



SNC • LAVALIN

SNC-LAVALIN GROUP INC.

ANNUAL INFORMATION FORM

Year Ended December 31, 2016

March 1, 2017

TABLE OF CONTENTS

1.	CORPORATE STRUCTURE	3
1.1	INCORPORATION OF THE COMPANY	3
1.2	SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES.....	3
2.	GENERAL DEVELOPMENT OF THE BUSINESS.....	5
3.	DESCRIPTION OF THE BUSINESS	7
3.1	GENERAL	7
3.2	REVENUE BACKLOG	10
3.3	RISK FACTORS	10
3.4	HUMAN RESOURCES.....	10
3.5	THE VALUES THAT GUIDE US.....	11
4.	DIVIDENDS.....	13
5.	CAPITAL STRUCTURE.....	13
6.	MARKET FOR SECURITIES.....	16
7.	DIRECTORS AND OFFICERS.....	17
8.	LEGAL PROCEEDINGS	22
9.	AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT.....	28
10.	TRANSFER AGENT AND REGISTRAR.....	28
11.	EXPERTS	28
12.	AUDIT COMMITTEE.....	28
13.	CAUTION REGARDING FORWARD-LOOKING STATEMENTS	31
14.	ADDITIONAL INFORMATION	32
	SCHEDULE "A" MANDATE OF THE AUDIT COMMITTEE.....	34

1. CORPORATE STRUCTURE

1.1 INCORPORATION OF THE COMPANY

SNC-Lavalin Group Inc. (the “**Company**”) was incorporated under the laws of Canada on May 18, 1967 and was continued under the *Canada Business Corporations Act* (“**CBCA**”) on March 24, 1980. The articles of the Company were amended on several occasions, including for the following purposes: the split (in 1996) of its outstanding shares on a three-for-one basis, the change of its name, the creation of new classes of shares and the reorganization of its outstanding share capital, the modification of the maximum number of directors, the addition of a requirement that at least $\frac{1}{3}$ of the directors must not be employees of the Company or its affiliates and the re-designation of its class A subordinate voting shares as common shares.

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

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

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

1.2 SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

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

Percentage of voting securities held

Subsidiaries, Joint Arrangements and Associates

407 East Construction General Partnership (Ontario)	50%	◊
Candu Energy Inc. (Canada)	100%	•
Crosslinx Transit Solutions Constructors G.P. (Alberta)	25%	◊
Evergreen Rapid Transit Holdings Inc. (Alberta)	100%	•
Infrastructure Famille Santé Inc. (Canada)	100%	•
Interfleet Technology Limited (U.K.)	100%	•
Itansuca Proyectos de Ingenieria S.A. (Colombia)	100%	•
Kentz Corporation Limited (Channel Islands)	100%	•
Kentz Pty Ltd. (Australia)	100%	•
P.T. SNC-Lavalin TPS (Indonesia)	95%	•
S.A. SNC-Lavalin N.V. (Belgium)	100%	•
Saudi Arabian Kentz Company Limited (Saudi Arabia)	49%	•
Signature on the Saint Lawrence Construction G.P. (Quebec)	45%	◊
SLN-Aecon JV (Canada)	50%	◊
SNC-Lavalin (Malaysia) Sdn. Bhd. (Malaysia)	100%	•
SNC-Lavalin Algérie EURL (Algeria)	100%	•
SNC-Lavalin Arabia LLC (Saudi Arabia)	100%	•
SNC-Lavalin ATP Inc. (Canada)	100%	•
SNC-Lavalin Australia Pty. Ltd. (Australia)	100%	•
SNC-Lavalin Capital Inc. (Canada)	100%	•
SNC-Lavalin Chile S.A. (Chile)	100%	•
SNC-Lavalin Construction (Atlantic) Inc. (Canada)	100%	•
SNC-Lavalin Construction Inc. (Canada)	100%	•
SNC-Lavalin Construction (Ontario) Inc. (Canada)	100%	•
SNC-Lavalin Constructors Inc. (Delaware)	100%	•
SNC-Lavalin Constructors International Inc. (Canada)	100%	•
SNC-Lavalin Constructors (Pacific) Inc. (Canada)	100%	•
SNC-Lavalin Defence Programs Inc. (Canada)	100%	•
SNC-Lavalin Engineering India Private Limited (India)	100%	•
SNC-Lavalin Engineers & Constructors, Inc. (Texas)	100%	•
SNC-Lavalin Europe B.V. (Netherlands)	100%	•
SNC-Lavalin Europe S.A.S. (France)	100%	•
SNC-Lavalin (GB) Limited (England)	100%	•
SNC-Lavalin GEM Ontario Inc. (Ontario)	100%	•
SNC-Lavalin GEM Québec Inc. (Quebec)	100%	•
SNC-Lavalin Gulf Contractors LLC (United Arab Emirates)	49%	◊
SNC-Lavalin Inc. (Canada)	100%	•
SNC-Lavalin International Inc. (Canada)	100%	•
SNC-Lavalin International Inc. and Zuhair Fayed Engineering Consultancies Company (Saudi Arabia)	50%	◊
SNC-Lavalin International S.A.S. (France)	100%	•
SNC-Lavalin Major Projects Inc. (Canada)	100%	•
SNC-Lavalin Nuclear Inc. (Canada)	100%	•
SNC-Lavalin Operations & Maintenance Inc. (Canada)	100%	•
SNC-Lavalin Perú S.A. (Peru)	100%	•
SNC-Lavalin Polska Sp. Zo.o. (Poland)	100%	•
SNC-Lavalin Projetos Industriais Ltda (Brazil)	100%	•

Percentage of voting securities held

Subsidiaries, Joint Arrangements and Associates (continued)

SNC-Lavalin Romania S.A. (Romania)	100%	•
SNC-Lavalin (Proprietary) Limited (South Africa)	100%	•
SNC-Lavalin Stavibel Inc. (Canada)	100%	•
SNC-Lavalin UK Limited (United Kingdom)	100%	•
The SNC-Lavalin Corporation (Delaware)	100%	•
UGL Kentz Joint Venture (Australia)	50%	◊
Valerus Field Solutions Holdings LLC (Delaware)	100%	•

Capital Investments

407 East Development Group General Partnership (Ontario)	50%	♣
407 International Inc. (Ontario)	16.77%	♣
Astoria Project Partners II LLC (New York)	6.2271%	♣
Chinook Roads Partnership (Alberta)	50%	♣
Crosslinx Transit Solutions General Partnership (Alberta)	25%	♣
Groupe infrastructure santé McGill, S.E.N.C. (Quebec)	60%	♣
InPower BC General Partnership (British Columbia)	100%	♣
InTransit BC Limited Partnership (British Columbia)	33.3%	♣
Myah Tipaza S.p.A. (Algeria)	25.5%	♣
Okanagan Lake Concession Limited Partnership (British Columbia)	100%	♣
Rainbow Hospital Partnership (New Brunswick)	100%	♣
Rideau Transit Group General Partnership (Canada)	40%	♣
Shariket Kahraba Hadjret En Nouss S.p.A. (Algeria)	26%	♣
Signature on the Saint-Laurent Group G.P. (Quebec)	50%	♣
TC Dôme S.A.S. (France)	51%	♣

- | | |
|---|-------------------|
| • | Subsidiary |
| ♣ | Associate |
| ♣ | Investment entity |
| ◊ | Joint Arrangement |

2. GENERAL DEVELOPMENT OF THE BUSINESS

The highlights relating to the development of the Company's business over the past three (3) years are described below.

2016

Changes in Management Team

On April 5, 2016, Sylvain Girard was appointed as Executive Vice-President and Chief Financial Officer, succeeding Alain-Pierre Raynaud. Mr. Girard joined SNC-Lavalin in August 2014 as Senior Vice-President, Finance, in the Power business sector. In June 2015, he took on the role of Senior Vice-President and Corporate Controller, overseeing the Company's global financial affairs.

On July 12, 2016, Dale Clarke was appointed Executive Vice-President, Operations & Maintenance, Infrastructure, reporting to Ian L. Edwards, President, Infrastructure, effective as of August 1. Mr. Clarke joined SNC-Lavalin in 1996 and has held key roles, including Executive Vice-President, Mining & Metallurgy, and, most recently, Executive Vice-President, Integrated Management Systems, which he was appointed to in April 2015.

Effective as of August 15, 2016, Christian Brown was appointed to the newly created position of Corporate Development Officer, and Martin Adler joined the Company as President, Oil & Gas. Both positions report directly to Neil Bruce, President and Chief Executive Officer ("CEO"), as part of the Company's Executive Committee. Mr. Brown became President of SNC-Lavalin's Oil & Gas sector in 2014, when the Company acquired Kentz Corporation Limited ("Kentz"), where he had been CEO since 2012. Prior to joining SNC-Lavalin, Mr. Adler held the position of Group Chief Executive Officer and Board Member at Seafox Contractors B.V.

Change to the Board of Directors

On November 3, 2016, SNC-Lavalin announced the appointment of Catherine J. Hughes to the Board of Directors. Ms. Hughes brings more than 25 years of experience in the oil and gas industry. She served as Executive Vice-President International at Nexen Inc. from January 2012 until her retirement in April 2013, where she oversaw all oil and gas activities, including exploration, production, development and project activities outside of Canada. Prior to that, she was Vice-President, Operational Services, Technology and Human Resources, from September 2009 to November 2011. Before joining Nexen Inc., she served as Vice-President, Oil Sands, at Husky Oil from 2007 to 2009.

Operational Excellence

In the first quarter of 2016, SNC-Lavalin launched its "Operational Excellence" program, which is designed to further improve and sustain a culture of efficiency and execution. "Operational Excellence" is a long-term, structured approach that focuses on improving every aspect of the Company to make it more agile, customer-focused and successful.

Real Estate Facilities Management

On June 30, 2016, the Company announced that it had reached an agreement to sell its non-core Real Estate Facilities Management business in Canada to Brookfield Global Integrated Solutions, which included facilities management, property management, realty management and related project management. The transaction was completed in December 2016 and resulted in a gain of CA\$50.1 million (CA\$42.6 million after taxes).

Local French Operations

On December 30, 2016, SNC-Lavalin announced that it had signed and closed an agreement to sell its ongoing local activities in France and in Monaco to Ciclad and Impact Holding for a nominal amount. The transaction resulted in a loss of CA\$87.2 million (CA\$87.2 million after taxes) related to E&C activities.

Capital Investments Portfolio

On March 30, 2016, SNC-Lavalin announced that it had reached financial close on the sale of its indirect ownership interest in MML Holdings Malta Limited (formerly SNC-Lavalin (Malta) Limited ("**SNCL Malta**")) to an affiliate of Flughafen Wien AG for total cash consideration of approximately €64 million (approximately CA\$98.7 million). SNCL Malta was the indirect owner of the Company's 15.5% ownership interest in Malta International Airport p.l.c. The gain on disposal of SNC-Lavalin's indirect ownership interest in SNCL Malta amounted to CA\$61.1 million (CA\$53.6 million after taxes).

In 2016, SNC-Lavalin completed the sale of its ownership interest of 36.9% in the Rayalseema Expressway Private Limited ("**Rayalseema**") concession in India for total cash consideration of approximately US\$6 million (approximately CA\$8 million). The net loss on disposal of SNC-Lavalin's ownership interest in Rayalseema amounted to CA\$2.6 million.

On December 30, 2016, as part of the transaction to sell its ongoing local activities in France and Monaco, the Company also sold its investment in Société d'Exploitation de l'Aéroport de Mayotte S.A.S ("**Mayotte Airport**"). The transaction resulted in a loss of CA\$2.7 million (CA\$2.7 million after taxes). It should be noted that the disposal of SNC-Lavalin's TC Dôme S.A.S. Capital investment, will be governed by a different sale agreement with a separate set of closing conditions, and is expected to close at a later date.

2015

Changes in CEO and Reporting Structure

On October 5, 2015, Neil Bruce, formerly Chief Operating Officer ("**COO**"), was named President and Chief Executive Officer and a member of the Board of Directors, succeeding Robert G. Card. Following Neil Bruce's appointment as CEO, the position of COO was eliminated.

Restructuring and Right-Sizing Plan

In 2015, the Company successfully completed its previously announced "STEP Change" program. This program has delivered increased competitiveness and agility, as well as identified a significant number of cost reduction initiatives. It has also aligned our organization with market conditions. For the year ended December 31, 2015, the Company recorded a total of CA\$87.7 million after taxes (CA\$116.4 million before taxes) of charges relating to its restructuring and right-sizing plan, including the "STEP Change" program, which is CA\$7 million after taxes less than previously announced.

Addition of Capital Investments and Disposals of Ownership Interests in Capital

In June 2015, the Company announced that the consortium Signature on the Saint-Laurent Group ("**SSL**"), of which SNC-Lavalin is a 50% partner, finalized an agreement with the Government of Canada to design, build, finance and maintain the New Champlain Bridge Corridor project. SSL will operate and maintain the bridge for the duration of the concession period until 2049.

In July 2015, the Company announced that the consortium Crosslinx Transit Solutions General Partnership, of which SNC-Lavalin is a 25% partner, finalized an agreement on the Eglinton Crosstown Light Rail Transit project (the "**Eglinton Crosstown**") in Toronto, Canada. Under the project agreement, Crosslinx Transit Solutions General Partnership will provide the design, build, financing and 30-year maintenance and rehabilitation of the Eglinton Crosstown.

On September 30, 2015, the Company announced that it exercised its option to divest its 5% ownership interest and the balance of its loans in the Ambatovy Nickel Joint Venture Project to Sumitomo Corporation, an existing partner, for a cash consideration of US\$449.7 million (CA\$600.7 million).

2014

Business Acquisition

On June 23, 2014, in line with its strategy, the Company announced that it reached an agreement with Kentz, approved by the boards of directors of both companies, on the terms of a cash acquisition by which the entire ordinary share capital of Kentz, issued and to be issued, was to be acquired by SNC-Lavalin (the “**Acquisition**”) for a consideration estimated at approximately £1.2 billion (CA\$2.1 billion). Kentz is a global oil & gas services company. On August 22, 2014, the Company announced that it had completed the Acquisition.

Addition of Capital Investments and Disposals of Ownership Interests in Capital

In February 2014, the Company announced that InPower BC General Partnership, its wholly-owned subsidiary, signed an agreement with BC Hydro to design, build, partially finance, maintain and rehabilitate the John Hart Generating Replacement Facility, in Canada, under a 20-year contract. The wholly-owned subsidiary is an investment accounted for by the full consolidation method.

On May 1, 2014, SNC-Lavalin announced that it had entered into a binding agreement to sell 100% of its interest in AltaLink Holdings, L.P. (“**AHLP**”), the ultimate parent company of AltaLink, L.P. (together with other related holding entities referred to as “**AltaLink**”), the owner and operator of transmission lines and substations subject to rate regulation in Alberta, to Berkshire Hathaway Energy. On December 1, 2014, SNC-Lavalin completed the sale transaction. The total cash consideration received amounted to CA\$3.1 billion.

On September 30, 2014, SNC-Lavalin sold for a total consideration of CA\$77.6 million its 100% ownership interest in Ovation which principal activity was to build, operate and maintain an acoustic concert hall in Montreal, Canada. SNC-Lavalin will continue to provide operations and maintenance services for this acoustic concert hall and its new owner until 2038.

On October 15, 2014, SNC-Lavalin announced that it sold its 21% ownership interest in Astoria Project Partners LLC, the owner of the legal entity that owns and operates a gas-fired combined-cycle power plant in New York City. The total cash consideration received amounted to US\$93.5 million (CA\$104.9 million).

3. DESCRIPTION OF THE BUSINESS

3.1 GENERAL

Founded in 1911, SNC-Lavalin is one of the leading engineering and construction groups in the world and a major player in the ownership of infrastructure. From offices in over 50 countries, SNC-Lavalin’s employees are proud to build what matters. Our teams provide engineering, procurement, construction completions and commissioning services together with a range of sustaining capital services to clients in our four industry sectors, Oil & Gas, Mining & Metallurgy, Infrastructure and Power. SNC-Lavalin can also combine these services with its financing and Operations and Maintenance (“**O&M**”) capabilities to provide complete end-to-end project solutions.

The Company reports its results separately for **Engineering and Construction** and **Capital**, as described below.

Engineering & Construction (“**E&C**”)

SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning. Certain contracts also include materials and/or multi-disciplinary construction services, namely provision of structural mechanical, electrical, instrumentation and piping services. The Company might also be responsible for not only rendering professional and technical services, but also to undertake the responsibility for supplying materials and providing or fabricating equipment, and could also include construction activities. In addition, SNC-Lavalin offers O&M services for many infrastructures, such as highways, buildings, light rail transit systems and power plants, and logistics solutions for construction camps and the military.

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

While our contracts are negotiated using a variety of contracting options, E&C revenues are derived primarily from two major types of contracts: reimbursable contracts and fixed-price contracts.

- **Reimbursable contracts:** 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.
- **Fixed-price contracts:** Under fixed-price 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 or below the initial estimated costs.

Capital

Capital is the investment and asset management arm of SNC-Lavalin. Its main purpose is to invest equity or subordinated debt into projects to generate integrated, whole life-cycle revenues in engineering and construction, as well as operations and maintenance. All investments are structured to earn a return on capital adequate for the risk profile of each individual project. SNC-Lavalin makes Capital investments in a variety of infrastructure assets such as, bridges and highways, mass transit systems, power facilities, energy infrastructure and water treatment plants.

The table below details the revenues for E&C and Capital for each of the two (2) most recently completed financial years:

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2016	2015
Revenues		
From E&C	\$8,223,085	\$9,363,508
From Capital	247,748	223,446
	\$8,470,833	\$9,586,954

The Company’s results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated by regrouping its E&C projects within the following segments, which are as follows: i) **Mining & Metallurgy**; ii) **Oil & Gas**; iii) **Power**; and iv) **Infrastructure**. The Company also provides additional information by dividing the **Infrastructure** segment in two, namely the **Infrastructure & Construction** and **O&M** sub-segments. The description of each of the segment and related sub-segments is as follows:

The **Mining & Metallurgy** segment combines global-caliber expertise with deep local capabilities to provide tailored solutions for projects of any size, scope or complexity in the aluminium, gold, copper, iron ore, nickel, fertilizer and sulphur product sectors, among others. It includes a full range of activities and services in studies, sustaining capital and consulting, and major projects.

Oil & Gas includes projects in the upstream, midstream, downstream and supporting infrastructure sectors for major oil and gas and resources companies. It supports these clients across the asset life cycle, from front-end evaluation through decommissioning (capital and operational expenditures).

Power covers projects and services in hydro, nuclear and thermal power generation, renewable power generation, energy from waste, and electrical power delivery systems. It also has a wealth of expertise in clean and sustainable power technologies.

Infrastructure regroups projects from Infrastructure & Construction and O&M, which are further described below.

- **Infrastructure & Construction** includes projects and professional services in a broad range of sectors, including hospitals, mass transit, heavy rail, roads, bridges, airports, ports and harbours, facilities architecture and engineering (structural, mechanical, electrical), industrial (pharmaceutical, agri-food, life sciences, automation, industrial processes), geotechnical engineering and materials testing as well as water infrastructure and treatment facilities. In addition, Infrastructure & Construction includes engineering activities in the areas of acoustics, air quality and climate change, impact assessments and community engagement, geo-environmental services, site assessments and remediation, risk assessments and water resource management.
- **O&M** activities are provided to clients in the following lines of business:
 - Integrated Real Estate Solutions: includes all aspects of building operations and management, realty management, advisory services, project delivery and commissioning, energy management and sustainability initiatives, and program management;
 - Industrial: includes specialized expertise to oversee the O&M of assets such as turbines, steam generators, boilers, water supply and treatment systems, oil and gas facilities, electrical systems, mechanical systems and manufacturing installations;
 - Transportation: includes operations, maintenance and rehabilitation management for large infrastructure assets including airports, public transit systems, highways, bridges and tunnels; and
 - Defence & Logistics: includes support to Canada's Navy, servicing many different types of vessels, from research and defence boats to tugs and many other classes of ships, and also includes support to Canada's Armed Forces, strategic airlift as well as large mining, metallurgy, petrochemical, and oil and gas operations by building and maintaining remote accommodations and living facilities around the world.

SNC-Lavalin's expertise in O&M activities, in addition to obtaining stand-alone O&M contracts, allows the Company to expand on its Engineering & Construction and Capital investments activities by offering all-inclusive expertise that meets clients' needs, and complements its Capital investments.

Capital as described above.

Competitive Conditions

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

The Company operates in a highly competitive environment and has numerous competitors in all of its market segments. The competitive landscape varies by industry, geographic region and project type. Companies that compete within its E&C segment are principally: AECOM, AMEC Foster Wheeler, Balfour Beatty, Chicago Bridge and Iron, Fluor Corporation, Jacobs Engineering Group Inc., and Worley Parsons Ltd. Companies that compete within our O&M sub-segment are principally: Acciona, ACS Dragados, Aker Solutions, Alstom, Aramark Corporation, Atco Group, Babcock Canada Inc., Bombardier Inc., Carillion, CIVEO Corporation, ESS Compass Group, Intertec, Jones Lang LaSalle, KBR Inc., Keolis, Miller Group, Momentum, NAES Corporation, PAE Inc., Serco, Thales

Group, Raytheon, Transdev, Transfield Services, Veolia and Wood Group Ethos Energy. Companies that compete with our Capital segment are principally: Aecon Group Inc., Bechtel, Fluor Corporation, Kiewit, Iridium (ACS), Vinci Concessions, Ellis Don for Canadian infrastructure P3 and Aecom Capital, Engie and Marubeni for the power industry.

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

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

Cash Management Policy

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

Organizational Structure

SNC-Lavalin has a network of marketing and operating offices across Canada and in over 50 other countries. At any given time, its employees are active around the world carrying out projects, pursuing business opportunities and marketing its products and services. To gain better access to markets outside Canada and to facilitate the financing of international projects, SNC-Lavalin may form alliances, either with firms possessing expertise that is complementary to SNC-Lavalin's existing capabilities, or with leading local firms in such markets.

3.2 REVENUE BACKLOG

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

3.3 RISK FACTORS

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

3.4 HUMAN RESOURCES

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

Number of employees as at December 31	2016	2015	2014
Total	34,952	36,754	42,003

The number of employees varies depending on the number and nature of ongoing projects, acquisitions, divestitures and restructuring initiatives.

3.5 THE VALUES THAT GUIDE US

Our values keep us anchored and on track. They speak to how we run our business, how we express ourselves as a group, and how we engage with our stakeholders and inspire their trust. Our values reiterate SNC-Lavalin's commitment to teamwork and excellence, health, safety, security and environment, ethics and compliance, and customer focus, strong investor return and respect. The "Values that guide us" have become the framework for ongoing corporate sectors and individual business unit initiatives and programs in support of each of these values. Our executive officers ensure continuity in our corporate programs and the development of new ones to maintain a high level of awareness throughout the Company of the importance of "living" these core values.

Teamwork and Excellence

SNC-Lavalin fosters a climate where employees can thrive, develop and achieve their full potential and makes every effort to ensure policies, programs and structures are in place to safeguard the health, safety and security of its employees.

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

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

In addition, the Company is committed to offering:

- Market competitive employment conditions in line with the roles and responsibilities inherent to each position and tailored to reflect the social and legal reality of every region where the Company does business;
- Tools and processes allowing employees to receive the appropriate feedback on their performance, express their career aspirations, have clarity as to what is expected of them and discuss development plans and opportunities with their manager; and
- Internal mobility opportunities as they are fundamental to sustaining and enhancing employee performance and engagement.

Health, Safety, Security and Environment

SNC-Lavalin is committed to the health, safety and security of our people and the prevention of harm to the environment as a result of our projects and operations.

SNC-Lavalin has a Global Health, Safety, Security and Environment ("**HSSE**") Policy that sets the tone for any work we undertake. The Company also has strategies and tools to ensure that this policy is implemented in all its activities across the globe. The policy is based on the principles of visible safety leadership, creating secure working conditions and respect for the environment at all levels. From these basic commitments a series of tools have been developed, which include the implementation of our global health and safety and environmental management systems. A new initiative was launched in 2016 to build on existing successes called 'Perfect Days.' A Perfect Day represents a 24-hour period where SNC-Lavalin collectively had no safety injuries, environmental releases or security incidents. This concept has helped leverage organizational learnings and to continue achieving top tier HSSE performance.

SNC-Lavalin's HSSE management processes are risk-based, systematic, and responsive to change. This strategy is designed to mitigate and reduce risks which may exploit SNC-Lavalin's vulnerabilities, cause harm to employees, loss of or damage to assets, attack SNC-Lavalin's reputation and/or impact its digital information.

Identification and assessment of HSSE risks is accomplished by having all business sectors perform comprehensive risk assessments to ensure all hazards are identified, assessed and evaluated to effectively eliminate and/or control risk levels. For risk assessment purposes, SNC-Lavalin has developed corporate H&S, S and E Risk Matrices, used to determine risk levels. All SNC-Lavalin controlled sites use them as a part of their HSSE Risk Management process.

Our executive officers receive monthly reports including statistics and data relating to the HSSE performance throughout the Company. In 2016, the implementation of the health, safety, security and environmental programs and the Company's HSSE performance against these programs was monitored and reviewed by the Safety, Workplace and Project Risk Committee of the Board of Directors which met four (4) times during the year.

Ethics and Compliance

SNC-Lavalin is committed to ethics excellence and has a best in class compliance program implemented that includes a number of measures aimed at verifying standards of conduct through certification of training, and strengthening internal controls and processes. We will continue to review and improve our compliance environment as part of our promise to our stakeholders to be a Company that operates with the highest ethical standards.

SNC-Lavalin has an established dedicated team of professionals whose mandate is to develop and maintain a comprehensive ethics and compliance framework that impacts all of our activities. Compliance officers are appointed for each sector and for each region in which SNC-Lavalin operates. An internal compliance investigations team is also in place.

SNC-Lavalin's Code of Ethics and Business Conduct is made available in nine (9) languages. Every employee working for SNC-Lavalin must, as a condition of employment, certify on an annual basis that they will abide by its provisions.

In-person anti-corruption training is being provided globally to employees in "sensitive roles", comprising all executive, senior and general management functions, as well as all staff in business development, procurement, project management, general management and government relations.

SNC-Lavalin has established a confidential hotline operated by an external service provider that allows employees anywhere in the world to report potential violations of SNC-Lavalin's Code of Ethics and Business Conduct or any other potential violation of Company policy or the law without fear of retaliation.

Employees seeking information or advice on how to address ethics and compliance and anti-corruption matters that arise in the course of business can consult with the Compliance Consultation Centre and their Compliance Officers.

SNC-Lavalin also expects its business partners to adhere to its business principles, culture and values and comply with all applicable laws and regulations. Each business unit performs a risk assessment as well as a compliance due diligence on the business partner with whom they wish to enter into a relationship and on the specific engagement with such business partner.

SNC-Lavalin's Human Resources Department has established mechanisms for conducting due diligence on new hires and appointees to the Management Committee and its leadership team by retaining the services of credible, independent service providers.

Customer Focus, Strong Investor Return and Respect

SNC-Lavalin's business exists to serve and add long-term value to our customers' organizations. We listen and respond to their feedback, and are grateful for their contribution to SNC-Lavalin's continuing success. We strive to complete projects on time and budget and with the highest health and safety standards, forming strong partnerships across the globe.

We seek to reward our investors' trust by delivering competitive returns. SNC-Lavalin is committed to continual improvement with a strong focus on efficiency, agility and operational excellence. By constantly working to improve our delivery performance and market responsiveness, we aim to offer our investors a strong return on their investments.

We consistently demonstrate respect toward our stakeholders. Whether we are earning a social license to operate, conducting our business in an environmentally responsible manner, or ensuring the well-being of our employees and partners, the interests of our stakeholders is always paramount in all of our operations from beginning to end.

4. DIVIDENDS

In 2016, SNC-Lavalin declared and paid cash dividends on a quarterly basis. SNC-Lavalin's Board of Directors considers several factors when reviewing dividend payments, including present and future: (i) earnings, (ii) cash flows, and (iii) capital requirements. There can be no assurance as to the amount or timing of such dividends in the future.

In the past three (3) fiscal years, SNC-Lavalin has declared and paid the following quarterly dividends per common share:

	Q1	Q2	Q3	Q4	Annual
	(\$)	(\$)	(\$)	(\$)	(\$)
2016	0.26	0.26	0.26	0.273	1.053
2015	0.25	0.25	0.25	0.26	1.01
2014	0.24	0.24	0.24	0.25	0.97

5. CAPITAL STRUCTURE

General Description

The Company's authorized share capital consists of an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares. Only common shares are currently outstanding.

The following summarizes certain provisions relating to the Company's common shares, first preferred shares and second preferred shares. This summary is qualified in its entirety by the actual rights, privileges, restrictions and conditions attached to such shares.

Common Shares

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

Voting rights: Entitled to one vote per share.

Rights upon liquidation, winding up or dissolution: Right to receive the residual of the Company's assets subject to the prior rights of First Preferred Shares and Second Preferred Shares.

First Preferred Shares

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

Dividend: Priority over all other classes of shares.

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

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

Series A:

Dividend:

Priority over all other classes of shares.

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

Payable quarterly.

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

Voting rights:

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

Rights upon liquidation, winding up or dissolution:

Priority over all other classes of shares.

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

Redemption Right:

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

Second Preferred Shares

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

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

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

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

Credit Ratings

The following table shows the ratings for the Company's outstanding long-term debt securities as at March 1, 2017.

	Standard & Poor's Ratings Services ("S&P")		DBRS Limited ("DBRS")	
	Rating	Outlook	Rating	Trend
Long-Term Debt (i.e. CA\$350 million, 6.19% debenture due in July 2019)	BBB	Stable	BBB	Stable

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

S&P

On April 25, 2016, S&P revised the Company's outlook to stable from negative while affirming the ratings of the Company and its long-term debt at "BBB". The outlook revision reflects S&P's view that although the negative operational and financial risks that the Company might face in response to the charges laid against it by the Public Prosecution Service of Canada have not been removed, it expects the impact of these risks, if any, on the Company to be beyond S&P's outlook horizon. The revision also acknowledges that, from S&P's perspective, the Company's operations have not been negatively affected following the charges and there have been no changes to the Company's right and ability to bid or work on any public or private projects. The stable outlook incorporates S&P's forecasts that the Company will exhibit stable EBITDA and improving margins at its core E&C operations through 2016; S&P expects infrastructure projects to offset volatility in the oil and gas and mining and metallurgy segments. S&P expects that the Company will maintain strong liquidity and that net cash will exceed recourse debt. S&P believes the Company's management is actively focusing on these risks while maintaining its competitive position and preserving the financial flexibility to manage any financial penalties. The Company retains its investment grade status from S&P.

Long-term debt obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. This rating falls within the fourth highest of S&P's ten long-term credit rating categories which range from "AAA" to "D". The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A stable outlook means that a rating is not likely to change. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

DBRS

On September 9, 2016, DBRS issued a rating report that confirmed the rating of the Company and its long-term debt at "BBB" with stable trend. In confirming the rating, DBRS recognizes the Company's refocusing on engineering and construction, its efforts to improve cost efficiency and delivery capabilities, and an emphasis on a risk management culture that have gradually strengthened its business risk profile. Notwithstanding the foregoing, the stable trend reflects that the prevailing challenges facing the Company could constrain further improvement, at least in the near term. Those challenges include (i) weak commodity prices affecting the Company's activities in the oil and gas and mining and metallurgy segments; and (ii) ongoing investigations and charges related to practices of previous management. The Company retains its investment grade status from DBRS.

Long-term debt rated "BBB" is of adequate credit quality. The capacity for the payment of financial obligations is

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

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

Credit ratings established by S&P and DBRS are based on quantitative and qualitative considerations relevant to the Company. The credit ratings are intended to indicate the risk that the Company will not satisfy its obligations on a timely basis and disregard certain factors such as market risk or price risk. These factors should be considered by investors as risk factors in their process of investment decision making. Such ratings do not constitute a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

During the last two (2) years, the Company paid customary rating fees to S&P and DBRS in connection with the above-mentioned ratings. The Company reasonably expects that such payments will continue to be made in the future. In addition, during the last two (2) years, the Company has, in the ordinary course of business, made payments to S&P and DBRS in respect of other services provided to the Company.

6. MARKET FOR SECURITIES

Market

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

Trading Price and Volume

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

2016	Volume (in 000s)	High*	Low*	Close
January	12,545	41.20	36.47	40.05
February	13,045	43.00	38.08	42.47
March	16,047	48.36	42.76	47.45
April	6,179	48.10	45.55	47.21
May	11,995	53.00	44.84	52.81
June	11,049	54.90	50.55	54.26
July	9,476	57.14	53.94	56.25
August	10,348	58.46	54.77	55.90
September	11,854	56.69	50.67	51.53
October	12,404	55.05	50.27	54.50
November	13,412	57.39	51.94	56.92
December	9,756	59.63	55.40	57.79

* Intra-day highs and lows during each month

7. DIRECTORS AND OFFICERS

The following table lists the directors of the Company, as at March 1, 2017, their place of residence, and their respective principal occupations during the preceding five (5) years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five (5) Years</u>	<u>Director Since</u>
Jacques Bougie, O.C. ^{(2), (3), (4)} Quebec (Canada)	Corporate Director	2013
Neil Bruce Quebec (Canada)	President and CEO of the Company since October 2015; Former Chief Operating Officer of the Company from April 2015 to October 2015; Former Senior Executive Vice-President (Group President), Resources, Environment & Water, of the Company from January 2013 to April 2015; Former Executive Director and Chief Operating Officer at AMEC plc (now Amec Foster Wheeler plc) (Consultancy, Engineering, and Project Management Services) from August 2010 to October 2012.	2015
Patricia A. Hammick, Ph.D. ^{(1), (2), (3)} Virginia (United States of America)	Corporate Director	2007
Catherine J. Hughes Alberta (Canada)	Corporate Director; Former Executive Vice-President, International at Nexen Inc. (Oil & Gas) from January 2012 to April 2013.	2016
Steven L. Newman ^{(3), (4)} Utah (United States of America)	Corporate Director; Former Director and President and CEO at Transocean, Ltd. (Oil & Gas Drilling and Exploration) from March 2010 to February 2015.	2015
Jean Raby ^{(1), (2)} Paris (France)	Corporate Director; CEO of Natixis Global Asset Management, S.A. (Global Asset Management) since February 2017; Former Chief Financial Officer at SFR Group (Telecommunications) from May 2016 to November 2016; Former Advisor to the Chief Financial Officer at Nokia Corporation (Telecommunications Equipment) from March 2016 to April 2016; Former Executive Vice-President, Chief Financial and Legal Officer at Alcatel-Lucent S.A. (Telecommunications Equipment) from	2015

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five (5) Years</u>	<u>Director Since</u>
	September 2013 to February 2016; Former Managing Director, Goldman Sachs & Co. (Investment Banking, Securities and Investment Management) from May 2012 to December 2012; Former Co-CEO, Investment Banking Division, Russia and Commonwealth of Independent States' activities at Goldman Sachs & Co. (Moscow) (Investment Banking, Securities, and Investment Management) from January 2011 to April 2012.	
Alain Rhéaume ^{(1), (3)} Quebec (Canada)	Corporate Director; Co-Founder and Managing Partner of Trio Capital Inc. (Private Investment Management Company) since September 2006.	2013
Chakib Sbiti ^{(1), (4)} Dubai (United Arab Emirates)	Corporate Director; Former Executive Advisor to the CEO at Schlumberger Limited (International Oilfield Services) from February 2010 to February 2014.	2012
Eric D. Siegel, ICD.D. ^{(1), (2), (4)} Ontario (Canada)	Corporate Director: Ottawa Chapter Executive, Institute of Corporate Directors (Not-for-Profit Association Representing Canadian Directors and Boards) since October 2012.	2012
Zin Smati ⁽⁴⁾ Texas (United States of America)	Corporate Director; Senior Advisor at LS Power (Power Generation, Transmission and Investment Group) since January 2016 and Chairman and CEO at LifeEnergy LLC (Delivery of Energy Products) since March 2016; Former President and CEO at GDF Suez Energy North America, Inc. (Power Generation, Liquefied Natural Gas, Gas Distribution and Transmission, Marketing and Trading and Retail Energy) from May 2006 to December 2015.	2016
Lawrence N. Stevenson Ontario (Canada)	Chairman of the Board of the Company since March 2015; Managing Director at Clearspring Capital Partners (formerly Callisto Capital LP) (Private Equity Firm) since September 2006.	1999

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

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

Except as described below, to the knowledge of the Company, in the last ten (10) years, none of the above-named directors is or has been a director or officer of any company that, while that person was acting in that capacity was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than thirty (30) consecutive days. In addition, to the knowledge of the Company, in the last ten (10) years, none of the above-named directors is or has been a director or officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except as described below.

- i) Mr. Jacques Bougie, a director of the Company, served as a director of AbitibiBowater Inc. ("**AbitibiBowater**") (formerly Abitibi-Consolidated Inc. and now Resolute Forest Products Inc.) from 2004 to December 2010. In April 2009, AbitibiBowater, together with certain of its U.S. and Canadian subsidiaries, filed voluntary petitions in the U.S. Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the U.S. Bankruptcy Code, as amended, and certain of its Canadian subsidiaries sought creditor protection under the Companies' Creditors Arrangement Act ("**CCAA**") with the Superior Court of Quebec in Canada. AbitibiBowater completed its reorganization and emerged from creditor protection proceedings under the CCAA in Canada and Chapter 11 of the U.S. Bankruptcy Code in December 2010.
- ii) Dr. Patricia A. Hammick, a director of the Company, became a director of Dynegy Inc. ("**Dynegy**") in April 2003 and ceased to be a director of Dynegy on June 15, 2011. On December 1, 2011, Dynegy and its direct subsidiary Dynegy Holdings LLC ("**Dynegy Holdings**") filed, as co-plan proponents, a plan of reorganization in respect of Dynegy Holdings. On April 3, 2012, Dynegy announced that it had reached an agreement with key Dynegy Holdings creditors contemplating the resolution of all disputes with such creditors. On July 6, 2012, Dynegy filed a voluntary petition for relief pursuant to the U.S. Bankruptcy Code. On September 5, 2012, Dynegy announced that its Chapter 11 Plan of Reorganization under the U.S. Bankruptcy Code was confirmed and, on October 1, 2012, announced that it had consummated its reorganization under Chapter 11 of the U.S. Bankruptcy Code and had emerged from bankruptcy protection. Dr. Hammick was never a director of Dynegy Holdings.
- iii) Mr. Alain Rhéaume, a director of the Company, served as a director of Quebecor World Inc. ("**Quebecor World**") from 1997 until July 2009. Quebecor World placed itself under the protection of the CCAA on January 21, 2008 and implemented a capital restructuring plan approved by its creditors in 2009, after obtaining a court order authorizing it.

Furthermore, to the knowledge of the Company, in the last ten (10) years, no director or officer of the Company has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his/her assets.

The Board of Directors of the Company currently has four (4) standing Board Committees, namely the Audit Committee, the Governance and Ethics Committee, the Human Resources Committee, and the Safety, Workplace and Project Risk Committee. The Board of Directors does not have an executive committee. As at March 1, 2017, membership of the Board Committees was as follows:

Audit Committee

P.A. Hammick (Chair)
 J. Raby
 A. Rhéaume
 C. Sbiti
 E.D. Siegel

Governance and Ethics Committee

J. Bougie (Chair)
 P.A. Hammick
 J. Raby
 E.D. Siegel

Human Resources Committee

J. Bougie
 P.A. Hammick
 S. L. Newman
 A. Rhéaume (Chair)

Safety, Workplace and Project Risk Committee

J. Bougie
 S. L. Newman
 C. Sbiti
 E.D. Siegel (Chair)
 Z. Smati

The following table lists the executive officers of the Company (who qualify as such under applicable securities regulations) who are not also directors of the Company, as at March 1, 2017, their place of residence and their respective principal occupations during the preceding five (5) years:

<u>Name and Place of Residence</u>	<u>Principal Occupations During the Preceding Five (5) Years</u>
Martin Adler Texas (United States of America)	President, Oil & Gas Sector at SNC-Lavalin since August 2016; Former Chief Executive Officer and Non-Executive Board Member at SeaFox Contractors B.V. (Offshore Support Services) from April 2015 to June 2016; Former Chief Operating Officer and Executive Board Member at Dockwise (Heavy Marine Transport, Logistical Management, Offshore Installation, Engineering Services) from May 2008 to December 2014.
Christian Brown Texas (United States of America)	Corporate Development Officer at SNC-Lavalin since August 2016; Former President, Oil & Gas Sector at SNC-Lavalin from August 2014 to August 2016; Former CEO and Board Member at Kentz Corporation Limited (Engineering and Construction) from January 2012 to August 2014.
Marie-Claude Dumas Quebec (Canada)	Executive Vice-President, Human Resources at SNC-Lavalin since November 2015; Former Executive Vice-President, Hydro at SNC-Lavalin from October 2014 to October 2015; Former Project Manager at SNC-Lavalin from September 2013 to September 2014; Former Deputy Project Manager, CHU Ste-Justine Expansion Project at SNC-Lavalin from September 2012 to September 2013; Former Vice-President, Operations, Hydro Division at SNC-Lavalin from August 2010 to September 2012.
Ian Edwards Quebec (Canada)	President, Infrastructure Sector at SNC-Lavalin since April 2015; Former Executive Vice-President, Infrastructure Construction at SNC-Lavalin from November 2014 to April 2015; Former Managing Director, Leighton Asia, India and Offshore at Leighton Holdings Limited (General Contractors) from March

Name and Place of Residence	Principal Occupations During the Preceding Five (5) Years
	2012 to November 2014; Former Executive General Manager at Leighton Holdings Limited from July 2008 to March 2012.
Sylvain Girard Quebec (Canada)	Executive Vice-President and Chief Financial Officer at SNC-Lavalin since April 2016; Former Senior Vice-President and Corporate Controller at SNC-Lavalin from June 2015 to April 2016; Former Senior Vice-President, Finance, Power Sector at SNC-Lavalin from August 2014 to June 2015; Former Chief Financial Officer – Europe at GE Healthcare (Medical Technologies and Services) from July 2010 to July 2014.
Hartland J. A. Paterson Quebec (Canada)	Executive Vice-President and General Counsel at SNC-Lavalin since September 2015; Former General Counsel, Chief Compliance Officer and Secretary at CAE Inc. (Aerospace and Defence Products and Services) from September 2001 to September 2015.
Erik J. Ryan Quebec (Canada)	Executive Vice-President, Strategy, Marketing and External Relations at SNC-Lavalin since November 2013; Former Senior Vice-President, Communications and External Relations at Rio Tinto Alcan (Aluminium producer and supplier) from March 2009 to November 2013.
Chantal Sorel Quebec (Canada)	Managing Director, Capital at SNC-Lavalin since November 2015; Former Senior Vice-President, Business Development, Infrastructure Sector at SNC-Lavalin from December 2014 to November 2015; Former Vice-President and Project Director, McGill University Health Centre, Glen site at SNC-Lavalin from April 2012 to November 2014; Former Vice-President, Strategic Development, Mining and Metallurgy at SNC-Lavalin from January 2010 to April 2012.
José J. Suárez Quebec (Canada)	President, Mining & Metallurgy Sector at SNC-Lavalin since April 2015; Former Executive Vice-President, Integrated Management Systems at SNC-Lavalin from June 2014 to April 2015; Former Managing Director, North America Mining Industry Lead and Global Mining Capital Projects Lead at Accenture (Management consulting, technology services and outsourcing) from May 2012 to June 2014; Former Senior Vice-President, Business Development, Global Mining and Metallurgy at SNC-Lavalin from August 2009 to May 2012.

Name and Place of Residence	Principal Occupations During the Preceding Five (5) Years
Alexander (Sandy) Taylor Quebec (Canada)	President, Power Sector at SNC-Lavalin since March 2014; Former Senior Group Vice-President, Head of Global Sales and Marketing, Process Automation (PA) Division at ABB Inc. (power and automation technologies) from July 2013 to March 2014; Former Senior Group Vice-President, Global Oil, Gas and Petrochemicals Business Unit at ABB Inc. from May 2010 to July 2013.

As at December 31, 2016, the above directors and executive officers of the Company, as a group, held, either directly or indirectly, or exercised control over 90,540 common shares, representing approximately 0.06% of the common shares of the Company.

8. LEGAL PROCEEDINGS

SNC-Lavalin and its Capital investments are or can be party to litigation in the normal course of business. Since the Company engages in engineering and construction, and O&M activities for facilities and projects where design, construction or systems failures can result in substantial injury or damage to employees or others, the Company is exposed to substantial claims and litigation if there is a failure at any such project. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and be brought by clients or third parties, such as those who use or reside near clients' projects. SNC-Lavalin can also be exposed to claims if it agreed that a project will achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met. In many contracts with clients, subcontractors, and vendors, the Company agrees to retain or assume potential liabilities for damages, penalties, losses and other exposures relating to projects that could result in claims that greatly exceed the anticipated profits relating to those contracts. In addition, while clients and subcontractors may agree to indemnify the Company against certain liabilities, such third parties may refuse or be unable to pay.

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

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

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

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

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

In the course of 2016 both the Company and the plaintiffs in the Ontario Action filed motions for summary judgment in respect of the Ontario Action; the judge heard the motions in August 2016 and in September 2016 rendered judgement that both sets of motions should be permanently stayed – effectively rejecting them. The Ontario Action therefore will move to the stage of examinations for discovery by the plaintiffs commencing in the first quarter of 2017.

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

On June 12, 2014, the Quebec Superior Court rendered a decision in "Wave 1" of the matter commonly referred to as the "Pyrrhotite Case" in Trois-Rivières, Quebec and in which SNC-Lavalin is one of numerous defendants. The Superior Court ruled in favour of the plaintiffs, awarding an aggregate amount of approximately CA\$168 million in damages apportioned amongst the then-known defendants, on an *in solidum* basis (the "**Wave 1 claims**"). SNC-Lavalin, among other parties, filed a Notice to Appeal the Superior Court decision both on merit and on the apportionment of liability. Based on the current judgment, SNC-Lavalin's share of the damages would be approximately 70%, a significant portion of which the Company would expect to recover from its external insurers (such insurance coverage is itself subject to litigation). In addition to the appeal of the decision, recourses in warranty were filed against another party, which may result in reduction of SNC-Lavalin's share of the damages.

In parallel to the appeal and warranty recourses for Wave 1 claims, additional potential claims were notified and continue to be notified against numerous defendants, including SNC-Lavalin, in "Wave 2" of the Pyrrhotite Case. Wave 2 claims are currently undergoing discovery stage and it is still premature to evaluate SNC-Lavalin's total liability exposure in respect of same, if any. It is currently estimated that a significant portion of the damages claimed are in respect of buildings for which the concrete foundations were poured outside of SNC-Lavalin's liability period, as determined in the Wave 1 judgement. SNC-Lavalin expects some insurance coverage for claims filed up to March 31, 2015. In addition, SNC-Lavalin has undertaken warranty recourse against another party with respect to Wave 2 claims.

Due to the inherent uncertainties of litigation, it is not possible to (a) predict the final outcome of the Company's appeal or 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 any 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 seek to 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 for which it is only partially insured, or completely uninsured.

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 document properly 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.

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.

The Company is also subject to other 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 charges and 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.

In February 2012, the Board of Directors initiated an independent investigation (the "**Independent Review**"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company, and as additional information, if any, arises as a result thereof, the Company will continue to investigate and review such information as it has in the past.

Charges and RCMP Investigation

On February 19, 2015, the Royal Canadian Mounted Police (the "**RCMP**") and the Public Prosecution Service of Canada laid charges against the Company and its indirect subsidiaries SNC-Lavalin International Inc. and SNC-Lavalin Construction Inc. Each entity has been charged with one count of fraud under section 380 of the Criminal Code (Canada) (the "**Criminal Code**") and one count of corruption under Section 3(1)(b) of the Corruption of Foreign Public Officials Act (Canada) (the "**CFPOA**") (the "**Charges**"). These Charges follow the RCMP's formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts between 2001 and 2011. This investigation, referred to as Project Assistance by the RCMP, also led to criminal charges being laid against two former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the *Regulations Implementing the United Nations Resolutions on Libya* in Canada. Due to the inherent uncertainties of these proceedings, it is not possible to predict the final outcome of the Charges, which could possibly result in a conviction on one or more of the Charges. The preliminary inquiry in respect of the Charges has been scheduled for a court hearing in September 2018 but may be rescheduled to start in late 2017. 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 Charges, or whether additional charges may be brought in connection with the RCMP investigation of these matters.

The 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 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 global revenue (and an even larger percentage of its annual Canadian revenue) 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) could 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.

AMF Investigation; AMF Certification under the Quebec Act Respecting Contracting by Public Bodies

The Company understands that there is an ongoing investigation being conducted in the context of applicable securities laws and regulations by the securities regulator in the Province of Quebec, the *Autorité des marchés financiers* (the "**AMF**").

In addition, as announced on February 5, 2014, certain subsidiaries of the Company obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting by Public Bodies*. Such certification is subject to periodic renewal by the AMF. If an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke or not renew an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

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**"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, the Company and certain of its other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply 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 requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

African Development Bank Settlement

On October 1, 2015, the Company announced a settlement with the African Development Bank relating to allegations of corruption in two African countries. The settlement included the payment by SNC-Lavalin Group Inc. of CA\$1.9 million to the African Development Bank (the "**African Development Bank Settlement**"). The African Development Bank Settlement also requires that the Company cooperate with the African Development Bank on various compliance matters in the future.

Canada's Integrity Regime

The Canadian government announced the Integrity Regime for procurement and real property transactions on July 3, 2015. The scope of offences which may cause a supplier to be deemed ineligible to carry on business with the federal government are broad and encompass offences under the Criminal Code, the Competition Act, and the

CFPOA, among others. Some of the offences qualifying for ineligibility include: bribery, fraud, money laundering, falsification of books and documents, extortion, and offences related to drug trafficking. A determination of ineligibility to participate in federal government procurement projects may apply for 10 years for listed offences. However, the Integrity Regime permits the ineligibility period to be reduced by up to five years if a supplier can establish that it has cooperated with law enforcement authorities or addressed the causes of misconduct.

If a supplier is charged with a listed offence (as is presently the case with the Company), it may, under the Integrity Regime, be ineligible to do business with the Canadian government while legal proceedings are ongoing.

If a supplier applies for a reduced ineligibility period, or if a supplier charged with a listed offence is notified that it could be ineligible to do business with the Canadian government, as a condition of granting the reduced ineligibility period or not suspending the supplier an administrative agreement may be imposed to monitor the supplier. Administrative agreements include conditions and compliance measures that the supplier must meet to remain eligible to contract with the federal government.

The Company announced on December 10, 2015 that it has signed an administrative agreement with Public Services and Procurement (“PSP”) of the Government of Canada under the Integrity Regime.

Failure of the Company to abide by the terms of any of its certification from the AMF, the World Bank Settlement, the African Development Bank Settlement and/or the PSP Administrative Agreement could result in serious consequences for the Company, including new sanctions, legal actions and/or suspension from eligibility to carry on business with the government or agency involved or to work on projects funded by them. The Company is taking steps that are expected to mitigate this risk.

Quebec’s Voluntary Reimbursement Program (the “Program”)

The Company announced on May 10, 2016, through a Notice of Intention filed with the Director of the Program, its participation in the Voluntary Reimbursement Program (“**Bill 26**”) which was put into force by the Government of Quebec on November 2, 2015. The Program provides for a period of 90 days within which the Government of Quebec and various municipalities, governmental agencies and others can assess whether settlement proposals by program participants should cover a governmental or municipal entity. An extension from that 90-day deadline was given to the Ministries of Sustainable Development, Environment and the Fight against Climate Change and of Transport, Urban Mobility and Electrification of Transportation of Quebec generally to assess whether they believe they should receive any Bill 26 proposal. The McGill University Health Centre (“**MUHC**”) has notified the Director of the Program that unless it receives a proposal it will not waive its possible claims against the Company under Bill 26 for the 2010 public-private partnership agreement with Groupe infrastructure santé McGill (of which the Company is a shareholder) for the construction and on-going operation of the MUHC. The Company has advised the Bill 26 program management that the Company categorically rejects any claim by the MUHC under Bill 26 as being ill founded. One additional municipality has requested that certain of its projects be included in the Company’s settlement proposal. The Director of the Program continues to review the balance of the Company’s settlement proposal for completeness and accuracy, and to review the Company’s proposal with the concerned municipalities and government ministries.

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters. In addition, Pierre Duhaime and Riadh Ben Aïssa, former Company employees, have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec.

On October 1, 2014, Mr. Ben Aïssa entered guilty pleas to certain criminal charges in the Federal Criminal Court of Switzerland following a lengthy investigation by Swiss authorities and the detention of Mr. Ben Aïssa by Swiss authorities from April 2012 to October 2014. The Company was recognized as an injured party in the context of the Swiss proceedings and has been awarded for certain offences for which Mr. Ben Aïssa has plead guilty, a sum equivalent to CA\$17.2 million (representing the equivalent of 12.9 million CHF and US\$2.0 million) plus interest.

The Company has so far received CA\$15.2 million up to December 31, 2016 with the balance expected to be received upon the forced execution of seized assets.

The Company is currently unable to determine when any of the above 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. While the Company continues to cooperate and communicate with authorities in connection with all ongoing investigations as noted above, 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, 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 by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

The outcomes of the above investigations or the Charges 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 prices of the Company's publicly traded securities. In addition, the Charges, these investigations and outcomes of these investigations or Charges (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of the Charges or these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described above).

Due to the uncertainties related to the outcome of the Charges and each of the above 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 the Charges or 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, the World Bank Settlement and ongoing related matters 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 these 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 other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

Other Legal Proceedings

SNC-Lavalin becomes involved in various legal proceedings as a part of its ordinary course of business and this section describes certain important ordinary course of business legal proceedings. See also section 12 "Risks and Uncertainties – Risks Related to Litigation, Regulatory Matters and Investigations" of the Company's most recent Management's Discussion and Analysis, 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.

While SNC-Lavalin cannot predict with certainty the final outcome or timing of the legal proceedings described below, based on the information currently available (which in some cases remains incomplete), SNC-Lavalin believes that it has strong defences to these claims and intends to vigorously defend its position.

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

A project-specific wholly-owned subsidiary of SNC-Lavalin ("**SNC SUB**") has received a notice of arbitration from a client for, amongst other things, breach of contract and gross negligence in relation to the design and construction of a facility. SNC SUB has counterclaimed for unpaid invoices and costs arising from termination, plus the return of funds improperly drawn under a bank guarantee.

9. AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT

The Company entered into an Amended and Restated Shareholder Rights Plan Agreement dated as of March 4, 2011, with Computershare Investor Services Inc. as rights agent, which was subsequently ratified by the Company's shareholders on May 5, 2011 and filed under the Company's SEDAR profile on May 6, 2011. On May 8, 2014, the Company's shareholders adopted a resolution to reconfirm the Amended and Restated Shareholder Rights Plan Agreement dated as of March 4, 2011. The shareholders of the Company will be asked to adopt a resolution at the next annual meeting of shareholders of the Company to be held on May 4, 2017 to reconfirm the Amended and Restated Shareholder Rights Plan Agreement until the close of business on the date on which the annual meeting of the shareholders of the Company is held in 2020.

10. TRANSFER AGENT AND REGISTRAR

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

11. EXPERTS

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

12. AUDIT COMMITTEE

Mandate of the Audit Committee

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

Composition of Audit Committee

The Audit Committee of the Company consists of Dr. Patricia A. Hammick (Chair), Mr. Jean Raby, Mr. Alain Rhéaume, Mr. Chakib Sbiti and Mr. Eric D. Siegel. Each member of the Audit Committee is independent as determined by the Board including in light of Canadian securities legislation and regulations, and none receives, directly or indirectly, any compensation from the Company other than for service as a member of the Board of Directors and its Committees. All members of the Audit Committee are financially literate, as this phrase is defined under National Instrument 52-110 (Audit Committees) of the Canadian Securities Administrators' (the "**CSA**"). In considering the criteria for determining financial literacy, the Board considers the ability of the director to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Professional Qualifications and Experience of Audit Committee Members

Each of the members of the Company's Audit Committee has professional qualifications or business experience, or both, that are relevant to the performance of his/her responsibilities as a member of the Audit Committee (for additional disclosure regarding the qualifications and experience of these directors, see the "Information on our Director Nominees" and the "Board Committee Reports – Report of the Audit Committee" sections of the 2016 management proxy circular of the Company relating to the May 4, 2017 annual meeting of shareholders of the Company - the "**Management Proxy Circular**").

Patricia A. Hammick has over 12 years of experience as an independent director at multiple boards, including audit committee tenures. She is a former director and member of the Audit & Finance Committee of Consol Energy Inc. and former Chairman of the Board, lead director and *ex officio* member of the Audit & Compliance Committee of Dynegy Inc. In 2002 and 2003, she was a lecturer and adjunct professor at George Washington University Graduate School of Political Management. Prior to that, Dr. Hammick was Senior Vice-President of Strategy & Communications and a member of the eight-member senior management team at Columbia Energy Group. She graduated from George Washington University with a Ph.D. in Mathematical Statistics and from the University of California with an M.A. in Physics. Dr. Hammick also completed the Wharton Business School executive management training, as well as various trainings in financial statement evaluation and audit committee issues from the National Association of Corporate Directors and the National Investor Relations Institute.

Jean Raby is the CEO of Natixis Global Asset Management, S.A., a position he has held since February 2017. He was Chief Financial Officer of SFR Group from May 2016 to November 2016 and is the former Executive Vice-President, Chief Financial and Legal Officer of Alcatel-Lucent S.A. (September 2013 to February 2016). Effective March 1, 2016, he stepped down from his role following the acquisition of Alcatel-Lucent by Nokia Corporation and served as adviser to the CFO of Nokia Corporation until April 2016. Mr. Raby has more than 25 years of experience in investment banking, law and finance. Prior to his role at Alcatel-Lucent, he spent 16 years in roles of increasing responsibility at the investment banking division of Goldman Sachs & Co. ("**Goldman Sachs**"), in Paris, France, where he became Co-CEO of the division in France in 2006 (then CEO in 2009), and in Russia where he became Co-CEO of Goldman Sachs' activities in Russia and the Commonwealth of Independent States in 2011. He retired from Goldman Sachs in 2012. In his early career, Mr. Raby was a corporate lawyer with the law firm Sullivan & Cromwell in New York (1989-1992) and in Paris (1992-1996). Mr. Raby is a member of the board of Université Laval. Mr. Raby holds a law degree from Université Laval, a Master of Philosophy in International Relations from University of Cambridge in the U.K., and a Master of Laws from Harvard Law School. He is also a member of the New York State Bar Association.

Alain Rhéaume is the Co-Founder and Managing Partner of Trio Capital Inc. and has over 25 years of senior management experience in the private and public sectors. He worked for the Ministry of Finance of the Québec Government from 1974 to 1996, acting as Associate Deputy Minister, Financial Policies and Operations from 1988 to 1992, and from 1992 to 1996 as Deputy Minister. In 1996, Mr. Rhéaume joined Microcell Telecommunication Inc. as CFO. He was subsequently promoted to President and CEO of Microcell PCS (2001-2003) and President and COO of Microcell Solutions Inc. (2003-2004). Until June 2005, Mr. Rhéaume was Executive Vice-President, Rogers Wireless Inc., and President of Fido Solutions Inc. (a division of Rogers Wireless Inc.), a role he assumed when Microcell Telecommunications Inc. was acquired by Rogers. Mr. Rhéaume is the Chair of the Audit Committee of Resolute Forest Products Inc. and a member of its Finance Committee. He is also a member of the Audit Committee of Boralex Inc., as well as Chairman and public director of the Canadian Investor Protection Fund. Mr. Rhéaume is a former public director of the Canadian Public Accountability Board and a former audit committee member of five (5) publicly-traded corporations. Mr. Rhéaume graduated from Université Laval in 1973 with a License in Business Administration (Finance and Economics).

Chakib Sbiti is the former Executive Advisor to the CEO of Schlumberger Limited ("**Schlumberger**"), a position he held until 2014. Mr. Sbiti spent over 30 years with Schlumberger. From Field Engineer in 1981, he became Director of Personnel, Oilfield Services in 1998, President for the Middle East and Asia in 2001, and Executive Vice-President of Oilfield Services in 2003, which position he held until 2010 when he was appointed Executive Advisor to the CEO. Mr. Sbiti graduated from École Nationale Supérieure d'Ingénieurs in France with a degree in Electrical Engineering and a Master's in the same field. He is currently a director of Genel Energy and a member of its Audit Committee.

Eric D. Siegel is the former President and CEO of Export Development Canada (“EDC”), a position he held from 2007 until his retirement in December 2010. Mr. Siegel joined EDC in 1979. In 1997, he was appointed Executive Vice-President and in 2005, Chief Operating Officer, assuming overall leadership for EDC’s business development and transacting groups until his appointment as President and CEO in 2007. He is currently a director of Citibank Canada as well as a member of its Audit Committee. Mr. Siegel graduated from the University of Toronto with a Bachelor of Arts in history and economics and from York University with a Master’s of Business Administration.

Pre-Approval Policies and Procedures

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditor’s independence. The Audit Committee has adopted a procedure whereby the Chair of the Audit Committee shall pre-approve any non-audit services totalling segments of \$50,000 or less per occurrence, up to a total of \$500,000 per year, and shall be required to report on this at the first scheduled Committee meeting following such pre-approval. Any amounts exceeding the \$500,000 threshold must be pre-approved by the Committee, as set out in the terms of the Audit Committee’s mandate (see Schedule “A” to this Annual Information Form).

Auditor’s Fees

The aggregate fees paid, including the Company’s pro-rata share of the fees paid by its joint ventures and other investees, for professional services rendered by Deloitte LLP and its affiliates, for the year ended December 31, 2016 and the year ended December 31, 2015, are presented in the following table:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Audit fees⁽¹⁾	\$8,070,206	\$5,804,859
Audit-related fees⁽²⁾	\$990,504	\$1,999,273
Tax fees⁽³⁾	\$701,720	\$487,289
Other fees⁽⁴⁾	\$128,671	\$506,702
Total⁽⁵⁾	\$9,891,101	\$8,798,123

(1) Audit fees include fees for professional services rendered for the audit of the Company’s annual financial statements and the review of the Company’s quarterly reports. They also include fees for audit services provided in connection with other statutory and regulatory filings, such as the audit of the financial statements of the Company’s subsidiaries, as well as services that generally only the Company’s auditor can provide, such as comfort letters, consents and assistance with and review of documents filed with the securities commissions.

The increase of \$2,265,347 from \$5,804,859 in 2015 to \$8,070,206 in 2016 is mainly due to timing in payment of 2015 and 2016 fees.

(2) Audit-related fees include fees for assurance services that are reasonably related to the audit or review of the financial statements and are not reported under “Audit fees”, including special attest services not required by statute or regulation, reporting on the effectiveness of internal controls as required by contract or for business reasons (performed as an integrated audit started in 2013), accounting consultations in connection with various transactions, and the audit of the Company’s various pension plans.

The decrease of \$1,008,769 from \$1,999,273 in 2015 to \$990,504 in 2016 is mainly due to ICFR effort performed internally in 2016 as well as timing in payments.

- (3) Tax fees comprise fees for income, consumption and other tax compliance, advice and planning services relating to domestic and international taxation, review of tax returns and preparation of expatriate employee tax returns.
- (4) Other fees include fees for services other than those described under “Audit fees”, “Audit-related fees” and “Tax fees”.
- (5) The aggregate fees paid to Deloitte LLP, irrespective of the Company’s proportionate interests in its joint ventures and other investees, totaled \$10,507,663 in 2016 and \$9,211,439 in 2015.

13. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this Annual Information Form that describe the Company’s or management’s budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be “forward-looking statements”, which can be identified by the use of the conditional or forward-looking terminology such as “aims”, “anticipates”, “assumes”, “believes”, “cost savings”, “estimates”, “expects”, “goal”, “intends”, “may”, “plans”, “projects”, “should”, “synergies”, “will”, or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. Forward-looking statements also include statements relating to the following: (i) future capital expenditures, revenues, expenses, earnings, economic performance, indebtedness, financial condition, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Company’s operations. All such forward-looking statements are made pursuant to the “safe-harbour” provisions of applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company’s current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company’s business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this Annual Information Form are based on a number of assumptions believed by the Company to be reasonable on March 1, 2017. The assumptions are set out throughout the Company’s 2016 Management’s Discussion and Analysis (particularly, in the sections entitled “Critical Accounting Judgments and Key Sources of Estimation Uncertainty” and “How We Analyze and Report our Results” in the Company’s 2016 Management’s Discussion and Analysis). If these assumptions are inaccurate, the Company’s actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company’s assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) the outcome of pending and future claims and litigation could have a material adverse impact on the Company’s business, financial condition and results of operation; (b) on February 19, 2015, the Company was charged with one count of corruption under the *Corruption of Foreign Public Officials Act (Canada)* (the “**CFPOA**”) and one count of fraud under the *Criminal Code* (Canada), and is also subject to other ongoing investigations which 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 charges and 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; (c) further regulatory developments could have a significant adverse impact on the Company’s results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company’s reputation, reduce its revenues and net income, and subject the Company to criminal and administrative enforcement actions and civil actions; (d) if the Company is not able to successfully execute on its strategic plan, its business and results of operations would be adversely affected; (e) a negative impact on the Company’s public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company’s failure to meet contractual schedule or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of its revenue and profitability; (g) the Company’s revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could

have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and cancellations, including under "termination for convenience" provisions, and does not represent a guarantee of the Company's future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company's international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company's ownership interests in Capital investments that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company's use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company's control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company's project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company's employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company's failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations; Failure in the availability or security of the Company's information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) divestitures and the sale of significant assets may present risks or uncertainties; (x) a deterioration or weakening of the Company's financial position, including its cash net of recourse debt, would have a material adverse effect on its business and results of operations; (y) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (z) an inability of SNC-Lavalin's clients to fulfill their obligations on a timely basis could adversely affect the Company; (aa) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company's results of operations and financial condition; (bb) global economic conditions could affect the Company's client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (cc) fluctuations in commodity prices may affect clients' investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company's projects; (dd) inherent limitations to the Company's control framework could result in a material misstatement of financial information, and (ee) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results" and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2016 Management's Discussion and Analysis filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com or on the Company's website at www.snclavalin.com under the "Investors" section.

The forward-looking statements herein reflect the Company's expectations as at March 1, 2017, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

14. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the 2016 Management Proxy Circular relating to the May 4, 2017 annual meeting of shareholders of the Company.

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

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

* * * * *

SCHEDULE "A"

Mandate of the Audit Committee

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

1. COMPOSITION

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

Furthermore, every Committee member must be financially literate or must become financially literate within a reasonable period of time following appointment to the Committee (provided, however, in the latter case, that the Board of Directors determines that the fact that the Committee member is not initially financially literate will not materially adversely affect the ability of the Committee to act independently and fulfill its mandate). An individual is financially literate if he/she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. It is the Board that shall determine whether a Director who is to be appointed as member of the Committee satisfies the above criteria of financial literacy.

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

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

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

2. RESPONSIBILITIES

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

Primary Accountability

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

Financial Reporting

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

Accounting Policies

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

Risk and Uncertainty

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

Controls and Control Deviations / CEO/CFO Certification

- (l)** monitor the quality and integrity of the Corporation's internal controls, disclosure controls and procedures and management information systems, with particular emphasis on accounting and financial controls, recommending changes where appropriate;

- (m) supervise management's reporting on internal controls and disclosure controls and procedures, including: (i) disclosure of significant deficiencies in the design and operation of internal controls, (ii) disclosure of significant changes in internal controls, and (iii) disclosure of fraud involving management or an employee with significant impact on internal controls;
- (n) conduct special investigations, if deemed necessary, having at all times access to personnel, books, records and facilities of the Corporation;
- (o) review the Chief Executive Officer's ("CEO") and Chief Financial Officer's ("CFO") annual certification plan; receive CEO/CFO certification of interim and annual filings to be made in accordance with National Instrument 52-109; review the results of interim and annual CEO/CFO certification testing;

Independent Auditor

- (p) formally consider the continuation of, or a change in, the independent auditor and review all issues related to a change of independent auditor, including any differences between the Corporation and the auditor that relate to the auditor's opinion or a qualification thereof or a comment by the auditor;
- (q) recommend to the Board of Directors an independent auditor, which the Committee shall have established is independent, for approval by the shareholders of the Corporation; review the annual confirmation of independence provided by independent auditor and engage in dialogue with the independent auditor with respect to any relationships or services that may impact the objectivity and independence of the independent auditor;
- (r) review and approve **audit, review or attest services** to be provided by the independent auditor and the fees thereof, consider any impact of the provision of any such services on its independence and determine appropriate funding for payment of its fees. With respect to **non-audit services**, the Chair of the Committee shall pre-approve any **non-audit services** totalling segments of \$50,000 or less per occurrence, up to a total of \$500,000 per year, and shall be required to report on this at the first scheduled Committee meeting following such pre-approval. Any amounts exceeding the above \$500,000 threshold must be pre-approved by the Committee;
- (s) establish with the independent auditor the Committee's expectations of the independent auditor, including that the independent auditor shall report directly to the Committee and shall be accountable to the Committee and to the Board of Directors as representative of the Corporation's shareholders, and perform an annual review of the mandate, organization, staffing, qualifications, independence, performance and effectiveness of the independent auditor;
- (t) review and approve the scope and timing of the independent auditor's reviews of the unaudited quarterly financial statements and of its annual audit plan;
- (u) supervise the work of the independent auditor engaged for the purpose of preparing or issuing an independent auditor's report or performing other audit, review or attest services for the Corporation;
- (v) review with the independent auditor (i) the contents of its annual audit report as well as the results of the independent audit, and (ii) the results of its quarterly reviews, and any significant recommendations from the independent auditor to strengthen the internal controls of the Corporation;

- (w)** review any significant problems encountered by the independent auditor in performing the audit as well as the contents of any management letter issued by the independent auditor to the Corporation, and management's response thereto;
- (x)** review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of the Corporation;
- (y)** resolve any disagreements between management and the independent auditor regarding financial reporting;
- (z)** review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of the Corporation;
- (aa)** ensure the respect of applicable requirements regarding the rotation of applicable partners of the independent auditor, as required;

Internal Audit Function

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

Other Responsibilities and Issues

- (hh)** review and recommend approval by the Board of the Corporation's Disclosure Policy which addresses the disclosure of financial results, declarations of dividends and material change information to its shareholders, the securities commissions, the Toronto Stock Exchange, financial analysts and stockbrokers and the general public; annually review such Policy to ensure that it conforms with applicable legal and regulatory requirements and make recommendations to the Board regarding any required changes; adopt and annually review the Disclosure Committee charter;
- (ii)** monitor the implementation of the Corporation's information technology ("I.T.") security and disaster recovery plan, periodically review this plan and make recommendations to the Board regarding any required changes;

- (jj) review of treasury policy and portfolio;
- (kk) annually review a report on the Corporation's overall insurance coverage, including captive and directors' and officers' (D&O), review such report and make recommendations to the Board regarding any required changes, including any changes to relevant By-Laws of the Corporation with respect to D&O indemnification;
- (ll) monitor the application of the procedures established by the Committee for: (a) the receipt, retention and treatment of complaints or concerns received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. To this end, the Committee shall quarterly review the report of the Chair of the Ethics and Compliance Committee with respect to: (i) issues, violations or complaints reported to the Corporation regarding accounting, internal accounting controls, auditing or fraud (as the latter term is defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings), and (ii) all instances where management overrode or departed from prescribed policies and procedures relating to accounting, internal accounting controls, auditing or fraud (as the latter term is defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings), in accordance with the Corporation's Management Override Policy; and
- (mm) receive reports on and review any other items deriving from the foregoing, either in respect of the Corporation or a subsidiary or any other entity in which the Corporation has a significant interest, as requested by the Board.

3. ORGANIZATION AND PROCEDURES

- (a) Members of the Committee are appointed and removed by the Board.
- (b) Meetings of the Committee shall be held at least quarterly and as required. The Chair of the Committee, the President and Chief Executive Officer, the Chairman of the Board, the Chief Financial Officer, the Vice-President, Internal Audit, the independent auditor or any member of the Committee may request a meeting of the Committee. At each of the regularly scheduled meetings of the Committee, an in camera session of the independent Directors shall be held.
- (c) The Chair of the Committee shall develop the agenda for each meeting of the Committee in consultation with the President and Chief Executive Officer, the Chief Financial Officer, the Vice-President, Internal Audit and the Corporate Secretary. The agenda and appropriate material shall be provided to the members of the Committee in a timely manner prior to any meeting of the Committee.
- (d) The Chief Financial Officer, the Vice-President, Internal Audit and the independent auditor shall have direct access to the Committee. They shall receive notice of and attend all meetings of the Committee as non-voting participants.
- (e) The President and Chief Executive Officer and the Chairman of the Board shall have direct access to the Committee. They shall receive notice of and be invited to attend all meetings of the Committee as non-voting participants.
- (f) The independent auditor, the Vice-President, Internal Audit and the Chief Financial Officer shall each meet separately, in camera with the Committee, at least quarterly.
- (g) The Committee has the authority to communicate directly with the independent auditor, the Vice-President, Internal Audit and the Chief Financial Officer, and may also communicate directly with any employee of the Corporation, as it deems necessary.

- (h)** The Chair of the Committee shall preside at Committee meetings; in his/her absence, an alternate may be elected by the Committee.
- (i)** A majority of the members of the Committee constitute a quorum.
- (j)** The Corporate Secretary or, in the case where he/she is unable to attend, the Assistant Corporate Secretary, shall act as Secretary of the meeting.
- (k)** The proceedings of the Committee shall be conducted in accordance with the By-Laws of the Corporation.
- (l)** All minutes of Committee meetings will be forwarded by the Corporate Secretary to each Committee member in a timely manner.
- (m)** The Chair of the Committee shall report to the Board at the next regularly scheduled Board meeting following a Committee meeting with respect to its activities and with such recommendations as are deemed desirable in the circumstances.
- (n)** The Committee will require the assistance of Corporation resources to research, investigate and report on matters within the Committee's responsibilities. The Chief Financial Officer will appoint a member of management to be the prime interface, and to coordinate the Committee's information requirements.
- (o)** The Committee may from time to time and in appropriate circumstances, normally but not necessarily in consultation with the Chairman of the Board and the President and Chief Executive Officer, engage outside advisors at the expense of the Corporation to research, investigate and report on matters within the Committee's responsibilities, approve their retention terms, supervise their work and set their compensation.
- (p)** The Committee will annually review its mandate to ensure it continues to be appropriate, establish its forward agenda and make recommendations thereon to the Governance and Ethics Committee as required.
- (q)** The Committee will annually assess its performance and that of its members and make recommendations thereon to the Governance and Ethics Committee as required.

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

* * * * *

ATTACHMENT "A"

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

Policy for the Hiring of Employees and Former Employees of Present

and Former Independent Auditor of the Corporation

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

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

* * * * *