	100.0	Australia
SNC-Lavalin Capital Inc.	100.0	100.0	Canada
SNC-Lavalin Colombia S.A.S.	—	100.0	Colombia
SNC-Lavalin Construction Inc.	100.0	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors Inc.	100.0	100.0	United States
SNC-Lavalin Constructors International Inc.	100.0	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	100.0	100.0	Canada
SNC-Lavalin Engineering India Private Limited	—	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	—	100.0	United States
SNC-Lavalin Europe B.V.	100.0	100.0	Netherlands

⁽¹⁾ Although the Company holds less than 50% of the equity shares of Linxon Gulf LLC, the Company exercises control over this entity based on its contractual agreements.

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2021	DECEMBER 31 2020	
SUBSIDIARIES	%	%	COUNTRY
SNC-Lavalin GEM Ontario Inc.	100.0	100.0	Canada
SNC-Lavalin GEM Québec Inc.	100.0	100.0	Canada
SNC-Lavalin Highway Holdings Inc.	100.0	100.0	Canada
SNC-Lavalin Inc.	100.0	100.0	Canada
SNC-Lavalin International Inc.	100.0	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	100.0	France
SNC-Lavalin Investments Inc.	100.0	100.0	Canada
SNC-Lavalin Major Projects Inc.	100.0	100.0	Canada
SNC-Lavalin Nuclear Inc.	100.0	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	100.0	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	100.0	Peru
SNC-Lavalin Polska Sp. Z o.o.	100.0	100.0	Poland
SNC-Lavalin Projetos Industriais Ltda.	100.0	100.0	Brazil
SNC-Lavalin Rail & Transit Limited	100.0	100.0	United Kingdom
SNC-Lavalin Romania S.A.	100.0	100.0	Romania
SNC-Lavalin Stavibel Inc.	100.0	100.0	Canada
SNC-Lavalin UK Limited	—	100.0	United Kingdom
The Atkins North America Holdings Corporation	100.0	100.0	United States
The SNC-Lavalin Corporation	100.0	100.0	United States
TransitNEXT General Partnership	100.0	100.0	Canada
WS Atkins International Limited	100.0	100.0	United Kingdom
WS Atkins Limited (previously, WS Atkins plc)	100.0	100.0	United Kingdom
	DECEMBER 31 2021	DECEMBER 31 2020	
JOINT VENTURES	%	%	COUNTRY
Capital investments			
407 East Development Group General Partnership	50.0	50.0	Canada
407 International Inc. ⁽¹⁾	6.76	6.76	Canada
Crosslinx Transit Solutions General Partnership	25.0	25.0	Canada
Rideau Transit Group General Partnership	40.0	40.0	Canada
Signature on the Saint-Laurent Group General Partnership	50.0	50.0	Canada
TC Dôme S.A.S. ⁽²⁾	51.0	51.0	France
Other			
Canadian National Energy Alliance Ltd.	50.0	50.0	Canada
Central Plateau Cleanup Company LLC	22.0	22.0	United States
Comprehensive Decommissioning International, LLC	40.0	40.0	United States
	DECEMBER 31 2021	DECEMBER 31 2020	
JOINT OPERATIONS	%	%	COUNTRY
407 East Construction General Partnership	50.0	50.0	Canada
Crosslinx Transit Solutions Constructors G.P.	25.0	25.0	Canada
NouvLR General Partnership	24.0	24.0	Canada
Signature on the Saint Lawrence Construction General Partnership	45.0	45.0	Canada
SLN-Aecon JV	40.0	40.0	Canada
SNC-Dragados-Pennecon G.P.	40.0	40.0	Canada

⁽¹⁾ Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

⁽²⁾ Although the Company's ownership interest in TC Dôme S.A.S. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.

37. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

	DECEMBER 31 2021	DECEMBER 31 2020	
ASSOCIATES	%	%	COUNTRY
Capital investments			
Myah Tipaza S.p.A.	25.5	25.5	Algeria
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	26.0	Algeria
SNC-Lavalin Infrastructure Partners LP	20.0	20.0	Canada

38. GOVERNMENT GRANTS

In the year ended December 31, 2021, the Company participated in various government assistance programs related to COVID-19, mainly in Canada (2020: mainly in Canada and the United Kingdom). The main programs resulted in governments subsidizing a portion of salaries paid by qualifying employers who experienced a decrease in activities exceeding a certain threshold or subsidizing salaries of employees that were no longer providing services to their employers but continued to receive compensation.

In the year ended December 31, 2021, SNC-Lavalin recognized these government grants as a reduction of “Direct costs of activities” in the amount of \$43.7 million (2020: \$75.3 million) and as a reduction of “Corporate selling, general and administrative expenses” in the amount of \$3.4 million (2020: \$3.6 million) in the consolidated income statement, as an offset of costs for which the grants were intended to compensate.

39. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As at December 31, 2021, the disposal group classified as held for sale included all assets and liabilities of InPower BC General Partnership and its related holding companies (see Note 5A).

The major classes of assets and liabilities of the disposal group classified as held for sale as at December 31, 2021 were as follows:

	DECEMBER 31 2021
Cash and cash equivalents	\$ 2,164
Restricted cash	22,454
Other current assets	23,240
Non-current assets	296,055
Assets of disposal group classified as held for sale	343,913
Current liabilities	22,952
Non-current liabilities	275,936
Liabilities of disposal group classified as held for sale	298,888
Net assets of disposal group classified as held for sale	\$ 45,025

40. EVENT AFTER THE REPORTING PERIOD

DISPOSAL OF INPOWER BC GENERAL PARTNERSHIP AND ITS RELATED HOLDING COMPANIES

On February 7, 2022, SNC-Lavalin announced that the Company completed the sale and transfer of its ownership interest in InPower BC General Partnership and its related holding companies to SNC-Lavalin IP Partnership in which the Company has a 20% ownership interest. The net gain on disposal from this transaction amounted to approximately \$4.8 million, while it generated a cash consideration to the Company of approximately \$41 million.