Scottish Widows – Voting and Investee Engagement

The following information has been obtained by the Trustees of the Stantec Pension Plan (UK) ("the Plan") in support of the Implementation Statement dated 7th October 2020.

The following information has been extracted from the Stewardship Policy that applies to all investments under the Lloyds Banking Group. As a result, it can be taken as applying to the Clerical Medical With-Profits Fund into which the Plan is wholly invested.

Our Stewardship Policy (the policy) applies to all investments within the Insurance division of Lloyds Banking Group. In addition to the benefits we believe it delivers for our customers, it is also designed to meet all our regulatory requirements in this area. These include the annual production and publication of a Stewardship Report.

The policy is made up of six key components:

1. Be responsible stewards of the assets we oversee
2. Influence companies we invest in to drive positive change
3. Exercise strong governance over the asset managers we partner with
4. Collaboration
5. Governance and Escalation
6. Reporting and Disclosure

We will look at each in turn.

1 BE RESPONSIBLE STEWARDS OF THE ASSETS WE OVERSEE

PRINCIPLE OF LONG TERM RISKS & OPPORTUNITIES

In line with the long-term investment horizon of many of our customers, we focus on the management of long-term risks and opportunities which may not be reflected in annual balance sheets or short-term outlooks.

PRINCIPLE OF ADDITIONALITY

Additionality, in investment stewardship, refers to beneficial outcomes which would not occur without the investor's engagement. In our role as long term investor and asset owner, we ensure that our stewardship and engagement activity does not duplicate that of our asset managers. We use our separate expertise from our asset managers to add additional value. Equally, we seek to ensure that the activity of our asset managers does not undermine our own activity and priorities as a steward. This is achieved through the strong governance and oversight laid out in section 5 – Governance and Escalation.

STEWARDSHIP & ENGAGEMENT PRIORITIES

Our stewardship and engagement activity aims to ensure that our managers unlock the systemic and structural changes to the economy which are needed to protect and enhance the value of our investments, and also mitigate the risk of losses over the very long term. This includes encouraging the companies we invest in to plan for the long term.

Our core priorities are defined on a three-year rolling basis at our Insurance Investments Strategy Committee and reviewed annually for continued effectiveness.

Our priorities for the 2020–2023 period are:

i) Climate & Carbon: adherence to the Paris Agreement and transition planning for the economy to have net-zero emissions, in accordance with UK law. With a particular focus on those companies which have the highest CO_2e emissions.

ii) Board Diversity: better corporate governance through cognitive diversity on Company Boards.

In addition to these core priorities, we will also engage with companies which have been flagged through our Exclusions Policy where we have a material holding, as defined in that policy.

INVESTMENT HORIZON

The total length of time before an investor plans to access their money.

PRINCIPLE OF ADDITIONALITY

This is a responsible investing term. It means that our actions lead to positive results which wouldn't happen if we weren't involved.

COGNITIVE DIVERSITY

Having a broad range of people with different ways of thinking involved in companies' decision-making. This includes many different types of diversity.

CO_2e EMISSIONS

CO_2e is a symbol for carbon dioxide equivalent emissions. These are calculated by taking into account different gases, e.g. methane, with varying warming potential.

2 INFLUENCE COMPANIES WE INVEST IN TO DRIVE POSITIVE CHANGE

ENGAGEMENT

We select which companies to engage with according to our priorities as defined in this policy and where we see the opportunity to effect material improvement.

Engagement activity includes but is not limited to:

i) meeting Company Board Chairs or Boards,
ii) holding meetings with executives and senior leaders,
iii) writing CEO letters.

Throughout the engagement process, we maintain an open dialogue with the investee company regarding our goals, priorities, and expected timeframe in which progress should be made. If engagement is unsuccessful, we may take further steps, whether that be through voting or as detailed in section 5 – Governance and Escalation.

Our annual Stewardship Report will include details of the form our engagement activities have taken, and the results of these activities.

VOTING

Voting is largely delegated to our asset manager partners; we reserve the right to direct voting on matters related to our core priorities as defined in Stewardship & Engagement Priorities, which can be found in section 1 – Be Responsible Stewards Of The Assets We Oversee.

Our annual Stewardship Report will include details of the cases where we decided to vote our shares, and the reasons for this.

OTHER MECHANISMS

Where applicable, we will make full use of the range of rights allowed us by our shareholder status. The includes, but is not limited to:

i) Co-filing and signing shareholder resolutions
ii) Meeting Company Board Chairs and other Board members
iii) Holding meetings with companies' management
iv) Writing directly to companies to raise concerns
v) Raising key issues via companies' advisers.

ENGAGEMENT

Writing a letter to the CEO of a company we invest in. This may be to give our views on their strategy, emerging risks, or other matters which could affect the value of our investment.

VOTING

Most Limited Companies must hold Annual General Meetings (AGMs). At these meetings, all shareholders can vote on issues **such as who sits on the Board, how much the company pays out in the form of dividends, and how much the company directors are paid.** Sometimes there are special 'shareholder resolutions' which ask the company to do something in particular.

3 EXERCISE STRONG GOVERNANCE OVER THE ASSET MANAGERS WE PARTNER WITH

QUARTERLY GOVERNANCE REVIEW

We hold quarterly governance meetings with asset managers who manage our own mandated funds, to review and challenge stewardship and engagement activity in relation to our engagement priorities, undertaken over the preceding period and planned for the following quarter. These asset managers will report quarterly on their stewardship and engagement activity undertaken in relation to the engagement priorities as defined in this policy.

DELEGATED ASSET MANAGEMENT SERVICES FOR SCOTTISH WIDOWS MANDATED FUNDS

Compliance with this Stewardship policy is mandatory for delegated asset managers, where we own the mandate. Ongoing compliance with the UK Stewardship Code is required on a 'comply-or-explain' basis.

We may override the stewardship, engagement and voting activities of our delegated asset managers and engage in line with our customers' long-term interests.

INVESTMENT IN 3RD PARTY FUNDS, WHERE SCOTTISH WIDOWS DO NOT OWN THE MANDATE

Adherence to this policy forms part of the ongoing governance and review of our relationship with third party fund providers. They must adhere to this policy on a 'comply-or-explain' basis.

4 COLLABORATION

JOINING COLLABORATIVE ACTIONS

We will join and support industry-wide work to change and influence policy along the priorities defined in Stewardship & Engagement Priorities, which can be found in section 1 – Be Responsible Stewards Of The Assets We Oversee, collaborating with other industry stakeholders to address systemic risks to the future of well-functioning markets.

STEWARDSHIP CODE

The UK Stewardship Code **sets stewardship standards for companies which invest money on behalf of UK pensioners and savers. It is managed by the Financial Reporting Council and was updated in 2020.**

SCOTTISH WIDOWS MANDATED FUND

This is a fund for which Scottish Widows is responsible for defining the fund objectives and determining how the fund should be run.

5 GOVERNANCE AND ESCALATION

GOVERNANCE

This policy is owned by the Lloyds Banking Group Insurance Executive Committee and managed by the Responsible Investment Committee and Team.

When the vote involves companies where we have a large holding, this will be approved at Board level.

ESCALATION

Where our engagement with a company we invest in does not result in material progress within the timeframes we set out, we escalate our activity. Steps taken here may include:

- **i)** The issue of public statements,
- **ii)** Voting at AGMs against the Board's re-election,
- **iii)** Refusing to purchase additional bonds,
- **iv)** And/or divesting from or reducing our exposure to the investee company, following standard procedures for the type of holding.

Where we divest from a company as a result of stewardship interventions we will name the company in our annual Stewardship Report.

Where we are unable to divest due to the structure of our investment (e.g. index trackers and/or passive funds), we will still apply the other means of escalation mentioned above, including voting against Boards at AGMs. Where we do this, we will include it in our annual Stewardship Report.

DIVESTMENT

Selling assets (e.g. stocks and shares) in a company.

INVESTEE

A company we invest in.

6 REPORTING AND DISCLOSURE

ANNUAL REPORT

We publish an annual report to disclose how our Stewardship policy has been implemented. Our annual reporting period is calendar years.

The annual disclosure includes:

i) An assessment of how our purpose and investment beliefs have guided our stewardship, investment strategy and decision-making, and how effective these have been in serving our customers' long-term interests;

ii) An assessment of the effectiveness of our governance structures in supporting our stewardship activity;

iii) Examples of how we have addressed any actual or potential conflicts of interest;

iv) An assessment of our effectiveness in promoting the good functioning of financial markets through identification and response to systemic and market-wide risks;

v) The ways in which our stewardship activity will be continuously improved through effective review and controls;

vi) How we have sought and taken account of the views of customers, and the actions taken as a result;

vii) An explanation of cases where our asset managers may not have acted in accordance with our own stewardship policy, and the reason for this, as well as action taken as a result;

viii) An explanation of how information gathered through our stewardship activities has informed investment decisions;

ix) An explanation of the expectations we set out for asset managers engaging with investees on our behalf, and how we prioritised and selected our own engagement behaviour, as well as the objectives, methods, and results of this;

x) An explanation of any cases where stewardship activities were escalated in order to influence investees, and the results of this;

xi) A description of our voting behaviour and an explanation of the most significant votes cast, as well as the extent to which we have exercised our other shareholder rights and responsibilities.

EXCEPTIONS

Where disclosure of ongoing or completed stewardship activity has the potential to negatively affect the smooth functioning of markets, we may choose not to disclose this.

Also, we may not disclose votes which are insignificant due to the subject matter of the vote or the size of our holding in the company invested in.

Direct voting case study: BP

Through our membership as part of the IIGCC, Scottish Widows recently led a consortium of investors and shareholders, which approached BP calling for the business to become more transparent in the way it is managing climate change risk. As one of the original co-filers of the resolution, we helped to ensure the filing reached the necessary 10% of shareholder threshold to be voted on at BP's 2019 Annual General Meeting, where it was accepted by 99% of BP shareholders.

Under the resolution put forward by Scottish Widows and other investors, BP will now provide a detailed strategy as to how it will meet the requirements of the Paris Climate Change Agreement, and how it will work to ensure the company represents a low-risk investment for our customers