Stantec Pension Plan (UK)
Defined Contribution Section

Statement of Investment Principles

1 June 2024

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1. Introduction

This Statement sets out the principles governing decisions about the investment of the assets of the Stantec Pension Plan (UK) DC Section ("the Plan"). The Trustees of the Plan ("the Trustees") have prepared this statement to comply with section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 (S.I. 2005/3378) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 ("the Investment Regulations").

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

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

Before preparing this document, the Trustees have:

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

Plan structure

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

1. Defined Contribution section
2. UK Defined Benefit section
3. Treatment Defined Benefit section
4. PBA Defined Benefit section

The DC section is 'wholly insured' with Aegon meaning benefits are provided through a contract of insurance with Aegon. As far as the underlying investments are concerned, the Trustees can only select investments that are contained within the contract into which they have entered. Whilst this might seem restrictive, there are certain advantages in using contracts of insurance and these are covered within this Statement.

2. Investment Decision Making

The investment of the Plan's assets is the responsibility of the Trustees and the Plan Rules gives the Trustees broad powers on investment.

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

The Trustees have also consulted the employer when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Plan'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

The Trustees do not invest members' contributions directly in assets such as equities and bonds, instead they use a range of pooled 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.

4. Investment Strategy

The Plan's investment strategy is kept under regular review. The Trustees' policy for compliance with the requirements of section 36 of the Investment Regulations 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 Plan to be operated on a directly invested basis. Accordingly, investing only in an insurance policy is appropriate for the needs of the Trustees and members.

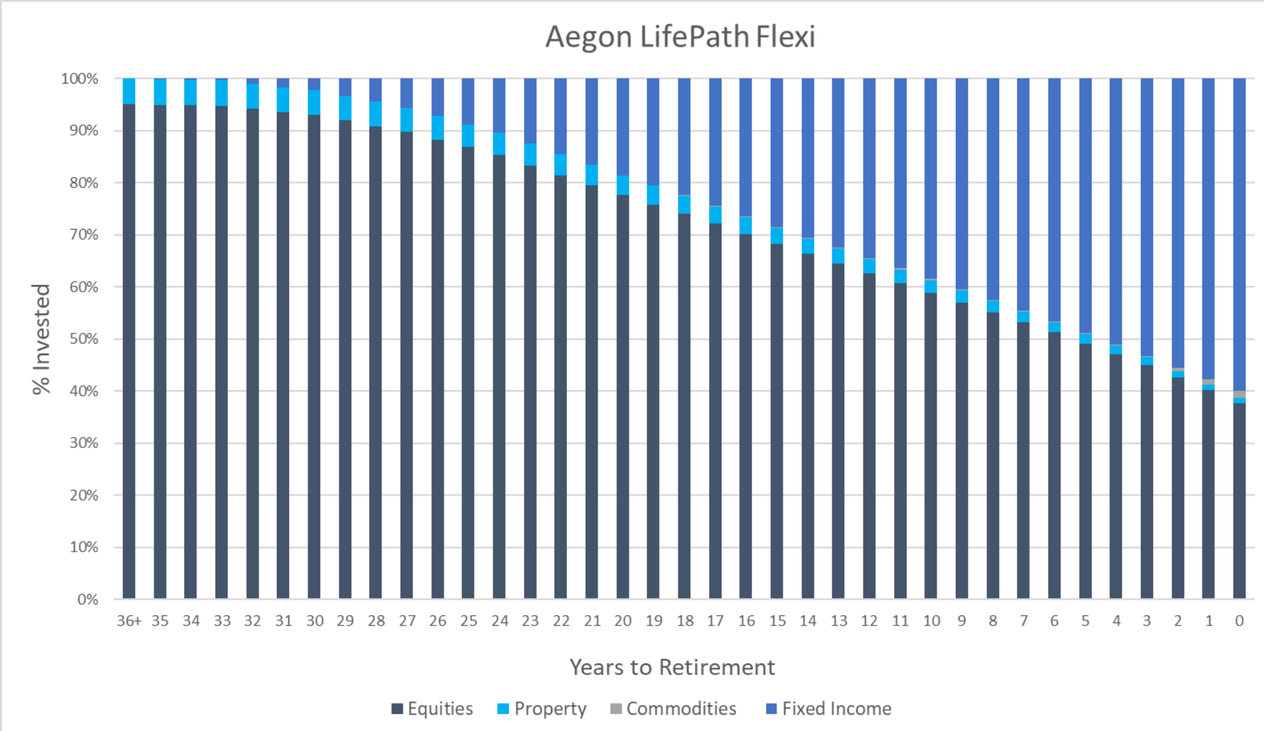
(c) The Trustees have invested all of the assets in an insurance policy with Aegon that offers members access to a wide range of pooled funds, some of which are external to Aegon and the default investment is a target dated fund. The returns on a pooled fund are directly or indirectly related to a larger number of individual investments than would not 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.

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:



Source: Aegon

5. Expected Returns

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.

6. Risks

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- Inflation risk: The risk that the investment returns over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- Volatility risk. The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- Capital risk. The risk of a significant fall in the value of members' invested capital.
- Conversion risk. The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- Default option risk. The risk of the default option being unsuitable for the requirements of some members. The Trustees have provided additional Lifestyle and individual fund options in addition to the default and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- Investment Manager Risk. The risk that the selected investment managers underperform their objectives. The Trustees regularly monitor the performance of funds vs their benchmarks and peer groups.

- Diversification Risk. The Trustees have chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Plan.
- Liquidity. Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustees have invested in unitised pooled funds which are easily redeemable and generally tradeable on a daily basis.
- Market Risk. The Plan is subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of the funds. The Trustees have selected a wide range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies.

Due to the complex and interrelated nature of these risks, the Trustee generally considers these risks in a qualitative rather than quantitative manner as part of an ongoing review process.

7. Security of Assets

The Plan is wholly-insured with Aegon, with the reasons outlined below:

(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.

8. Illiquid Investments

The investment allocation of the Plan's default lifestyle arrangement does not include an allocation to illiquid assets, nor are any of the self-select options available to members categorised as illiquid funds on the following grounds.

There are several developments taking place in the industry such as innovations within the investment management and changes in regulations which can facilitate a greater uptake in illiquid asset investing, for example changes made in relation to performance fees when calculating the fee level versus the charge cap. The Trustees will continue to monitor market and regulatory developments in relation to illiquid asset investing in order to determine whether it may be appropriate to introduce an illiquid allocation to the default arrangement at some point in the future.

9. Responsible Investment and Stewardship

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. 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.

The Plan is also 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, both financial and non-financial.

The table below highlights some of the ESG issues which the Trustees consider as part of the Plan's investment strategy:

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

All managers of funds available 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 Trustees believe 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 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 believe 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.

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 Arrangements

The appointment of investment manager's is based on their capability and therefore the assessed 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 directly 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.

13. Portfolio Turnover Costs

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 Trustees' 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 Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods. 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.

14. Monitoring

The Trustees employ Broadstone to assist them in monitoring the performance of the Plan's investment strategy, Aegon and underlying funds/managers.

Aegon and the investment managers will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance. The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

15. Review of Statement

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

DARREN HOWARTH

Issued on behalf of and by the Trustees of the

Stantec Pension Plan (UK)

1 June 2024