



Management Approach: Risk Management

Stantec systematically identifies, manages, monitors, and reviews significant and emerging risks at the enterprise and project levels. Our risk management processes directly address climate change.

Commitments and Practices

Responsibility for risk management and compliance is shared across the organization—from our Board of Directors, which establishes overall risk appetite and provides strategic direction and guidance on risk management, to senior executives, who are responsible for implementing risk management practices, to frontline employees, who apply risk management in day-to-day operations and decision making.

Stantec's certified Integrated Management System (IMS) delivers a disciplined and accountable framework that defines Company procedures, monitors risks and hazards, reduces inefficiencies, maximizes Company resources, and enables the implementation of our Sustainability Program.

In Our Operations

Stantec's Enterprise Risk Management (ERM) program aligns with international standards and includes policies, practices, and systems to address our principal risks, which include cybersecurity, health and safety, project delivery, talent management, macroeconomic, market, geopolitical, ethics and conduct, organic growth, climate-transition, and regulatory risks. We embed risk management approaches across the organization to support the business in making risk-aware decisions.

Stantec's ERM program is based on the ISO 31000 Risk Management Standard. The risk management process involves the continuous identification, analysis, evaluation, treatment, monitoring, and communication of risks. We evaluate principal and emerging risks and view each risk in relation to other risks because the risks considered, and the actions taken to mitigate them, may create new risks to the Company. Our ERM program allows us to address these interdependencies.

Governance

The Board of Directors provides strategic direction to and guidance on Stantec's risk management program and has delegated responsibility for oversight of the program to the Audit and Risk Committee with our chief financial officer responsible for implementing the program.

Stantec's executive management is directly accountable to the Board for all activities that have the potential for significant risk exposure as well as risk management practices. They are supported by numerous teams—Legal; Health, Safety, Security, and Environment; Information Technology; Finance; Corporate Sustainability; and others—that provide risk management and compliance functions across the organization and work with management to design and monitor appropriate risk mitigation.

Risk Identification and Assessment

We define our principal risks as those that may adversely and materially affect our business, financial condition, results of operations, prospects, or our ability to deliver value to our stakeholders. We closely align the identification of our principal risks with the Company's strategic planning process, such that key strategic initiatives of our Company are considered against our stated risk appetite and are appropriately managed to ensure our ability to implement our strategy and deliver value to our shareholders.

Once identified, risks are analyzed and ranked based on inherent (before considering risk mitigation) and residual (after considering risk mitigation) risk scores which account for each risk's likelihood and impact. A risk's likelihood gauges the probability of the risk occurring, and its impact reflects our assessment of financial and strategic business consequences, including impacts to people, stakeholders, reputation, compliance, clients, and operations. Financial impacts consider both cost to Stantec and changes to our share price. Assessing both inherent and residual risks allows management to determine whether current risk management techniques are sufficient or if additional risk mitigation is required.

Stantec implements the guiding principles of the ISO Risk Management Standard by following processes and practices to ensure that our ERM program is dynamic, inclusive, structured, responsive to Stantec's business, and is based on the best available information. Accordingly, in the risk identification and assessment process, we derive



information from the Company's practice, geographic, and business operating unit leaders. We also lean on the business expertise of our Board of Directors and the views of our senior leaders regarding the Company's operations and our progress towards attaining our strategic objectives.

Identified principal risks are entered into an internal risk register and a heat map which are updated on a quarterly basis. Please refer to Stantec's Annual Report for additional information on our principal risks.

Risk Mitigation

Each principal risk that we identify and document through our risk register and heat map has corresponding controls and mitigation measures which are assigned to and executed by members of our management team. Policies and procedures are established and implemented to help ensure our response to a risk (avoiding, accepting, reducing, or sharing risk) aligns with our risk tolerance and appetite.

Integrated Management System

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 Stantec's Integrated Management System (IMS).

Stantec's centralized IMS consists of global ISO certifications for Quality Management (ISO 9001), Environmental Management (ISO 14001), and Occupational Health and Safety Management (ISO 45001). Additional certifications are held for IT Service Management (ISO 20000) and IT Security Management (ISO 27001). The team provides valuable feedback to the ERM program in identifying emerging risks, changes to principal risks, or areas for further improvement. Stantec is one of the first companies in our market to achieve these ISO certifications across all our offices around the world¹—a huge accomplishment, since these standards represent the globally accepted standard for managing risk and delivering quality projects in a healthy, safe, and sustainable way.

To help project teams manage and reduce future risks, Stantec's IMS includes a Lessons Learned process.² Extracting lessons from Stantec projects and translating them into recommendations helps us avoid repeating the same problems and enables us to replicate successful practices on other projects.

Client satisfaction is tracked and monitored through a series of surveys, including a net promoter score.³ This allows us to periodically pulse our clients to understand how they feel about Stantec and provides us year-over-year insights into the health of our relationships.

While reviewing the IMS each quarter, executive leaders consider project management, leading and lagging health and safety indicators, progress against environmental goals, client feedback, and claims statistics. A quarterly IMS report is shared with the Board's Audit and Risk Committee.

Business Continuity

Certain events can prevent us from delivering services to our clients. Our primary risks are the loss of IT systems, impact of a pandemic on our employee resources, and loss of access to offices due to an emergency or natural disaster. Stantec has business continuity management practices that address each risk. These practices, a core part of our Quality Management System, are subject to both internal and external audits.

Our IMS incorporates planning for business continuity to decrease the impacts of events such as extreme weather resulting from climate change, which could prevent us from delivering services to our clients. For example, if employees are impacted by floods, hurricanes, forest fires, or earthquakes, teams quickly activate disaster recovery programs and keep the business functioning during these challenges.

¹ Typically, ISO certifications are certified at an office-by-office level.

² Lessons Learned is an industry nomenclature to describe the sharing of knowledge or understanding gained by experiences that may have a positive or negative impact on a company.

³ A net promoter score is an industry recognized benchmark for client loyalty where respondents rate how likely they are to recommend a company.



Pandemic Preparedness

Stantec has long recognized the possibility of a pandemic presenting a significant challenge to the operation of any organization, as well as a serious risk to our employees' health. Since 2011, we've had a Pandemic Preparedness Plan to guide decision-making in the event of an outbreak.

In the case of a pandemic, a Pandemic Committee is formed consisting of qualified Stantec personnel who have the background and expertise to advise on issues surrounding pandemic preparedness and business continuity planning. During an outbreak, the committee oversees the implementation of the pandemic plan and offers advice where needed. The Pandemic Committee and our other preparations were instrumental in Stantec's success in maintaining our operations during the COVID-19 pandemic.

Supporting Clients

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 (PM) Framework provides a scalable 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 Framework considers 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 and subject matter experts.

Climate Risks

Our risk management processes 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 and monitors new technologies to improve our project delivery. Climate risks have been identified at enterprise, operational, and project levels. In addition to monitoring climate-related risks as part of our ERM program, Stantec has established task forces specific to project-level and operational risks.

Stantec's ERM, Strategy, Finance, and Corporate 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. 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.

Stantec's Climate Solutions group and subject matter experts within each business operating unit review future climate impacts when approaching our designs. Our project work in mitigation, adaptation, disaster response, and resiliency also contribute first-hand experience and knowledge when it comes to climate change risk management.

While Stantec's Board carries out its risk oversight mandate, climate change risks are specifically the responsibility of the Executive ESG (environmental, social, and governance) Committee and the Board's Sustainability and Safety Committee. On a quarterly basis, the Board's Audit and Risk Committee receives a report on principal risks and opportunities, including those related to climate. The C-suite is directly accountable to the Board for all risk and opportunity management practices and are supported by our risk management and strategic planning team.



Accountability

Stantec has formal processes to encourage suggestions for improvement, address nonconformance, and identify opportunities for improvement and corrective action. We

- Monitor enterprise risks through ongoing management activities, separate evaluations, or the quarterly review of each risk's inherent and residual scores.
- Conduct internal practice audits annually that cover all regions and business lines (for compliance with ISO 14001, 45001, 9001, and IMS requirements) and operations are audited by an external third party
- Track client satisfaction by conducting surveys to assess performance, identify and prioritize improvement, and year-over-year relationships (satisfaction consistently measuring above 90%)
- Identify, review, approve, communicate, and document the impacts of practice changes; initiate change management procedures; review unintended consequences of changes; and act to mitigate adverse effects
- Include quality management targets as key performance indicator in Stantec's executive sustainability pay link

Material Topics / Value Chain Nodes Covered:

Risk Management – Overall / Operations

Risk Management – Climate / Operations, Downstream (Clients)

See all [Stantec Management Approaches](#)