

STANTEC PENSION PLAN (UK)

STATEMENT OF INVESTMENT PRINCIPLES

Introduction

This document sets out the principles governing decisions about the investment of the assets of the Stantec Pension Plan (UK) (“the Plan”). The Trustees of the Plan (“the Trustees”) have prepared this statement to comply with section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378) (“the Investment Regulations”).

This document will be reviewed at least every three years and without undue delay after any significant change in investment policy.

Before preparing this document, the Trustees have:

- Obtained and considered the advice of a person who is reasonably believed by the Trustees to be qualified by their ability and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of occupational pension schemes and
- Consulted the employer in relation to the Plan.

Plan structure

The Plan is a hybrid arrangement providing a mixture of defined benefits and defined contributions for plan members based on their date of joining the Plan and the circumstances under which they joined. The Plan consists of three main sections:

1. Stantec UK Defined Contribution section
2. Stantec UK Defined Benefit section
3. Stantec Treatment Defined Benefit section

The first two sections of the Plan are ‘wholly insured’ arrangements and as such, benefits are provided through contracts of insurance. As far as the underlying investments are concerned, the Trustees can only select investments that are contained within the contract into which they have entered. Whilst this might seem restrictive, there are certain advantages in using contracts of insurance and these are covered within this document.

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Stantec UK Defined Contribution Section

Under the requirements of the Pensions Act 1995 (as amended) and other regulations, this Statement of Investment Principles is required to cover the following aspects in relation to this section of the Plan:

- the Trustees' policy for compliance with the requirements of Section 36 of the Pensions Act 1995 (choosing investments),
- the reasons for this section of the Plan being wholly-insured (including information on the default investment strategy),
- financially material considerations, including environmental, social and governance aspects,
- non-financial factors, including members' ethical views; and,
- voting rights, corporate governance and engagement principles.

The Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments) is as follows:

- (a) The Trustees have obtained and considered proper advice on the question of whether their investment in an insurance policy with Aegon is satisfactory having regard to the requirements of the Investment Regulations, so far as relating to the suitability and diversification of investments and to the principles contained in this statement.
- (b) The Trustees consider that there is currently no need, nor is it cost effective, for the scheme to be operated on a directly invested basis. Accordingly, investing only in an insurance policy is appropriate for the needs of the Trustees.
- (c) The Trustees have invested all of the assets in an insurance policy with Aegon that offers members access to a wide range of pooled funds, some of which are external to Aegon and the default investment is a target dated fund. The returns on a pooled fund are directly or indirectly related to a larger number of individual investments than would be possible or cost effective if direct investments were utilised. By using pooled funds, members are able to invest in a range of different asset classes in UK and overseas markets giving the ability to diversify their risks and investments in a cost-effective way.

The reasons for this section of the Plan being wholly insured with Aegon are as follows:

- (a) The financial strength of Aegon.
- (b) The security given by:
 - i. its regulation by the Financial Conduct Authority/Prudential Regulatory Authority and
 - ii. the Financial Services Compensation Scheme.
- (c) The professional management of Aegon's investment funds.
- (d) Aegon's pension administration and investment experience.
- (e) Aegon offers value for money by providing a package of investment and administration services.

The Trustees do not invest members' contributions directly in assets such as equities and bonds, instead they use a range of investment funds provided by Aegon. The Trustees review the range of funds available under this section on a regular basis (typically annually).

In respect of the default investment option under this section of the Plan, the key objectives are:

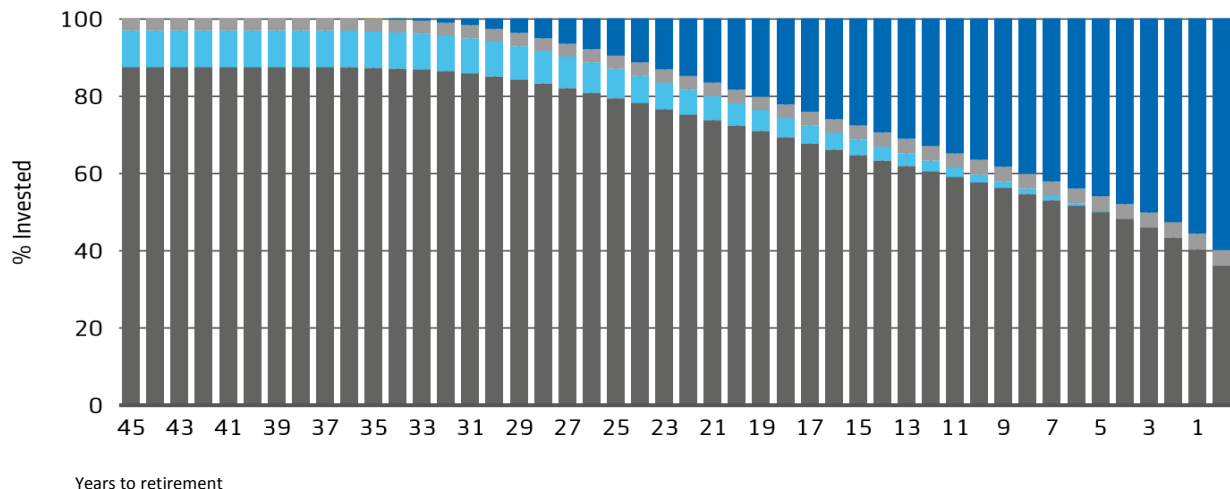
- Provide an element of protection against the effects of inflation by investing in growth assets where it is reasonable to do so based on the available investment time horizon as determined by the member's expected retirement age.
- Produce an 'at retirement' asset allocation that is suitable for the expected decumulation decision of a typical default investor.
- Reduce the risk that market movements in the years prior to a member's expected retirement age might lead to a substantial reduction in the benefits that could otherwise have been secured and/or the cash lump sum which could otherwise have been paid.

In selecting the default fund the Trustees took account of their investment adviser's findings; in particular, the likelihood of a typical default fund investor wanting to access their benefits flexibly. This is a relatively recent change of approach, as prior to October 2018, the default strategy was based on an expectation of annuity purchase at retirement.

It is worth noting that members who were already invested in the previous default fund have been switched into a fund that continues to target annuity purchase at retirement. The new default fund that targets pension flexibilities at retirement is only being utilised as a default strategy for new entrants on and after 1st October 2018. The default fund is called Aegon Blackrock LifePath Flexi ("LifePath Flexi").

LifePath Flexi will glide (automatically change the investment mix) towards an asset allocation split of approximately 40% global equities and 60% fixed income by its target retirement date. When the relevant fund reaches its target date, members will be invested directly in an undated LifePath Flexi fund which will maintain the same 40%/60% asset allocation mix into retirement to support income drawdown. This option assumes members are comfortable to remain invested in retirement and that they are aware that this means their fund may fall in value.

The balance between the different asset classes during the 'LifePath Flexi' is shown on the following chart:



The Trustees expect the long-term return on any equities and property to exceed price inflation. The long-term returns on bonds and cash are expected to be lower than the returns on equities. Commodities are expected to provide returns that are broadly in line with inflation but they also provide a small element of diversification to the fund.

The Trustees will realise assets as required following member requests to commence the taking of benefits.

Financially material considerations, including environmental, social and governance aspects

The Trustees believe that the consideration of financially material Environmental, Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns.

Examples of ESG factors	
Environmental	<ul style="list-style-type: none"> • climate change • energy efficiency • waste and pollution • scarcity of water and other resources
Social	<ul style="list-style-type: none"> • human rights • health & safety at work • welfare and other working conditions • responsibility for the wider community in which a business operates
Governance	<ul style="list-style-type: none"> • audit quality • board structure • remuneration policy • shareholder and other stakeholder rights

The Trustees expect the investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to their Investment Consultant where appropriate) assess the ESG integration capability of the investment managers.

All managers of funds available in the core range apply the UK Stewardship Code and are signed up to the UN Principles for Responsible Investment (UN PRI) which works to incorporate ESG factors into investment and ownership decisions.

Non-financial factors, including members' ethical views

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustees expect its investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

Voting rights, corporate governance and engagement principles

The Trustees recognise their responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

Policy relating to arrangements with investment managers

The appointment is based on the investment manager's capability and therefore their perceived likelihood of achieving the expected return and risk characteristics required for the asset class/fund type being selected. Investments are made into pooled investment vehicles and as a result the Trustees accept that they cannot specify the risk profile and return targets of the manager, but the pooled funds are chosen with relevant characteristics to ensure an appropriate range of investment options for members.

The pooled funds into which assets are invested do not have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets. Based on the mandates currently held, the Trustees consider that the method of remunerating the investment manager is consistent with incentivising them to make decisions based on assessments of medium to long term financial and non-financial performance of an issuer of debt or equity. Encouraging a medium to long term view will in turn encourage the investment manager to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. This is in line with the Trustees' investment policy.

Portfolio turnover costs and mandate duration

Currently the Trustees do not separately monitor portfolio turnover costs for the pooled funds into which assets are invested. Portfolio turnover costs are however a component part of the overall costs that are monitored via the Trustee's assessment of transaction costs for each fund. These transaction costs are detailed within the Chair's Statement (available on request from the Trustees).

The Trustees are aware of the requirement to define and monitor targeted portfolio turnover and turnover range. Given that the assets are invested in a selection of pooled funds, many of which invest across a wide range of asset classes, the Trustee are working with their investment adviser to determine the most appropriate way to set turnover benchmarks and to obtain and monitor portfolio turnover activity and costs. Further information on these aspects will be included in future updates to this Statement.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager's appointment will depend on a number of considerations such as the overall range of funds being offered to members and the availability of suitable alternatives under the contract, as well as the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

Stantec UK Defined Benefit Section

Under the requirements of the Pensions Act 1995 (as amended) and other regulations, this Statement of Investment Principles is required to cover the following aspects in relation to this section of the Plan:

- the Trustees' policy for compliance with the requirements of Section 36 of the Pensions Act 1995 (choosing investments),
- the reasons for this section of the Plan being wholly-insured,
- financially material considerations, including environmental, social and governance aspects,
- non-financial factors, including members' ethical views; and,
- voting rights, corporate governance and engagement principles.

The Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments) is as follows:

- (a) The Trustees have obtained and considered proper advice on the question of whether their investment in the Group Pension Contract with Clerical Medical ("the Contract") is satisfactory having regard to the requirements relating to the suitability and diversification of investments and to the principles contained in this statement.
- (b) The Trustees have also considered at what intervals the circumstances and in particular, the nature of the investment, make it desirable to obtain such advice as is mentioned in (a) above. The Trustees have determined that they will consider the need to obtain such advice every three years (generally to co-incide with actuarial valuations of the Plan and the updating of this Statement) or sooner in the event of significant changes in the Plan's circumstances.
- (c) The Contract is a 'deposit administration' or 'smoothed yield' investment product. It is designed to generate smoothed capital growth and provide some guarantees over the medium to long term. This is achieved by combining the scheme's assets with that of other With Profit investors sharing in the fortunes of the Clerical Medical With-Profits Fund. The fund is invested in a mix of assets – shares in UK and overseas companies, property, fixed interest investments and other types of investments (including cash). In the view of the Trustees, the Contract therefore meets the diversification requirement under section 36 of the Pensions Act 1995. It is recognised that the Trustees cannot influence directly the asset allocation of the With Profit Fund and as a result it is not possible to match the assets directly to the liabilities. However, at retirement, members' benefits are bought out through annuities which exactly match the scheme liabilities for those benefits.
- (d) Under the terms and conditions of the Contract all contributions relating to Defined Benefits of members of this section must be invested in the Contract.

The reasons for this section of the Plan being wholly insured with Clerical Medical are:

- a) The financial strength of Clerical Medical
- b) The security given by:
 - i. its regulation by the Financial Conduct Authority/Prudential Regulatory Authority and
 - ii. the Financial Services Compensation Scheme.
- c) The professional management of Clerical Medical’s investment funds.
- d) Clerical Medical’s pension administration expertise and the fact that by investing in the contract the Trustees receive a range of services from Clerical Medical in addition to the investment product. These additional services include day to day administration, pensioner payroll operations and preparation of draft financial statements for the annual report and accounts.
- e) Within the Clerical Medical contract, risk is controlled through the provision of certain guarantees within the contract. For example:
 - i. the contract provides a capital guarantee that all money including interest credited is guaranteed against capital loss.
 - ii. members who joined this section before 1st July 2001 are eligible for guaranteed annuity rates, which effectively put a limit on the cost to the Trustees of purchasing those members’ retirement pensions.

Financially material considerations, including environmental, social and governance aspects

The Trustees believe that the consideration of financially material Environmental, Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns.

Examples of ESG factors	
Environmental	<ul style="list-style-type: none"> • climate change • energy efficiency • waste and pollution • scarcity of water and other resources
Social	<ul style="list-style-type: none"> • human rights • health & safety at work • welfare and other working conditions • responsibility for the wider community in which a business operates
Governance	<ul style="list-style-type: none"> • audit quality • board structure • remuneration policy • shareholder and other stakeholder rights

The Trustees expect the investment manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to their Investment Consultant where appropriate) assess the ESG integration capability of the investment manager.

Scottish Widows (who are responsible for the Clerical Medical With-Profit Fund) have signed up to the UN Principles for Responsible Investment (UN PRI) which works to incorporate ESG factors into investment and ownership decisions.

Non-financial factors, including members' ethical views

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustees expect the investment manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

Voting rights, corporate governance and engagement principles

The Trustees recognise their responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment manager to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

Policy relating to arrangements with investment managers

As part of the contract terms (Clerical Medical Group Pension Contract) all contributions are invested in the Clerical Medical With-Profits Fund. Due to the nature of pooled funds such as with-profits, there is no scope for the funds to be specifically tailored to the policies of the Trustees.

The Trustee has reviewed Clerical Medical's (as part of Scottish Widows) Sustainable Investment Model as outlined in Appendix II to this Statement, as well as the Principles and Practices of Financial Management (PPFM) as relevant to the Clerical Medical With-Profits Fund. As these do not contain specific detail or examples of voting practices and investee engagement, the Trustee has asked Clerical Medical to provide more detailed information for consideration.

The With-Profits Fund into which assets are invested does not have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

Portfolio turnover costs and mandate duration

The Trustee is currently unable to obtain portfolio turnover costs in respect of the With-Profits Fund. This information has been requested from Clerical Medical and will be included in a future update of this statement when available.

As the investment services are part of a bundled insurance contract, the agreement is open-ended.

Stantec Treatment Defined Benefit Section

As this section of the Plan is not 'wholly insured', the Pensions Act 1995 (as amended) and other regulations, require this part of the Statement of Investment Principles to cover the following aspects:

Objectives

The Trustees are responsible for stewardship of the Plan's assets. Their main objectives are to ensure that:

- all beneficiaries receive the benefits to which they are entitled under the Rules of the Plan; and
- there are sufficient assets to meet the Plan's liabilities as they fall due.

In order to meet these objectives, the Trustees have put in place a 'Flight-Plan' that aims to achieve 100% self-sufficiency (meaning that the scheme is deemed to have sufficient assets to meet its long term liabilities) by 2032.

Investment Policy

The Trustees set the investment policy and take advice from the Plan actuary and other advisers (where relevant) when doing so. The investment policy for this section of the Plan will be reviewed following each actuarial valuation. The current policy on achieving the objective is to use the services of a specialist fiduciary manager who will strategically manage two main categories of investment:

- *Return Seeking (Growth Assets)*: which aim to grow the fund value through expected returns not less than the assumptions used to determine the funding plan; and
- *Liability Matching (Matching Assets)*: assets which aim to be better aligned with the funds future benefit payments.

Investment Management

Charles Stanley Asset Management ("CSAM") have been appointed as fiduciary manager to the scheme with discretionary responsibility for managing the scheme's investments according to the Flight-Plan.

The Trustees have adopted a long-term Flight-Plan designed to move the scheme towards its objective of being 100% funded on a self-sufficiency basis by 2032. The present value of the self-sufficiency liabilities is defined for the purpose of the Flight-Plan as the cash flows projected by the scheme actuary discounted by 0.5% above the yield on gilts of the appropriate average duration of the scheme's liabilities.

The anticipated exposure to Growth Assets and Matching Assets at different stages of the Flight-Plan is documented in the Flight-Plan Outline and subject to ongoing review by the Trustees and CSAM.

The Trustees have given CSAM discretion to manage the scheme's Growth Assets. In the initial stages of the Flight-Plan the Growth Assets are to be managed within CSAM's Medium-High Risk Budget. The

'Medium-High' Risk Budget for the scheme's Growth Assets is defined as an expected volatility of 7%-13.5% annualised standard deviation.

CSAM's definition of Medium High Risk: (Volatility range 7% - 13.5%)

Investments in Government securities (gilts), UK and overseas corporate bonds, and corporate bond funds will be considered. The portfolio may contain direct equity investments in overseas and smaller companies as well as medium to large capitalisation companies, index trackers, absolute return funds, exchange traded funds, and other collective investments including fund of hedge funds or direct hedge funds, Venture Capital Trusts, as well as including more highly geared investments. Generally, these investments experience higher volatility due to their exposure to different markets and geographic regions, and so pose a greater degree of risk to your capital and/or income, in exchange for greater potential for capital and/or income growth over the longer term.

The volatility range is the expected Standard Deviation of the portfolio over 12 months, based on 8-year historic standard deviation of all the securities held in the portfolio taking account for diversification.

CSAM measure this volatility on a daily basis to ensure it remains within the 7%-13.5% tolerance using a risk profiling and monitoring system called BITA.

The Trustees have given CSAM discretion to manage the scheme's overall balance between Growth Assets and Matching Assets according to the Flight-Plan outline, subject to ongoing monitoring and review by the Trustees.

Flight-Plan

Stage	Funding Zone	Matching Assets	Diversified Growth Assets	Expected return above gilt yields	Approx Liability Hedge	Approx Total Funding Risk
Stage 1	<70%	13%	87%	3.5%	36%	13.5%
Stage 2	70%-80%	20%	80%	3.2%	60%	11%
Stage 3	80%-90%	27%	73%	2.9%	80%	10%
Stage 4	90%-100%	34%	66%	2.0%	100%	7%
Stage 5	100%-105%	60%*	40%	0.8%	100%	4%

* includes cash

Return on Investments

Over time, it is expected that:

- The return on equities will be greater than that on other asset classes; and
- the return on this section of the Plan's various asset classes overall will not be less than the discount assumption used to determine the Trustees funding plan.

Types of investments held

Growth Assets are defined as a diversified basket of equities, property, alternatives and global bonds (other than bonds used for Matching Assets). Asset allocation is determined at the discretion of CSAM. Underlying passive funds are determined at the discretion of CSAM.

Matching Assets are defined as bonds or Liability-Driven Investment funds.

The balance between different types of investments

The Trustees have given CSAM discretion to manage the scheme's overall balance between Growth Assets and Matching Assets according to the Flight-Plan Outline, subject to ongoing monitoring and review by the Trustees.

Sale of investment

Contributions and investment income should, in the normal course of events, exceed benefits payable. It is not expected that there will be any material need to sell investments to meet benefits in the near future.

CSAM have discretion to buy and sell investments within the terms of the agreement.

Risk

Overall risk is to be managed within a Funding Risk Budget. Funding Risk is scheduled to fall from 13.5% to approximately 4% during the Flight-Plan in incremental steps by increasing Matching Assets and reducing Growth Assets.

Financially material considerations, including environmental, social and governance aspects

The Trustees believe that the consideration of financially material Environmental, Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns.

Examples of ESG factors	
Environmental	<ul style="list-style-type: none"> • climate change • energy efficiency • waste and pollution • scarcity of water and other resources
Social	<ul style="list-style-type: none"> • human rights • health & safety at work • welfare and other working conditions • responsibility for the wider community in which a business operates
Governance	<ul style="list-style-type: none"> • audit quality • board structure • remuneration policy • shareholder and other stakeholder rights

The Trustees believe that environmental, social and governance (ESG) factors (including climate change) can have a financially material impact on the scheme’s investments and, as such, must be considered by the scheme’s investment manager.

Specific decisions regarding the financial materiality of ESG and climate change factors are delegated to Charles Stanley, acting as fiduciary manager. Charles Stanley is expected to consider the impact of ESG factors including climate change on the potential performance of the scheme’s investments, particularly over the medium and long term, also taking into account the long-term nature of the scheme’s liabilities.

Charles Stanley is a signatory of the United Nation’s Principles for Responsible Investment (PRI). Charles Stanley has a duty to act in the best long-term interests of beneficiaries, and in this fiduciary role Charles Stanley believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions and asset classes over a period of time). Charles Stanley also recognises that applying these Principles may better align investors with broader objectives of society.

Charles Stanley Asset Management’s asset allocation analysis takes account of material ESG issues as they affect the broad market or sectors that the scheme is exposed to. Stock specific ESG factors are assessed where they are material to a market/index. Any fund or investment selected by Charles Stanley Asset Management’s investment team will have been assessed for its approach to ESG factors as appropriate for the asset class and style.

The Trustees require that the fiduciary manager should provide a report at least annually outlining the extent to which the scheme’s investments are exposed to significant ESG factors, including climate change.

Non-financial factors, including members' ethical views

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustees expect CSAM, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

Voting rights, corporate governance and engagement principles

The Trustees believe that, where appropriate, the voting rights pertaining to the scheme's investments should be deployed in order to seek to improve the medium and long-term performance of companies, in particular where the Plan is a debt or equity shareholder.

The Trustees acknowledge that stewardship can also include direct engagement with an investee or debtor company, indirect engagement via an investment manager, 'peer-to-peer' engagement with fellow shareholders of an investee company, and any engagement with other stakeholders, on any relevant matters such as matters concerning the investee or debtor entity, including performance, strategy, risks, social and environmental impact, corporate governance, capital structure and management of actual or potential conflicts of interest.

The Trustees believe that, where appropriate, such engagement activity has the potential to improve the medium and long-term performance of underlying investments.

Decisions regarding the specific exercise of rights (including voting rights) are delegated to the fiduciary manager. The fiduciary manager's policy states that "We believe voting is an effective method of engagement. We use the services of proxy voting service provider Institutional Shareholder Services (ISS) to advise us on corporate governance issues and provide voting recommendations on our top 100 holdings of equity and fund securities."

The Trustees expect that the majority of investments will be deployed via pooled funds. As a result, the Trustees expect the fiduciary manager to be mindful of the engagement and voting policy of underlying pooled fund managers when selecting them and to report these policies to the Trustees upon request.

Where voting rights are held directly, the Trustees delegate the exercise of voting right to the fiduciary manager and expect a report on any voting or engagement activity to be provided at least annually or upon request.

Policy relating to arrangements with investment managers

The fiduciary manager is expected to ensure the investment strategy is in line with the Trustees' policies, including assessing the potential medium and long-term financial and non-financial factors impacting performance of investments. No explicit financial incentives are in place, however performance against a wide range of agreed objectives is monitored with the ability of the Trustees to replace the fiduciary manager at any time should the Trustees become materially unsatisfied with the fiduciary service received.

The objectives monitored are set out in an Investment Objectives Scorecard (available on request from the Trustees) and reviewed on an annual basis. As a result, at least annually, the Trustees will review the fiduciary manager against this wide-ranging set of agreed objectives.

The fiduciary manager is not required to engage directly with issuers of debt and equity given the multi-asset, predominantly pooled index-fund approach of the underlying investment strategy.

Portfolio turnover costs and mandate duration

Underlying portfolio costs are monitored at least annually on an OCF+ methodology basis. As the investments are expected to be predominantly pooled funds the Trustees believe that this methodology will capture the majority of underlying transaction costs.

The fiduciary manager can be required to declare any other portfolio turnover levels and costs ('implicit costs') at any time. No ranges are provided to the fiduciary manager for these implicit costs. Explicit fees and costs are expected to be detailed by the fiduciary manager in regular statements.

The appointment of the fiduciary manager is on an ongoing basis and would be expected to be reviewed every three years.

Issued by the Trustees of the Stantec Pension Plan (UK)

30th September 2020