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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. 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.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2022 to 31 March 2023.

Investment Objectives of the Section

The Trustees' objectives for setting the investment strategy of the UK Defined Benefit Section (the 'Section') of the Stantec Pension Plan (UK) have been set broadly with regard to the Section's Statutory Funding Objective set out in the Statement of Funding Principles.

The primary objective for the Section is that all beneficiaries receive the benefits to which they are entitled under the Rules and that there are sufficient assets to meet the liabilities of the Section as they fall due.

Review of the SIP

The SIP was last reviewed in September 2020. The Trustees updated the SIP to take account of investment regulations that came into force on 1 October 2019.

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. These policies are set out later in this Statement and are detailed in the Trustees' 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.

Investment managers and funds in use

The Section is a wholly insured arrangement via a policy held with Scottish Widows Limited (the 'Insurer'), formerly Clerical Medical Investment Group Limited ('Clerical Medical'). Clerical Medical is still used as a trading name.

Under the policy, the Section's assets are invested in the Clerical Medical With-Profits Fund ('the With-Profits Fund') and the selection of the Section's investments is delegated to the manager of the With-Profits Fund.

Investment 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.

Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Section's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	The Section is a wholly insured arrangement via a policy with the Insurer. Under the policy, the Section's assets are invested in the With-Profits Fund and the selection of the Section's investments is delegated to the manager of the With-Profits Fund.	No deviation from this policy over the year to 31 March 2023.
Capital Structure of Investee Companies	Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Insurer. The Trustees expect the extent to which the Insurer monitors capital structure to be appropriate to the nature of the mandate.	No deviation from this policy over the year to 31 March 2023.
Reasons for the Scheme Being Wholly Insured	The reasons for using a wholly insured arrangement of this form are: • The financial strength of Clerical Medical. • The security given by its regulation by the Financial Conduct Authority/Prudential Regulatory Authority and the Financial Services Compensation Scheme. • The professional management of Clerical Medical's investment funds. • 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. • 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.	No deviation from this policy over the year to 31 March 2023.
Review of Wholly Insured Arrangement	The Trustees have determined that they will review the suitability of the wholly insured arrangement with Clerical Medical every three years, generally coinciding with the actuarial valuation. The Trustees will also review the suitability of the arrangement in the event of significant changes in the Plan's circumstances.	No deviation from this policy over the year to 31 March 2023.

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out on pages 8-9 of the SIP and in full below.	No deviation from this policy over the year to 31 March 2023 (see below).
Engagement and Voting Rights	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. 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.	No deviation from this policy over the year to 31 March 2023 (see below).

Financially and non-financially material considerations

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.

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

Asset Class	Active/Passive	Trustees' views
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.

Voting rights and engagement activities

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 insured nature of the Section's investments.

In turn, all voting and engagement activities of the Clerical Medical With-Profits Fund are carried out by Abrdn, BlackRock, 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 2022 to 31 March 2023 where available (where the underlying fund has voting rights attached) on behalf of the Trustees was requested to provide voting data broken down into Environmental, Social and Governance categories. However, the managers have confirmed that the voting data is not yet available in this format. The Trustees will continue to request the breakdown of this data in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
Nordea Bank Abp	Diversified Return Fund	2,363	89%	9%	2%
BNY Mellon	Real Return Fund	1,287	89%	11%	0%
Abrdn	Scottish Widows Fundamental Index Emerging Markets Equity Fund*	5,325	85%	11%	4%
Abrdn	Scottish Widows Low Volatility Emerging Markets Paris-aligned Index Equity Tracker Fund*	5,245	79%	18%	3%
Schroders	Scottish Widows Emerging Markets Fund	4,353	89%	6%	5%
Abrdn	Global Absolute Return Strategies Fund	232	82%	18%	0%

*Data for these funds is for the year to 31 December 2022.

All of the Section's assets are invested in pooled funds. Schroders do not use a proxy-voting service and voting is performed in-house. Nordea and Abrdn use ISS to process their voting instructions, and hold customised policies with ISS but all eventual voting decisions are made in accordance with the managers' policies and voting guidelines.

Blackrock did not provide voting data for the funds they manage that contain voting rights. Abrdn and Schroders did not provide voting data for some of the funds that they manage that contain voting rights. The Trustees will continue to request that this data is provided in full in future periods.

Significant votes

The Trustees have also requested details of the significant votes made on behalf of the Trustees by Clerical Medical for each fund in which the Section invests in and which has voting rights. In determining significant votes, the underlying managers' Investment Stewardship teams take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Investment Manager	Nordea
Company	Monster Beverage
Date of vote	14 June 2022
Resolution	Report on GHG emission reduction targets aligned with the Paris Agreement goal.
Why significant	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company.
Voting decision	For
Manager comments	*"Nordea think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks."*
Vote outcome	Against

SIGNIFICANT VOTE 2	
Investment Manager	Abrdn
Company	SSE Plc
Date of vote	21 July 2022
Resolution	Approve Climate Change Report.
Why significant	Abrdn classed this as Significant Vote Category 1 ('SV1'): High Profile Votes, which focus on either: • Votes which receive public and press interest • Votes which reflect significant governance concerns regarding the company • Resolutions proposed by Abrdn
Voting decision	Against
Manager comments	*"The company consulted with Abrdn earlier in the year on increasing the annual grant size of its long term incentive from 200 percent of salary to 250 percent of salary. Abrdn's view was that this was not an appropriate time to make such an increase in the context of the cost of living crises which was already developing at that time. Ahead of the vote, Abrdn informed the company of their intention to vote against the resolution."*
Vote outcome	The proposal was carried by the majority of shareholders.

SIGNIFICANT VOTE 3	
Investment Manager	Schroders
Company	China National Building Material Company Limited
Date of vote	19 December 2022
Resolution	Approve Financial Services Framework Agreement, Caps and Related Transactions
Why significant	• Schroders have classed this vote as significant due to it being a shareholder governance proposal where Schroders opt to vote against management's recommendation.
Voting decision	Against
Manager comments	*"The proposed financial service agreement may expose the company to unnecessary risks."*
Vote outcome	The proposal was carried by the majority of shareholders.

SIGNIFICANT VOTE 4	
Investment Manager	BNY Mellon
Company	Alphabet Inc.
Date of vote	1 June 2022
Resolutions	Proposals: Political lobbying disclosure, report on climate change, community – environment impact, racial equity and/or civil rights audit, approve recapitalization plan for all stock to have one-vote per share, human rights risk assessment, miscellaneous proposal – social, human rights risk assessment.
Why significant	The company was subject to a high number of shareholder proposals surrounding both governance and social aspects where the company is well regarded by investors as requiring improvements.
Voting decision	Against
Manager comments	*"Given that a majority of the voting rights are controlled by the company's executives, the vote results for many of the resolutions show a majority of the company's minority shareholders retain fundamental concerns. Near 20% votes in favour of all shareholder proposals is a clear indication as to where the company is expected to make improvements to allay such concerns."*
Vote outcomes	18% FOR Political Lobbying Disclosure, 17.89% FOR Report on Climate Change, 21.5% FOR Community Environment Impact, 21.24% FOR Racial Equity and/or Civil Rights Audit, 31.6% FOR Approve Recapitalization Plan for all Stock to Have One-vote per Share, 16.2% FOR Human Rights Risk Assessment, 18.6% FOR Algorithm disclosure, 21.89% FOR Human Rights Risk Assessment.

SIGNIFICANT VOTE 5	
Investment Manager	BlackRock
Company	The Home Depot, Inc.
Date of vote	19 May 2022
Resolution	Report on Efforts to Eliminate Deforestation in Supply Chain
Why significant	BlackRock assess significant votes based on themes they believe will encourage sound governance practices and deliver sustainable long-term financial performance.
Voting decision	For
Manager comments	*"The company does not meet our expectations for disclosure of natural capital policies and/or risk."*
Vote outcome	For

Engagement activities

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

- **Nordea** met with Alibaba, one of the biggest companies in China providing online and mobile marketplaces in retail and wholesale trade, to follow up on labour rights topics. The company had been noted by ISS in 2020 for its inability to respect the rights to safe and healthy working conditions. In addition to that, Nordea also discussed its workplace diversity and engagement following the sexual assault scandal in 2021. Since 2020, Alibaba had carried out various structural changes and reforms to protect the safety and health conditions of workers, and Nordea suggested Alibaba to further improve disclosure, such as improved reporting. On the topic of workplace diversity, Alibaba introduced a series of changes following 2021, including establishing an internal Workforce Environment Committee and a whistle blower channel, specifically for sexual harassment and emergency support. Nordea will continue to monitor if any similar cases resurface in the future.

- As a longstanding shareholder in several leading UK housebuilders, **Abrdn** have been closely monitoring and engaging with companies on their response to fire safety concerns in the aftermath of the tragedy at Grenfell Tower. Based on their research and meetings with management teams, Abrdn wrote to nine investee companies in January 2022 and then again in February, asking them to increase their public disclosure of several data points on their outstanding exposure to these fire safety challenges, and any remediation work underway. The aim of this request was to enhance transparency and comparability across the industry. This engagement also included a request for Abrdn's investee companies to join a pledge to remediate fire safety issues in their schemes constructed in the past 30 years.

- **Schroders** engaged with the hospitality firm Whitbread regarding their modern slavery policies. Schroders note that businesses involved in human rights controversies could face higher operational and financial risks and suffer damage to their reputation. Schroders' engagement on such issues aims to guide businesses to carry out effective human rights due diligence and provide effective support for victims of any human rights abuses. Over the period, Schroders engaged with the company as part of the "Find It, Fix It, Prevent It" project, an investor-led project to identify modern slavery risk in investee firms. Schroders and the company discussed their modern slavery policies and practices, and it was highlighted that the company did not disclose stakeholder engagement or outcomes in its modern slavery statement and had a lack of outcome-focussed reporting. After these discussions, the company included several of Schroders' suggestions in the next modern slavery statement and Schroders believe that there is no modern slavery in the company's supply chain.

- **BNY Mellon (Newton)** engaged with Unilever in relation to health, in collaboration with the Healthy Markets initiative. The engagement focused on the impact of an activist investor joining the company's board on the company's strategy around ESG and nutrition. The general takeaway was that the activist investor's presence would not change the strategy, and that nutrition remains a priority and has been elevated within the company's ESG and sustainability strategy.

- **Blackrock** held constructive engagements with utility company AGL Energy Ltd. (AGL), in pursuit of long-term value creation. AGL is Australia's leading integrated essential service provider. The company delivers gas, electricity, and telecommunications services to residential, small and large business, and wholesale customers across the country. AGL operates Australia's largest electricity generation portfolio, representing approximately 20% of the total generation capacity within Australia's National Electricity Market. AGL is also Australia's largest carbon emitter, largely attributable to its coal-fired power station operations. As such, AGL is included in BlackRock Investment Stewardship's (BIS) climate focus universe. BIS has had a long and constructive history of engagement with members of AGL's board and management team. During the past year, BIS continued to focus their discussions on corporate governance and sustainability issues that they believe drive long-term shareholder value, including how the company is addressing climate related risks and opportunities and the energy transition, as well as what role, if any, coal-fired operations might play in its portfolio over time.

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

Signed: **Darren Howarth** **Date:** **17 September 2023**

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