



THE TRACE COMPENDIUM

SNC-LAVALIN

ENFORCEMENT AGENCY

Switzerland: Federal Public Prosecutor's Office
Canada: Royal Canadian Mounted Police
India: Central Bureau of Investigation
Bangladesh: Anti Corruption Commission

ENTITIES/INDIVIDUALS INVOLVED

SNC-Lavalin Group Inc. ("SNC-Lavalin")
Klaus Triendl (former senior vice president at SNC-Lavalin)
G. Karthikeyan (Headed the KSEB at the time contracts were signed with SNC-Lavalin, later elected speaker of the Kerala State Assembly in June 2011)
Pinarayi Vijayan former Minister of Power for Kerala State, later secretary of the CPI-M, Communist Party of India-Marxists)
Kerala State Electricity Board (KSEB)
National Engineering Services and Supply Co. (NESSCO), Libya, a company tied to Karfakh and to Saadi Qadhafi
Riadh Ben Aïssa, Executive Vice-President until 9 February 2012, on Board of Directors of Executing Committee
Stéphane Roy, Vice-President Controller, until 9 February 2012
Pierre Duhaim, former CEO, resigned following Aïssa's departure
Abdulrahman Karfakh, an agent for Moammar Qaddafi son's, Saif, also head of NESSCO, and on Board of Directors of the Executing Committee, a joint venture between SNC-Lavalin and Libya
Charles Azar, served on board of the Executing Committee
André Béland, served on board of Executing Committee
Ansaldo Energia, an Italian company that partnered with SNC-Lavalin in Tunisia
Edis Zagorac, the husband of Canada's ambassador to Libya, Sandra McCardell
Bruno Picard, former Canadian ambassador to Tunisia
Shukri Ghanem, former Libyan prime minister, Minister of Oil until 2011
Syed Abul Hossain, former Minister of Information and Communication Technology, owner of Sahco (Bangladesh)
Mosharraf Hossain Bhuiyan, former Secretary of the Bridges Division of the Communications Ministry, later chairman of the Bangladesh Economic Zone Authority
Noor-E-Alam Chowdhury, member of parliament (Bangladesh)
Mujibur Rahman ("Nixon") Chowdhury, contractor, brother of Noor-E-Alam (Bangladesh)
Nurul Haque, chairman of Sahco (Bangladesh)
Ziaul Huq, managing director of Engineering and Planning Consultants Ltd ("CEP"), intermediary for SNC-Lavalin on the Padma project
Rafiqul Islam, director of the Padma Multipurpose Bridge Project
Abul Hasan Chowdhury, former Minister of Foreign Affairs, a relative of Ziaul Huq (Bangladesh)
Ismail Hossain, Bangladeshi-born Canadian citizen
Ramesh, Indian-born Canadian citizen Ramesh

DESCRIPTION OF BUSINESS

Engineering and construction

CORPORATE HEADQUARTERS

Montreal, Canada

NATIONALITY OF FOREIGN OFFICIALS

Tunisia
Bangladesh

India
Libya

SUMMARY OF ALLEGATIONS

India allegations

According to press reports, in 2009 SNC-Lavalin was named in a charging document filed by the Indian Central Bureau of Investigation ("CBI") in connection with a corruption scandal in India's Kerala state. The company allegedly paid bribes to Communist Party of India-Marxist's ("CPI-M") Kerala secretary Pinarayi Vijayan and other officials in 1997 (when Vijayan was Kerala Power Minister) in order to secure contracts for the renovation of three power plants in the state.

On February 25, 2011, it was reported that the CBI Special Court had again issued a summons to SNC-Lavalin in connection with the matter. The court reportedly has also issued an arrest warrant for Klaus Triendl, former senior vice president at SNC-Lavalin, and had initiated steps to extradite him to India.

Bangladesh allegations

SNC-Lavalin submitted its bid to act as the owner's engineer for the Bangladesh government to supervise the contractor responsible for Padma bridge construction.

On September 3, 2011, it was reported that Canada's Royal Mounted Police ("RCMP") had initiated an investigation into the company regarding alleged corruption involving a USD 1.2 billion World Bank bridge project in Bangladesh and had executed several raids in Ontario. In a press release on September 6, 2011, SNC-Lavalin confirmed the investigation. On 2 April 2012, a unit of the company was banned by the World Bank from bidding on new projects.

Media reports on 21 June 2012 revealed additional information about the Padma bridge project investigation. The reports allege that the RCMP has come to the conclusion that the company offered bribes to six influential Bangladeshis, some of them government officials, in order to secure the Padma bridge contract (a six kilometer bridge over the Padma river, which would allow greater commerce throughout the delta to Dhaka).

The six men alleged to be implicated are Syed Abul Hossain, former Minister of Information and Communication Technology and owner of a company called Sahco; Mosharrif Hossain Bhuiyan, formerly the Secretary of the Bridges Division of the Communications Ministry and currently chairman of the Bangladesh Economic Zone Authority; Noor-E-Alam Chowdhury, member of parliament; Mujibur Rahman ("Nixon") Chowdhury, a contractor and brother of Noor-E-Alam; Nurul Haque, chairman of Sahco; Ziaul Huq, managing director of Engineering and Planning Consultants Ltd ("CEP"), who worked as an intermediary for SNC-Lavalin on the Padma project; and Rafiqul Islam, who served as director of the Padma Multipurpose Bridge Project. Abul Hasan Chowdhury, former Minister of Foreign Affairs and a relative of Ziaul Huq, may also be implicated.

Tunisia, Libya allegations

28 February 2012, the audit committee of SNC-Lavalin initiated an independent investigation, with the help of an outside law firm, regarding \$35 million payments attributed in the company's books to certain construction projects, but not used for these projects. The company also reported losses of \$23 million on interrupted projects in Libya due to turmoil and regime change. Shares in the company lost nearly 20% of their value when the investigation came to light. The company delayed issuing its fourth quarter 2011 and annual financial reports pending the outcome of the external investigation.

Meanwhile, on 2 March 2012, a law firm in Quebec filed a motion to be named representative in a class action suit seeking \$250 million in damages on behalf of investors who purchased SNC-Lavalin shares between March 2009 and the end of February 2012. The claimants allege that the company and certain senior managers were engaged in unlawful activities in Libya, and that the company "made statements that were materially false and misleading in regard to SNC-Lavalin's code of conduct, legal compliance and internal controls." The lawsuit names Riadh Ben Aïssa (see below), who left the company in early February 2012.

9 February 2012: In a press release, the company announced that Riadh Ben Aïssa, Executive Vice-President, was no longer in the employ of the company; nor was Stéphane Roy, Vice-President Controller. The company added, "SNC Lavalin reiterates that all employees must comply with our Code of Ethics and Business Conduct."

Ben Aïssa was arrested in Switzerland and was still being held there as of 7 May 2012. It was apparently at the instigation of Swiss investigators that the RCMP conducted the [second] raid on the SNC-Lavalin headquarters. Following Ben Aïssa's departure and the release of the internal investigation report in March 2012, the CEO of the company, Pierre Duhaime, was forced to resign. The report revealed that Duhaime had breached the company's code of ethics by approving the payments arranged by ben Aïssa without authorization, after the chief financial officer had rejected them. Duhaime received a severance pay package of nearly CD 5

million.

The company is said to have long-standing connections with the regime of Libya's Ghaddafi family. The company's pre-revolution projects in Libya included hundreds of millions of dollars' worth of construction projects, including an airport, a prison and a water pipeline. Ties between the company and the Ghaddafi regime include having hosted Muammar Ghaddafi's son, Saadi Ghaddafi, for three months in Canada in 2008, and paying for Saadi's security detail and English lessons. The current scandal seems to involve agents of SNC-Lavalin who may have assisted members of the Ghaddafi family to flee Libya in 2011, following a July 2011 fact-finding mission organized and financed by SNC-Lavalin, for which the company hired a Canadian consultant named Cynthia Vanier. In November 2011, Roy was found in Mexico City in the back of a Chevrolet Suburban as police moved in to arrest Vanier, a Mexican national (Gabriella D'avila Huerta), and a Dane (Pierre Flensburg) in a lot to smuggle members of the Qaddafi family to Mexico. Vanier was charged on 2 February 2012 of attempted human trafficking, falsifying documents and organized crime. Mexican police say that she purchased a safe house for the Gadhafi family, and falsified passports in order to smuggle the Libyans into the country. SNC-Lavalin acknowledged that its then-construction department accountant, Stephane Roy, was in Mexico in November 2011, when Vanier and the other suspects were arrested. The husband of Canada's ambassador to Libya, Edis Zagorac, had been hired to head a military-civilian engineering unit including SNC Lavalin and the "Corps of Engineers of Libya."

An anonymous letter sent to the company's executives and board of directors in December 2011 alleges that "Since the early 1990s Ben Aissa has organized more than 300 million [dollars in] payments to shell companies acting as intermediaries between SNC-Lavalin and the Libyan government (ie the Gaddafi family)."

The company reported on the results of an Independent Review that was carried out by external independent counsel. The report, which was submitted to Lavalin by the outside counsel on 23 March 2012, concluded that agency contracts entered into by the company were fake. Payments amounting to USD 56 million were made pursuant to these contracts, some of them in Tunisia. The contracts involved the former Executive Vice president of Construction, Riadh Ben Aissa, and possibly Stephane Roy, former Controller of Construction for SNC Lavalin International Inc., a subsidiary of SNC Lavalin. The proper steps were not taken to comply with company policy regarding agency contracts, although some were approved by the CEO, who authorized ben Aissa to make the payments. The payments were not properly recorded, and to some extent were concealed.

The press statement notes that the fourth quarter results for 2011 showed net income attributable to SNC-Lavalin shareholders at CD 76 million, compared with CD 158.7 million for the same period in 2010. The decrease is attributed in part to "\$35 million of period expenses relate to payments made under what are presumed to be agency agreements that were charged and documented to construction projects to which they did not relate. Because these payments were documented to construction projects to which they did not relate, it was determined that they would need to be recorded as period expenses (i.e., not generating any revenues) for accounting purposes."

On 13 April 2012, SNC Lavalin announced that the RCMP had conducted another raid on its offices in connection with an investigation of "certain individuals who are no longer employed by the Company." The press report went on to say that the Company is cooperating fully with the authorities but cannot comment on an ongoing investigation.

Various media reports in April 2012 revealed that SNC-Lavalin is under investigation by the Tunisian Commission of Inquiry into Corruption and Embezzlement, for a CD 320-million contract the Montreal-based engineering giant was awarded in 2010 with an Italian partner, Ansaldo Energia. The reports noted that the Commission has uncovered a document incriminating SNC-Lavalin in the palace archives of ousted president Zine el-Abidine Ben Ali, who fled the country in January 2011.

RATIO OF IMPROPER PAYMENTS TO BUSINESS ADVANTAGE

Approximate Alleged Payments to Indian Officials	Business Advantage Allegedly Obtained
Unspecified	Power plant projects (India)
Approximate Alleged Payments to Bangladeshi Officials	Business Advantage Allegedly Sought
Unspecified	Bridge project (Bangladesh) worth \$1.2 billion
Approximate Alleged Payments to unspecified Officials (possibly Tunisian)	Business Advantage Allegedly Sought
USD 35 million	Unspecified

HOW CONDUCT WAS DISCOVERED

On 16 January 2007, the Kerala High Court ordered a CBI investigation into the power plant renovation contracts in Kerala State. The Bangladesh investigation was reportedly prompted by a referral from the World Bank to the Canadian RCMP.

The Libya investigation was begun in Switzerland in May 2011; in April 2012 the Canadian authorities conducted a raid on SNC-Lavalin's offices in Canada following a request by the Swiss police.

ENFORCEMENT RESULT

India

According to press reports, CBI's case against Pinarayi Vijayan is continuing and the investigation into wrongdoing by SNC-Lavalin remains ongoing.

Bangladesh

On 2 April 2012, Lavalin acknowledged that the World Bank had issued an "Early Temporary Suspension (ETS)." Under the World Bank's Sanctions Procedures, an ETS may be issued prior to the conclusion of an investigation by the Bank's integrity vice presidency, if there is sufficient evidence to conclude that a sanctionable practice has occurred, and that the appropriate sanction for such misconduct is a minimum of 2 years' debarment. A temporary suspension prevents a company from being awarded new World Bank-financed contracts for an initial period of six months, subject to possible extension for an additional six months. Media reports on 21 June 2012 point to ongoing cooperation between Bangladeshi and Canadian officials in the Padma bridge project investigation, with RCMP investigators scheduled to travel to Bangladesh in late June or early July to share information with the Bangladeshi Anti-Corruption Commission, and to interview some officials.

Both the Bangladeshi and Canadian RCMP investigation regarding the bridge project in Bangladesh remain ongoing.

KEY TAKEAWAYS

- To be determined.

RELATED DOCUMENTS

ExpressBuzz: "SNC-Lavalin deny bribing Kerala politicians" (12 June 2009)

Thaindian News: "Reprieve for Vijayan in SNC Lavalin case" (17 Apr. 2010)

The Hindu: "Further probe against Pinarayi 'improper:' CBI" (18 Apr. 2010)

Express News Service: "No clean chit to anyone in Lavalin case: CBI " (22 April 2010)

The Hindu: "CBI court issues summons to SNC-Lavalin" (25 Feb. 2011)

Ottawa Citizen: "SNC-Lavalin workers in RCMP corruption probe" (3 Sept. 2011)

The Star: "Canadian company says it's cooperating with corruption probe" (3 Sept. 2011)

SNC-Lavalin News Release: "Clarification on the RCMP Investigation" (6 Sept. 2011)

[SNC-Lavalin - Press Report \(26 March 2012\), Report on Results of Voluntary Review](#)

[SNC-Lavalin - Press Release \(26 March 2012\), Departure of Chief Executive Officer and announcement of 4th Quarter 2011 results](#)

[SNC-Lavalin - Press Release \(2 April 2012\), Update on Bangladesh Investigation](#)

[SNC-Lavalin - Press Report \(30 April 2012\), SNC-LAVALIN'S POSITION REGARDING THE ANNOUNCEMENT OF RIADH BEN AISSA'S ARREST - NOT PUT ON THE WIRE](#)

CASE CATEGORIES

Domestic Bribery Enforcement of Foreign Entities - Investigations

Engineering/Construction

Non-U.S. Foreign Bribery Enforcement - Investigations