



April 4, 2018

SNC-Lavalin

Symbol: SNC.TO

Annual Meeting Date: May 3, 2018

Proxy Alert

Recommendation:

FOR shareholder proposal
at SNC-Lavalin

Filer: Fonds de Solidarité FTQ supported by the Shareholder Association for Research & Education (SHARE)

Shareholder proposal on oversight and disclosure of corporate political spending

SNC-Lavalin is actively engaged in lobbying activity in a number of Canadian and foreign jurisdictions. Over the years, concerns have been raised with the company's operations in Canada and internationally and the processes through which the company lobbies for lucrative government contracts.

While the company has moved to address related corruption and ethics concerns, there is little ongoing disclosure available to investors about the extent and content of SNC-Lavalin's overall lobbying activity, its oversight by management and the board, and the outside organizations that are involved in policy activity to which SNC-Lavalin contributes in a given year.

Shareholders do not tend to have problems with legal involvement in lobbying activity where it is clearly connected to and consistent with building long-term company value, but they do value strong governance, oversight and transparency of any potentially controversial activities including political activity. Lobbying activity and political campaign spending by corporations has associated reputational and regulatory risks that are best assessed when the corporation's activity is fully transparent and well overseen by the board.

The proposal filed by the Fonds de Solidarité (FTQ), represented by the Shareholder Association for Research and Education (SHARE), seeks information about the oversight and extent of SNC-Lavalin's contributions to political activity:

Resolved, shareholders request the Board prepare a report, updated annually, disclosing:

- Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
- Payments or dues paid by the Company that may be used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
- The Company's membership in and/or payments to any tax-exempt organization in Canada or the USA that writes and endorses model legislation or advocates for policy change.
- Description of the decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation, regulation, or government policy (b) reflects a view on the legislation, regulation or policy and (c) encourages the recipient of the communication to take action with respect to the legislation, regulation or policy. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which the Company is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include lobbying at the local, provincial, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

Vote recommendation rationale

The company says that its lobbying activity is disclosed in a Canadian federal government registry (to which it provides a link in its 2018 proxy circular) and that it “also files all requisite reports on its lobbying activities in all other jurisdictions where it is legally required to do so.”

The Canadian federal registry only includes lobbying at the federal government level within Canada, while the company is active provincially and around the world. Without direction and disclosure from the company it may not be clear to investors which jurisdictions the company is active within, and not every jurisdiction will have transparent and accessible lobbyist registries.

The company notes that it is “also a member of a number of trade associations” but does not provide any list or examples. The complete absence of disclosure of the company’s involvement with third party organizations that lobby governments forces investors to rely on news articles or alternative sources rather than the company’s own explanation of its policy activities.

The company says, “We believe that the proposal’s additional detailed reporting obligation would be duplicative of existing disclosures which is sufficient as it presently exists and that it would create an unnecessary administrative burden on the Company.”

The proposal is not duplicative of existing disclosures. In fact, absent the additional disclosure requested in this resolution, shareholders will remain in the dark about:

- the company’s positions and priorities for policy activity;
- the company’s lobbying activity and/or political contributions in other jurisdictions worldwide;
- which external associations the company supports;
- the company’s oversight and review process for aligning association contributions and memberships with business priorities and shareholder value; and
- how the company reviews contributions and memberships for potential risks to the company’s reputation.

These disclosures have now been made by numerous Canadian and US companies at the request of shareholders. If it is effectively overseeing its political activity and assessing related risks, SNC-Lavalin should already be collecting information on its political activity in each jurisdiction, such that disclosing a summary of this activity to shareholders should not be overly burdensome on the company.



SHARE’s Recommendation
SHARE recommends a
vote FOR this proposal.

Link to full proposal:

<https://share.ca/share-proposals/disclosure-of-political-spending-and-lobbying-3/>

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