

Stantec Pension Plan (UK) – UK Defined Benefit Section

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 30 September 2020 have been implemented. The SIP provides further background details on investment arrangements.

This Statement covers the period 1 April 2021 to 31 March 2022.

Investment managers and funds in use

The Plan is fully invested in the Clerical Medical With-Profits Fund. Scottish Widows are responsible for the investments within this fund.

Strategy Review

There have been no changes to the investment managers or target asset allocation over the year.

Scheme Governance

The Trustee board is responsible for making investment decisions, and seeks advice as appropriate.

The Trustees do not actively obtain the views of the membership of the Plan to help form their policies set out in the SIP as the Section is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

There were no changes to the investment management agreements with Clerical Medical during the year.

Statement of Investment Principles

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2020.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

Policy on financially and non-financially material considerations

Trustees' Policy: *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**
 - *climate change*
 - *energy efficiency*
 - *waste and pollution*
 - *scarcity of water and other resources*
- Social**
 - *human rights*
 - *health & safety at work*
 - *welfare and other working conditions*
 - *responsibility for the wider community in which a business operates*
- Governance**
 - *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-Profits Fund) have signed up to the UN Principles for Responsible Investment (UN PRI) which works to incorporate ESG factors into investment and ownership decisions.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to Clerical Medical, as the Trustees do not have any legal right to vote on the underlying holdings, given the nature of the Plan's investments.

The Trustees note that the manner by which financially material ESG factors will be taken into account will depend on the underlying asset classes within the arrangement.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment manager, given they are investing in a with-profits fund.

A summary of the Trustees' views on with-profits investments is outlined below.

Asset Class	Actively or Passively Managed?	Comments
With-profits	Active	The Trustees expect Clerical Medical to take financially material ESG factors into account, given the active management style of the with-profits fund and the ability of Clerical Medical to use their discretion to generate returns in line with the fund's objectives. The Trustees also expect Clerical Medical to engage with any underlying investee companies, where possible, although they appreciate that the proportion of assets within the fund that attract voting rights will vary.

Policy on the exercise of voting rights and engagement activities

Trustees' Policy: *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 Trustees believe 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.*

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees cannot exercise their responsibilities directly as they do not hold investments in their name. The Trustees expect the investment manager (where possible) to exercise voting rights at annual and extraordinary general meetings of companies.

The Trustees expect the investment manager to exercise ownership rights attached to investments as they see fit, including voting and engagement rights, in order to safeguard sustainable returns. The Trustees do not impose any additional constraints on the manager. On an ongoing basis the Trustees will assess the stewardship and engagement activity of the investment manager (delegating to the Investment Consultant where appropriate). This will be done by reviewing the investment manager's voting and engagement policy from time to time. It could also include summary reports detailing the engagement and voting activity undertaken by the investment manager and asking questions directly to the investment manager where required.

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to Clerical Medical, as the Trustees do not have any legal right to vote on the underlying holdings, given the nature of the Plan's investments.

In turn, all voting and engagement activities of the Clerical Medical With-Profits Fund are carried out by Abrdn, BNY Mellon, Nordea and Schroders (as the underlying investment managers of the fund).

This is complemented by Scottish Widows' stewardship oversight, where Scottish Widows and Clerical Medical form part of the Lloyds Banking Group.

A summary of the votes made by the managers of the underlying funds within the Clerical Medical With Profits Fund from 1 April 2021 to 31 March 2022 (where the underlying fund has voting rights attached) is provided in the table below.

Fund	Third Party Proxy Policy Used	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
Nordea Diversified Return Fund	Mixture of in-house views and ISS	2,346	88.0%	11.4%	0.6%
BNY Mellon Real Return Fund	In house with votes cast by ISS	1,464	83.9%	16.1%	0.0%
Abrdn Fundamental Emerging Markets Equity Index Fund	Bespoke policy with ISS	6,808	87.7%	6.6%	5.7%
Abrdn US Equity Tracker Fund	Bespoke policy with ISS	6,638	77.2%	22.7%	0.1%
Abrdn Fundamental Low Volatility Emerging Markets Index Fund	Bespoke policy with ISS	5,343	88.1%	8.8%	3.1%
Abrdn Fundamental Low Volatility Emerging Markets Index Fund – GBP Hedged	Bespoke policy with ISS	5,716	84.4%	14.1%	1.5%
Abrdn Japan Equity Tracker Fund	Bespoke policy with ISS	3,552	89.9%	5.0%	5.1%
Abrdn European Equity Tracker Fund	Bespoke policy with ISS	5,192	88.4%	10.9%	0.7%
Abrdn Fundamental Global Equity Index Fund – GBP Hedged	Bespoke policy with ISS	14,129	85.0%	14.0%	1.0%
Abrdn Fundamental UK Equity Index Fund	Bespoke policy with ISS	5,812	97.9%	2.0%	0.1%
Abrdn Asia Pacific (ex Japan) Equity Tracker Fund	Bespoke policy with ISS	1,094	84.1%	14.8%	1.1%
Schroders Emerging Markets Fund	In house with votes cast by ISS	565	88.5%	11.5%	0.0%
Abrdn Global Absolute Return Strategies Fund	Bespoke policy with ISS	1,419	84.1%	15.7%	0.2%
Clerical Medical With-Profits Fund Total		60,078	86.6%	11.7%	1.7%

The Trustees have requested the details of a significant engagement activity made on their behalf by each of the underlying managers. Details of these significant engagement activities are provided below:

- **Abrdn** has worked and engaged with Royal Dutch Shell on its climate change and carbon reduction policies, resulting in the company introducing a new aim to bring it into a net zero carbon position by 2050.
- **BNY Mellon** engaged with Unilever as part of the Climate Action 100+ investor engagement group to discuss the recently published Net-Zero Company Benchmark which is being developed as a framework to evaluate corporate decarbonisation disclosures. Unilever expressed its overall support for the initiative and believes that it performs well across some indicators, but is aware that it doesn't meet others. The manager will continue to engage with Unilever and monitor their progress in respect of this Benchmark.
- **Nordea** engaged with Mastercard on the diversity of its employees and commitment to certain ESG topics. During the discussions, Mastercard demonstrated that in Nordea's opinion, it is a top performer in diversity and inclusion practices. Mastercard continues to improve female representation at all levels of management and have recently established a Gender Steering Committee to formalise their processes and improve accountability. Following the manager's discussion with Mastercard, the company announced that it is now linking compensation for the most senior executives to specific ESG and diversity targets such as gender pay parity.
- **Schroders** wrote to all FTSE 350 companies at the start of 2021, following Schroders becoming one of the first signatories to the NetZero Asset Managers Initiative. In that letter, Schroders' CEO set out the company's expectation that all FTSE 350 companies should produce and publish detailed transition plans to NetZero during 2021. Of those contacted, 46 companies quickly acknowledged the letter, 21 companies provided more information on their approach and 12 requested meetings. For those companies that have already made 2050 net zero commitments, Schroders encouraged them to set interim targets to allow better monitoring of this goal. By September 2021, Schroders had received commitments from nearly 100 of the companies contacted and will continue to engage with these companies, as well as those who are yet to respond.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Signed: Darren Howarth

Date: 20 October 2022

On behalf of the Trustees of the Stantec Pension Plan (UK) – UK Defined Benefit Section