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NEWS

SNC-Lavalin hires former Watergate investigator to advise on anti-corruption



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At least four former SNC-Lavalin executives, including former CEO Pierre Duhaime, have been charged under Canadian law in recent months for various offences.

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Canadian engineering giant SNC-Lavalin Group Inc. has hired Watergate investigator Michael Hershman to advise the company on anti-corruption issues as it takes steps to strengthen its business practices amid ongoing police investigations.

Mr. Hershman has been retained as an independent compliance advisor to SNC president and chief executive officer Robert Card, the company confirmed Thursday. He will be part of a group of experts and advisors offering counsel to the CEO on specific procedures related to compliance, governance and anti-corruption.

The naming of Mr. Hershman, a former special agent with the U.S. military who later founded his own consultancy specializing in corporate conduct, is likely to reassure investors that SNC is taking the right steps to weed out any corruption that may currently exist, or have existed, within the company. But hiring such a high-profile international expert in the field could also signal just how deep SNC's board believes its internal ethics problems run.

SNC shares fell 13¢ to \$45.13 in trading Thursday on the Toronto Stock Exchange.

“It’s good to see that they are hiring someone with, presumably, the right experience to deal with the issues which we believe are endemic,” said Anthony Scilopoti, an executive vice-president at Toronto-based Veritas Investment Research.

Mr. Hershman did similar work for German electronics multinational Siemens AG, helping to reverse what insiders described as an extensive environment of corruption in which bribes were encouraged. Siemens ultimately settled bribery charges with U.S. and European authorities in 2008, paying more than \$1-billion as Mr. Hershman introduced a complete revamp of compliance controls.

There is no evidence to date that SNC-Lavalin’s corporate culture is as broken as that of Siemens. Employees who have spoken privately say the ethics breaches of certain individuals do not reflect the wider integrity of most workers.

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A one-time senior staff investigator for the U.S. senate Watergate committee, Mr. Hershman is also currently advising soccer’s world governing body FIFA as it attempts to move forward from its own alleged corruption. SNC separately hired Freeh Group International Solutions, founded by former FBI director Louis Freeh, to help it monitor the progress of changes to its ethics and business practices.

Four former SNC executives have been charged under Canadian law in recent months for various offences. The most serious concerns former chief executive Pierre Duhaime. Quebec police allege he and former colleague Riadh Ben Aissa defrauded the McGill University Health Centre as part of SNC’s securing of a \$1.3-billion superhospital contract in Montreal.

Mr. Duhaime’s arrest in November followed the revelation by SNC of an internal probe that uncovered \$56-million worth of undocumented payments to commercial agents. SNC, which dismissed both Mr. Duhaime and Mr. Ben Aissa in the wake of the probe, does not know exactly where the money went and has turned over pertinent information to police.

“Regardless of the outcome of the investigations, this company must reform,” Mr. Hershman told Montreal’s The Gazette newspaper. “It’ll be a lengthy process. You cannot make the necessary changes overnight.”

The engineering firm, which is involved in thousands of infrastructure projects around the world at any given time, has put in place several new measures to strengthen its business practices in recent weeks, including hiring external firm EthicsPoint to run a 24-hour ethics and compliance hotline. It says it intends to implement the highest standards in governance and ethics with a view to becoming the benchmark against which other companies are measured.

SNC itself has not been charged with any wrongdoing in the police probes. There is “high degree of likelihood” that it will face charges eventually under Canada’s Corruption of Foreign Public Officials Act, Canaccord Genuity analyst Yuri Lynk wrote in a Jan.9 report.

Calgary oil company Griffiths Energy International Inc. pleaded guilty to bribery this week under the act, becoming the third company convicted under the legislation. It agreed to pay a \$10.3-million fine.