Executive Summary of the Final Report of the Independent Monitor

SNC-Lavalin Group Inc.

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I. INTRODUCTION

This is the executive summary of the final annual report ("**Report**") of the independent monitor (the "**Monitor**") of SNC-Lavalin Group Inc. and its subsidiaries ("**SNC-Lavalin**" or the "**Company**") prepared pursuant to the probation order made by the Honourable Claude Leblond, J.C.Q. in the Judgment on Sentencing rendered on December 18, 2019 in the matter of *The Queen v. SNC-Lavalin Construction Inc.* (C.Q.: 500-73-004261-158) (the "**Probation Order**").

The Report is the fourth of four reports directed by the Probation Order. Our initial report was filed with this Honourable Court on June 22, 2020 (the "**Initial Report**"). It provided an overview of SNC-Lavalin's efforts to remediate its internal culture, policies, procedures, and controls ("**ABC Compliance Program**") aimed at ensuring compliance with the *Corruption of Foreign Public Officials Act* (SC 1998, c 34) and the *Criminal Code* (RSC, 1985, c C–46) (collectively, "**Anti-Corruption Laws**"). It also contained an overall assessment of the current structure of SNC-Lavalin's ABC Compliance Program (referred to by the Company as its "**Integrity Program**").

Our second and third reports were filed with this Honourable Court on December 16, 2020 and December 21, 2021, respectively (collectively with the Initial Report, the "**Monitorship Reports**"). These were two of three annual reports that tested core aspects of the Integrity Program to assess its effectiveness in practice. Due to the size of SNC-Lavalin's operations, it would neither be practical nor effective to conduct comprehensive testing of all aspects of the Integrity Program. Instead, each of our annual reports undertakes a review of specific components of the Integrity Program, which we have selected based on our assessment of risk and importance to the effective functioning of the Integrity Program.

Our second and third reports monitored and assessed:

- Whether the components of SNC-Lavalin's Integrity Program aimed at preventing improper payments through third parties were followed in practice and operated effectively; and

- Whether SNC-Lavalin's confidential reporting, investigation, and remediation processes were followed in practice and operated effectively.

This final Report monitors and assesses whether components of SNC-Lavalin's Integrity Program aimed at risk assessment, continuous review, periodic testing, and improvement (the "**Continuous Review and Improvement System**" or the "**System**") are followed in practice and operate effectively. We selected this component of SNC-Lavalin's Integrity Program for our final review because international best practices set out in guidance documents published by the United States Department of Justice,[1] the United Kingdom Ministry of Justice,[2] and the World Bank[3] identify it as critical to sustaining the effectiveness and efficacy of a mature ABC

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[1] U.S. Department of Justice Criminal Division *Evaluation of Corporate Compliance Programs Guidance Document* (Updated: June 2020).

[2] Ministry of Justice *The Bribery Act 2010 Guidance* (March 2011).

[3] World Bank Group *Integrity Compliance Guidelines* (Undated).

Compliance Program over time. Considering SNC-Lavalin's progress in its Integrity Journey[4] and that this Monitorship is coming to an end, the Continuous Review and Improvement System was a natural focus for our final Report to evaluate whether SNC-Lavalin can rely on its own processes to continue to monitor and improve its Integrity Program.

1.1 Key Findings

1.1.1 Final Report

As the Report is the final Monitorship report of our Monitorship, we view it as important to set out our overall assessment of SNC-Lavalin's Integrity Program based on our approximately three years reviewing, testing, and evaluating its design and effectiveness.

Between 2001 – 2011, during which time the misconduct underlying the guilty plea that led to the Probation Order occurred, it is clear to us that SNC-Lavalin suffered from an absence of compliance leadership and a virtually non-existent ABC Compliance Program. Since that time, SNC-Lavalin has expended considerable effort remediating its ABC Compliance Program and transforming its culture of ethics and compliance, resulting in what we now view as one of Canada's leading ABC Compliance Programs.

Over the course of our Monitorship Reports, we identified 28 opportunities for improvement aimed at making an already strong program even better. Over seven quarterly reports prepared in accordance with an Order made by the Honourable Claude Leblond, J.C.Q. in the matter of *The Queen v. SNC-Lavalin Construction Inc.* (C.Q.: 500-73-004261-158) on February 24, 2021 (the "**Quarterly Reports**"), we found that SNC-Lavalin was open to opportunities to enhance its Integrity Program and acted diligently and conscientiously to address all of our recommendations.

In this final Report we have again identified areas for potential enhancement, which are discussed throughout this Executive Summary. In reviewing these recommendations, however, it should be noted that SNC-Lavalin's Continuous Review and Improvement System is already comprehensive and in a state which satisfies us that it is operating effectively, even in the absence of these recommended improvements.

Accordingly, in our view, SNC-Lavalin has complied with paragraphs 1-3 of the Appendix to the Probation Order. In drawing this conclusion, we recognize that we will be continuing to serve as Independent Compliance Monitor of SNC-Lavalin until 2025, pursuant to the Amended Remediation Agreement, dated May 11, 2022, between SNC-Lavalin and the Director of Public Prosecutions for Quebec, Bureau of Serious Crime and Special Affairs.

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[4] SNC-Lavalin describes its actions since 2012 to remediate its ABC Compliance Program as its "**Integrity Journey**". See section 2 of our Initial Report, and related Executive Summary, for a complete description of SNC-Lavalin's Integrity Journey.

1.1.2 Key Findings of the Monitor's Assessment of SNC-Lavalin's Continuous Review and Improvement System

Our Initial Report found that SNC-Lavalin has a well-structured Continuous Review and Improvement System. Through testing the implementation of this System for this final Report, we found that it is followed in practice, with very limited exceptions. The System operates effectively to continuously review and update SNC-Lavalin's bribery and corruption risk profile, periodically sample and test the effectiveness of the Integrity Program's controls, review SNC-Lavalin's third parties' compliance with its integrity expectations, collect feedback from SNC-Lavalin personnel about the Integrity Program, and benchmark the Integrity Program against SNC-Lavalin's peers.

Although the Continuous Review and Improvement System is well-structured and functioning well in practice, our Review identified that coordination between the seven processes that make up the System[5] could be improved. Currently, three SNC-Lavalin personnel[6] are responsible for planning and coordinating the Continuous Review and Improvement System, and most of this coordination and planning is not memorialized in the Governance Documents[7] or elsewhere.

We were advised this organizational structure exists as a result of the manner in which the various processes that comprise the System were developed. Specifically, we were advised that each process was developed independently at a specific time to address a specific purpose or need. As a result, SNC-Lavalin generally considers each of these processes to be separate, standalone procedures. Although this combination of different processes results in a robust and comprehensive System, the absence of a formalized planning structure results in an over reliance on people rather than processes.

Our Report includes recommendations designed to improve coordination amongst the processes that make up the system, including a recommendation for SNC-Lavalin to create an annual plan that includes the anticipated focus, deadline, and resources for each process in the System, and more directly coordinates the System's seven processes (the "**Annual Plan**").

Other limited enhancements identified by our Review fall into two basic categories:

- Opportunities to utilize data already collected by the System more effectively; and

- Ensuring regular follow up on timeliness for implementing recommendations and Management Action Plans ("**MAPs**") arising from the System.

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[5] The seven processes that make up the Continuous Review and Improvement System are the (i) Compliance Risk Assessment, (ii) the Compliance Control Framework, (iii) Proactive Integrity Reviews, (iv) reviews of the Integrity Program completed by the Internal Audit department, (v) Business Partner audits, (vi) surveys of SNC-Lavalin personnel, and (vii) benchmarking. Each of these processes is discussed in detail throughout section 3 of this Executive Summary.

[6] The three SNC-Lavalin personnel currently responsible for coordinating the Continuous Review and Improvement System are the Chief ESG and Integrity Officer ("**CEIO**"), the Head of Remediation & Monitoring, and the Manager of Compliance Audit.

[7] The Integrity Program is comprised of numerous policies, procedures and controls that seek to ensure compliance with the Anti-Corruption Laws. SNC-Lavalin refers to these policies and controls as its "**Governance Documents**".

None of the opportunities for further enhancement identified in the Report materially impact the effectiveness of the System. Rather, these recommendations are minor enhancements to further improve an already strong component of SNC-Lavalin's Integrity Program.

II. METHODOLOGY

The process followed to prepare the Report (the "**Review**") included:

1. Kick-off meetings with SNC-Lavalin personnel to obtain information about documents and data available for review and to plan for sample selection, document collection, and testing of the Continuous Review and Improvement System;

2. Selecting processes that comprise the Continuous Review and Improvement System implemented between January 2021 – January 2022 (the "**Period**") for detailed sampling and testing;

3. Document and data collection, review, and testing of over 875 records related to each of the components of SNC-Lavalin's Continuous Review and Improvement System; and

4. Interviews of 12 SNC-Lavalin personnel.[8]

III. ASSESSMENT OF SNC-LAVALIN'S CONTINUOUS REVIEW AND IMPROVEMENT PROCESSES

Our Initial Report found that SNC-Lavalin's Continuous Review and Improvement System is followed in practice, with very limited exceptions, and includes:

- A risk assessment process that periodically reviews inherent corruption risks facing the organization's operations through the Compliance Risk Assessment ("**CRA**") process;

- Engaging in meaningful ongoing review of fair and accurate records of internal controls and processes that support the ABC Compliance Program, including sampling and testing at an organizational level, through the Compliance Control Framework ("**CCF**") process, and business unit level, through the Proactive Integrity Review ("**PIR**") process;

- Regular review of the ABC Compliance Program by the Internal Audit department;

- Collecting feedback from SNC-Lavalin personnel about bribery and corruption risks, compliance culture, and the Integrity Program through annual surveys;

- Timely implementation of recommendations arising from issues identified during risk assessments, sampling and testing, or Internal Audit processes; and

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[8] Interviewees included the CEIO, who is a member of the Ethics and Compliance Committee ("**ECC**"), the Deputy Chief Integrity Officer, the Vice President, ESG and Integrity, the Head of Remediation & Monitoring, the Manager of Compliance Audit, Compliance Investigations ("**CI**") personnel, members of the Internal Audit department, and Integrity Officers.

- Measuring key performance indicators for the Integrity Program against relevant industry peers through benchmarking.

In response to a recommendation included in our Initial Report, SNC-Lavalin has also implemented its Business Partner[9] Audit ("**BP Audit**") process, which reviews third parties' compliance with SNC-Lavalin's integrity expectations and agreements.

For the purposes of our Report, we have considered SNC-Lavalin's key processes aimed at risk assessment, continuous review, periodic testing, and improvement in concert as components that form a single Continuous Review and Improvement System. As noted, however, SNC-Lavalin generally considers each of these processes to be separate procedures (see section 1.1.2, above, and 3.1, below, for a detailed discussion of SNC-Lavalin's planning, coordination, and organization of the System).

3.1 Planning and Coordination of Continuous Review and Improvement System

As discussed above, the Continuous Review and Improvement System is made up of seven different processes carried out by three separate departments at SNC-Lavalin.[10] Each process collects and evaluates unique data, using its own specific methodology.

During interviews, we were advised that, due in part to the organic and independent nature of how the Continuous Review and Improvement System developed, the Company has not memorialized its process for planning and coordinating how each of the components of the System function together in a Governance Document or otherwise. Instead, coordination is carried out informally through meetings between the CEIO, the Head of Remediation and Monitoring, and the Manager, Compliance Audit (referred to in this Report as the "**Coordination Team**"). We were also advised that the Coordination Team communicates with SNC-Lavalin's Internal Audit department when coordinating the System to ensure adequate coverage and avoid duplication of reviews.

Our Review found that the planning and coordination of the Continuous Review and Improvement System is generally functioning well in practice, as each component of the System is occurring and results in a robust process for ongoing evaluation and enhancement. However, this planning and coordination is not memorialized and relies on the three individuals that comprise the Coordination Team. Because the Coordination Team has more than 53 combined years of compliance experience, a combined 28 of those years occurring at SNC-Lavalin, the effectiveness of the System has not been affected by the lack of a memorialized planning and coordination process. The Coordination Team acknowledged, however, that the System could be made even more effective by expressly setting out how the different components of the System should feed into one another in a plan or Governance Document.

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[9] Business Partners are defined in SNC-Lavalin's Glossary as a third party with whom SNC-Lavalin enters into a business relationship and who is expected to act on behalf of SNC-Lavalin for any purpose.

[10] Different components of the Continuous Review and Improvement System are carried out by the Compliance Investigations department, ESG & Integrity Organizational Development department, and Internal Audit department.

As a result, our Report recommended SNC-Lavalin memorialize a requirement and process for creating the Annual Plan (discussed in section 1.1.2, above) and maintain a written record of the underling analysis that supports each Annual Plan.

The remainder of this Executive Summary sets out our assessment of the seven specific components of the Continuous Review and Improvement System.

3.2 Compliance Risk Assessment

The CRA is a global risk assessment of SNC-Lavalin's operations performed by members of SNC-Lavalin's CI department every 18 months to evaluate any changes to SNC-Lavalin's risk profile that have occurred over the previous year. The CRA process evaluates SNC-Lavalin risk profile using surveys and follow-up discussions with Sector and Region and leadership. The CRA process is conducted on a country-by-country basis, with each focus country identified through a Key Risk Indicator ("**KRI**") analysis. CRAs occur in two phases: (i) evaluating the KRIs, and (ii) conducting the CRA and reporting.

The results of our Review for each of these phases is set out below.

3.2.1 Evaluation of KRIs

The first step in the CRA process is to evaluate the countries or jurisdictions where SNC-Lavalin has operations against 14 KRIs, such as Transparency International's Corruption Perception Index or the number of US and UK anti-corruption enforcement actions reported. SNC-Lavalin selects the higher-risk countries or jurisdictions based on this review, which then form the focus of SNC-Lavalin's CRA process (the "**Focus Countries**").

Our Review found that SNC-Lavalin's process for collecting and reviewing KRI data for the countries where it had active operations during the Period functioned well in practice. The data collected about each of the KRIs enables CI to select Focus Countries for review on an informed, risk weighted basis. Our Review did not identify any recommended enhancements for this phase of SNC-Lavalin's CRA process.

3.2.2 Conducting the CRA and Reporting

After KRIs are analyzed and the Focus Countries are selected, SNC-Lavalin business personnel circulate a CRA survey to managers from each of the Focus Countries to complete. CI collects and summarizes responses to completed surveys for discussion with Regional and Sector Integrity Officers and leadership for each Focus Country (referred to by SNC-Lavalin as "**CRAM Meetings**"). After CRAM Meetings are completed for all Focus Countries, CI prepares a written report summarizing the results of the CRA, including any recommendations or MAPs arising from the CRA process. The CRA report is then provided to the ECC for its review and approval.

Our Review found that SNC-Lavalin's process for conducting and reporting the CRA is well designed and generally functioning well in practice. The CRA surveys circulated to managers in each of the Focus Countries include applicable risk scenarios that are updated to reflect SNC-Lavalin's current operating climate. Responses to the CRA surveys are collected and summarized in a detailed manner that facilitates effective and efficient discussions with Region and Sector

leadership. CRAM Meetings occur consistently and include appropriate SNC-Lavalin personnel to encourage commitment from business personnel to reduce risks through recommendations or MAPs developed collaboratively. The CRA Report completed during the Period accurately reflected the results of the CRA surveys and CRAM meetings and was provided to the ECC for its review and approval.

Although the CRA process overall is functioning well, we identified certain areas of the CRA survey process that could be improved. As a result, our Report included recommendations with respect to: (i) utilizing technology available at SNC-Lavalin to automate collection and assessment; (ii) obtaining respondent employment characteristics; (iii) seeking opportunities to increase response rates; (iv) providing clear guidance to business personnel responsible for distributing the CRA survey; and (iv) using information collected by the CRA to inform other SNC-Lavalin processes, including PIRs.

3.3 Compliance Control Framework

The CCF is an annual process carried out by CI and other Integrity personnel to sample and test whether the controls that comprise SNC-Lavalin's Integrity Program are well designed and functioning effectively in practice. The 2021 CCF consisted of reviewing 51 control procedures that directly respond to 14 ethics and compliance risks facing SNC-Lavalin. The risks and control procedures that form the CCF were developed by identifying risks facing SNC-Lavalin related to ethics and compliance and the related control procedures in place to reduce those risks. The particular risks and control procedures to be included in the scope of a CCF are reviewed by SNC-Lavalin each time it undertakes the CCF. SNC-Lavalin summarizes the results of the CCF in a written report that assigns a score to each control procedure from low to high. CCF reports, which are reviewed and approved by the ECC, include recommendations and MAPs to address any deficiencies identified.

SNC-Lavalin's CCF process is followed in practice and functioning well. For each control procedure, SNC-Lavalin: (i) conducts a qualitative analysis to determine whether the control procedure is designed to mitigate the ethics and compliance risk identified; and (ii) tests the control procedure on a sample basis to determine whether it is operating effectively in practice. The broad scope of the CCF provides a valuable snapshot of the Integrity Program that enables SNC-Lavalin to identify and remedy deficiencies across its business. Our Review did not identify any recommended enhancements for SNC-Lavalin's CCF process.

3.4 Proactive Integrity Review

PIRs, formerly referred to by SNC-Lavalin as Fraud Risk Assessments, are quarterly reviews of specific aspects of SNC-Lavalin's operations, such as a specific SNC-Lavalin location or project (referred to by SNC-Lavalin's Governance Documents as a "**Party Under Review**"). PIRs employ sampling and testing of controls related to the Integrity Program to evaluate whether a Party Under Review is compliant with SNC-Lavalin's Governance Documents and to identify any related compliance concerns. PIR findings are summarized in a PIR report that includes any risks and control deficiencies identified, and related recommendations and MAPs to address these deficiencies. Completed PIR reports are reviewed and approved by the ECC.

Our Review found that the PIR process is followed in practice and functioning well. We also found that PIRs could be improved by memorializing SNC-Lavalin's process for selecting Parties Under

Review and considering the results of the CRA to inform this selection. Our Report includes recommended enhancements to address these areas of potential improvement.

3.5 Business Partner Audits

SNC-Lavalin periodically exercises its audit rights included in its agreements with Business Partners, on a sample basis, using the BP Audit Process. The BP Audit process is focused on: (i) identifying and reducing Business Partner compliance risks; (ii) ensuring that Business Partners comply with SNC-Lavalin's Code of Conduct; (iii) identifying gaps in Business Partners' internal controls with respect to bribery and corruption; and (iv) reminding Business Partners about the importance of integrity to SNC-Lavalin. The BP Audit process also provides an opportunity for SNC-Lavalin to conduct more detailed reviews of Business Partners if concerns about corruption or other compliance risks are identified.

Our Review found the BP Audit process was followed in practice, but that SNC-Lavalin's process for determining which Business Partners would be subject to BP Audits for an upcoming year (the "**Selected Business Partners**") could be improved. Specifically, we observed that this process did not result in any records memorializing the selection process and resulted in only one BP Audit during the Period. To improve this process, our Report included recommendations that: (i) SNC-Lavalin memorialize the number of BP Audits required each year[11] in a Governance Document; and (ii) create a written record documenting which specific factors, set out in the *Investigations Manual* or otherwise, were considered by SNC-Lavalin to determine the Selected Business Partners for each year.

3.6 Implementation of Recommendations Arising from Continuous Review and Improvement System

Implementation of recommendations and MAPs arising from the CRA, CCF, PIR, and BP Audit processes is overseen by CI through SNC-Lavalin's recommendation management system, called Teammate. Recommendations and MAPs arising from the Continuous Review and Improvement System are assigned to specific personnel for implementation and given an Estimated Implementation Date. A member of CI is responsible for memorializing each recommendation, and the Estimated Implementation Date, in Teammate. Among other systems and reporting lines that occur to promote timely implementation of recommendations or MAPs, we were advised that the CEIO reviews the status of outstanding recommendations on a monthly basis. Based on that review, the Deputy Chief Integrity Officer follows up with Integrity Officers with respect to any overdue recommendations for their respective Sectors or Regions and to provide support with addressing delays.

Although SNC-Lavalin's processes for issuing and implementing recommendations or MAPs arising from the System are generally followed in practice and functioning well, our Review identified that the timely closure of recommendations or MAPs could be improved. As a result, our Report includes recommendations for SNC-Lavalin to: (i) review its processes to ensure

[11] We observed that SNC-Lavalin completed two BP Audits in 2022 and plans to complete two BP Audits in 2023.

regular follow up on timeliness for implementation of recommendations and MAPs; and (ii) to account for resources required to implement recommendations and MAPs in the Annual Plan.

3.7 Internal Audit Reviews of Integrity Program

SNC-Lavalin's Internal Audit department continuously audits and examines SNC-Lavalin's control environment, including its Integrity Program. Internal Audit conducts approximately 25 audits of specific aspects of SNC-Lavalin's control environment each year. These audits include, but are not limited to:

- General or project controls audits, which test the effectiveness of SNC-Lavalin's control environment, including Integrity Program controls, at specific SNC-Lavalin projects, locations, or Business Units; and

- Audits of specific controls across SNC-Lavalin's operations, including controls that support the Integrity Program.

After an audit is complete, Internal Audit summarizes its findings in a written report, which includes recommendations to remediate any deficiencies identified. Completed reports are submitted to the Audit Committee. The Internal Audit department is also responsible for tracking and overseeing the implementation of any recommendations or MAPs set out in its reports.

Our Review found that SNC-Lavalin's processes for its Internal Audit department conducting regular reviews of components of the Integrity Program are followed in practice and functioning well. Our Review did not identify any recommended enhancements for this component of the System.

3.8 Surveys & Benchmarking

3.8.1 Surveys

SNC-Lavalin engages in several surveys to collect feedback from its personnel about its compliance culture and the Integrity Program.

Our Review found that SNC-Lavalin's processes for conducting surveys about its compliance culture and the Integrity Program are followed in practice and functioning well. These survey processes include: (i) an annual Pulse survey to gather responses about SNC-Lavalin's Integrity Program and culture of compliance; (ii) a periodic VOX survey that gathers information about a broad range of topics related to working at SNC-Lavalin; and (iii) periodic surveys of a sample of SNC-Lavalin personnel that participate in SNC-Lavalin's confidential reporting and investigation processes to collect information about perceptions and satisfaction with that processes.

While SNC-Lavalin's processes for conducting surveys are followed in practice, we were advised by interviewees that valuable data collected through these surveys could be used more effectively. Our Report includes recommendations to implement a process where SNC-Lavalin conducts a detailed review of data collected from Pulse and VOX surveys, and to include the results of Pulse and VOX surveys in the development of the Annual Plan.

3.8.2 Benchmarking

SNC-Lavalin works with Ethisphere[12] to complete annual benchmarking exercises. As part of these exercises, SNC-Lavalin retains Ethisphere to complete a Compliance Leader Verification assessment every two years. This assessment consists of reviewing the results of SNC-Lavalin's annual Pulse survey, reviewing documentation provided by SNC-Lavalin related to the Integrity Program, and conducting interviews with senior and operational leaders across SNC-Lavalin. In years where Ethisphere does not complete a Compliance Leader Verification assessment, Ethisphere conducts an Ethical Culture Pulse Assessment by comparing the results of SNC-Lavalin's Pulse survey against Ethisphere's benchmarks.

SNC-Lavalin's benchmarking processes are followed in practice and are working effectively. Our Review did not identify any recommended enhancements for this component of the System.

IV. CONCLUSION

Since 2012, SNC-Lavalin has remediated its ABC Compliance Program and transformed its culture of ethics and compliance, resulting in a robust ABC Compliance Program. Over the course of our three year Monitorship, we identified 28 opportunities for improvement aimed at making an already strong program even better. As detailed in our Quarterly Reports, SNC-Lavalin has acted diligently and conscientiously to address each of these recommendations.

Our assessment of SNC-Lavalin's Continuous Review and Improvement System found that it is followed in practice with only limited exceptions. While our Report includes some limited opportunities to make the System even more efficient and effective through increased planning and coordination, in our assessment none of these items materially impact the overall effectiveness of SNC-Lavalin's ABC Compliance Program.

[12] Ethisphere Institute is a global leader in defining and evaluating standards of ethical business practices by measuring ethics standards and using data to help enhance ethics and integrity within an organization.