

SNC-Lavalin payments under scrutiny total \$195M

Engineering giant confirms \$139M paid to Swiss accounts for Libya-related work

By Dave Seglins and John Nicol, CBC News
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RCMP officers stand guard in the headquarters of SNC-Lavalin in Montreal last April while their colleagues execute search warrants. CBC News has learned that the Mounties are helping a Swiss investigation into \$139 million in mysterious payments by the company. (Christinne Muschi/Reuters)

Canadian engineering giant SNC-Lavalin says it has no evidence that \$139 million paid to two companies for work related to projects in Libya was misused, following revelations that Swiss authorities are looking into the money as part of an international investigation of possible corruption and money laundering.

And the Montreal-based conglomerate says the amount is separate from \$56 million in other mysterious payments revealed last spring.

SNC confirmed Monday that it hired the two firms, registered in the British Virgin Islands, as "commercial agents" — which the company says are people or entities hired to negotiate or operate on SNC's behalf who are paid a commission for their services.



Former SNC-Lavalin executive vice-president Riadh Ben Aissa is accused of having a hand in the \$139 million in anomalous payments. (Radio-Canada)

But SNC-Lavalin said it has no knowledge that the fees it paid to Duvel Securities Inc. and Dinova International Inc. between 2001 and 2011 might have been part of a laundering scheme.

"We are not aware of any evidence that funds paid to these companies were misused," spokesperson Leslie Quinton told CBC News in an email. "To the extent any fiduciaries of the company are found to have misused company funds, we reserve our right to make claims to recover these amounts."

Over the weekend, a joint investigation by CBC, its French arm Radio-Canada and Swiss public broadcaster RTS revealed that Swiss authorities, with help from the RCMP, have been tracking the \$139 million as part of a money laundering and corruption prosecution of former SNC executive vice-president Riadh Ben Aïssa and Geneva-based lawyer Roland Kaufmann.

Sources told RTS that the Virgin Islands corporations were set up by Kaufmann at Ben Aïssa's behest, and that prosecutors believe some of the money SNC paid to the companies' Swiss bank accounts wound up in Ben Aïssa's personal accounts in Switzerland.

Ben Aïssa, who was arrested in Bern in April, is still in custody and has been formally indicted on charges of corrupting a public official, fraud and money laundering tied to his dealings in North Africa — where he was in charge of SNC's lucrative business in Libya, among other responsibilities.

SNC also said Monday that the \$139 million reportedly paid by its SNC International division to Dinova International and Duvel Securities is in addition to \$56 million in improper payments that were revealed in March following an external audit. Those payments were from the company's construction division to commercial agents on two separate construction projects, neither of which SNC has publicly identified.

Spokesperson Quinton said SNC is co-operating with the latest investigation and has handed its accounting files and other records to Swiss officials.

"We have provided information and documentation to the appropriate authorities, and this includes the information we had on Duvel and Dinova," Quinton said. "We also reiterate that we strongly believe that anyone found to have committed any wrongdoing in connection to this or any other investigation should be brought to justice."

SNC watcher questions oversight at company

SNC-Lavalin shares closed off slightly Monday at \$40.63, down from \$41.54 Friday before news broke of the Swiss investigation into the \$139 million in payments.



SNC-Lavalin board chairman Gwyn Morgan said earlier this year that the company had already taken action 'on all employees we believe behaved improperly.' (Fred Thornhill/Reuters)

"I'm not surprised" about the reports, said **Anthony Scilipoti** of Toronto-based **Veritas Investment Research**, which has been highly critical of SNC-Lavalin. In late April, the equities research firm published a report about the engineering conglomerate titled *Skeletons in the Closet*.

"I think it makes you question the controls throughout the organization, not just in that division, because it's all interrelated," **Scillipoti** added. "I think it makes you question all the deals that were taking place."

So far, the widening scandal at SNC has claimed three company executives: Ben Aïssa and vice-president of finance Stéphane Roy were forced to resign in February, then CEO Pierre Duhaime stepped down in March.

At the time, SNC-Lavalin board chairman Gwyn Morgan told reporters that that company had taken action "on all employees we believe behaved improperly." The improper payments, he said, "were conducted and paid and done... by the people that have been released."

The latest revelations about SNC-Lavalin come after the company was awarded a prize last week from the Canadian Institute of Chartered Accountants for best corporate reporting.

Engineering giant's woes

- Scandal first engulfed the Montreal-based engineering and construction giant SNC-Lavalin following the November 2011 arrest in Mexico City of Cyndy Vanier. The Ontario mediator is facing trial there on accusations she masterminded a plot to smuggle deposed Libyan dictator Moammar Gadhafi's son Saadi and members of his family to a life in hiding in Mexico.
- Vanier told CBC News in an exclusive interview inside prison in Chetumal, Mexico, that she was hired by SNC-Lavalin last year to charter planes to fly staff into North Africa on their travel to and from Libya. She said she met with then SNC executive vice-president Riadh Ben Aïssa in Montreal and signed agreements with his vice-president finance Stéphane Roy. Vanier maintained her work was strictly to help the company arrange transport and support for employees in and out of Libya once the civil war that toppled the Gadhafis subsided.
- Then, after the demise of the Gadhafi regime —which had provided billions in contracts to SNC-Lavalin — SNC employees and insiders began levelling allegations of criminal activity tied to the company's Libyan business dealings, which had been under the direction of Ben Aïssa.
- One insider sent a damning "poison pen" letter to SNC-Lavalin executives as well as members of the board of directors in December 2011 levelling a string of unproven allegations and accusing Ben Aïssa of funnelling tens of millions of dollars out of the company.
- Ben Aïssa and Roy were forced to resign from the company on Feb. 9, 2012. Then CEO Pierre Duhaime was forced to resign on March 26, 2012, when SNC revealed that external auditors had discovered problems with payments of \$56 million by the company.