

Stantec Pension Plan (UK) – UK Defined Benefit Section

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statements of Investment Principles (SIPs) dated 30 September 2020 and 8 April 2024 have been implemented.

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

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

Investment objectives of the Section

The Trustees' objectives for setting the investment strategy of the UK Defined Benefit Section (the 'Section') of the Stantec Pension Plan (UK) have been set broadly with regard to the Section's Statutory Funding Objective set out in the Statement of Funding Principles. However, the Trustees also have regard to the Section's funding position on an indicative solvency ('buyout') funding basis, as it determines the Section's ultimate funding requirements and members' long-term benefit security.

The Trustees' primary objectives are set out on page 4 of the SIP dated April 2024 and 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 appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the overall funding objective.

Review of the SIP

The SIP was last reviewed in April 2024, just after the year end. The Trustees updated the SIP to take account of changes made to the investment strategy over the period covered by this Statement.

Prior to this, the SIP had last been updated in September 2020 to take account of investment regulations that came into force on 1 October 2019.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. 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 material and non-financially material considerations, as well as voting and rights and engagement activities, were updated in the SIP coming into force just after the year end.

Investment managers and funds in use

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

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

During the year, the Trustees revised the Section's investment strategy, disinvesting the holdings of the With-Profits Fund and re-investing the Section's assets in a combination of corporate bond, UK government bond, and cash funds held with Insight Investment Management ('Insight'). The Target Asset Allocation as at the end of the year, reflected in the April 2024 SIP, is shown below:

Asset Class	Fund	Target Asset Allocation
Corporate bonds	Insight Buy and Maintain Bond Fund	40%
	Insight Long Dated Buy and Maintain Bond Fund	
Government bonds	Insight Index-Linked Gilts 2041-2050 Fund	59%
	Insight Index-Linked Gilts 2051-2060 Fund	
	Insight Index-Linked Gilts 2061-2070 Fund	
Cash	Insight Sterling Liquidity Fund	1%

Under the revised investment strategy, the Trustees aim to hedge 100% of the interest rate risk and inflation risk associated with the Section's total estimated buyout liabilities.

Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Section to help form their policies set out in the SIP, as the Section 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.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees in November 2023. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Section's SIP dated April 2024 have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<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"> 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. 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. Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Section. 	<p>This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024.</p>
Target Asset Allocation	<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>	<p>This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024.</p>
Delegation to Investment Managers	<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>	<p>This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024.</p>

Requirement	Policy	Implementation of Policy								
Realising Investments	<p>The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, Broadstone, as necessary, to meet the Section's cashflow requirements.</p> <p>New money will be invested (or disinvestments required for cash flow purposes) to maintain the asset allocation and hedging levels, as far as possible.</p>	<p>This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024.</p>								
Maintaining the Target Asset Allocation and Target Hedging Ratios	<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>	<p>This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024.</p>								
Performance Benchmarks and Objectives	<p>The corporate bond funds are actively managed and have objectives to achieve long-term returns in excess of the yields available on comparable portfolios of UK gilts, to compensate for the additional risk associated with investing in diversified portfolios of debt securities.</p> <p>The government bond funds are passively managed and have objectives to achieve long-term returns in line with the yields available on comparable portfolios of UK gilts or index-linked gilts.</p> <p>The cash fund is actively managed and has an objective to achieve a return in line with the return on comparable money market funds and prevailing short-term interest rates.</p>	<p>The performance benchmarks and objectives were reviewed on a quarterly basis from the new strategy's implementation to 31 March 2024.</p>								
Investment Management Charges	<p>The investment management charges of the funds used are set out on page 12 of the SIP and are as follows:</p> <table><tr><td>• Insight Buy and Maintain Bond Fund:</td><td>0.150% p.a.</td></tr><tr><td>• Insight Long Dated Buy and Maintain Bond Fund:</td><td>0.150% p.a.</td></tr><tr><td>• Insight Index-Linked Gilts Funds:</td><td>0.050% p.a.</td></tr><tr><td>• Insight Sterling Liquidity Fund:</td><td>0.100% p.a.</td></tr></table>	• Insight Buy and Maintain Bond Fund:	0.150% p.a.	• Insight Long Dated Buy and Maintain Bond Fund:	0.150% p.a.	• Insight Index-Linked Gilts Funds:	0.050% p.a.	• Insight Sterling Liquidity Fund:	0.100% p.a.	<p>Charges were paid as expected from the new strategy's implementation to 31 March 2024.</p>
• Insight Buy and Maintain Bond Fund:	0.150% p.a.									
• Insight Long Dated Buy and Maintain Bond Fund:	0.150% p.a.									
• Insight Index-Linked Gilts Funds:	0.050% p.a.									
• Insight Sterling Liquidity Fund:	0.100% p.a.									

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	The Trustees' policies on financially and non-financially material considerations are set out on page 8 of the SIP and in full below.	This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024 (see below).
Engagement and Voting Rights	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.	This policy was revised in the April 2024 SIP, reflecting the investment strategy put in place over the year. There was no deviation from this policy from the new strategy's implementation to 31 March 2024 (see below).
Additional Voluntary Contributions (AVCs)	The Section holds funds accumulated in respect of AVCs separately from the assets backing defined benefits, with Aegon.	AVCs were held in the Clerical Medical With-Profits Fund at the start of the year. The AVCs were transferred to Aegon during the year.

Financially and non-financially material considerations

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.

The Trustees' views on how ESG issues are taken account of in each asset class used over the year is set out below:

Asset Class	Active/Passive	Trustees' views
With-profits	Active	The Trustees expected Clerical Medical to take financially material ESG factors into account, given the active management style of the with-profits fund and the ability of Clerical Medical to use their discretion to generate returns in line with the fund's objectives. The Trustees also expected Clerical Medical to engage with any underlying investee companies, where possible, although they appreciate that the proportion of assets within the fund that attract voting rights will vary.
Corporate bonds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the fund 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.
Government bonds	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.
Cash	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 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 from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

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.

Where ESG issues are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Voting rights

The Trustees currently invest in pooled investment funds with Insight, and they acknowledge that this limits their ability to directly influence Insight.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activities of their Investment Manager.

Since disinvesting from the With-Profits policy early in the year, the funds used by the Section have not contained any equity holdings. Therefore, none of the Section's funds have voting rights attached.

Engagement activities

The Trustees have requested the details on a significant engagement activity indirectly made on their behalf by the Investment Manager during the year. Details of this significant engagement activity is provided below:

- **Insight** engaged with the UK Debt Management Office ('DMO') on its proposals for green gilt issuance and post-issuance reporting. During 2023, Insight followed up from previous engagements on sustainability topics and encouraged the DMO to increase the frequency of impact reporting on green gilts (from every two years to annually). Insight also raised concerns regarding the UK's ability to meet its net zero targets given the current policy environment (which is a key consideration in Insight's assessment of the quality of green gilts), among other issues such as approving a new UK coal mine and lack of a green industrial policy to support transitioning companies.

Insight were not satisfied with the DMO's response on the green gilt impact reporting issue, where the DMO made clear that increased reporting frequency was unlikely in the near term. This contributed to Insight downgrading green gilts under their impact bond assessment framework. Insight intends to continue its ongoing engagement with the DMO on a wide range of issues, including ESG topics.

The Trustees also consider an investment manager's 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 the Investment Manager (as detailed above), the Trustees receive performance reports on a quarterly basis from Insight, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:


Darren Howarth

Date: 9/8/2024.

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

