



Management Approach: Risk Management

Responsibility for risk management and compliance is shared across the organization—from senior executives to frontline employees. Stantec systematically identifies, manages, monitors, and reviews significant and emerging risks at an enterprise and project level.

Enterprise Risk Management

Stantec's Enterprise Risk Management (ERM) program aligns with international standards and includes policies, practices, and systems to address our principal risks: project, supply chain, human capital, finance, currency volatility, global politics, and legislative. We embed risk management approaches across the organization to support the business in making risk-aware decisions.

Stantec's overall ERM Program is based upon the ISO 31000 Risk Management Standard. The Standard describes risk management as the logical and systematic method of identifying, analyzing, evaluating, treating, monitoring, and communicating risks associated with any activity, function or process in a way that will enable Stantec to minimize losses and maximize opportunities. We evaluate key risks related to health and safety, ethics and conduct, organic growth, project delivery, information security, market risks, climate, etc. We view each risk in relation to all other risks since actions taken to mitigate one risk may create new risks to the Company. Our ERM program allows us to address the interdependencies.

Risk Identification

Stantec identifies potential risks that, if they occur, will adversely affect our ability to successfully implement our strategy. We define our principal risks as those that may adversely affect our ability to deliver value to our stakeholders and group them into three categories: strategic risks, operational risks, and compliance and regulatory risks. Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. The potential size and scope of the impact are determined through discussions with subject matter experts and senior leadership.

Under this model, risks are identified and assessed first for inherent risk (before considering risk mitigation), and secondly for residual risk (after considering risk mitigation). This view of residual risks allows management to assess whether current risk management techniques are sufficient or if additional risk mitigation is required. We align the identification of our principal risks with the strategic planning process such that key initiatives of our company are considered against our stated risk appetite and are appropriately managed to ensure we can deliver value to our stakeholders. Risks are ranked according to a series of financial and strategic business consequences, including impact to people, stakeholders, reputation, compliance, clients, and operations. Stantec defines "substantive financial impact" in two ways: cost (more than \$30M) and decrease of share price (more than 20%).

Risk Prioritization

We maintain a risk register and our risks are evaluated and updated for accuracy on a quarterly basis. To populate the risk register, the Stantec ERM director identifies risks jointly with executives, business operating unit leaders, geographic leaders, and practice leaders.

Once risks are identified, they are prioritized through our risk register using a heat map methodology that categorizes risks by level on a 4x4 matrix of probability of occurrence and impact on the organization. Specific projects and initiatives are identified, prioritized, assigned responsibility, and executed. Policies and procedures are established and implemented to help ensure the risk specific response (avoiding, accepting, reducing, or sharing) aligns with our Board of Directors' and leadership's risk tolerance and appetite. Monitoring is accomplished through ongoing management activities, separate evaluations, or a combination of both.

Our Practice Services team plays an essential role in monitoring operational compliance with risk mitigation strategies by conducting internal practice audits each year to assess compliance with the ISO 9001-certified Quality Management System, the ISO 14001-certified Environmental Management System, and the ISO 45001-certified Occupational Health and Safety Management System. The team provides valuable feedback to the ERM program in identifying emerging risks or areas for further improvement.



Project Risk Management

Each project has unique risk conditions, and our overall project management process helps keep them top-of-mind for our project teams. Stantec's Project Management Framework provides a scalable PM Framework to promote a pragmatic and disciplined approach to project delivery. It includes the critical tasks for managing risks and achieving quality delivery on typical projects.

At a project level, Stantec's PM Frameworks consider sustainability topics such as climate change, air and water quality, energy and resource use, human rights, ethics, stakeholder engagement, and Indigenous relations. Impacts are evaluated during the proposal and the health, safety, security, and environmental planning stages and then reviewed through project audits.

For projects with risks that have the potential for significant financial or reputational impacts, we have a formal risk review practice. The Project Risk Review Committee consists of senior Stantec leaders as well as relevant subject matter experts.

Climate Risk Management

Our risk management processes directly address climate change, and we evaluate climate-related risks for potential short-, mid-, and long-term impacts. Stantec tracks regulations and frameworks that might affect our operations or clients, keeps tabs on new technologies to improve our project delivery, and has a Climate Solutions Leadership Team that assists in addressing future climate impacts when approaching our designs. Our project work in disaster response and resiliency also contributes first-hand experience and knowledge when it comes to climate change risk management.

Climate risks have been identified at both an operational and project level. Stantec is currently in the process of determining how to best address such risks and has set up a task force specific to project-level risks and is in the process of establishing a similar task force to address climate-related risks in our operations.

Significant environmental impacts are also incorporated into Stantec's ISO 14001-certified environmental management system. Environmental risks, including those pertaining to climate, are considered within the required aspects and impacts registers. We follow ISO 14001 guidance to identify relevant environmental aspects and determine which activities have an impact on the environment under normal, abnormal, and emergency operating conditions.

The Board of Directors provides oversight and carries out its risk and opportunity management mandate. Climate change risks are specifically the responsibility of the Executive ESG (environmental, social, and governance) Committee and the Board Sustainability and Safety Committee. On a quarterly basis, the Board and its committees receive a report on the principal risks and opportunities. The CEO, along with the C-suite, are directly accountable to the Board for all risk and opportunity management practices and are supported by our risk management and strategic planning team.

Stantec's ERM, Strategy, Finance, and Sustainability teams proactively identify, analyze, and manage climate-related risks. Operationally, Stantec has carbon management and reduction programs in place, and we evaluate weather-related risks when looking at new office space. For project climate change risks, subject matter experts within each business line provide analysis and expertise.

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