STANTEC PENSION PLAN (UK) – DEFINED CONTRIBUTION SECTION ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31ST MARCH 2023

Objective

This Statement has been prepared by the Trustees of the Stantec Pension Plan (UK) ('the Plan') in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended). It sets out how the Trustees have met the statutory defined contribution (DC) governance standards during the Plan year ended 31 March 2023 ('the Plan Year').

The Trustees continually review and assess systems, processes and controls across key governance functions to determine whether these are consistent with those set out in:

- The Pension Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits; and,
- regulatory guidance for defined contribution schemes.

Trustee Knowledge and Understanding

Actions taken by the Trustees to gain the appropriate knowledge and understanding required to effectively run the Plan with good governance are as follows:

- All Trustees have either completed the online Trustee Toolkit or are required to complete this within six months of taking up office. Trustees complete new modules or amended modules as they are added or changed. In addition, the Trustees will revisit modules to refresh their knowledge periodically as necessary.
- The Trustees meet at least quarterly and each meeting incorporates an update on key legislative developments and each quarterly meeting incorporates a DC Governance and Administration review that includes measurement of performance against agreed KPIs.
- Trustees are encouraged to identify gaps in their knowledge and an annual training day takes place (in November or December) which is specifically designed to address the training needs identified across both DC and DB Sections of the Plan.
    - The December 2017 training day focussed on Trustee Liability and Indemnity and the implications of the General Data Protection Regulations.
    - The November 2018 training day focussed on Assessing the Employer Covenant, Flexible Apportionment Arrangements and Multi-Employer Debt Regulations. This training was specifically linked to activities that were underway within the Defined Benefit (DB) Sections of the Plan at that time.
    - The November 2019 training day covered a recap of the Environmental, Social and Governance requirements under a Statement of Investment Principles; the CMA investigation and requirements for reviewing Fiduciary Management appointments; comparing pooled and bespoke LDI arrangements and also comparing Trust based DC and Group SIPP arrangements.
    - Given the issues with organising in-person training due to Covid 19, a shorter training session was arranged for December 2020 and covered a presentation on flexible LDI arrangements and ESG matters in relation to the DC Section.

  - The December 2021 training covered a review of the Plan's trustee report and accounts (including a review of the requirements to be met for the DC Chair Statement and Implementation Statements), training on GMP Equalisation, investment matters including how the flight plan for the PBA Section had been developed as well as training on Liability Driven Investments and a review of matters relevant for completing a buy-in (which was being completed for the Treatment Section of the Plan).

  - The November 2022 training covered training on actuarial valuations, the proposed Single Code of Practice, the reasons behind the significant recent increase in gilt yields and the implications for the Plan assets both for individual members in the DC Section and the DB Sections, IT security training, developments in Pension Dashboards and a review of recent and upcoming pensions regulations and legislation.

- Historically, Trustees completed self-evaluation questionnaires. The results of these questionnaires were somewhat subjective with the answers provided by each trustee being influenced by their personal interpretation of the questions. As a result, it was felt preferential for Trustees to evaluate their own training requirements by regularly comparing their knowledge against the Pension Regulator Scope Guidance and this process is working well (the link is for the DC example as this statement relates only to the DC Section but in reality the Trustees refer to the DB and DC Scope Guidance as the Plan has DB and DC Sections): https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/tku-scope-for-dc-only-2009

- The Trustees take regular investment advice from their investment consultant on matters relating to the Plan investments and the DC fund range was last fully reviewed in a report from the appointed investment consultant in November 2022. The presentation of this report included information on the difference between 'Target Dated Funds' and 'Lifestyle Funds' as well as 'Self-Select Funds' available within the Plan as well as details of the approach taken by BlackRock in relation to Environmental, Social and Governance matters.

- The Trustees maintain a training register to keep a log of all training undertaken. A minimum of 40 hours Continuous Professional Development (CPD) per Plan year must be recorded by each Trustee. Training logs are reviewed as part of each quarterly meeting and CPD is a standing agenda item at meetings. During the Plan year, each trustee undertook more than the minimum number of hours of CPD.

- From 1 February 2021, one of the Trustees is Align Pensions Limited, a professional pension trustee company, with broad experience of different types of pension schemes. For the Plan, Align Pensions Limited are represented by Darren Howarth. In June 2019 and June 2020, Darren passed the PMI Level 3 Award in Pension Trusteeship (Defined Contribution and Defined Benefit Schemes) Unit 1 and Unit 2 exam respectively. As a result, Darren received confirmation of being a fully accredited professional independent trustee under the Association of Professional Pension Trustees (APPT) accreditation process. On being appointed as the Plan's independent trustee, Darren quickly attained the necessary Plan specific knowledge through a thorough handover process with the previous independent professional trustee on the Plan. Darren completed the necessary CPD requirements during the period covered by this statement in order to maintain his accredited professional independent trustee status. The training undertaken included training on professional skills, developments in the gilt market during 2022 and 2023, developments in stewardship (including details required within Implementation Statements and the Statement of Investment Principles, consideration of ways to optimise the communications issued to DC members, training on the DC member journey, cyber security training, equality, diversity and inclusion training and training on Pensions Dashboards.

- The Trustees are conversant with the Trust Deed and Rules and the powers granted to them and have sufficient knowledge of the law relating to pensions and trusts. This knowledge has been required in a variety of recent situations, including:

  - The merger of the Peter Brett Associates Retirement Benefits Scheme into the Plan in January 2021 and, thereafter, the integration of the created PBA Section of the Plan.
  - The admission of Barton Willmore Holdings Limited as a participating employer of the Plan with effect from 1 January 2023. All Barton Willmore Holdings Limited employees have been offered membership of the DC Section from that date.
- The Trustees are conversant with the current Statement of Investment Principles for the Plan.
- The Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator.

Taking account of the above factors, the Trustees believe that their combined knowledge and understanding, together with available advice, enables them to properly exercise the required functions and have therefore met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) during the Plan Year.

Administration Standards and Processing Core Financial Transactions

- With effect from 1st September 2018, the pension contract utilised for the Defined Contribution section ('DC Section') of the Plan changed and Aegon (formerly BlackRock) were appointed as administrators of the DC Section.
- The Trustees have appropriate service agreements in place with their advisers and administrators and are aware of their key contacts and processes for escalating any issues.
- As an example of an issue that required review, escalation and corrective action; it came to light shortly after the transfer of DC Section administration to Aegon that a pricing error had occurred in a number of Aegon funds which had resulted in an incorrect number of units being purchased for members. Overall, 8 'Self-Select' funds, plus a number of variants of the LifePath funds were affected with accounts for 2318 members requiring some form of corrective action. The Trustees requested and received a detailed report from Aegon that covered:
  - the background to the error
  - the action already taken, and the action proposed to be taken to rectify the errors
  - the funds affected by the error
  - the members affected by the error
  - the financial quantum of the error

  During the early part of the Plan year ending 31 March 2022, the Trustees received a copy of the audit report from Aegon relating to the errors and corrective action taken as well as confirmation that all corrective work in respect of this error had now been completed. No further issues on this matter have arisen during the Plan years ending 31 March 2022 and 31 March 2023.
- Service agreements set out the scope of work covered by professional appointments. Aegon are required to work to agreed standards (or where not agreed, typical industry standards) providing timely turnaround times for both non-financial and financial matters, in particular:
  - Service Level Agreements (SLAs) are in place which cover all core administration processes.
  - The SLAs are monitored quarterly with summaries of detailed reports presented and discussed at Trustees meetings. The format of the detailed administration report displays the SLAs and records where the SLAs have been met or where further action is required to ensure that the SLAs are met.

- The actual performance against SLAs achieved by Aegon over each quarter during the Plan year ending 31 March 2023 is as follows:

1 April 2022 to 30 June 2022	73%
1 July 2022 to 30 September 2022	82%
1 October 2022 to 31 December 2022	92%
1 January 2023 to 31 March 2023	96%

- The Plan has a target of achieving at least 95% of core administration processes meeting agreed SLAs. The Trustees noted that performance against the agreed SLAs was below target in the latter part of 2021 and, at that time and over the following months, the Trustees requested details from Aegon of steps they were taking to improve the service levels and the following information provided by Aegon during that period was noted by the Trustees:
  - Investing significantly in people through increasing salaries, incentives and creating more job flexibility with a work/life return to office at 40% with attrition returning to expected levels during Q1 2022.
  - Creating capacity within teams to add resilience in the resource models with a 15% increase in headcount (23 additional vacancies) as well as hiring an additional five roles to allow for any future attrition.
  - In Q1 2022, onboarded 24 new recruits with 14 due to join and six open vacancies across customer contact and administration.
  - A single contact centre is allowing flexibility to target resource as needed.
  - Accredited agent support from TargetPlan administration teams ensuring a balance between customer calls and financially critical work to minimise detriment.
  - 70% of calls received are low complexity so there is a team supporting these calls arranging for a hand-off or call-back for the more complex enquiries to support members.
  - Focus on reducing outstanding work position and stabilising service levels whilst moving forwards with developments.
  - Service recovery continues as Aegon onboard and accredit new colleagues. Outstanding work position is improving to support the number of customer days. However, this will have a detrimental impact initially on overall service level results for Q2 2022 as Aegon clear down further all breached items.
  - Customer journey mapping for bereavements with suggestions/ initiatives in place to enhance the experience and introduce bereavement case handlers later in 2022.
  - Managed Transfer Team to support the end-to-end journey when transferring assets into an Account which will be up and running in June 2022.
  - As with many customer contact teams across all industries Aegon have seen significant turnover of staff over the course of the pandemic and, combined with a very competitive job market, this has impacted Aegon's customer contact roles the hardest with approximately 30% loss across the team.
  - Aegon have focused on an intensive recruitment drive attending local job fairs, targeting broader candidate markets, offering part time roles and increased incentives for introducing friends and family. Although Aegon have made some strong progress in filling majority of vacancies, the service is still not where Aegon want it to be. Aegon now have the majority of these roles filled and Aegon have the successful candidates going through onboarding now with the remaining positions being interviewed for.

  The Trustees met again with Aegon in November 2022 to understand further how the improvement steps Aegon had identified were progressing. Aegon confirmed that service levels had improved over the course of 2022 and the actions identified above and taken had assisted considerably with the improvement in service levels.

The Trustees continue to closely monitor the service levels being provided by Aegon and are due to next meet with Aegon at the Trustees meeting scheduled for November 2023.

- The Trustees consider all areas of risk and specifically risks of significant impact such as fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding, corporate activity relevant to the Plan (including employer covenant) and options at retirement. Historically, the consideration of these risks was undertaken at the annual risk committee meeting during which the comprehensive business plan is reviewed and updated as required. The output of these meetings was the production of a list of 'key risks' (these are risks where it is felt that action could be taken to manage, mitigate or monitor the risks, they are not necessarily the most significant areas of risk as some areas of risk cannot be managed or mitigated). These 'key risks' were then incorporated into the annual plan for trustee meetings. The latest review of the comprehensive business plan took place in May 2021 and was discussed at the Trustees meeting on 2 June 2021.

  At the time, the next review was scheduled to take place once the Pensions Regulator's 'Single Code of Practice' had been finalised and published. Since that time, it has been confirmed that the code of practice (when finalised) will be known as the 'General Code'.

  There have significant delays in the publication of the Pensions Regulator's General Code and the final details are still awaited. During this period, the Trustees decided to develop a shorter form and more user-friendly risk register which focuses on the 20 most significant Plan specific risks. The risk register has been developed by a sub-committee of the Trustees comprising the Chair of Trustees and another trustee who has significant experience in risk management. The risk register is reviewed and updated by the sub-committee on a quarterly basis and is then presented at the next quarterly Trustees meeting. The Trustees consider that the development of this risk register has been a valuable development for continuously managing risks associated with the Plan.

- The Trustees have reviewed their data management procedures and those of their service providers and have a post 25 May 2018 data protection policy in place. During 2021 and 2022, a review of the data management procedures and policies was carried out and brought up to date to reflect, for example, changes in service providers to the Plan and to incorporate the PBA Section of the Plan.

- The Trustees ensure that Plan administrators work closely with the employer relating to joiners and leavers to avoid delays in providing relevant information.

- Internal control measures are in place that ensure contributions are checked, reconciled and that they are paid in accordance with the contribution schedules in place. Shortly after the Plan year end (on 11 May 2023), an updated DC contribution schedule was put into place in order to document all current categories of membership of the DC Section, including the most recent addition of the Barton Willmore Holdings Limited employees.

- Financial transactions are subject to annual audit requirements as part of the production and audit of the Trustees' Annual Report and Accounts.

In accordance with regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees have reviewed their core financial transactions to ensure that they continue to be processed promptly and accurately.

Return on Investments

The following table includes information on the return on investments (net of charges and transaction costs) for each of the funds in which members were invested during the Plan Year.

Fund Name	1 Year (%)	1 Year Benchmark (%)	3 Year (%)	3 Year Benchmark (%)	5 Year (%)	5 Year Benchmark (%)
LifePath Retirement (1)	-5.80	-7.10	13.73	13.33	7.17	6.55
Stantec Defensive Portfolio (3)	-8.29	-7.94	0.28	0.46	N/A	N/A
Stantec Balanced Portfolio (3)	-3.53	-3.40	8.42	8.58	N/A	N/A
Stantec Opportunity Portfolio (3)	-0.92	-0.20	13.61	14.11	N/A	N/A
Aegon BlackRock Cash Fund	1.98	2.22	0.61	0.72	0.59	0.64
Aegon BlackRock Corporate Bond All Stocks Index	-10.57	-10.20	-3.30	-3.07	-0.94	-0.86
Aegon BlackRock over 15 year Gilt Index	-30.12	-29.72	-16.91	-16.37	-6.49	-6.36
Aegon BlackRock Property Fund	-16.05	-14.47	1.65	2.57	1.42	2.48
Aegon BlackRock UK Equity Index	2.12	2.92	13.22	13.81	4.50	5.04
LGIM Ethical UK Equity Index	3.34	3.64	12.98	13.38	5.03	5.43
Aegon World (ex UK) Equity Index	-1.49	-1.06	16.30	16.62	10.84	11.01
HSBC Islamic Global Equity Index	-3.32	-2.86	16.39	17.09	N/A	N/A
Aegon BlackRock European Index	7.69	8.27	15.38	15.76	7.68	7.94
Aegon BlackRock US Equity Index	-3.18	-2.36	17.79	18.46	13.31	13.84
Aegon BlackRock Japanese Equity Index	1.75	1.95	7.79	7.82	3.84	3.89
Aegon BlackRock Pacific Rim Equity Index	-4.22	-4.05	13.57	13.83	4.60	4.94

Notes

(1) The 2046-48 cohort has been selected as representative of the return on investments achieved by the LifePath funds.
(2) All return on investments information provided is based on the periods to 31 March 2023.
(3) For the Stantec Defensive, Balanced and Opportunity funds, only 1 year and 3 year returns information has been made available to the Trustees.

Member Borne Charges and Transaction Costs

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended), the Trustees are required to calculate the charges and transaction costs paid by members and assess the extent to which these charges paid by members represent good value for money.

Based on their assessment, the Trustees agreed a new defined contribution contract with Aegon in September 2018. Lower annual management fees have been secured with the new contract for all Aegon's funds (with the exception of the Property Fund).

All contributions made by the member and the Employer are invested with no deductions made other than investment manager fees.

Explicit charges paid by members are the fund annual management charges, these are clearly identifiable and range from 0.21% to 0.91% depending on the fund(s) selected. The higher management charges relate to specialist and/or actively managed funds.

Members are not charged additional fees on entry or exit from any of the investment funds available to them.

All investment funds have "transaction costs" which are not charged directly to the investor (member). These charges are taken from the fund and reflected in the performance of the fund and the overall return received.

The investment providers' annual management charges and additional charges (resulting in the Total Expense Ratio) are assessed every three years as part of the DC review and considered against other providers in the market. A full list of these charges for this period is included in Appendix A.

The Plan's Statement of Investment Principles (prepared in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004, as well as the Investment Regulations in 2005, 2018 and 2019), provides further details of the approach taken in respect of investment funds for the DC Section.

A copy of this statement (as it applies to the DC Section) is contained as Appendix B.

Appendix C provides an illustrative example of the cumulative effects over time of charges and costs borne by members. Three separate periods of accumulation have been considered for the illustrations covering a 30-year period, a 20-year period and a 10-year period.

Appendix D contains a list of the transaction costs for the Plan's underlying investment funds.

Default arrangement

Full details of the default arrangement are set out in the Plan's Statement of Investment Principles in Appendix B. This information is also available via the online member portal.

The default strategy (Blackrock Lifepath Flexi) has an annual management charge of 0.29% which is significantly lower than the maximum charge of 0.75% per annum that is permitted under regulations.

The Trustees monitor the performance of the default option at various stages in the 'target date' cycle on an annual basis and review against its benchmark and general market performance. The Trustees raise and discuss any concerns they have and whether action should be taken.

A full review of the default option has taken place during the Plan year as part of the November 2022 DC Investment Review advice report. The review considered the default arrangement as well as the overall underlying investment fund range and fund usage. The review was undertaken by the Trustees' appointed investment adviser, who as an FCA authorised adviser with extensive experience of advising on occupational pension scheme investments, was deemed by the Trustees as having the required knowledge and skills to provide such advice. The outcome of the review did not lead to any change in the default arrangement or the range of funds being offered as the strategy and returns achieved have been consistent with the aims and objectives stated in the Plan's Statement of Investment Principles. Further details on net investment returns achieved have been noted in the 'Return on investments' section above.

The transaction costs associated with the default fund are contained in Appendix D.

Value for Money Assessment

In considering an assessment of the Plan's value for money (VFM), the Trustees have considered the following criteria:

- Fair Charges for Services
- Valuable Investment Solutions
- Retirement Options
- Communication and Engagement
- Security of Member Information and Assets

Appendix E provides details of VFM outcomes when measured against the above criteria.

Based on this assessment, the Trustees consider that the DC Section of the Plan provides members with value for money for the charges and cost that they incur.

Communicating with Members

- The Trustees endeavour to provide Plan communications that are accurate, clear, understandable and engaging.
- The Trustees, with their advisers, carefully consider all member communications and review common communications periodically (such as retirement quotation packs and benefit statements). The Trustees work closely with the Plan advisers to try to ensure member interests are understood and represented in all decision making.
- Members are regularly informed about the importance of reviewing their investment choices.
- Extensive retirement packages are sent to members which cover all disclosure requirements, including clear details of the retirement choices available to them, how they work and details of the Government's Pension Wise service.
- In addition to annual benefit statements, newsletters are sent to all members providing details of current issues and items of interest. The newsletters are provided at least once a year.
- Ad hoc announcements are also sent periodically as the Trustees deem necessary.
- The Trustees provide an interactive website facility to help members plan for retirement.

- The Trustees have issued a privacy notice covering General Data Protection Regulation requirements to all members.
- An announcement was issued to members regarding the defined contribution contract with Aegon (when established).

Signed: DARREN HOWARTH Date: 15 SEPTEMBER 2023

Chair of Trustees for the Stantec Pension Plan (UK)

Appendix A

Fund Total Expense Ratios 2022-23

Fund	**TER %**
LifePath Retirement	0.29
LifePath Capital	0.29
LifePath Flexi	0.29
Stantec Defensive Portfolio	0.23
Stantec Balanced Portfolio	0.23
Stantec Opportunity Portfolio	0.26
Aegon BlackRock Cash Fund	0.23
Aegon BlackRock Corporate Bond All Stocks Index	0.22
Aegon BlackRock > 15yr UK Gilt	0.21
Aegon BlackRock Property Fund	0.91
Aegon BlackRock UK Equity Index	0.20
LGIM Ethical UK Equity Index	0.41
Aegon World (ex UK) Equity Index	0.21
HSBC Islamic Global Equity Index	0.50
Aegon BlackRock European Index	0.21
Aegon BlackRock US Equity Index	0.21
Aegon BlackRock Japanese Equity Index	0.21
Aegon BlackRock Pacific Rim Equity Index	0.21

Appendix B

Extract from the Statement of Investment Principles of the Stantec Pension Plan (UK)

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:

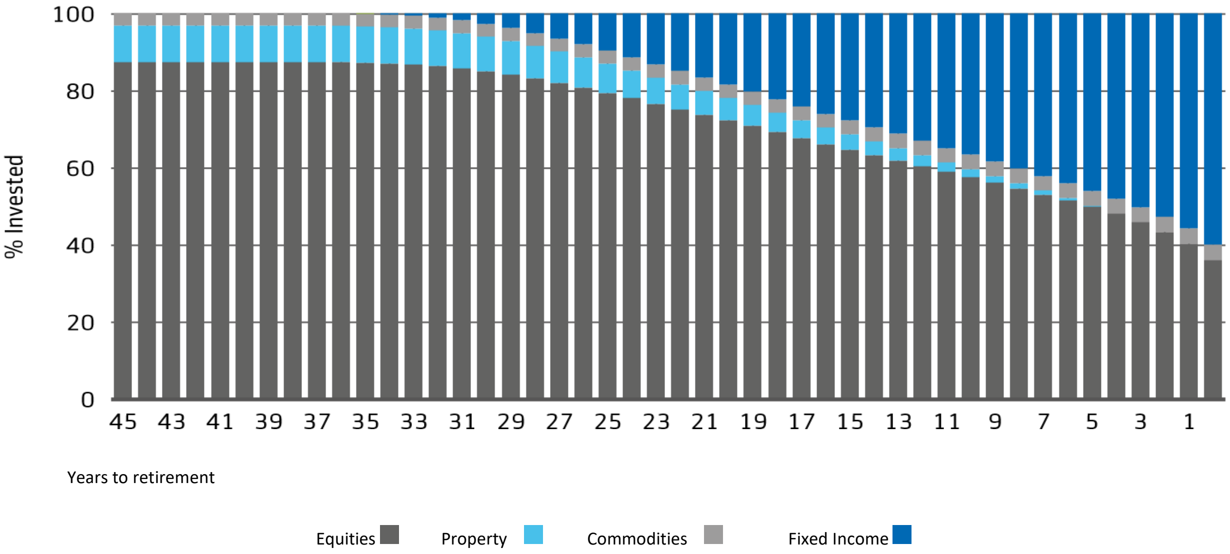
- Provide an element of protection against the effects of inflation by investing in growth assets where it is reasonable to do so based on the available investment time horizon as determined by the member's expected retirement age.
- Produce an 'at retirement' asset allocation that is suitable for the 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	• 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 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.

Appendix C

Illustration of Annual Management Charges and Fund Values

The following illustration projects the cumulative value of a pension contribution of £75 paid each month into a pension fund for the entire period under consideration.

These contributions are assumed to increase each year with a notional salary increase of 2.5% per annum.

Annual Management Charges (AMCs) are paid out to the investment fund manager for services involved with the management of the fund and the costs associated with running the fund. The level of these charges affects the final fund value.

Three different annual management charges have been used to provide a broad spectrum of projections demonstrating how a higher annual management charge may results in a lower final fund value at the end of the period.

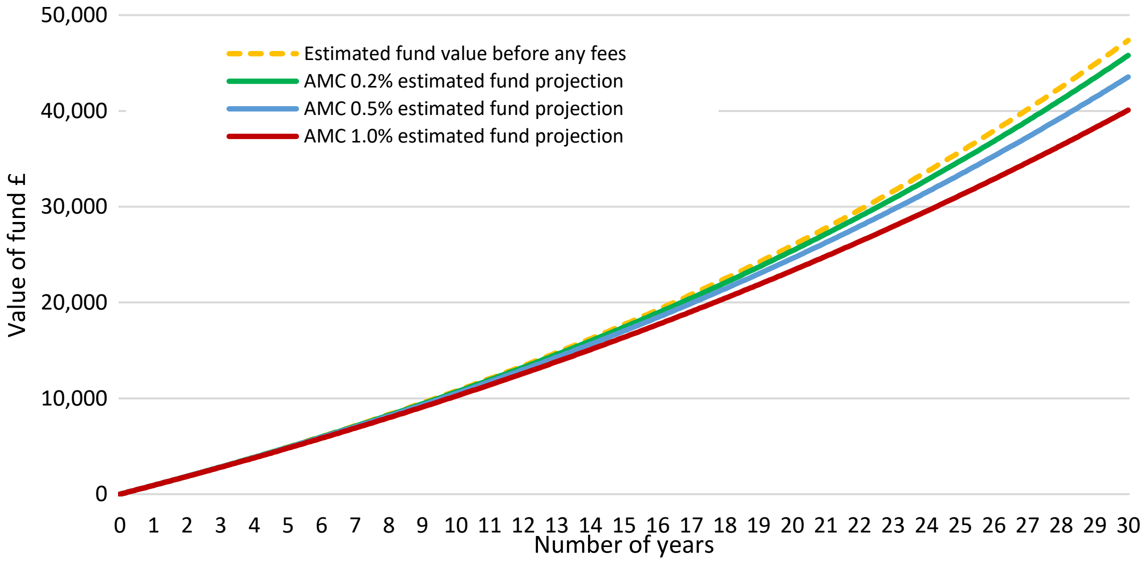
A gross investment return of 6% per annum has been assumed over all illustration periods and the annual management charges applicable for each example are deducted from this.

The illustrations have been reduced to reflect the effects of anticipated inflation over the period of projection, assumed to be 2.5% per annum.

The value of the fund based on each different Annual Management Charge is shown at three separate periods 10 years, 20 years and 30 years.

It should be noted that these are only illustrations and actual fund values will depend on actual investment returns achieved on investments, the time under investment and the amounts invested.

Illustration of the effect of Annual Management Charges (AMC) on projected fund values

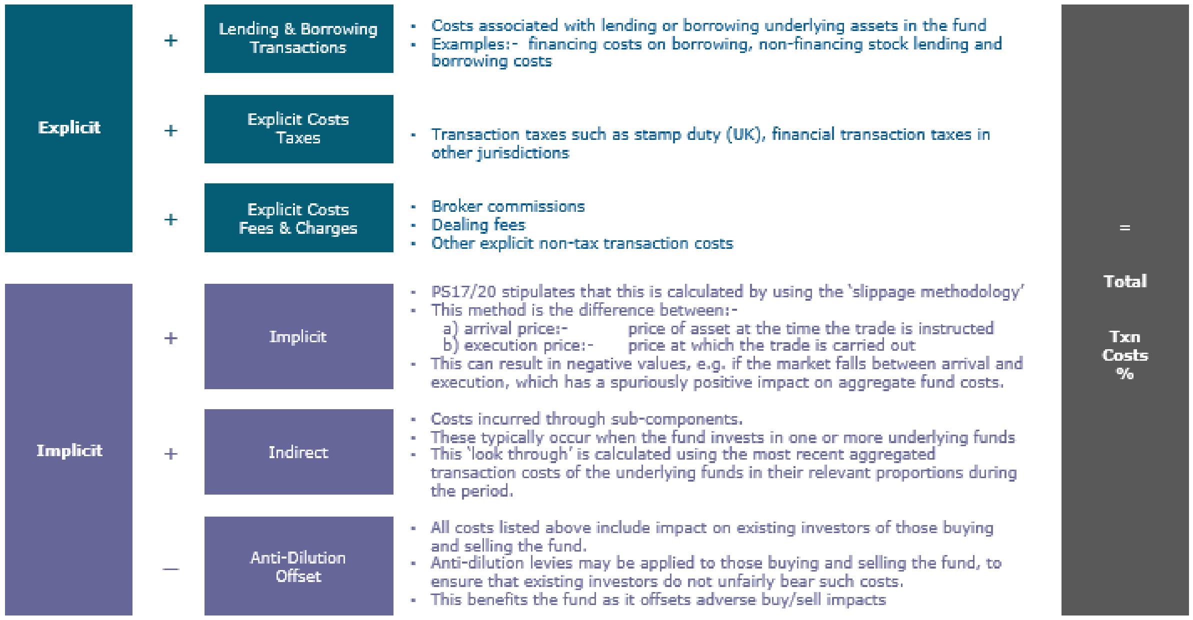


	No Charges	0.2% Charge per annum	0.5% Charge per annum	1.0% Charge per annum
Value at 10 years	10,764	10,655	10,493	10,230
Value at 20 years	25,948	25,396	24,595	23,324
Value at 30 years	47,366	45,793	43,546	40,087

Appendix D

Transaction Costs

Component parts of transaction costs



- Costs associated with lending or borrowing underlying assets in the fund
- Examples:- financing costs on borrowing, non-financing stock lending and borrowing costs

- Transaction taxes such as stamp duty (UK), financial transaction taxes in other jurisdictions

- Broker commissions
- Dealing fees
- Other explicit non-tax transaction costs

- PS17/20 stipulates that this is calculated by using the 'slippage methodology'
- This method is the difference between:-
  - a) arrival price:- price of asset at the time the trade is instructed
  - b) execution price:- price at which the trade is carried out
- This can result in negative values, e.g. if the market falls between arrival and execution, which has a spuriously positive impact on aggregate fund costs.

- Costs incurred through sub-components.
- These typically occur when the fund invests in one or more underlying funds
- This 'look through' is calculated using the most recent aggregated transaction costs of the underlying funds in their relevant proportions during the period.

- All costs listed above include impact on existing investors of those buying and selling the fund.
- Anti-dilution levies may be applied to those buying and selling the fund, to ensure that existing investors do not unfairly bear such costs.
- This benefits the fund as it offsets adverse buy/sell impacts

Scheme Name	**Stantec Pension Plan (UK)**
Portfolio Ticker	DCSTANTEC

Fund	total transaction costs expressed as Basis Points (BPS) – i.e. 10 BPS would equate to an extra 0.10% per annum charge	Transaction Costs For Lending And Borrowing Transactions	Explicit costs - taxes	explicit costs - fees and charges	implicit costs	indirect costs	anti-dilution offset
Aegon BlackRock World (ex-UK) Equity Index (BLK)	0.53	0.69	0.34	0.24	2.68	0.01	3.43
Aegon BlackRock LifePath Retirement 2028-2030 (BLK)	7.61	1.06	0.00	0.00	0.00	6.58	0.02
Aegon BlackRock LifePath Retirement 2037-2039 (BLK)	5.18	1.08	0.00	0.00	0.51	5.26	1.67
Aegon BlackRock LifePath Retirement 2031-2033 (BLK)	3.81	0.71	0.00	0.00	0.00	3.11	0.01
Aegon BlackRock UK Equity Index (BLK)	1.97	0.97	0.36	2.77	3.52	0.07	5.72
Aegon BlackRock LifePath Retirement 2034-2036 (BLK)	5.84	1.16	0.00	0.00	0.57	5.31	1.20
Aegon BlackRock LifePath Retirement 2022-2024 (BLK)	9.06	0.37	0.00	0.00	0.00	8.79	0.10
Aegon BlackRock LifePath Retirement 2040-2042 (BLK)	5.43	1.02	0.00	0.00	0.74	5.14	1.46
Aegon BlackRock LifePath Retirement 2025-2027 (BLK)	8.24	0.85	0.00	0.00	0.00	7.44	0.05
Aegon BlackRock LifePath Retirement 2043-2045 (BLK)	4.48	0.95	0.00	0.00	0.50	5.05	2.03
Aegon BlackRock LifePath Retirement 2046-2048 (BLK)	4.84	0.90	0.00	0.00	0.67	4.92	1.66
Aegon BlackRock US Equity Index (BLK)	1.95	0.35	0.28	0.00	2.16	0.01	0.85
Aegon BlackRock LifePath Flexi 2070-2072 (BLK)	6.03	0.86	0.00	0.00	0.00	5.23	0.06
Aegon BlackRock Cash (BLK)	1.32	0.00	0.00	0.00	1.32	0.00	0.00
Aegon BlackRock Pacific Rim Equity Index (BLK)	3.00	3.35	-0.50	0.00	0.00	0.14	4.02
Aegon LGIM Ethical UK Equity Index (BLK)	11.42	4.09	4.75	0.85	1.96	0.05	0.28
Aegon BlackRock LifePath Retirement 2049-2051 (BLK)	3.53	0.88	0.00	0.00	0.28	4.95	2.57

Aegon BlackRock European Equity Index (BLK)	1.37	2.02	0.41	0.29	-0.03	0.00	1.32
Aegon BlackRock Over 15 Year Gilt Index (BLK)	1.21	0.40	0.00	0.00	0.82	0.00	0.01
Aegon BlackRock LifePath Retirement 2052-2054 (BLK)	4.40	0.86	0.00	0.00	0.70	4.84	1.99
Aegon Property (BLK)	10.07	0.64	4.43	11.57	1.17	-0.76	6.98
Aegon BlackRock LifePath Retirement 2055-2057 (BLK)	2.77	0.86	0.00	0.00	0.00	1.95	0.04
Aegon BlackRock Corp Bond All-Stocks Index (BLK)	6.40	0.60	0.00	0.00	5.92	0.01	0.15
Aegon BlackRock Japanese Equity Index (BLK)	0.00	0.47	0.29	0.00	-0.04	0.00	1.70
Aegon BlackRock LifePath Flexi 2037-2039 (BLK)	5.18	1.08	0.00	0.00	0.51	5.26	1.67
Aegon BlackRock LifePath Flexi 2022-2024 (BLK)	5.67	1.48	0.01	0.00	0.97	4.89	1.69
Aegon BlackRock LifePath Capital 2043-2045 (BLK)	4.48	0.95	0.00	0.00	0.50	5.05	2.03
Aegon HSBC Islamic Global Equity Index (BLK)	-6.50	0.00	0.68	0.56	-7.74	0.00	0.00
Aegon BlackRock LifePath Flexi 2028-2030 (BLK)	6.53	1.29	0.01	0.00	0.83	5.45	1.05
Aegon BlackRock LifePath Retirement 2058-2060 (BLK)	6.04	0.86	0.00	0.00	0.00	5.21	0.02
Aegon BlackRock LifePath Flexi 2034-2036 (BLK)	5.84	1.16	0.00	0.00	0.57	5.31	1.20
Aegon BlackRock LifePath Flexi 2040-2042 (BLK)	5.43	1.02	0.00	0.00	0.74	5.14	1.46
Aegon BlackRock LifePath Flexi 2031-2033 (BLK)	5.98	1.22	0.00	0.00	0.63	5.51	1.38
Aegon BlackRock LifePath Flexi 2025-2027 (BLK)	6.14	1.37	0.00	0.00	1.04	5.06	1.33
Aegon BlackRock LifePath Retirement 2061-2063 (BLK)	6.03	0.85	0.00	0.00	0.00	5.22	0.04
Aegon BlackRock LifePath Flexi 2049-2051 (BLK)	3.53	0.88	0.00	0.00	0.28	4.95	2.57
Aegon BlackRock LifePath Flexi 2058-2060 (BLK)	6.04	0.86	0.00	0.00	0.00	5.21	0.02
Aegon BlackRock LifePath Flexi 2052-2054 (BLK)	4.40	0.86	0.00	0.00	0.70	4.84	1.99
Aegon BlackRock LifePath Flexi 2046-2048 (BLK)	4.84	0.90	0.00	0.00	0.67	4.92	1.66
Aegon BlackRock LifePath Flexi 2055-2057 (BLK)	2.77	0.86	0.00	0.00	0.00	1.95	0.04
Aegon BlackRock LifePath Retirement 2064-2066 (BLK)	6.02	0.86	0.00	0.00	0.00	5.21	0.05
Aegon BlackRock LifePath Flexi 2043-2045 (BLK)	4.48	0.95	0.00	0.00	0.50	5.05	2.03
Aegon BlackRock LifePath Flexi 2061-2063 (BLK)	6.03	0.85	0.00	0.00	0.00	5.22	0.04
Aegon BlackRock LifePath Capital 2052-2054 (BLK)	4.40	0.86	0.00	0.00	0.70	4.84	1.99
Aegon BlackRock LifePath Capital 2046-2048 (BLK)	4.84	0.90	0.00	0.00	0.67	4.92	1.66
Aegon BlackRock LifePath Capital 2031-2033 (BLK)	3.72	0.71	0.00	0.00	0.00	3.02	0.01
Aegon BlackRock LifePath Capital 2025-2027 (BLK)	4.24	0.85	0.00	0.00	0.00	3.41	0.02
Aegon BlackRock LifePath Flexi 2064-2066 (BLK)	6.02	0.86	0.00	0.00	0.00	5.21	0.05
Aegon BlackRock LifePath Flexi 2067-2069 (BLK)	6.01	0.86	0.00	0.00	0.00	5.22	0.07
Stantec Opportunity Portfolio	1.00	0.85	0.28	1.20	2.48	0.97	4.78
Stantec Balanced Portfolio	2.48	1.55	0.25	1.04	3.04	-0.17	3.24
Stantec Defensive Portfolio	4.09	2.56	0.13	0.96	2.99	-0.44	2.11

Appendix E

Value for Money Assessment

VFM criteria	RAG outcome	Notes to support RAG outcome
Fair Charges for Services	🟢	**The only costs and charges incurred by members are the AMC (shown in Appendix A) and the transaction costs reflected in the performance of the underlying investments (shown in Appendix D).** **With the exception of the Property Fund (where the total charge inclusive of transaction costs equates to 1.0107%); the total costs for each available fund is below the 0.75% maximum annual default fund charge imposed by legislation. Almost all funds have total costs below 0.5%, including the default fund strategy where the highest total charge equates to 0.3806% annual charge for the LifePath Retirement 2022-2024 (AMC of 0.29% plus 0.0906% transaction costs). The lowest charged default fund strategy during the assessment period was the LifePath Retirement 2055–2057 and LifePath Flexi 2055-2057 which both had a total charge of 0.3177% (0.29% AMC plus 0.0277% transaction costs).** **All other costs associated with the running and operation of the Plan are met by the sponsoring employer. These include, but are not limited to:** • **the costs for the provision of professional trustee services** • **the costs associated with the operation of an employee benefit portal that incorporates certain pension aspects** • **The provision of ad-hoc communications, such as communications on GDPR** • **The provision of educational support (video content, webcasts etc) via the member portal and directly from Broadstone Financial Solutions** **It should also be noted that an online member portal is also made available to deferred members who have left the employment of the sponsoring employer.** **Finally, the Plan also offers a salary exchange facility for the payment of member contributions (which then become additional employer payments) which results in a reduction in the net cost of contributions for employees.**
Valuable Investment Solutions	🟢	**The range of investment solutions includes:** • **A default 'target date' strategy that automatically alter the underlying asset allocation during the investment duration so as to target a specific asset allocation at the member's anticipated retirement that is in line with the expected decumulation requirement of the typical default investor (drawdown/flexible access)** • **Two other 'target date' strategies that can be selected should the investor wish to target annuity purchase or full encashment at retirement (as opposed to drawdown/flexible access)** • **Three 'risk graded' portfolios that aim to offer an alternative to the default fund where members would prefer to invest in a way that is more closely aligned to their specific risk appetite but do not want to select their own individual funds** • **A range of 12 other self-select investment options covering a wide variety of asset classes and geographical regions. This range of funds also includes ethical, Sharia compliant and property fund options.**
Retirement Options	🟢	**Members have a wide variety of options, including:** • **Annuity purchase (via advised or non-advised Open Market Options)** • **Drawdown (via an 'internal' transfer to an Aegon MasterTrust arrangement or to an alternative arrangement of the member's choice)** • **Uncrystallised Pension Funds Lump Sum (UFPLS), also known as 'full encashment'** • **Partial transfers or partial crystallisation – should a member wish to take any of the above options utilising just part of their fund and leaving the remainder invested (except UFPLS, which would require full encashment unless a partial transfer occurred before UFPLS taken)**
Communication and Engagement	🟢	**As part of the due diligence in selecting the new Aegon arrangement, the Trustees discussed the various communications and engagement facilities available from Aegon, including:** • **Annual statements and other statutory communications** • **'Wake-up' communications that commence 15 years from anticipated retirement** • **Access to an online facility that provides, amongst other things:** ○ **Fund projections based on current assets and future contributions** ○ **'what-if' projection tools** ○ **Shortfall calculations** ○ **Information and education on retirement options**

		In addition to this, members receive Trustee Newsletters on an ad-hoc basis (at least once a year) and also have a dedicated e-mail helpline where they can contact experienced Plan administrators who can provide information and support.
Security of Member Information and Assets	🟡	**As part of the due diligence undertaken in 2018 as part of the selection process, the Trustees gained comfort with Aegon’s security processes and procedures; including information security, combatting cyber-crime and protecting members and Trustees against financial crime (such as money laundering).** **As the techniques used by fraudsters are constantly developing, the Trustees do not feel that this area is ever likely to be deemed ‘Green’ as there will be a constant need for Aegon to stay ‘one step ahead’ of potential fraudsters. The Trustees will maintain this focus in future years and are due to next meet with Aegon in November 2023.**