

# Stantec Pension Plan (UK) – DC Section ('the Plan')

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 30 June 2023 have been implemented.

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

The SIP provides further background details on investment arrangements and should be read in conjunction with the Trustees' Chair Statement for the year ending 31 March 2024.

This Statement covers the period 1 April 2023 to 31 March 2024.

### Investment objectives of the Plan

The objectives of the Plan are set out on page 4 of the SIP and are summarised below.

The Trustees' key objectives in respect of the default option of the DC Section 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.

### Stewardship policy

The Trustees' stewardship policy, as set out in the SIP dated June 2023 is as follows:

*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.*

## Review of the SIP

There were no changes to the Investment strategy during the Plan year ending 31 March 2024. A revised Statement of Investment Principles was put in place after the Plan year-end – dated 1 June 2024. The revisions to the SIP principally reflected the segregation (from other sections of the Plan) of the SIP on a stand-alone basis.

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

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

## Investment managers and funds in use

The investment funds used for the Plan are set out below.

Asset Class	Fund
Cash	Aegon BlackRock Cash Fund
Fixed Income	Aegon BlackRock Corporate Bond All-Stocks Index Fund
Composite	Aegon BlackRock LifePath Capital Target Date Funds
Composite	Aegon BlackRock LifePath Flexi Target Date Funds
Composite	Aegon BlackRock LifePath Retirement Target Date Funds
Fixed Income	Aegon BlackRock Over 15 Years Gilt Index Fund
Composite	Stantec Defensive Portfolio
Composite	Stantec Balanced Portfolio
Composite	Stantec Opportunity Portfolio
Equities	Aegon BlackRock UK Equity Index Fund
Equities	Aegon LGIM Ethical UK Equity Index Fund
Equities	Aegon BlackRock World (ex UK) Equity Index Fund
Equities	Aegon HSBC Islamic Global Equity Index Fund
Equities	Aegon BlackRock European Equity Index Fund
Equities	Aegon BlackRock US Equity Index Fund
Equities	Aegon BlackRock Japanese Equity Index Fund
Equities	Aegon BlackRock Pacific Rim Equity Index Fund
Property	Aegon Property

For those funds which contain publicly listed equity holdings, information on resolution voting during the Plan year to 31 March 2024 is provided further down in this statement.

## Investment Governance

The Trustees are responsible for making investment decisions and seeks advice as appropriate from Broadstone Financial Solutions Limited ('Broadstone'), as the Trustees' investment consultant.

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

## Trustee Policies

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

Requirement	Policy	Implementation of policy
<b>Process for Choosing Investments</b>	<p>The Trustees have invested all of the Plan's 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.</p> <p>The reasons for the Plan's assets being wholly insured with Aegon are:</p> <ul style="list-style-type: none"> <li>• The financial strength of Aegon</li> <li>• The security given by: <ul style="list-style-type: none"> <li>I. its regulation by the Financial Conduct Authority/Prudential Regulatory Authority and</li> <li>II. the Financial Services Compensation Scheme.</li> </ul> </li> <li>• The professional management of Aegon's investment funds.</li> <li>• Aegon's pension administration and investment experience</li> <li>• Aegon offers value for money by providing a package of investment and administration services.</li> </ul> <p>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).</p>	No deviation from this policy over the year to 31 March 2024.

<b>Risk Management and Measurement</b>	<p>The appointment relating to investment managers 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 Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available.</p>	No deviation from this policy over the year to 31 March 2024.
<b>Default Investment Strategy</b>	<p>The Trustees' key objectives for the default arrangement are to:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Produce an 'at retirement' asset allocation that is suitable for the expected decumulation decision of a typical default investor.</li> <li>• 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.</li> </ul>	No deviation from this policy over the year to 31 March 2024.
<b>Day-to-Day Management of the Assets</b>	<p>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.</p> <p>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.</p> <p>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.</p>	No deviation from this policy over the year to 31 March 2024.
<b>Realisation of Investments</b>	<p>The Trustees will realise assets as required following member requests to commence the taking of benefits.</p>	No deviation from this policy over the year to 31 March 2024.

<b>Financially and Non-Financially Material Considerations</b>	<p>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.</p> <p>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.</p> <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 expect its investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors should not lead to a material reduction in the efficiency of the investment. Member's views are not sought on non-financial matters in relation to the selection, retention and realisation of investments. A few of the ESG issues which the Trustees consider as part of the Plan's investment strategy include climate change, energy efficiency, human rights, audit quality and board structure.</p>	<p>No deviation from this policy over the year to 31 March 2024 (see below).</p>
<b>Engagement and Voting Rights</b>	<p>The Trustees recognize 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 right, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.</p> <p>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 manager's 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.</p>	<p>No deviation from this policy over the year to 31 March 2024 (see below).</p>

## **Financially and non-financially material considerations**

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Plan are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment manager.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment manager, given they are investing in pooled funds.

The Trustees invest across a range of asset classes and styles and expects the investment manager to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

## **Voting rights and engagement activities**

Over the period, the majority of members were invested in the Aegon BlackRock LifePath Flexi Plan or the Aegon BlackRock LifePath Retirement Plan.

LifePath Flexi will 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.

LifePath Retirement will glide towards an asset allocation split of approximately 75% fixed income and 25% cash by its target retirement date. This option assumes members will take 25% of the fund as tax free cash at the point of retirement and purchase an annuity with the remainder of the fund.

In line with the Trustees' policy in these areas, all investment decisions are delegated to the managers of the underlying pooled funds. The Trustees have asked Aegon to complete the template questionnaire produced by the Pension and Lifetime Savings Association to obtain specific detail in respect of the voting and engagement activity during the Plan year. Aegon have provided information regarding the voting activity of the funds that members currently invest in.

For reporting on voting (where applicable) and engagement activities for LifePath, Aegon have provided the Trustees with the following vote summary report for the 2058-2060 vintage in the growth phase of LifePath where it is 100% invested in equities which have voting rights. The voting captured in this growth phase vintage is applicable for all vintages.

With the exception of the two funds listed below, all investments under the Plan are managed by BlackRock. The two funds not managed by BlackRock that are invested within the Plan (as at 31 March 2024) are:

- HSBC Islamic Ethical Equity Fund
- LGIM Ethical UK Equity Fund

The BlackRock Stewardship team have published statements on the BlackRock analysis, engagements and votes in relation to certain high-profile proposals at company shareholder meetings. BlackRock publish these bulletins to highlight several of their key voting rationales as informed by their global voting guidelines, including when the manager votes against directors due to insufficient progress on climate-related disclosures (particularly with regard to TCDS/SASB-aligned reporting); concerns about remuneration and/or over boarding; concerns about board oversight; and risk management in high profile situations, among others. BlackRock do not disclose vote intentions in advance of shareholder meetings as they do not see it as their role to influence other investors. BlackRock's role is to send a signal to the company about how well they believe the board and management has done in delivering long-term shareholder value. BlackRock vote bulletins can be found here: <https://www.blackrock.com/corporate/insights/investment-stewardship#engagement-and-voting-history>

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Plan's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

However, the Trustees will engage with their investment managers (via their Investment Consultant) on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment managers on these matters where they think this is in the best interests of members.

Within the current investment arrangements, the Aegon LifePath Retirement 2058-2060 Fund, the Stantec Defensive Portfolio, the Stantec Balanced Portfolio, the Stantec Opportunity Portfolio, the Aegon BlackRock UK Equity Index Fund, the LGIM UK Equity Index Fund, the Aegon World (ex UK) Equity Index Fund, the HSBC Islamic Global Equity Index Fund, the Aegon BlackRock European Equity Index Fund, the Aegon BlackRock US Equity Index Fund, the Aegon BlackRock Japanese Equity Index Fund and the Aegon BlackRock Pacific Rim Equity Index Fund, all contain publicly listed equity holdings.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
BlackRock	Aegon LifePath Retirement 2058-2060	n/a	n/a	n/a	n/a
BlackRock	Stantec Defensive Portfolio*	n/a	n/a	n/a	n/a
BlackRock	Stantec Balanced Portfolio**	n/a	n/a	n/a	n/a
BlackRock	Stantec Opportunity Portfolio***	n/a	n/a	n/a	n/a
BlackRock	Aegon BlackRock UK Equity Index	14,068	96%	3%	1%
LGIM	LGIM UK Equity Index Fund	4,511	95%	5%	0%
BlackRock	Aegon World (ex UK) Equity Index	24,110	94%	6%	0%
HSBC	HSBC Islamic Global Equity Index	1,634	77%	23%	0%

BlackRock	Aegon BlackRock European Equity Index	7,793	89%	10%	1%
BlackRock	Aegon BlackRock US Equity Index	7,472	97%	2%	0%
BlackRock	Aegon BlackRock Japanese Equity Index	5,893	97%	3%	0%
BlackRock	Aegon BlackRock Pacific Rim Equity Index	3,119	90%	10%	0%

\*The Stantec Defensive Portfolio comprises of the Aegon BlackRock UK Equity Index fund, Aegon BlackRock All Stocks UK Gilt Index fund and Aegon BlackRock Corporate Bond All-Stocks Index. \*\*The Stantec Balanced Portfolio comprises of the Aegon BlackRock UK Equity Index fund, Aegon BlackRock World (ex-UK) Equity Index fund, Aegon BlackRock All Stocks UK Gilt Index fund and Aegon BlackRock Corporate Bond All-Stocks Index fund. \*\*\*The Stantec Opportunity Portfolio comprises of the Aegon BlackRock UK Equity Index fund, Aegon BlackRock World (ex-UK) Equity index and Aegon BlackRock Emerging Markets Equity Index fund.

All of the Plan's assets are invested in pooled funds. Information regarding proxy voting is detailed below:

- LGIM do not use a proxy-voting service and voting is performed in-house.
- Meanwhile, both BlackRock and HSBC use Institutional Shareholder Services (ISS).

### Significant votes

Whilst the majority of the Plan's assets are invested with BlackRock, for the purpose of providing further information on significant voting, we note that the data they provided was not sufficiently detailed. The Trustees therefore believe the following are the most significant votes undertaken by LGIM on their behalf over the Plan year:

SIGNIFICANT VOTE 1	
<b>Company</b>	Shell Plc
<b>Date</b>	23 May 2023
<b>% of portfolio invested in firm</b>	c.9.5% of fund's holdings as at the date of the vote (as % of portfolio).
<b>Resolution</b>	Approve the Shell Energy Transition Progress
<b>Why significant</b>	LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory.
<b>How voted</b>	<b>VOTED AGAINST</b>
<b>Manager Comments</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
<b>Vote outcome</b>	Pass

SIGNIFICANT VOTE 2	
<b>Company</b>	Experian Plc
<b>Date</b>	19 July 2023
<b>% of portfolio invested in firm</b>	c.1.6% of fund's holdings as at the date of the vote (as % of portfolio).
<b>Resolution</b>	Re-elect Mike Rogers as Director
<b>Why significant</b>	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.
<b>How voted</b>	<b>VOTED AGAINST</b>
<b>Manager Comments</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
<b>Vote outcome</b>	Pass



## Engagement activities

The Trustees have also delegated engagement activities to BlackRock, with their notable engagement activities during the Plan year to 31 March 2024 provided below:

- **BlackRock** held a joint engagement with New World Development Company Limited (NWD), who are a holding company located in Hong Kong primarily engaged in property development and investment businesses with operations in Greater China. The parent company of NWD proposed a major restructuring to buy NWD's 61% stake in a listed subsidiary, in order to support the company's deleveraging efforts. BlackRock sought to better understand NWD's approach to corporate strategy and financial resilience, particularly as the company navigates a complex macroeconomic environment. After meaningful engagement with an independent non-executive director (INED) and the company's CFO, BlackRock determined that it was in the best financial interests of their clients as shareholders to support the proposed deal. In their view, the proceeds would help to strengthen the company's balance sheet and have the potential to create long-term financial value for their clients in the deleveraging process, largely by reducing interest expense. The disposal was approved with 99.4% support from NWD's independent shareholders at the Extraordinary General Meeting on November 2, 2023, and the transaction was completed on November 20, 2023. Subsequently, a special dividend was paid to NWD's shareholders as proposed.

The Trustees believe that the most significant votes detailed above are aligned with the Plan's stewardship priorities as detailed at the start of this document.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented in performance bands ranging from 1 to 5 stars. The latest UNPRI scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
BlackRock	★★★★

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

## Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from Broadstone.

Signed: **DARREN HOWARTH**

Date: **18 SEPTEMBER 2024**

On behalf of the Trustees of the Stantec Pension Plan (UK) - DC Section