

**Muskat Falls Oversight Committee
Review of Implementation of the Recommendations from the EY Interim Report dated April 8, 2016**

Statement of Work

This Statement of Work, dated June 2, 2017 (this "SOW"), is made by HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR as represented by the Executive Council (the "Province") and Ernst & Young LLP ("EY" or the "Consultant") pursuant to the Agreement, effective April 1, 2015 between the Province as represented by the Executive Council and EY, as amended (the "Agreement").

Except as otherwise set forth in this SOW, this SOW incorporates the terms and conditions of the Agreement by reference, which shall govern the Work provided pursuant to this SOW. The terms and conditions of this SOW shall apply only to the advisory services covered by this SOW and not to services covered by any other agreement or statement of work pursuant to the Agreement. Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed to them in the Agreement.

Objective and scope

The objective of this review ("Review") is to assist the Province's Oversight Committee ("OC") for the Muskrat Falls Project ("Project") in assessing the status of the implementation of recommendations ("Recommendations") from the Consultant's Interim Report dated April 8, 2016 ("Interim Report"). The scope of the Review is subject to the limitations set out below.

Deliverables

EY will prepare a report on the status of Nalcor Energy ("Nalcor") and the Province's implementation of the Recommendations, including any further recommendations for improvement that EY might identify, within six weeks of prerequisites being satisfied.

Approach considerations and overview

EY will provide each of Nalcor and the Province with a preliminary information request list including a preliminary list of proposed interviewees. Delivery of the requested information and confirmation of mutually agreeable interview times is requested in a timely fashion to enable an efficient start and conduct of the Review. Additional information and or interviews may be requested as required throughout the conduct of the Review.

EY's proposed work schedule, which will be finalized during the first week of the engagement, is as follows:

- Week 1 - EY to send the preliminary information request list and the proposed interview schedule to Nalcor and the Province. All requested information to be delivered to EY by end of Week 1.
- Week 2 - Document review and interviews start
- Week 3 - Documentation review and interviews continue; report writing starts
- Week 4 - Report writing continues; documentation review and interviews continue if and as necessary
- Week 5 - Submit draft report to the Nalcor and the Province for comment
- Week 6 - Issue final report

Timing will be adjusted as necessary based on progress and or any delays caused by matters outside the control of EY.

EY Project Leadership Team

- **David Steele - Local Engagement Partner.** David leads EY's Advisory Services practice in St John's as well as related transformation services delivered specifically to the Province. He continues as the key point of contact for the Province in respect of EY's services related to the Project.
- **Michael Kennedy - Engagement Delivery Partner.** Michael leads EY's Capital Project and Infrastructure Advisory practice for Canada. Recently joining EY from a large EPC/EPCM firm, he brings credentials spanning billions of dollars in major capital initiatives across Canada. He will oversee the delivery of the services on the assignment as well as providing strategic program advice.

EY Steering Group

- **Paul Hickey - Local Relationship Partner.** Paul is the senior partner in EY's St John's Office and is experienced in major initiatives. He will be the EY's key point of contact for senior level interactions with the Nalcor and the Province.
- **Kirsten Tisdale - Executive Advisor.** Kirsten is EY Canada's National leader for the Public Sector practice. She brings a background of oversight of major projects at both Federal and Provincial level. She will also provide strategic advice to the Province during the course of the assignment and assist in the positioning and prioritizing of EY's service delivery.
- **Malcolm Bairstow - Executive Advisor.** Malcolm is EY's Global Leader for Capital Project and Infrastructure Advisory services. He will provide strategic advice to the Province as well as bring the best practices and resources from EY's global team to support the assignment.

Key assumptions and limitations

The estimates, schedule and deliverables from this Review are dependent on a range of assumptions, and subject to certain limitations, including the following:

1. The SOW is planned to be completed within the six week period commencing at the time that Nalcor agrees to the SOW, the preliminary information request list and the proposed interview schedule.
2. Timing and fee estimates may be adjusted based on whether or not Nalcor and the Province adhere to the schedule set for:
 - providing requested information and access to resources, and
 - reviewing and providing feedback for findings and the draft report.
3. All deliverables will be subject to client review.
4. EY will respect commercial sensitivities as agreed between Nalcor and the Province.

Other Terms and Conditions

1. The Work described in this SOW is advisory in nature. EY will not render an assurance report or opinion under the SOW, nor will the Work constitute an audit, review, examination, or other form of attestation as those terms are defined by the American Institute of Certified Public Accountants or Chartered Professional Accountants Canada. The Work will not constitute any legal opinion or legal advice. EY will not conduct a review to detect fraud or illegal acts.
2. The Province will assign a qualified person to oversee the Work and will be responsible for management decisions relating to the Work, the use or implementation of the output of the Work and for determining whether the Work are appropriate for your purposes.
3. EY may identify Project risks, however does not, and cannot, guarantee that it will identify all risks associated with the Project.
4. EY will not identify, address or correct any errors or defects in IT systems, other devices or components thereof ("Systems"), whether or not due to imprecise or ambiguous entry, storage,

interpretation or processing or reporting of data. EY will not be responsible for any defect or problem arising out of or related to data processing in any Systems.

5. Output reports provided by EY hereunder, will be prepared solely in order to assist the Province in the context of the SOW described above and EY assumes no duty, obligation or responsibility whatsoever to any other parties not bound by this SOW. The report will state that EY shall have no responsibility whatsoever to any third party which obtains a copy thereof; any use such a third party may choose to make of EY's report is entirely at its own risk. The Province shall provide the report to third parties only in its original, complete and unaltered form as provided by EY.
6. Notwithstanding anything to the contrary in this SOW, EY does not assume any responsibility for any third-party products, programs or services, their performance or compliance with the Province's specifications or otherwise.
7. In the event the Province refers publicly to EY the Client shall first consult EY as to the form and content of such disclosure in order to ensure that the scope of EY's involvement is factual and accurate. The Province shall not refer to EY as "auditor" or suggest that EY has been engaged to audit any aspect of the Project or suggest that EY's work is for the benefit of third parties.
8. The EY partners, personnel, and agents providing Work hereunder or otherwise having access to EY information about the Project shall be governed by the obligations set out in the Ring-Fence Procedures Memo attached hereto as Appendix "A".

Notwithstanding section 7 of the Agreement (Conflict Between Provisions) Schedule "B" of the Agreement will be read as including these additional terms for the purpose of the Work (and for greater certainty in the event of any conflict or inconsistency, the following terms shall prevail over the Agreement):

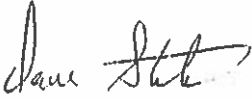
(continuing from the existing numbering in Schedule "B"):

5. The following is added as Article 12.3 in the General Terms and Conditions:
 - 12.3 Notwithstanding Article 12.1 and 12.2, the Work may involve EY review of, or advice relating to, agreements to which the Province (which for the purpose of this clause shall include Nalcor Energy and its affiliated entities) is a party with, services performed by, or products produced by, a third party (an "EY Client") for which EY (or another EY Firm) performs, or has performed, services unrelated to the agreements, services, or products such EY Client performed or produced for the Province. The Province hereby acknowledges and consents to EY performance of such services for any EY Client, and agrees that the Province will not make a claim that these circumstances present a conflict of interest, real or perceived, for EY or any other EY Firm. If, however, EY should become aware of services for an EY Client that directly relate or related to the agreements, services, or products, EY will seek the written consent of the Province, Nalcor Energy, and the EY Client to the continued performance of the Services. In any event, EY confirms that, except as the Province and the EY Client otherwise agree in writing, each client's respective confidential or privileged information will remain confidential to that client in accordance with applicable professional standards.
6. Notwithstanding section 13.1 (Subcontracting) of the Agreement, EY may subcontract portions of the Work as deemed necessary by EY.
7. Notwithstanding sections 7.2 and 7.3 (Liability) of the Agreement, the Province acknowledge and agree that the third party indemnity described in such sections shall not apply to any potential disputes, actions, claims or awards for compensation by or with Nalcor in relation to the Project.

EY Resources, Fees and Expenses:

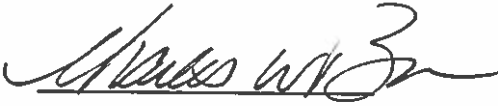
EY has provided an initial fee estimate of \$250,000 for the Review based on time and materials. This is an estimate for professional services, and does not include out of pocket costs (e.g. travel, accommodations, meals, etc.) or applicable taxes. All out of pocket expenses will be will be charged and reimbursed in accordance with the Province's policy.

Signed:



Name: David Steele
Title: Partner
Ernst & Young LLP

Signed:



Name: Charles W. Bown
Chief Executive, Major Projects and Initiatives
Chair - Muskrat Falls Oversight Committee

Appendix A - Ring-Fence Procedures Memo

Internal Memorandum – Private and Confidential

To: Individuals Listed on Schedule A (the "Client Team")

[Date]

cc:

From:

Ring-Fence Procedures - Muskrat Falls Oversight Committee - Review of Implementation of the Recommendations from the EY Interim Report dated April 8, 2016

Ernst & Young LLP ("EY") has been engaged to provide Her Majesty In Right of Newfoundland and Labrador as represented by the Executive Council ("Client") with a review of the implementation of the recommendations from the EY Interim Report dated April 8, 2016.

The procedures listed below shall be followed to ensure that there is no transfer of information between the Client Team and other EY personnel who have provided (or may be asked to provide) services to EY clients that are (or may become) directly or indirectly involved in the engagement.

Violation of the procedures set out in this memorandum will result in sanctions, up to and including dismissal. If you have any questions with respect to these procedures, please contact your Client Team leader or Diane Osak, Associate Director of Conflict Management, Risk Management Group.

1. Members of the Client Team shall not communicate or otherwise disclose any information relating to the Client or the engagement (the "Client Information") to anyone other than members of the Client Team, unless such communication or disclosure is specifically authorized by the Client Team Leader. Additionally, members of the Client Team shall not access any EY files, servers or information relating to the entities listed in Schedule B ("Major Contractors").
2. Access to any and all computer files relating to the Client Information shall be restricted to the Client Team.
3. EY's files relating to the Client Information shall be segregated from the regular file system and shall be maintained in designated, locked locations.
4. Prospective members of the Client Team will review the Major Contractors listed in Schedule B and confirm that they (i) have not performed services for Major Contractors in respect of the Muskrat Falls Project, (ii) will not perform services for Major Contractors in respect of the Muskrat Falls Project (without the consent of all parties involved), and (iii) shall sign the undertaking attached hereto as Schedule C prior to becoming members of the Client Team.
5. Members of the Client Team who request other partners and staff members, including executive assistants, clerks or students to join the Client Team are responsible for (i) confirming (by making the appropriate enquiries) that such person has not performed services for Major Contractors in respect of the Muskrat Falls Project; and (ii) ensuring that such person signs the undertaking attached hereto as Schedule C.
6. In the event that members of the Client Team wish to access expertise from industry or other experts who are partners, associates or employees of EY or its affiliated entities, then unless such experts agree to be bound by the obligations of confidentiality contained herein and sign the attached undertaking, such experts should not be provided with any information particular to the Client or Major Contractors in respect of the Muskrat Falls Project. Provided that this provision is complied with, the Client Team shall be at liberty to consult with such experts to obtain general advice in respect of an industry or other matter related to this engagement.

7. The principles contained in paragraph 6 above shall also apply when the Client Team seeks to access industry or other information through EY's Centre for Business Knowledge or other knowledge centres, whether affiliated with EY or not.

Each recipient must review this memorandum carefully and sign a copy of the attached Undertaking confirming that he or she shall adhere to the provisions contained herein. Undertakings, with an attached copy of this memorandum, must be returned to me, as soon as possible.

SCHEDULE A – THE CLIENT TEAM

[list members of the client team]

SCHEDULE B – THE MAJOR CONTRACTORS

[list legal names of major subcontractors]

SCHEDULE C – THE UNDERTAKING

UNDERTAKING

(To be signed by each member of the Client Team)

THE UNDERSIGNED hereby acknowledges receipt of a memorandum describing the confidentiality arrangements which apply to Ernst & Young LLP in respect of its engagement described in the said memorandum, a copy of which is attached hereto, and undertakes to observe all of the terms and conditions therein described as they relate to the undersigned's role in such engagement.

DATED this _____ day of _____, 201X.

Signature: _____

Print Name: _____

Please return to Engagement Team Manager, after signing.