

# Stantec Pension Plan (UK) – UK Defined Benefit Section

## **Statement of Investment Principles**

December 2024

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## 1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the UK Defined Benefit Section (“the Section”) of the Stantec Pension Plan (UK) (“the Scheme”).

The Scheme is a hybrid arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Section is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees’ Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Section members on request to the Trustees or online.

## 2 Investment Decision Making

The investment of the Section’s assets is the responsibility of the Trustees. The Trustees’ investment powers are set out in Clause 7.12 of the Scheme’s Definitive Trust Deed and Rules dated 18 December 2008, as amended. The powers granted to the Trustees under this Clause are wide and this Statement is consistent with those powers.

The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Sponsoring Employer, Stantec UK Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Section’s investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

### 3 Investment Objectives

In determining their investment objectives and strategy, the Trustees have considered the strength of the Sponsoring Employer's willingness and ability to support the Section. They have determined that it is reasonable to take a long-term view in determining their investment objectives and strategy.

The Trustees have agreed that the funding position measured under an estimated buyout funding basis is the assessment of Section funding that is of most importance to the Trustees, the Sponsoring Employer and members, as it determines the Section's ultimate funding requirements and members' long-term benefit security.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Section's benefits as they fall due.
- To invest the Section's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Section's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Section's total buyout liabilities.

The Trustees will also have regard to the Sponsoring Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

## 4 Setting the Investment Strategy

The Trustees have appointed Insight Investment Management (Insight) (“the Investment Manager”) to undertake the day-to-day investment management of the Section’s assets backing defined benefits.

The Trustees’ policies in setting the investment strategy are set out below:

Policy	
<b>Selection of Investments</b>	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may also:</p> <ul style="list-style-type: none"> <li>• Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Section’s investments.</li> <li>• Hold insurance policies such as deferred or immediate annuities which provide income to the Section, matching part or all of the future liabilities due from it.</li> <li>• Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Section.</li> </ul>
<b>Target Asset Allocation</b>	<p>The Trustees will set a Target Asset Allocation, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees’ view of the Sponsoring Employer’s covenant, the nature of the Section’s liabilities or relevant regulations governing pension scheme investment.</p> <p>The Trustees have agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Section’s liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustees’ risk appetite changes and the Section matures.</p>
<b>Delegation to Investment Managers</b>	<p>The Trustees will delegate the day-to-day management of the Section’s assets to professional investment managers and will not be involved in the buying or selling of investments.</p>
<b>Maintaining the Asset Allocation and Target Hedging Ratios</b>	<p>The Trustees have responsibility for maintaining the overall balance of the asset allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds on a periodic basis.</p>
<b>Employer Related Investments</b>	<p>The Trustees’ policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.</p>

The Trustees have decided to invest in pooled funds because:

- pooled funds allow the Section to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

Details of the investment strategy are set out in the Appendix to this Statement.

## 5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, Broadstone, as necessary, to meet the Section's cashflow requirements.

New money will be invested (or disinvestments required for cash flow purposes) to maintain the asset allocation and hedging levels, as far as possible.

## 6 Expected Returns

The Trustees' overall return target is for the Section's assets to produce a return in excess of the growth in the value of its liabilities calculated under the estimated buyout basis.

The Trustees expect the assets to produce a return in excess of the growth in the value of the total estimated buyout liabilities over the medium to longer term.

Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected Returns
<b>Corporate bonds</b>	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
<b>Government bonds</b>	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.
<b>Cash</b>	In line with the return on comparable money market funds and the prevailing rates of short-term interest rates.

## 7 Risks

The Trustees have considered various risks the Section faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the current asset allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Sponsoring Employer's covenant.

The current asset allocation has been determined with due regard to the characteristics of the Section's total estimated buyout liabilities.

The calculation of the Section's total estimated buyout liabilities uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the liabilities are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Section's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Section's total liabilities.

To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Section's strategy to be well diversified.

The Trustees will monitor the investment, covenant and funding risks faced by the Section with the assistance of their investment advisers and the Section Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

## 8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Section's assets held with the Investment Manager is performed by custodians appointed by them.

The Trustees have considered the security of the Section's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

## 9 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

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. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, either financial or non-financial.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
<b>Financially Material Considerations</b>	<p>The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Section invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Section's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information on request from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>With regard to the specific risk to the performance of the Section's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Section's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Section's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.</p>
<b>Non-Financially Material Considerations</b>	<p>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 expects 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 reduction in the efficiency of the investment.</p>
<b>Engagement and Voting Rights</b>	<p>The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The Trustees will aim to monitor the actions taken by the Investment Manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager.</p>



## Policy

<b>Capital Structure of Underlying Companies</b>	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.
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The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive Managed	ESG Views
<b>Corporate bonds</b>	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Government bonds</b>	Passive	The underlying assets of the government bond funds consist of UK government bonds. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
<b>Cash</b>	Active	The underlying assets of the cash fund consist of primarily short-term money market instruments, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees will review the stewardship policies/review whether their stewardship policies are aligned with any new investment managers appointed, as well as assessing the stewardship and engagement activity of the current Investment Manager on an ongoing basis.

## 10 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and a conflicts register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

## 11 Duration of Investment Arrangements

The Trustees are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

## 12 Incentivisation of Investment Manager

The Investment Manager is remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager is selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, nor engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Section.

## 13 Portfolio Turnover Costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

## 14 Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Section's investment strategy and Investment Manager.

The Trustees receive quarterly reports from the Investment Manager and meet with its representatives periodically to review their investment performance and processes. The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

The Trustees will consider on a regular basis whether or not the Investment Manager remains appropriate to continue to manage the Section's investments.

## 15 Review of Statement

The Trustees will review this Statement if there is a significant change in the Section's investment strategy or a significant change in the regulations that govern pension scheme investment.

**Darren Howarth**

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

Date: 9 May 2025

## Appendix A Investment Strategy Implementation Summary

### A.1 Target Asset Allocation

The Target Asset Allocation for the Section's invested assets is as follows:

Asset Class	Asset Allocation
Corporate bonds	40%
Government bonds	50%
Cash	10%
<b>Total</b>	<b>100%</b>

The balance between the corporate and government bond funds will vary over time. The target is indicative only and the underlying objective for these assets will be to maintain the Target Hedging Ratios, which aim to protect against changes in long-term interest rates and inflation expectations.

The Section also holds annuities that provide cashflows expected to match future benefit outgo from the Scheme in respect of a material proportion of the Section's liabilities.

### A.2 Investment Manager

The Trustees entered into a contract with Insight in August 2023.

The Investment Manager is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### A.3 Annuity Provider

Annuities are provided by Clerical Medical (a trading name of Scottish Widows Limited).

The annuity provider is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### A.4 Strategies and Funds

The Trustees can use the following funds operated by the Investment Manager:

Asset Class	Funds
<b>Corporate bonds</b>	Insight Buy and Maintain Bond Fund
	Insight Long Dated Buy and Maintain Bond Fund
<b>Government bonds</b>	Insight Fully Funded Gilts Fund range
	Insight Fully Funded Index-Linked Gilts Fund range
<b>Cash</b>	Insight Sterling Liquidity Fund

### A.5 Target Hedging Ratios

The Target Hedging Ratios against the interest rate risk and inflation risk associated with the Section's total estimated solvency liabilities are summarised below:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

### A.6 Fund Performance Benchmarks and Objectives

The Insight corporate bond and cash funds are actively managed. The Insight corporate bond funds do not have explicit benchmarks, but do have stated performance comparators to assess the performance of the funds against. The funds are measured against a series of customised iBoxx indices which comprise of Sterling-denominated corporate bonds.

The funds' performance objectives are summarised below:

Fund	Benchmark	Performance Objective
Insight Buy and Maintain Bond Fund	N/A	To generate an absolute return for investors in excess of the return of a portfolio primarily investing in debt securities.
Insight Long Dated Buy and Maintain Bond Fund	N/A	To generate an absolute return for investors in excess of the return of a portfolio primarily investing in debt securities.
Insight Sterling Liquidity Fund	Sterling Overnight Index Average (SONIA)	To provide daily liquidity in addition to income comparable to investing in short-term sterling debt securities.

The Insight government bond funds are passively managed, and each invest in a range of fixed interest or index-linked gilts issued by the UK Government. The funds are expected to provide a gross of fees return in line with the total return on these specific securities, assuming the securities are held to redemption.

### A.7 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Insight Buy and Maintain Bond Fund	0.15% p.a.
Insight Long Dated Buy and Maintain Bond Fund	0.15% p.a.
Insight Fully Funded Gilts Fund range	0.05% p.a.
Insight Fully Funded Index-Linked Gilts Fund range	0.05% p.a.
Insight Sterling Liquidity Fund	0.10% p.a.

## A.8 Additional Voluntary Contributions (AVCs)

The Trustees have invested all of the Section's DC AVC 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. The returns on a pooled fund are directly 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 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). The funds available via Aegon on a self-select basis:

**Lifestyle strategies** – funds which automatically manage a member's risk profile as they approach retirement. There are three options:

- LifePath Flexi – targeting flexible income drawdown
- LifePath Capital – targeting encashment
- LifePath Retirement – targeting annuity purchase

### Individual pooled funds:

- Aegon BlackRock World (ex-UK) Equity Index Fund
- Aegon HSBC Islamic Global Equity Index Fund
- Aegon LGIM Ethical UK Equity Index Fund
- Aegon BlackRock Cash Fund
- Aegon Property Fund
- Aegon BlackRock US Equity Index Fund
- Aegon BlackRock UK Equity Index Fund
- Aegon BlackRock Pacific Rim Equity Index Fund
- Aegon BlackRock Japanese Equity Index Fund
- Aegon BlackRock European Equity Index Fund
- Aegon BlackRock Corporate Bond All-Stocks Index Fund
- Aegon BlackRock Over 15-year Gilt Index Fund
- Stantec Balanced Portfolio
- Stantec Opportunity Portfolio
- Stantec Defensive Portfolio