UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[**X**] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English (if applicable))

Canada

(Province or other jurisdiction of incorporation or organization)

8711

(Primary Standard Industrial Classification Code Number (if applicable))

N/A

(I.R.S. Employer Identification Number (if applicable))

10160 – 112 Street, Edmonton, Alberta, Canada T5K 2L6

(Address and telephone number of Registrant's principal executive offices)

Stantec Consulting Services Inc., 19 Technology Drive, Irvine, CA 92618-2334 (949) 923-6000

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None.

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None.

(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

[Ö] Annual information form [Ö] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2017 – 113,991,676 Common Shares outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes [] No [Ö]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [Ö] No []

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [Ö] No []

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company []

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on page M-68 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Management’s Annual Report on Internal Control Over Financial Reporting” on page F-2 of Exhibit 3, 2017 Audited Consolidated Financial Statements, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Report on Internal Control Over Financial Reporting” on page F-5 and F-6 of Exhibit 3, 2017 Audited Consolidated Financial Statements, is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on page M-68 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2017, Stantec’s audit and risk committee was made up of the following three members: Douglas K. Ammerman (Chair), Anthony P. Franceschini, and Donald J. Lowry.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has two audit committee financial experts serving on its audit and risk committee. Douglas K. Ammerman and Donald J. Lowry are each an audit committee financial expert (as such term is defined in the rules and regulations of the Securities Exchange Commission) and are independent, as that term is defined by the New York Stock Exchange’s corporate governance standards applicable to Stantec. The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Board of Directors in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

CODE OF ETHICS

Stantec has adopted a code of ethics, entitled the Stantec Code of Business Conduct (the “Code”). The Code applies to all directors, officers and employees of Stantec, including Stantec’s principal executive officer, principal financial officer and principal accounting officer. Stantec requires that all officers and employees annually certify that they have read and understand the Code. The Code is reviewed at least annually to ensure that it complies with all legal requirements and is in alignment with best practices. In the event that amendments are needed, recommendations are made to the corporate governance and compensation committee and the Board of Directors for approval. The Code is available on Stantec’s website (stantec.com) under the “About – Corporate Governance” section and included as Exhibit 9 hereto.

The Board of Directors believes that providing a forum for employees and officers to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within Stantec. The Code sets out our procedures for reporting and investigating observations or concerns raised by employees or officers of the company. Stantec monitors compliance with the Code through its external integrity hotline. The external integrity hotline allows officers or employees to report concerns regarding breaches of the Code in writing,

over the telephone, by mail or by email. All complaints are treated as confidential, and requests to maintain anonymity are respected to the extent possible. The integrity hotline is managed by an independent third party.

Copies of all complaints are reviewed by the chair of the Audit and Risk Committee upon receipt. A quarterly report is presented to the Audit and Risk Committee and the Corporate Governance and Compensation Committee summarizing the status of any active investigations of complaints and the resolution of all complaints made through the integrity hotline.

The Board of Directors believes that its effectiveness is furthered when directors exercise independent judgment in considering transactions and agreements. As such, if at any Board of Directors' meeting a director or executive officer has a material interest in a matter being considered, such director or officer would not be present for discussions relating to the matter and would not participate in any vote on the matter.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under "External Auditor Service Fees" on page 19 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under "Preapproval Policy" on page 18 of Exhibit 1, Annual Information Form, is incorporated by reference herein. No audit-related fees, tax fees or other fees were approved by the Audit and Risk Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under "Off-Balance Sheet Arrangements" on page M-51 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-50 and M-51 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CORPORATE GOVERNANCE

The disclosure provided under "NYSE Corporate Governance Disclosure" on page 20 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

Stantec undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to Form 40-F, the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in said securities.

B. Consent to Service of Process

Stantec has previously filed with the Commission a Form F-X in connection with the Common Shares.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

STANTEC INC.

/s/Gordon A. Johnston
Gordon A. Johnston, M. Eng., P. Eng.
President and Chief Executive Officer

Date: February 21, 2018

EXHIBIT INDEX

Exhibit No.	Description
99.1.	Annual Information Form dated February 21, 2018
99.2.	Management's Discussion and Analysis for the year ended December 31, 2017 (pages M-1 through M-72 of the 2017 Annual Report)
99.3.	2017 Audited Consolidated Financial Statements (pages F-1 through F-67 of the 2017 Annual Report)
99.4.	Consent of Ernst & Young LLP
99.5.	Chief Executive Officer's Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
99.6.	Chief Executive Officer's Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
99.7.	Chief Financial Officer's Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
99.8.	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
99.9.	Code of Business Conduct
99.101.	Interactive Data File

Exhibit 99.1

Stantec

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FEBRUARY 21, 2018
ANNUAL
INFORMATION FORM

Refine.

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Stantec Inc.
Annual Information Form

February 21, 2018

Cautionary Note Regarding Forward-Looking Statements

Our public communications often include written or verbal “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 “safe harbor” provisions and “forward-looking information” within the meaning of applicable Canadian securities laws (collectively, “forward-looking statements”). Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include future-oriented financial information.

Statements of this type are contained and incorporated by reference in this Annual Information Form (AIF) and include

- The discussion of our goals, our key performance drivers, and our annual and long-term targets and expectations for our reportable segments, which can be found in our Management’s Discussion and Analysis (MD&A) section of our Annual Report for the year ended December 31, 2017. Refer to the following sections: Core Business, Outlook, Key Performance Drivers and Capabilities, and Cautionary Note Regarding Forward-Looking Statements sections (incorporated by reference in this AIF and filed under our profile on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov).

- Our beliefs about our risk management strategy and our ability to compete effectively in the Description of the Business section in this AIF.

Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2018 and beyond, strategies or future actions, dividend policy, targets, expectations for our financial condition or share price, and results of our outlook for our operations.

The purpose of this information is to describe management’s expectations and targets for measuring our success and to assist our shareholders to understand our financial position as at and for the periods ended on the dates presented in this AIF. We caution readers that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this AIF not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

The following factors—among others listed under the Outlook, Risk Factors, and Assumptions sections of our MD&A for the year ended December 31, 2017 (incorporated by reference in this AIF and filed under our profile on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov)—could cause our actual results to differ materially from those projected in our forward-looking statements:

- Global economic conditions
- Fluctuations in interest rates or currency values
- Fluctuations in commodity prices
- Effects of disruptions to public infrastructure spending
- Effects of competition in the geographic or business areas in which we operate
- Fluctuations in demand for design services

Many of these factors are beyond our control and have effects that are difficult to predict.

Assumptions about the performance of the Canadian, US, and global economies in 2018 and how such performance will affect our business are material factors that we consider when determining our forward-looking statements. These assumptions are discussed in the Outlook and Cautionary Note Regarding Forward-Looking Statements sections of our MD&A for the year ended December 31, 2017 (incorporated by reference in this AIF and filed under our profile on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov).

For additional information regarding material and known risks and assumptions, see pagesM-59 to M-67 and M-71 to M-72 of our MD&A, and for further information about our key performance drivers, see pages M-17 to M-21. Our MD&A for the year ended December 31, 2017 is incorporated by reference in this AIF and filed on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov.

We caution that various factors, including those discussed in our MD&A, could adversely affect our results. Investors and others should carefully consider these factors—as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements—when relying on these statements to make decisions about our Company.

The forward-looking statements contained in this AIF represent our expectations as at February 21, 2018, and are subject to change after that date. Except as may be required by law, we do not undertake to update any written or verbal forward-looking statement that we may make from time to time. Our current practice is to evaluate and, where we deem appropriate, provide updates to ranges of expected performance for 2018. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

Corporate Structure

Name, Address, and Incorporation

Stantec Inc. was incorporated under the Canada Business Corporations Act on March 23, 1984, as 131277 Canada Ltd. We have amended our Articles of Incorporation on several occasions to change share attributes, create and delete classes of shares, reorganize our outstanding share capital and split our common shares on a two-for-one basis, and change the minimum and maximum number of directors of our board.

Since incorporation, we have also amended our Articles of Incorporation several times to change our Company's name:

- August 15, 1984 – 131277 Canada Ltd. changed to Stanley Engineering Group Inc.
- October 18, 1989 – Stanley Engineering Group Inc. changed to Stanley Technology Group Inc.
- March 30, 1994 – Stanley Technology Group Inc. amalgamated with 3013901 Canada Limited and continued as Stanley Technology Group Inc.
- October 28, 1998 – Stanley Technology Group Inc. changed to Stantec Inc.

Our head and principal office and our registered and records office are at 10160 – 112 Street, Edmonton, Alberta, Canada, T5K 2L6.

In this AIF, references to "Stantec" and the "Company" include (as the context may require) Stantec Inc. and all or some companies in which it has an interest. References to "our," "us," and "we" also refer to Stantec.

Intercorporate Relationships

The following chart lists, as at December 31, 2017, the intercorporate relationships among Stantec and its main operating subsidiaries; the percentage of voting and restricted shares of the subsidiaries owned, controlled, or directed by Stantec; and the governing jurisdiction of these subsidiaries. For our other subsidiaries not included in this list, the total assets and revenue owned, controlled, or directed by Stantec do not constitute more than 10%, individually, of the consolidated assets or consolidated revenues of Stantec as at December 31, 2017. These excluded subsidiaries also do not constitute more than 20%, in the aggregate, of the consolidated assets or consolidated revenues of Stantec as at December 31, 2017.

Name of Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares (1)	Governing Jurisdiction
3221969 Nova Scotia Company	100	100	Nova Scotia
Architecture Stantec Québec Ltée	49 (2)	n/a	Québec
International Insurance Group Inc.	100	n/a	Barbados
MWH Constructors, Inc.	100	n/a	Delaware
MWH International, Inc.	100	n/a	Delaware
Mustang Acquisition Holdings Inc.	100	n/a	Delaware
Stantec Architecture Inc.	0 (2)	n/a	North Carolina
Stantec Architecture Ltd.	0 (2)	n/a	Canada
Stantec Australia Pty Limited	100	n/a	Australia
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados

Name of Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares (1)	Governing Jurisdiction
Stantec Consulting International LLC	100	n/a	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Ltd./Stantec Experts-conseils ltée	100	100	Canada
Stantec Consulting Michigan Inc.	100	n/a	Michigan
Stantec Consulting Services Inc.	100	100	New York
Stantec Delaware II LLC	100	n/a	Delaware
Stantec Geomatics Ltd.	50 (2)	100	Alberta
Stantec Global Capital Limited	100	n/a	United Kingdom
Stantec Holdings II Ltd.	100	n/a	Alberta
Stantec International Inc.	100 (3)	n/a	Pennsylvania
Stantec Limited	100	n/a	England and Wales
Stantec New Zealand	100	n/a	New Zealand
Stantec Planning and Landscape Architecture P.C.	0 (2)	n/a	Maine
Stantec Planning and Landscape Architecture P.C.	0 (2)	n/a	New York
Stantec Technology International Inc.	100	100	Delaware
Stantec Treatment Limited	100	n/a	United Kingdom
Stantec UK Limited	100	n/a	United Kingdom

n/a – not applicable

(1) In this AIF, "restricted shares" means nonvoting shares in the capital stock of a subsidiary of the Company.

(2) Stantec has entered into a management agreement with respect to 100% of the voting shares of this corporation that allows Stantec direct control over any disposition of this corporation's voting shares.

(3) Held by a structured entity (an entity designed so that voting or similar rights are not the dominant factor in deciding who controls the entity).

General Development of the Business

2018

Acquisitions

On January 31, 2018, we announced the signing of a letter of intent for Stantec to acquire Occam Engineers Inc., a water, transportation and public works services firm operating in New Mexico and Texas. The transaction is expected to close in late March 2018, subject to customary closing conditions.

On February 13, 2018, we announced the signing of a letter of intent for Stantec to acquire Traffic Design Group, one of the largest transportation planning and traffic engineering design firms in New Zealand. The transaction is expected to close in early April 2018, subject to customary closing conditions.

Officer and Director Changes

On January 1, 2018, Gordon A. Johnston was appointed president and chief executive officer, and was appointed to Stantec's board of directors.

Steve M. Fleck was appointed to the newly created position of chief practice and project officer on January 1, 2018.

Effective February 21, 2018, Richard C. Bradeen was appointed to Stantec's board of directors as well as to serve as a member of the Audit and Risk Committee.

Three-Year History

Highlights of Stantec's general development over the past three years follow.

2017

Acquisitions

In 2017, we acquired the following firms in Canada and the United States:

Month	Business Acquired	Nature of Business
April	Inventrix Engineering, Inc.	Provides engineering services in mechanical and plumbing design. Principally located in Seattle, Washington.
July	RNL Facilities Corporation	Provides public transit, civic, federal, energy, software development, telecommunications, and aerospace services. Principally located in Denver, Colorado.
October	North State Resources, Inc.	Provides environmental consulting. Principally located in Redding, California.

Divestitures

In May 2017, Stantec closed the sale of its water software business, Innovyze, Inc. and its subsidiaries, for gross proceeds of US$270 million, less working capital adjustments and assumed indebtedness. Innovyze joined Stantec as part of the MWH acquisition in 2016; subsequently, Stantec determined that Innovyze did not add synergies to Stantec's core business.

Officer and Director Changes

On December 31, 2017, Robert J. Gomes retired from the position of president and chief executive officer.

In addition, Ivor Ruste did not stand forre-election as a director at our annual general meeting of shareholders held on May 11, 2017, and thus his service as a director of Stantec ended on that date.

Renewal of Normal Course Issuer Bid

On November 9, 2017, we announced that the renewal of our Normal Course Issuer Bid (NCIB) was filed with and approved by the Toronto Stock Exchange (TSX). Pursuant to the NCIB, Stantec may purchase up to 2,278,747 common shares, representing approximately 2% of Stantec's 113,937,358 issued and outstanding common shares as of October 31, 2017. Purchases were permitted to commence on November 14, 2017, and terminate no later than November 13, 2018. Except for block purchases permitted by the TSX, the number of shares purchased per day will not exceed 49,281 or approximately 25% of the average daily trading volume for the six full calendar months prior to October 31, 2017. During 2017, 465,713 common shares were repurchased for cancellation at a weighted average price of $30.9271 per share.

Organizational Evolution

In 2017, we continued the process of realigning our internal structure to better serve our clients. The 2016 acquisition of MWH Global, Inc. and its affiliated and subsidiary companies (MWH) added a global design presence in the water sector, including a top-tier presence in the United States and United Kingdom, and a global presence in waterpower and dams. To best leverage this expertise and offer a higher degree of leadership and increased visibility for clients and employees, effective January 1, 2017, we combined legacy Stantec's Water sector from the Infrastructure business operating unit and MWH's Water businesses into a separate business operating unit—Water.

Financing

In 2017, we amended our existing Credit Agreement twice. Effective March 28, 2017, we amended our Credit Agreement to allow for the sale of our equity securities in Innovyze, Inc. Effective May 5, 2017, we amended our term credit facility to convert the Tranche C sub-facility from US$116,700,000 to CDN$160,041,000.

2016

Acquisitions

In 2016, we acquired the following firms in Canada, the United States, and globally:

Month	Business Acquired	Nature of Business
March	Bury Holdings, Inc.	Provides engineering, landscape architecture, planning, construction administration, surveying, and sustainable solutions. Principally located in Austin, Texas.
May	MWH Global, Inc. (1)	Provides global engineering, consulting, and construction management services. Principally located in Broomfield, Colorado, with additional offices in the United States, United Kingdom, Australia, New Zealand, South and Central America, Europe and the Middle East.
May	VOA Associates Incorporated	Provides expertise in architecture, interior design, landscaping, and planning. Principally located in Chicago, Illinois.
September	Edwards and Zuck, P.C. and Edwards and Zuck Consulting Engineers, D.P.C.	Provides mechanical, electrical, and plumbing engineering design services. Principally located in New York, New York.
December	Architecture | Tkalcic Bengert	Provides architecture, interior design, creative services, urban planning, and technical consulting services. Principally located in Edmonton, Alberta.

(1) Significant acquisition – Stantec filed a Business Acquisition Report on July 8, 2016; a copy is available on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 6-K at sec.gov.

Officer and Director Changes

While Stantec's chief operating officer (COO) Richard Allen prepared to retire in 2016, the COO's roles and responsibilities were divided into two positions to better meet the needs of Stantec's diverse business model. Effective January 1, 2016:

- Scott L. Murray was appointed chief operating officer (COO) – this role oversees Company operations, including health and safety, regional operations, and our Project Delivery Office
- Valentino DiManno was appointed chief business officer (CBO) – this newly created role oversees all business operating units, account management, client development, and quality management

Reporting to the chief executive officer (CEO), the COO and CBO have equal leadership responsibility and work together to manage all aspects of Stantec's business. We believe that these balanced roles further improve and strengthen our balanced leadership model.

In addition, David Emerson did not stand forre-election as a director at our annual general meeting of shareholders held on May 12, 2016, and thus his service as a director of Stantec ended on that date. Effective November 9, 2016, Marie-Lucie Morin was appointed to Stantec's board of directors.

Organizational Evolution

Continuing the process of realigning our internal structure to better serve our clients, we recognized that although Environmental Services and Energy & Resources share many similar clients, their businesses are in fact different. To provide these groups with a more direct leadership and better visibility within the Company for the services they perform, effective August 2016, we made Environmental Services a fourth business operating unit. Our Mining, Oil & Gas, and Power sectors remained within the Energy & Resources business operating unit.

Addition of Construction Services

As a result of the MWH acquisition, our business model expanded to include Construction Services, where we provide construction management and project delivery at-risk services, primarily on water-related projects to key long-term clients in the United States and United Kingdom. For further information regarding Construction Services, see the Description of the Business section in this AIF.

Financing

We financed the MWH acquisition through the net proceeds of a public offering of 17,360,000 subscription receipts sold for $30.25 each for gross proceeds of $525.1 million. Each subscription receipt represented the right of the holder to receive one common share when the MWH acquisition closed, and funds were drawn from the Credit Facilities (described below).

The public offering of subscription receipts was completed through an agreement with CIBC World Markets Inc. and RBC Dominion Securities Inc. on behalf of a syndicate of underwriters on a bought-deal basis that included additional gross proceeds of up to approximately $78.8 million pursuant to the underwriters' exercise of their overallotment option to purchase an additional 2,604,000 subscription receipts under the same terms as above.

On May 6, 2016, concurrent with the closing of the MWH acquisition, we entered into an agreement for new $1.25 billion senior secured credit facilities consisting of a senior secured revolving credit facility in the maximum amount of $800 million and a $450 million term loan in three tranches (the Credit Facilities). The revolving credit facility expires May 6, 2020, and may be repaid from time to time at our option. The Credit Facilities are available for future acquisitions, working capital needs, and general corporate purposes. Tranches A and B of the term loan were drawn in Canadian funds of $150 million each (due May 6, 2018, and May 6, 2019, respectively); tranche C was drawn in US funds of $116.7 million (due May 6, 2020).

2015

Stantec Experts-Conseils Ltée

After acquiring the Canadian engineering operations of Dessau Inc., effective February 3, 2015, we filed a Certificate and Articles of Amendment to add Stantec Experts-conseils ltée as the corresponding French name for Stantec Consulting Ltd.

Acquisitions

In 2015, we acquired the following firms in Canada and the United States:

Month	Business Acquired	Nature of Business
January	Canadian engineering operations of Dessau Inc.	Provides engineering services in the healthcare, water, power, energy, transportation, and community development sectors, as well as telecommunications and security services. Principally located in Montreal, Quebec.
February	Sparling, Inc.	Provides expertise in electrical engineering and architectural lighting design. Based in Seattle, Washington, with additional offices in San Diego, California, and in Portland, Oregon.
July	VI Engineering, LLC	Provides specialized engineering, design, analysis, and project management of high-voltage substations, transmission lines, and electric power systems. Principally located in Houston, Texas.
August	VA Consulting, Inc.	Provides architecture, engineering, planning, and environmental consulting services. Principally located in Irvine, California.
October	Fay, Spofford & Thorndike, Inc.	Provides transportation and water infrastructure, building design, and environmental services. Principally located in Burlington, Massachusetts.
December	Infrastructure Americas Division of Kellogg Brown & Root Services, Inc.	Provides transportation, water and wastewater, aviation, and civil and structural engineering services, including design-build, highway and bridge design, and construction engineering and inspection. Principally located in Houston, Texas.

Divestitures

In December, we fully divested our operations in India to a company composed of a core group of Stantec leaders and senior staff in Ahmedabad, India. The new company, INI Design Studio, continues to provide design and client services. Stantec plans to continue working with INI Design Studio as a strategic partner for any continued work in the region.

For more information about the general development of our business and strategies for the upcoming year, see pages M-12 to M-16 and M-10 to M-12 of Stantec's MD&A for the year ended December 31, 2017 (incorporated by reference in this AIF and filed on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov).

Description of the Business

Stantec collaborates across disciplines and industries to bring buildings, energy and resources, environmental, water, and infrastructure projects to life. Our work—engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, construction services, project management, and project economics—begins at the intersection of community, creativity, and client relationships. With a long-term commitment to the people and places we serve, Stantec has the unique ability to connect to projects on a personal level and advance the quality of life in communities across the globe.

We have refined our long-standing business objective, which was to be a top 10 global design firm. Having achieved that goal in 2017 (based on rankings by Engineering News-Record magazine and based on revenue for design services), we now seek to maintain our position in the top 10, while also becoming a top-tier global design and delivery firm, not only by size but also assessed qualitatively based on our capabilities and perception in the market place.

Because of our diverse model, we can generally adapt to changes in market conditions by offsetting decreased demand for services in one business operating unit or geographic location with increased demand in another. We believe this strategy helps us to mitigate risk while we continue to increase our revenue and earnings.

Our chief operating decision maker (CEO) assesses our Company's performance based on financial information available from our operating segments. In 2015 and the first quarter of 2016, our Company had one reportable segment, Consulting Services, an aggregate of our previous operating segments (regional geographic areas).

Our reportable segments (in accordance with IFRS) are based on our two primary service offerings, Consulting Services (split by geographic area) and Construction Services. The Company has four operating and reportable segments: Consulting Services – Canada, Consulting Services – United States, Consulting Services – Global, and Construction Services.

The following table illustrates the breakdown of gross revenue for our reportable segments in 2016 and 2017. All amounts in this AIF are in Canadian dollars unless otherwise noted.

2016

Reportable Segment	(millions $)	%
Consulting Services – Canada	1,168.8	27%
Consulting Services – United States	2,062.9	48%
Consulting Services – Global	423.2	10%
Construction Services	645.2	15%

2017

Reportable Segment	(millions $)	%
Consulting Services – Canada	1,191.7	23%
Consulting Services – United States	2,226.0	43%
Consulting Services – Global	611.0	12%
Construction Services	1,111.4	22%

In 2017, we earned 57% of our total gross revenue (including revenue from both Consulting Services and Construction Services) in the United States, 23% in Canada, and 20% in global markets. For Consulting Services, 55% of our gross revenue was earned in the United States, 30% in Canada, and 15% in global markets. For Construction Services, 64% was earned in the United States and 36% in global markets.

For additional information regarding our core business and strategy, see our MD&A for the year ended December 31, 2017, pages M-2 and M-12 to M-16 (incorporated by reference in this AIF and filed on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov).

Research and Development

We generally conduct research and development for a client's specific project requirements or for internal purposes to develop tools or design techniques to improve our competitive advantage. Most research and development is conducted in the areas of infrastructure evaluation and management systems, augmented and virtual reality, parametric design, hydraulic modeling of water and wastewater systems, wastewater treatment, and pavement evaluation and management systems.

Competitive Conditions

We work in highly competitive markets and have numerous competitors for all our services. The number and identity of competitors vary widely with the type of service we provide. For small to midsized projects, we compete with many engineering, architecture, construction management, and other professional consulting firms. For larger projects, we have fewer but still many competitors; however, some competitors may have greater financial and other resources than we have. Although we compete with large private and public companies in certain geographic locations, our primary competitors are small to midsized privately held regional firms.

We believe that our operating structure, our operating philosophy, our enterprise systems, and the diversity and scope of our professional services differentiate us from other engineering, architecture, construction management, and professional consulting firms, be they private or public, small or large.

The main competitive advantages that we have in the services we offer are reputation, experience, breadth and quality of services, technical proficiency, local offices, competitive total project fees, and integrated service delivery. Our successful track record of acquiring and integrating firms also provides us with a competitive advantage. Given the expanding demand for the services we provide, additional competitors will likely emerge. Even with this increased competition, we believe that we will compete effectively because of our strengths and expertise in engineering, architecture, construction management, construction services, and related professional services, as well as our successful track record of service delivery.

Services

We serve many diverse clients in the private and public sectors and aim to establish ongoing relationships with clients that are likely to produce repeat business. We work on tens of thousands of projects, for thousands of clients, in hundreds of locations, ensuring that we do not rely on a few large projects for our revenue.

In Consulting Services, we provide knowledge-based solutions through value-added professional consulting services in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics in the areas of infrastructure and facilities, principally under fee-for-service agreements with clients.

In Construction Services, we provide construction management and project delivery at-risk services, primarily on water-related projects to key long-term clients in the United States and United Kingdom. We offer start-to-finish construction capabilities to municipal, utility, federal, and industrial clients, including commissioning and start-up services. Separate from project delivery, we also provide construction management and professional supervision services. Construction Services revenue is derived primarily from cost-reimbursable, guaranteed-maximum price contracts and fixed-price contracts.

We offer a range of pricing structures to our clients but usually provide our services based on a fixed or variable-fee contract (with a ceiling) or a time-and-material contract (without a stated ceiling). Most assignments are acquired because of our expertise and contacts; others are obtained through a competitive bidding process.

Employees

As at December 31, 2017, we had approximately 22,000 staff, including professionals, technologists and technicians, and support personnel.

We are a knowledge-based organization, always seeking talented and skilled professionals for all of our specialized services. We use various recruitment strategies to address staffing needs: an employee referral bonus program, website job postings, career fairs, student programs, and opportunities to transfer to other office locations.

Sustainability

Sustainability is critical to ensure Stantec's long-term competitiveness and maintain our position as a top 10 global design firm. We have a formal Sustainability Program built on the premise that positive economic results are enabled when we effectively manage our environmental, social, and governance (ESG) concerns. Our Sustainability Policy guides us in implementing best practices that meet the letter and spirit of applicable laws and regulations as well as recognized international ESG frameworks.

Internally at Stantec, we

- Take responsibility for the impacts of our operations and choose approaches of least impact to the environment
- Strive to provide a diverse, inclusive, and equitable workplace for our employees
- Actively volunteer in our communities and annually donate to charity
- Are committed to ethical business behavior.

For our clients, we incorporate sustainability into all of our service offerings and have built a leading sustainability consulting practice in all of the markets we serve, across all sectors.

Accountability for our sustainability performance sits with an Executive ESG Committee that is chaired by the chief operating officer and coordinated by the program manager for Sustainability. Committee members include senior managers from finance, legal, human resources, health, safety, security and the environment (HSSE), procurement, strategy, and integrated management.

Details of our Sustainability Program are provided in our annual Sustainability Report. ESG highlights of the report are included below.

Environment

Stantec manages, monitors, and improves our environmental performance with an Environmental Management System (EMS). Our EMS is registered to the International Organization for Standardization's (ISO) 14001:2015 environmental management standard, which is recognized internationally as the consensus environmental standard. Independent (third-party) audits of the EMS are conducted annually. Our environmental management is centered on reducing the environmental impact of our operations as well as complying with environmental regulations. We focus on diminishing environmental risk by fostering an understanding at all levels of the organization.

Stantec tracks and publicly reports our greenhouse gas emissions and energy use and sets formal reduction goals. We also take active measures to minimize the resources used in our operations to bring direct environmental benefits, increase our efficiency, and provide cost savings.

Social

Stantec is a people-centered company and our social commitments touch our workforce, the health and safety of everyone our work touches, and the communities where we work and live.

We are a professional services company that relies on the expertise of highly technical staff. We work hard to hire the best in the industry and focus on managing, mentoring, and retaining our key people. Stantec offers a flexible and collaborative work environment as well as employee benefits that meet and often exceed industry standards. We also encourage and support creativity, innovation, and research to better prepare for future client needs and to promote thought leadership.

Stantec's Health, Safety, Security and Environment (HSSE) Policy supports the wellbeing of our employees, partners, and clients. We maintain an Occupational Health & Safety Management System (OHSMS), which received external third-party certification under the consensus-based international standard for occupational health and safety—OHSAS 18001:2007. Independent (third-party) audits of the OHSMS are conducted annually. To address our Company's diversity, the HSSE team develops core practices that can be implemented Company-wide yet are adaptable to suit the needs of any region, business operating unit, client, or project. Stantec tracks lagging indicators (e.g., workers' compensation costs, total recordable injury rates) and leading indicators (e.g., site visits, file reviews, safety meetings, worksite inspections) to gauge the effectiveness of our HSSE program.

Stantec's priority for community engagement includes strategic philanthropy and partnerships. We commit to our communities by investing in initiatives that build capacity and support long-term change. We do this by contributing time, expertise, and money to the arts, education, environment, and health and wellness. Stantec also has a specific focus on maintaining respectful and successful relationships with Indigenous communities.

Governance

Stantec believes that good governance is essential to maintaining an ethical and effective corporate culture so that we can provide value for all stakeholders. By embracing ethical business practices, we demonstrate our Company values and, in turn, establish a competitive advantage in a global marketplace.

Our Integrated Management System (IMS) provides a disciplined and accountable framework that monitors risks and hazards, reduces inefficiencies, maximizes Company resources, and directly supports implementation of our strategy. This IMS includes the EMS and OHSMS described above as well as a Quality Management System that is ISO 9001:2008 certified and an IT Service Management System that is ISO/IEC20000-1:2011 certified. Independent (third-party) audits of the IMS are conducted annually. Stantec focuses on data privacy and maintains comprehensive IT security systems. We also have a Partner Code of Conduct program that passes our ESG expectations along to our supply chain.

Additional information on our board of directors, risk management, and strategic planning process can be found in Stantec's 2017 Annual Report and Management Information Circular.

Global Operations

In 2017, Stantec remained active internationally; gross revenue from Global operations was approximately $1,014.6 million.

We perform work and have permanent offices located in the United Kingdom, Europe, Australia, New Zealand, the Middle East, China, Taiwan, Turkey, South and Central America, and the Caribbean.

All Stantec projects are reviewed in accordance with Stantec's Project Management Framework, which includes following legal, financial, and technical processes, among other things. As well, each in-country project is examined to ensure that any health, safety, and security or political risks are acceptable. All major projects are subject to major project reviews, when applicable, and all projects have an executive leadership sponsor.

Risk Factors

For a review of the risks pertaining to our Company, please refer to our MD&A for the year ended December 31, 2017, pages M-59 to M-67 (incorporated by reference in this AIF and filed on SEDAR at sedar.com and on EDGAR as an exhibit to our Form 40-F at sec.gov).

Dividends

On February 15, 2012, Stantec's board of directors approved our Dividend Policy and concurrently declared Stantec's first quarterly dividend. Pursuant to our Dividend Policy, the Company anticipates it will pay a quarterly dividend to shareholders of record on the last business day of each quarter with actual payment to be made to those shareholders on or about the fifteenth day of the following month.

Since the adoption of our Dividend Policy, we have paid quarterly dividends on our common shares. While the Company aims to declare and pay a dividend quarterly, our Dividend Policy is at the sole discretion of our board of directors and may vary depending on a variety of factors, including prevailing economic and market conditions, the Company's earnings, the financial requirements for the Company's operations, the business strategy of the Company, the provisions of applicable law, and any other factors that our board of directors considers relevant. Additionally, Stantec is required to meet certain financial thresholds under the Credit Facilities; this may restrict Stantec's ability to declare and pay dividends. Therefore, Stantec cannot guarantee that our Dividend Policy will be maintained.

The following table outlines cash dividends paid per common share in 2017, 2016, and 2015.

Dividends Paid ($ per common share)

	Year (Total)	Q4	Q3	Q2	Q1
2017	0.50	0.125	0.125	0.125	0.125
2016	0.45	0.1125	0.1125	0.1125	0.1125
2015	0.42	0.105	0.105	0.105	0.105

Description of Capital Structure

Our authorized share capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares. As at December 31, 2017, no preferred shares and 113,991,676 common shares were issued and outstanding.

Preferred Shares

Preferred shares may be issued in one or more series. The board of directors determines the number of shares and the rights, privileges, restrictions, and conditions attaching to each series. The holders of the preferred shares as a class are not entitled to receive notice of or attend any shareholders' meeting and are not entitled to vote at any shareholders' meeting, except to approve amendments to the terms of the preferred shares as a class or as required by law.

Each series of preferred shares will rank *pari passu* with each of the other series of preferred shares with respect to the entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec. Preferred shares as a class rank ahead of common shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

Common Shares

The holders of common shares are entitled to receive, as and when declared by our board of directors, dividends in an amount and form that our board of directors may from time to time determine. Holders of common shares are entitled to receive notice of and to attend all shareholders' meetings. They will have one vote for each common share held at all such meetings, unless the meeting is only for holders of another specified class or series of our shares who are entitled to vote separately as a class or series.

Common shares rank behind preferred shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

Market for Securities

Trading Price and Volume

Our common shares are listed for trading on the TSX and New York Stock Exchange (NYSE) under the symbol “STN”.

The following table outlines the monthly trading data on the TSX for January 1 to December 31, 2017:

Toronto Stock Exchange 2017

Month	High	Low	Volume
January	$36.06	$32.80	3,776,980
February	$36.74	$33.00	4,488,233
March	$35.34	$33.33	4,049,634
April	$36.21	$33.52	4,176,770
May	$35.36	$30.24	8,275,375
June	$33.37	$30.69	4,317,775
July	$32.80	$31.31	2,185,995
August	$34.97	$30.97	4,132,950
September	$34.96	$33.58	3,298,792
October	$37.13	$34.61	3,289,711
November	$36.95	$33.95	5,127,464
December	$35.48	$33.99	3,333,459
Total			50,453,138

The following table outlines the monthly trading data on the NYSE (in US$) for January 1 to December 31, 2017:

New York Stock Exchange 2017

Month	High	Low	Volume
January	$27.50	$24.70	374,913
February	$28.00	$25.20	407,295
March	$26.55	$24.90	565,433
April	$27.10	$24.85	330,916
May	$25.70	$22.25	690,625
June	$25.60	$22.80	375,117
July	$25.70	$24.55	387,439
August	$27.80	$24.50	610,159
September	$28.55	$27.40	440,190
October	$28.85	$27.65	387,272
November	$28.75	$26.75	562,496
December	$28.15	$26.45	303,183
Total			5,435,038

Directors and Officers

The following table lists Stantec's directors as of February 21, 2018, and their municipality of residence and principal occupation:

Directors of Stantec Inc.

Name and Municipality of Residence	Principal Occupation	Director Since
Douglas K. Ammerman Laguna Beach, California, United States	Corporate Director	2011
Richard C. Bradeen Montreal, Quebec, Canada	Corporate Director	2018
Delores M. Etter Camano Island, Washington, United States	Corporate Director	2011
Anthony P. Franceschini Edmonton, Alberta, Canada	Corporate Director	1994
Robert J. Gomes Edmonton, Alberta, Canada	Corporate Director	2009
Susan E. Hartman Evergreen, Colorado, United States	President and Chief Executive Officer of The Hartman Group (a management consulting firm)	2004
Gordon A. Johnston Edmonton, Alberta, Canada	President and Chief Executive Officer of Stantec Inc.	2018
Aram H. Keith (1) Monarch Beach, California, United States	Corporate Director	2005
Donald J. Lowry Edmonton, Alberta, Canada	Corporate Director	2013
Marie-Lucie Morin Ottawa, Ontario, Canada	Corporate Director	2016

(1) Mr. Keith is the chair of our board.

All Stantec directors are elected annually and hold office until the next annual shareholders' meeting or until their earlier resignation. All directors have held the positions listed in the table above or other executive positions with the same or associated firms or organizations during the past five years or more, except the following:

- Mr. Lowry was president and CEO of EPCOR Utilities Inc. until March 2013
- Ms. Morin was an executive director at the World Bank in Washington, DC, until January 2013 and, subsequently, a corporate director and consultant until December 2015
- Mr. Bradeen was a senior vice-president with Bombardier Inc. until October 2013
- Ms. Etter was a professor of electrical engineering until December 2016
- Mr. Gomes was president and CEO of Stantec until December 31, 2017
- Mr. Johnston was appointed president and CEO of Stantec on January 1, 2018

The following table lists the executive officers of Stantec as of February 21, 2018, and their municipality of residence, and principal occupation in the five preceding years:

Executive Officers of Stantec Inc.

Name and Municipality of Residence	Officer Position Held	Principal Occupation
Gordon A. Johnston Edmonton, Alberta, Canada	President and Chief Executive Officer	President and Chief Executive Officer, Stantec Inc.
Daniel J. Lefaivre St. Albert, Alberta, Canada	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer, Stantec Inc.
Scott L. Murray Lexington, Kentucky, United States	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer, Stantec Inc.
Valentino DiManno Calgary, Alberta, Canada	Executive Vice President and Chief Business Officer	Executive Vice President and Chief Business Officer, Stantec Inc.
Steve M. Fleck Vancouver, British Columbia, Canada	Executive Vice President and Chief Practice and Project Officer	Executive Vice President and Chief Practice and Project Officer, Stantec Inc.
Paul J. D. Alpern Sherwood Park, Alberta, Canada	Senior Vice President, Secretary and General Counsel	Senior Vice President, Secretary and General Counsel, Stantec Inc.

Scott L. Murray joined Stantec in 2008 and was appointed executive vice president and regional operating unit leader for the United States in 2013. He was appointed as chief operating officer on January 1, 2016.

Valentino DiManno was appointed executive vice president in 2013, serving as regional operating unit leader for Canada and business operating unit leader for Energy & Resources before his appointment as chief business officer on January 1, 2016.

Steve M. Fleck joined Stantec in 2007 and was appointed executive vice president of Stantec's Project Delivery Office in 2015. He was appointed to lead the Programs and Business Solutions group in 2016 and was appointed as chief practice and project officer on January 1, 2018.

Gordon A. Johnston was the regional business leader for Stantec's Water group in Western Canada before assuming the role of business leader for Stantec's Water business line in 2010. In 2015, he was named executive vice president for the Company's Infrastructure business operating unit, and he held that position until his appointment to president and chief executive officer on January 1, 2018.

All other executive officers have held the positions listed in the previous table or other executive positions with the same or associated firms or organizations during the past five years or more.

The following lists the members of each committee of the board in 2017:

- Audit and Risk Committee – Douglas K. Ammerman (chair), Anthony P. Franceschini, and Donald J. Lowry
- Corporate Governance and Compensation Committee – Susan E. Hartman (chair), Delores M. Etter, Donald J. Lowry, and Marie-Lucie Morin

On February 21, 2018, Richard C. Bradeen was appointed as a member of Stantec's Audit and Risk Committee.

Directors' and Executive Officers' Share Ownership

As of December 31, 2017, as a group, our directors and executive officers, beneficially owned, controlled, or directed, either directly or indirectly, 1,108,908 common shares being 0.97% of our issued and outstanding common shares.

Audit and Risk Committee Information

Audit and Risk Committee Terms of Reference

The responsibilities and duties of our Audit and Risk Committee are set out in the committee's Terms of Reference (Mandate), which is attached as Appendix I to this AIF.

Composition of the Audit and Risk Committee

As of February 21, 2018, our Audit and Risk Committee members are Douglas K. Ammerman (chair), Richard C. Bradeen, Anthony P. Franceschini, and Donald J. Lowry.

The board of directors believes that the composition of the Audit and Risk Committee reflects an appropriate level of financial literacy and expertise. The board determined that each committee member is "independent" and "financially literate" (as those terms are defined under applicable Canadian and US securities laws). In addition, Mr. Ammerman, Mr. Bradeen and Mr. Lowry are each an "audit committee financial expert" (as this term is defined in the rules and regulations of the US Securities and Exchange Commission [SEC]).

The following information describes each committee member's education and experience that is relevant to the performance of his or her committee responsibilities.

Douglas K. Ammerman

Mr. Ammerman is a retired partner of KPMG LLP which he was for almost 30 years; during that time, he served as the national practice partner, the managing partner of the Orange County office, and a member of KPMG's nominating committee for its board of directors. He holds a master's degree in business taxation from the University of Southern California, as well as a bachelor of arts degree with an accounting emphasis from California State University at Fullerton. Mr. Ammerman is past president and director emeritus of the Pacific Club and served in the Reagan administration as Special Assistant to the Secretary of Interior. He currently serves on the board of directors and audit committees of Fidelity National Financial, Inc.; William Lyon Homes Inc.; and J. Alexander's Holdings, Inc.

With nearly 30 years' experience in public accounting and as an audit committee member on a number of other boards, Mr. Ammerman has a strong familiarity with the preparation and review of interim and annual financial statements and is a valuable asset to the committee.

As of December 31, 2017, Mr. Ammerman owned 27,796 common shares valued at $977,307 and 36,911 deferred share units valued at $1,299,645.

Richard C. Bradeen

Mr. Bradeen served as Senior Vice-President, Strategy, Mergers & Acquisitions, Pension Investments, Corporate Audit Services and Risk Assessment of Bombardier Inc., Montreal (Bombardier), a leading worldwide manufacturer of planes and trains from February 2009 to October 2013. He started his career at Bombardier in 1997 as Vice President, Acquisitions and held increasingly senior roles. Prior to that, Mr. Bradeen served as a partner and a member of the Partnership Board of Directors of Ernst & Young (Canada). He joined Ernst & Young in 1978 and held increasingly senior roles over a 19-year period, including that of President, Corporate Finance Group in Toronto. He currently serves on the board of directors and audit committee of Superior Plus Corp.

Mr. Bradeen's previous experience with Bombardier and Ernst & Young, as well as his service on the audit committee of Superior Plus, provides him with the relevant experience to perform his responsibilities as an audit committee member.

As of December 31, 2017, Mr. Bradeen owned no common shares and no deferred share units.

Anthony P. Franceschini

Tony Franceschini was employed by Stantec between January 1978 and May 2009. He provided consulting services, management, and leadership, and served as president & CEO from June 1, 1998, until his retirement on May 14, 2009. He has been a director of Stantec since the Company became publicly traded in March 1994 and is a director of three other public companies: Esterline Technologies Corporation, ZCL Composites Inc., and AECON Group Inc. He is the chair of the audit committee for AECON Group and a member of the company's risk committee. Additionally, he serves on the audit committee for Esterline Technologies Corporation.

As the former president & CEO of Stantec and with experience as a director and committee member of three other public companies (including service as an audit committee chair), Mr. Franceschini has acquired significant experience, allowing him to act as a member of the audit committee.

As of December 31, 2017, Mr. Franceschini owned 303,901 common shares valued at $10,685,159 and 52,512 deferred share units valued at $1,848,971.

Donald J. Lowry

Donald Lowry retired in March 2013 as president & CEO of EPCOR Utilities Inc. He remains chair of Capital Power Corporation, a publicly traded company formed when EPCOR spun off its generation business in July 2009. In 2011, he was named Alberta Business Person of the Year by *Alberta Venture* magazine. In January 2014, Mr. Lowry was named Alberta Resource Person of the Year for 2014 by the Alberta Chamber of Resources. He also acted as chair of the International Triathlon Union for the grand final events held in Edmonton in 2014, 2015 and 2016. Mr. Lowry was the chair of Canadian Oilsands Limited (TSX-COS) until February 2016, when the company was acquired. Mr. Lowry holds a bachelor of commerce (honors) and master of business administration degrees from the University of Manitoba, and he is a graduate of the Harvard Advanced Management Program and the Banff School of Management. Mr. Lowry obtained his Institute of Corporate Directors designation in January 2016 from the Rotman School of Business. He has more than 30 years of industry experience in the utilities, telecommunications, and power generation sectors, and currently serves on the audit committees for Melcor REIT and Hydrogenics Corporation.

Mr. Lowry's education, past role as president & CEO of EPCOR Utilities Inc., and service on a number of boards and audit committees provide him with the relevant experience to perform his responsibilities as an audit committee member.

As of December 31, 2017, Mr. Lowry owned 21,100 common shares valued at $741,876 and 29,182 deferred share units valued at $1,027,506.

Preapproval Policy

The Audit and Risk Committee must preapprove the audit andnon-audit services performed by the independent auditor to ensure that the provision of those services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general preapproval, it will require specific preapproval by the committee. Proposed services that exceed preapproved cost levels will require specific preapproval by the committee.

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during fiscal years ended December 31, 2017, and 2016 follow:

Category	Note	2017 ($)	2016 ($)
Audit fees	1	6,419,000	4,265,000
Audit-related fees	2	147,800	22,400
Tax fees	3	3,806,600	2,369,300
All other fees	4	21,800	1,148,200
Total Fees		10,395,200	7,804,900

(1) Audit fees: Audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements, including the audit of the MWH opening balance sheet and subsidiary statutory audit requirements.

(2) Audit-related fees: Assurance and related services provided by Ernst & Young LLP. These services can include accounting consultations and attest services not required by statute or regulation.

(3) Tax fees: Professional services rendered by Ernst & Young LLP for income tax compliance of $855,000, which generally involve the preparation of US tax returns as well as preparation of certain of our International based Companies income tax returns. $2,951,600 for tax advice relating to mergers, acquisitions, financing structures and tax planning, mainly related to the MWH transaction as well as the Innovyze disposition and US tax reform.

(4) All other fees: Non-audit assurance fees and related services provided by Ernst & Young LLP. These services include review engagements and international financial reporting standards consultations. Fees for 2016 include professional services rendered by Ernst & Young LLP for financial due diligence provided in connection with the MWH acquisition.

Legal Proceedings and Regulatory Actions

We have pending legal claims and suits both by and against us. These are typical of the industries we operate in. Where appropriate, these claims have been reported to our insurers and the insurers of our predecessors, who are in the process of adjusting or defending them. None are expected to have a material effect on our financial position.

No penalties or sanctions have been imposed against us by a court relating to provincial and territorial securities legislation or by a securities regulatory authority. Nor have any other penalties or sanctions been imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision. We have not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Transfer Agent

Computershare Trust Company of Canada is our transfer agent for our common shares listed on the TSX and NYSE at its offices in Calgary, Alberta; Toronto, Ontario; and Canton, Massachusetts.

Material Contracts

We did not enter into any material contracts outside the ordinary course of business in 2017.

Our Credit Agreement dated May 6, 2016, as amended on June 23, 2016, October 24, 2016, March 28, 2017 and May 5, 2017 among Stantec Inc. as borrower; Canadian Imperial Bank of Commerce as administrative agent, sole lead arranger and sole bookrunner; Canadian Imperial Bank of Commerce, HSBC Bank Canada, and Bank of America, N.A., Canada Branch as issuing banks; and certain other lenders with respect to the provision of certain credit facilities to Stantec Inc. is a material contract and has been filed on SEDAR.

We consider the acquisition of professional services firms and the provision of construction services to be in the ordinary course of our business.

Interests of Experts

The Company's auditor—Ernst & Young LLP, Chartered Professional Accountants—is at 10423 – 101 Street, Suite 1400, Edmonton, Alberta, T5H 0E7. The auditor is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta and has complied with the SEC's rules on auditor independence.

Additional Information

Additional financial information is provided in our financial statements and our MD&A for our most recently completed financial year. Additional information contained in our Management Information Circular includes directors' and officers' remuneration and indebtedness, the principal holders of our securities, and securities authorized for issuance under equity compensation plans.

Copies of this AIF, as well as our latest Management Information Circular and Annual Report (which includes our MD&A and Audited Consolidated Financial Statements for the year ended December 31, 2017), may be obtained from our website at stantec.com or by mail on request from the Secretary at 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. Additional information relating to our Company—including disclosure documents and any reports, statements, or other information that we file with Canadian provincial securities commissions or other similar regulatory authorities—is also available through SEDAR at sedar.com.

NYSE Corporate Governance Disclosure

As a foreign private issuer listed on the NYSE, we are generally entitled to follow the Canadian requirements to the extent not contrary to US securities laws, including the rules of National Instrument 58-101 and National Policy 58-201, with respect to corporate governance practices. Pursuant to Section 303A.11 of the NYSE's Listed Company Manual, we are required to identify any significant ways that our corporate governance practices differ from those followed by US domestic companies under the NYSE's listing standards. These differences can be found on our website at stantec.com.

Appendix I – Audit and Risk Committee Terms of Reference (Mandate)

The following are the Audit and Risk Committee's Terms of Reference (Mandate) effective as of February 21, 2018.

A. Overview and Purpose

The Audit and Risk Committee is appointed by, and responsible to, the board of directors. The committee approves, monitors, evaluates, advises, and makes recommendations, in accordance with these terms of reference, on matters affecting the external and internal audits, risk management matters, the integrity of financial reporting, and the accounting control policies and practices of the Company. The involvement of the committee in overseeing the financial reporting process, including assessing the reasonableness of management's accounting judgments and estimates and reviewing key filings with regulatory agencies, is an important element of the Company's internal control over financial reporting. The committee has oversight responsibility for the performance of both the internal auditors and the external auditors. The committee also ensures the qualifications and independence of the external auditors. The committee has oversight of the Company's compliance with legal and regulatory requirements.

It is not the duty of the committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate, and in accordance with International Financial Reporting Standards.

B. Authority and Responsibilities

The Audit and Risk Committee shall

- Request such information and explanations in regard to the accounts of the Company as the committee may consider necessary and appropriate to carry out its duties and responsibilities.
- Consider any other matters which, in the opinion of the committee or at the request of the board, would assist the directors to meet their responsibilities.
- Provide reports and minutes of meetings to the board.
- Engage independent counsel and other advisors as may be deemed or considered necessary, and determine the fees of such counsel and advisors. Receive confirmation from management that the Company has provided for adequate funding for the payment of compensation to the independent counsel and other advisors.

C. Membership

The members of the committee shall be composed of a minimum of three independent directors, appointed by the board, all of whom must be financially literate as defined under the rules of the SEC and the New York Stock Exchange (NYSE) and applicable Canadian securities laws. At least one member shall have accounting or related financial management expertise and be an audit committee financial expert as defined in SEC regulations. For greater clarity, the board has adopted the definition of "independent director" as set out in Multilateral Instrument 52-110 of the Canadian Securities Administrators. The chair of the board of directors shall be an ex-officio member of the Audit and Risk Committee, in addition to the minimum number of required independent directors.

The chair of the committee shall be designated by the board.

Attendance by invitation at all or a portion of committee meetings is determined by the committee chair or its members and would normally include the chief financial officer of the Company, representatives of the external auditor, the internal auditor, and such other officers or support staff as may be deemed appropriate.

D. Financial Statements and Disclosures

1 Review and recommend to the board for approval the annual audited financial statements and Management Discussion and Analysis.

2 Review and recommend to the board for approval the following public disclosure documents:

a. The annual Management Information Circular and proxy materials

b. The Annual Information Form, including any regulatory requirements for Audit and Risk Committee reporting obligations

c. The year-end news release on the earnings of the Company

d. Other regulatory filings of a financial nature

3 Review and, if appropriate, approve and authorize the release of the quarterly unaudited financial statements, including Management's Discussion and Analysis, the quarterly interim report to shareholders, and the quarterly news release on the earnings of the Company. However, in the event that there is a significant or extraordinary matter that, in the opinion of the committee, should be reviewed by the board before the release of such information, the matter shall be referred to the board for review.

4 Receive the quarterly report from the Disclosure Committee on the adequacy of disclosure with respect to material events in the Company's financial statements, Management's Discussion and Analysis, and earnings news releases.

5 Receive annually an evaluation from the internal auditor of the procedures that exist for the review of financial information (extracted or derived from the financial statements) that is publicly disclosed by the Company.

6 Review and recommend to the board for approval all annual financial statements, reports of a financial nature (other than quarterly unaudited financial statements), and the financial content of prospectuses or any other reports that require approval by the board prior to submission thereof to any regulatory authority.

7 Review the Audit and Risk Committee information required as part of the Annual Information Form.

8 Review with management on an annual basis, the Company's obligations pursuant to guarantees (including those granted under the Surety Credit Facility) that have been issued and material obligations that have been entered into and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.

9 Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required

a. The appropriateness of accounting policies and financial reporting practices used by the Company, including alternative treatments that are available for consideration

b. Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company

c. Any new or pending developments in accounting and reporting standards that may affect or impact the Company

d. Any off-balance sheet structures

e. The key estimates and judgments of management that may be material to the financial reporting of the Company

10 At least annually, request the external auditor to provide their views on the quality (not just the acceptability) of the Company's annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness, or conservatism of estimates and elective accounting principles or methods and judgments about the clarity of disclosures.

11 Review any litigation, claim, or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and the manner in which these matters have been disclosed in the financial statements.

12 Review with management on a quarterly basis the indicators of impairment to the Company's goodwill.

E. External Auditor

13 Assess the performance and consider the annual appointment of an external auditor for recommendation to the board for ultimate recommendation for appointment by the shareholders.

14 Review, approve, and execute the annual engagement letter with the external auditor, and ensure that there is a clear understanding between the board, the committee, the external auditor, and management that the

external auditor reports directly to the shareholders and the board through the committee. The terms of the engagement letter or the annual audit plan should include, but not be limited to, the following:

- **a.** Staffing
- **b.** Objectives and scope of the external audit work
- **c.** Materiality limits
- **d.** Audit reports required
- **e.** Areas of audit risk
- **f.** Timetable
- **g.** Proposed fees

15 Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm's requirements regarding audit partner rotation.

16 Approve, before the fact, the engagement of the external auditor for all non-audit services and the fees for such services, and consider the impact on the independence of the external audit work of fees for such non-audit services.

17 Review all fees paid to the external auditor for audit services and, if appropriate, recommend their approval to the board. Receive confirmation from management that the Company has provided for adequate funding for the payment of compensation to the external auditor.

18 Receive an annual certification from the external auditor that they participate in the public oversight program established by the Canadian Public Accountability Board (CPAB) and the standards of the US Public Company Accounting Oversight Board (PCAOB) and that they are in good standing with the CPAB and the PCAOB.

19 Review a report from the external auditors describing (a) the firm's internal quality control procedures and (b) any material issues raised by the most recent internal quality control review or peer review of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding the audits carried out by the external auditor together with any steps taken to deal with any such issues.

20 Receive and resolve any disagreements between management and the external auditor regarding all aspects of the Company's financial reporting.

21 Review with the external auditor the results of the annual audit examination including, but not limited to, the following:

- **a.** Any difficulties encountered, or restrictions imposed by management, during the annual audit
- **b.** Any significant accounting or financial reporting issues
- **c.** The auditor's evaluation of the Company's internal controls over financial reporting and management's evaluation thereon, including internal control deficiencies identified by the auditor that have not been previously reported to the committee
- **d.** The auditor's evaluation of the selection and application of accounting principles and estimates and the presentation of disclosures
- **e.** The post-audit or management letter or other material written communications containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses
- **f.** Any other matters which the external auditor should bring to the attention of the committee

22 Meet with the external auditor at every meeting of the committee or as requested by the auditor, without management representatives present, and meet with management, at least annually or as requested by management, without the external auditor present.

23 When there is to be a change in the external auditor, review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 and the planned steps for an orderly transition.

24 Review and approve the Company's hiring policies regarding employees and former employees of the present and former external auditors of the Company.

25 Receive comments from the external auditor on their assessment of the effectiveness of the committee's oversight of internal control over financial reporting.

26 Conduct an annual review of the external auditor, with the intention of identifying potential areas for improvement for the audit firm, and to reach a final conclusion on whether the auditor should be reappointed or the audit put out for tender.

F. Internal Audit

27 Review the appointment or termination of the internal auditor.

28 Review and approve the internal audit charter periodically (at least every three years).

29 Review and approve the annual audit plan of the internal auditor (where applicable) and ensure that there is a clear understanding between the board, the committee, the internal auditor, and management that the internal auditor reports directly to the board through the committee. Receive confirmation from management that the Company has provided for adequate funding for the internal auditor. The terms of the audit plan should include, but not be limited to, the following:

- **a.** Staffing
- **b.** Objectives and scope of the internal audit work
- **c.** Materiality limits
- **d.** Audit reports required
- **e.** Areas of audit risk
- **f.** Timetable
- **g.** Proposed budget

30 Review with the internal auditor the results of their audit examination, including, but not be limited to, the following:

- **a.** Any difficulties encountered, or restrictions imposed by management, during the audit
- **b.** Any significant accounting or financial reporting issues
- **c.** The auditor's evaluation of the Company's system of internal accounting controls, procedures, and documentation
- **d.** The internal audit reports or other material written communications containing any findings or recommendations of the internal auditor, including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses
- **e.** Any other matters which the internal auditor should bring to the attention of the committee

31 Meet with the internal auditor at every meeting of the committee or as requested by the internal auditor, without management representatives present.

G. Internal Controls

32 Obtain reasonable assurance, through discussions with and reports from management, the external auditor, and the internal auditors, that the accounting systems are reliable, the system for preparation of financial data reported to the market is adequate and effective, and the system of internal controls is effectively designed and implemented.

33 Review management's annual report on the effectiveness of internal controls and procedures, as well as quarterly and annual chief executive officer and chief financial officer certificates filed pursuant to securities regulations.

34 Receive reports from management and/or the internal auditor on all significant deficiencies and material weaknesses identified.

35 Review annually, or as required, the appropriateness of the system of internal controls and approval policies and practices concerning the expenses of the officers of the Company, including the use of its assets.

36 Review and approve, on a quarterly after-the-fact basis, the expense accounts of the board chair and of the chief executive officer of the Company.

H. Risk

General

37 Review at least annually with management

- **a.** The Company's method of identifying, evaluating, mitigating, and reporting on the principal risks inherent in the Company's businesses and strategic directions
- **b.** The systems, policies and practices applicable to the Company's assessment, management, prevention and mitigation of risks (including strategic, operating, compliance, and reputation, as well as financial risks including but not limited to the foreign currency, liquidity and interest rate risk, the use of derivative instruments, counterparty credit exposure, litigation, and adequacy of tax provisions)
- **c.** The Company's risk appetite, risk tolerance, and risk retention philosophy, including the Company's loss prevention policies and insurance programs and corporate liability protection programs for directors and officers, as well as disaster response and business continuity plans

38 Receive an annual report from and review with management the status of the Company's principal and emerging risks, as well as the related mitigation programs (the Enterprise Risk Management program). Receive quarterly updates from management on the Company's Enterprise Risk Management program.

39 Review with management the disclosures of the Company's risks and risk factors in the Company's Annual Information Form, the Management's Discussion and Analysis, and other regulatory filings.

40 Report to the board annually on its activities in connection with the risk oversight role referenced herein so that the board as a whole can fulfill its responsibilities for risk oversight.

41 Receive a risk assessment report from management following due diligence on acquisitions within North America with an enterprise value of C$100 million or greater, all acquisitions outside North America with an enterprise value of C$50 million or greater, and all acquisitions with atypical risks compared to our current service and business model; make such further inquiries as considered necessary; and report thereon to the board. The content of the risk assessment report will be developed by the committee in conjunction with management with appropriate case-by-case enhancements to reflect risk associated with each opportunity and will be reviewed annually by the committee.

Finance

42 Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required, the impact of the Company's capital structure on current and future profitability.

43 Review and recommend to the board of directors proposals requesting a grant of a guarantee issued by Stantec for an amount in excess of $50 million, prior to issuance.

44 Review and recommend to the board of directors proposals requesting a grant of a surety bond issued by Stantec or its subsidiaries for (a) an amount in excess of $50 million individually or (b) whereby virtue of the grant of such surety bond would put the aggregate value of all surety bonds issued and outstanding in excess of $500 million, prior to issuance.

45 Review and approve, if appropriate and as required, the decision to enter into swaps that are exempt from the requirements of sections 2(h)(1) and 2(h)(8) of the US Commodity Exchange Act and to exercise the end-user exception.

46 Review and approve, as required, any policies with respect to swaps, hedging activities, clearing, and the end-user exception.

I. Compliance/Fraud

47 Receive quarterly reports on the Company's fraud risk assessment activities.

48 In accordance with the Company's integrity practices, review and determine the disposition of any complaints or correspondence received under the policy.

49 Discuss with management the Company's policies and procedures designed to ensure an effective compliance and ethics program, including the Company's code of ethics.

50 Discuss with management and the Company's in-house legal counsel any legal matters that may have a material impact on the financial statements or the Company's compliance requirements.

51 Review quarterly the compliance certificate of the chief financial officer.

J. Other

52 Review, as required, any claims of indemnification pursuant to the bylaws of the Company.

53 Receive at least annually a report from the chief financial officer regarding private aircraft use, including itinerary and passenger manifest.

54 Review and determine the disposition of any complaints received from shareholders or any regulatory body.

55 Conduct an annual assessment of the effectiveness of the committee and provide a report thereon to the board.

56 Review annually the terms of reference for the committee and recommend any required changes to the board.

K. Meetings

57 Regular meetings of the committee are held at least four times each year.

58 Meetings may be called by the committee chair or by a majority of the committee members, usually in consultation with management of the Company.

59 Meetings are chaired by the committee chair or, in the chair's absence, by a member chosen from among the committee.

60 A quorum for the transaction of business at any meeting of the committee is a majority of the appointed members.

61 The secretary of the Company shall provide for the delivery of notices, agendas, and supporting materials to the committee members at least five days prior to the meeting except in unusual circumstances.

62 Meetings may be conducted with members present or by telephone or other communications facilities that permit all persons participating in the meeting to hear or communicate with each other.

63 A written resolution signed by all committee members entitled to vote on that resolution at a meeting of the committee is as valid as one passed at a committee meeting.

64 The secretary of the Company, or his or her designate, shall be the secretary for the committee and shall keep a record of minutes of all meetings of the committee.

65 Minutes of the meetings of the committee shall be distributed by the secretary of the Company to all members of the committee and shall be submitted for approval at the next regular meeting of the committee.

Exhibit 99.2

Stantec

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2017
MANAGEMENT'S
DISCUSSION AND ANALYSIS



Stantec

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Management's Discussion and Analysis

February 21, 2018

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the year ended December 31, 2017, dated February 21, 2018, should be read in conjunction with the Company's 2017 audited consolidated financial statements and related notes for the year ended December 31, 2017. Our 2017 audited consolidated financial statements and related notes are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise indicated, all amounts shown in this report are in Canadian dollars.

Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at sedar.com and on EDGAR at .sec.gov. Such additional information is not incorporated by reference unless otherwise specified and should not be deemed to be made part of this Management's Discussion and Analysis.

Core Business

We collaborate across disciplines and industries to bring buildings, energy and resource, environmental, water and infrastructure projects to life. We provide services in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, construction services, project management, and project economics, from initial project concept and planning through to design, construction, commissioning, maintenance, decommissioning, and remediation. The Stantec community unites approximately 22,000 employees working in over 400 locations across 6 continents. Our promise is to design with community in mind.

We have refined our long-standing business objective, which was to be a top 10 global design firm. Having achieved that goal this year, we now seek to maintain our position in the top 10, while also becoming a top-tier global design and delivery firm, not only by size but also assessed qualitatively based on our capabilities and perception in the marketplace. We expect to achieve a long-term average compound gross revenue growth of 15% through a combination of organic and acquisition growth.

Our purpose—to create communities—is intrinsically linked to our values: we put people first, we do what is right, we are better together, and we are driven to achieve.

We have four reportable segments: Consulting Services – Canada, United States, and Global; and Construction Services. We have five Consulting Services business operating units: Buildings, Energy & Resources, Environmental Services, Infrastructure, and Water.

Stantec trades on the TSX and the NYSE under the symbol STN. Visit us at stantec.com or find us on social media. For further discussion of our business, strategy, and drivers, refer to the sections entitled Our Strategy and Key Performance Drivers and Capabilities in this report.

Overall Financial Performance

The following table summarizes our key results for 2017 compared to 2016 and Q4 17 compared to Q4 16:

	Year Ended December 31			Quarter Ended December 31		
(In millions of Canadian dollars, except per share amounts and percentages)	**2017 $**	2016 $	% Increase (Decrease)	**2017 $**	2016 $	% Increase (Decrease)
Gross revenue	**5,140.1**	4,300.1	19.5%	**1,246.0**	1,240.8	0.4%
Net revenue	**3,417.3**	3,098.4	10.3%	**805.0**	820.2	(1.9%)
EBITDA *(note)*	**424.1**	336.3	26.1%	**69.4**	82.9	(16.3%)
Adjusted EBITDA *(note)*	**363.4**	352.3	3.2%	**63.1**	83.8	(24.7%)
Net income	**97.0**	130.5	(25.7%)	**11.2**	29.4	(61.9%)
Adjusted net income *(note)*	**202.0**	181.1	11.5%	**37.2**	40.4	(7.9%)
Diluted earnings per share	**0.85**	1.22	(30.3%)	**0.10**	0.26	(61.5%)
Adjusted diluted earnings per share *(note)*	**1.77**	1.69	4.7%	**0.32**	0.35	(8.6%)
Cash dividends declared per common share	**0.50**	0.45	11.1%	**0.1250**	0.1125	11.1%

note: EBITDA, adjusted EBITDA , adjusted net income, and adjusted diluted earnings per share are non-IFRS measures (discussed in the Definitions section of this report)

Highlights – Q4 2017 Results

The following tables provide transparency into our results by our two Service Offerings:

	Quarter Ended December 31, 2017					
	Consulting		Construction		Total	
(In millions of Canadian dollars, except percentages)	**$**	**% of NR**	**$**	**% of NR**	**$**	**% of NR**
Gross revenue	**977.4**	130.4%	**268.6**	487.5%	**1,246.0**	154.8%
Net revenue	**749.9**	100.0%	**55.1**	100.0%	**805.0**	100.0%
Gross margin	**419.0**	55.9%	**6.5**	11.8%	**425.5**	52.9%
Administrative, marketing, and other expenses	**348.6**	46.5%	**13.8**	25.2%	**362.4**	45.0%
Adjusted EBITDA *(note)*	**70.4**	**9.4%**	**(7.3)**	**(13.2%)**	**63.1**	**7.8%**
Loss on sale of property and equipment					**0.4**	0.0%
Rebalancing of investments held for self-insured liabilities					**(6.7)**	(0.8%)
Total EBITDA *(note)*					**69.4**	8.6%

	Quarter Ended December 31, 2016					
	Consulting		Construction		Total	
(In millions of Canadian dollars, except percentages)	**$**	**% of NR**	**$**	**% of NR**	**$**	**% of NR**
Gross revenue	**985.5**	130.2%	**255.3**	404.6%	**1,240.8**	151.3%
Net revenue	**757.1**	100.0%	**63.1**	100.0%	**820.2**	100.0%
Gross margin	**425.3**	56.2%	**21.9**	34.7%	**447.2**	54.5%
Administrative, marketing, and other expenses	**341.9**	45.2%	**21.5**	34.1%	**363.4**	44.3%
Adjusted EBITDA *(note)*	**83.4**	**11.0%**	**0.4**	**0.7%**	**83.8**	**10.2%**
Loss on sale of property and equipment					**0.9**	0.1%
Total EBITDA *(note)*					**82.9**	10.1%

note: Adjusted EBITDA and EBITDA are non-IFRS measures (discussed in the Definitions section of this report)

Gross and net revenue. Gross revenue was up 0.4% to $1,246.0 million and net revenue retracted 1.9% to $805.0 million compared to Q4 16. We had positive organic gross revenue growth of 4.1% and organic net revenue growth of 2.2% in Q4 17 compared to Q4 16. This was mainly the result of growth in our Energy & Resources business operating unit. Organic growth was partly offset by the impact of foreign exchange rates and the divestiture of Innovyze Inc. (Innovyze), a water software business.

In Consulting Services – Canada, we had organic gross revenue growth of 5.4% and organic net revenue growth of 6.1% in Q4 17 compared to Q4 16. The growth is mainly attributable to continued housing demand, several larger pipeline projects, a large mining project, and continued healthcare work. Our Energy & Resources and Water business operating units and Transportation sector met management's expectations; however, our Buildings and Environmental Services business operating units missed expectations. Our Canadian Consulting Services backlog remains healthy; however, due to seasonality, we experienced lower than anticipated utilization in several sectors.

In Consulting Services – United States, our organic gross revenue retracted 0.6% in Q4 17 compared to Q4 16 and 1.1% on a net revenue basis. Our Water business operating unit was negatively impacted by certain water programs coming to completion or slowing and a $5 million downward revenue adjustment on a major design-build project due to additional costs and design and project scope changes. Claims have been advanced against parties believed to be responsible for causing these additional costs which we expect may benefit future quarters as the claims are resolved. Excluding this $5 million negative impact, our Company-wide Water business would have had organic gross revenue growth in 2017 compared to 2016.

In Consulting Services – Global, we achieved organic gross revenue growth of 6.7% and organic net revenue growth of 8.3% in Q4 17 compared to Q4 16. Growth was due to strong project activity in the United Kingdom through the Water Asset Management Programme 6 (AMP6) cycle and improving market conditions in our Latin America Mining sector and Middle East Water business operating unit. However, revenue did not meet management's expectations—mainly in our Buildings operations in the Middle East and in our Asia Pacific region—due to lower net revenue volume, project issues, and lower than expected utilization across these regions.

In Construction Services, several legacy MWH Global Inc. (MWH) projects experienced significant challenges. We recorded $5 million in cost increases related to certain UK-based waste-to-energy projects that are nearing completion where delays and certain asserted performance issues resulted in increases in costs to complete. Claims against parties believed to be responsible for causing much of these added costs were advanced or will be in the near future, of which only a portion was recognized as revenue to date. We expect future quarters may be benefited as these claims are resolved.

Construction Services in the United States recorded downward revenue adjustments and incurred cost escalations in several legacy MWH projects, including the major design-build project mentioned above for Consulting Services for which we submitted a $13.6 million claim covering both Consulting Services and Construction Services. In addition, we recognized cost escalations in legacy MWH US-based water hard-bid projects for $16.3 million. Site conditions and issues including those with project management and craft labor impacted the execution of these projects. These hard-bid projects are near completion. Management believes a significant portion of the cost overruns may be recovered and claims against the parties believed to be responsible for causing many of these overruns have been or will be asserted in due course; however, the claims process for additional potential recoveries may take a long time to resolve. These projects were awarded a number of years ago, when Construction Services expanded to take on projects outside of their core regional areas of expertise, and we have placed a hold on our hard-bid work outside of our established areas.

Gross margin. Gross margin decreased—from 54.5% in Q4 16 to 52.9% in Q4 17—primarily because of cost escalations and extending project life completion dates for certain US-based hard-bid and UK-based waste-to-energy projects in Construction Services (described above). Buildings gross margin was impacted by the mix of projects, competitive pressures, and the integration of acquisitions from 2016. Also, gross margin in our US Water business was impacted by the divestiture of Innovyze, which operated at higher margins, and a downward revenue adjustment (noted above).

Administrative and marketing expenses. Administrative and marketing expenses as a percentage of net revenue increased—from 44.3% in Q4 16 to 44.9% in Q4 17—mainly due to a $6.2 million increase in our provision for self-insurance, and a $3 million increase in marketing and administrative labor due to lower utilization. These were partly offset by a $5.3 million decrease in our share-based compensation.

Other income. Other income increased $6.6 million mainly due to the realization of a $6.7 million gain on the sale of certain equities on our investments held for self-insured liabilities.

EBITDA. EBITDA decreased 16.3%—from $82.9 million in Q4 16 to $69.4 million in Q4 17. Adjusted EBITDA decreased 24.7%—from $83.8 million in Q4 16 to $63.1 million in Q4 17. Gross margin decreased in Consulting Services mainly due to project mix and the divestiture of Innovyze, which operated at higher margins. Gross margin decreased significantly in Construction Services because of project issues and cost escalations (described above). EBITDA as a percentage of net revenue was lower because of an increase in administrative and marketing expenses in Consulting Services mainly caused by a $6.2 million increase in our provision for self-insurance and lower utilization (described above).

Other. Amortization of intangibles decreased $2.0 million in Q4 17 compared to Q4 16 due to the Innovyze sale. Interest expense decreased $1.4 million due to a decrease in our outstanding long-term debt because during Q2 17 we repaid $221.3 million of our revolving credit facility using the proceeds we received from the Innovyze sale.

Taxes. We recorded $31.2 million in tax expenses associated with a one-time transition tax on deemed mandatory repatriations and a deferred income tax recovery of $12.6 million both as a result of the US tax reform enacted on December 22, 2017. (See the Income Taxes section of this report for more information.)

Net Income and EPS. Adjusted net income of $37.2 million was down $3.2 million, or 7.9%, compared to Q4 16. Net income of $11.2 million was down $18.2 million, or 61.9%. Adjusted diluted EPS was down from $0.35 in Q4 16 to $0.32 in Q4 17 and diluted earnings per share (EPS) was down from $0.26 in Q4 16 to $0.10 in Q4 17.

See the Fourth Quarter Results section of this report for more details on our Q4 17 results. (EBITDA, adjusted EBITDA, and adjusted net income are defined in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section—the “Definitions section”—of this report.)

Other Q4 17 Information

On October 27, 2017, we acquired certain assets and liabilities of North State Resources Inc. (NSR), adding approximately 60 staff to our Company. Based in Redding, California, NSR provides expertise in physical, biological, and environmental sciences.

Subsequent to the quarter end, on February 21, 2018, we declared a cash dividend of $0.1375 per share, payable on April 12, 2018, to shareholders of record on March 29, 2018, an increase of 10.0% from last year.

Highlights – Full Year 2017 Results

Results Compared to Targets

In the Management's Discussion and Analysis in our 2016 Annual Report, we established various target ranges of expected performance measures for fiscal year 2017. The following table presents those results:

Measure	2017 Target Range	Results Achieved
Gross margin as % of net revenue	Between 53% and 55%	53.5% Ö
Administrative and marketing expenses as % of net revenue	Between 41%and 43%	42.8% Ö
EBITDA as % of net revenue *(notes 1 and 2)*	Between 11%and 13%	12.4% Ö
Net income as % of net revenue	At or above 5%	2.8% x

note 1: EBITDA as a percentage of net revenue is calculated as EBITDA, divided by net revenue.
note 2: EBITDA is a non-IFRS measure (discussed in the Definitions section of our 2017 Annual Report).

Ö *Met or performed better than target.*
x *Did not meet target.*

We met all of the targets listed above except net income as a percentage of net revenue. Tax impacts related to the US tax reform and a corporate reorganization reduced net income by $18.6 million and $3.2 million respectively. In addition, net income was impacted by the Innovyze sale because the $54.6 million gain on the sale was more than offset by the associated income tax expense of $94.5 million. Without these impacts and excluding the downward revenue adjustments and cost escalations incurred by Construction Services (described above), our net income as a percentage of net revenue would have met our targeted range. (See the Income Taxes section of this report for more details.) EBITDA as a percentage of net revenue was also impacted by the $54.6 million gain on the sale of Innovyze. Without this impact, EBITDA as a percentage of net revenue would have been 10.8%.

	2017					
	Consulting		Construction		Total	
(In millions of Canadian dollars, except percentages)	$	% of NR	$	% of NR	$	% of NR
Gross revenue	**4,028.7**	126.9%	**1,111.4**	456.4%	**5,140.1**	150.4%
Net revenue	**3,173.8**	100.0%	**243.5**	100.0%	**3,417.3**	100.0%
Gross margin	**1,761.9**	55.5%	**66.0**	27.1%	**1,827.9**	53.5%
Administrative, marketing, and other expenses	**1,400.3**	44.1%	**64.2**	26.4%	**1,464.5**	42.9%
Adjusted EBITDA *(note)*	**361.6**	**11.4%**	**1.8**	**0.7%**	**363.4**	**10.6%**
Acquisition-related costs					**0.4**	0.0%
Loss on sale of property and equipment					**0.2**	0.0%
Rebalancing of investments held for self-insured liabilities					**(6.7)**	(0.2%)
Gain on disposition of a subsidiary					**(54.6)**	(1.6%)
Total EBITDA *(note)*					**424.1**	12.4%

note: Adjusted EBITDA and EBITDA are non-IFRS measures (discussed in the Definitions section of this report)

	2016					
	Consulting		Construction		Total	
(In millions of Canadian dollars, except percentages)	$	% of NR	$	% of NR	$	% of NR
Gross revenue	**3,654.9**	124.9%	**645.2**	375.8%	**4,300.1**	138.8%
Net revenue	**2,926.7**	100.0%	**171.7**	100.0%	**3,098.4**	100.0%
Gross margin	**1,612.8**	55.1%	**63.5**	37.0%	**1,676.3**	54.1%
Administrative, marketing, and other expenses	**1,271.2**	43.4%	**52.8**	30.8%	**1,324.0**	42.7%
Adjusted EBITDA *(note)*	**341.6**	**11.7%**	**10.7**	**6.2%**	**352.3**	**11.4%**
Acquisition-related costs					**14.5**	0.5%
Loss on sale of property and equipment					**1.5**	0.0%
Total EBITDA *(note)*					**336.3**	**10.9%**

note: Adjusted EBITDA and EBITDA are non-IFRS measures (discussed in the Definitions section of this report)

Gross and net revenue. Gross revenue was up 19.5% to $5,140.1 million and net revenue was up 10.3% to $3,417.3 million compared to 2016. Gross and net revenue saw positive organic growth of 3.6% and 0.1% respectively. Revenue growth was mainly due to acquisitions completed in 2016 and 2017. Organic growth in our Consulting Services – Canada and Consulting Services – Global reportable segments was partly offset by retraction in our Consulting Services – United States, in particular, in our Water and Environmental Services business operating units. Energy & Resources had organic growth due to increased activity in our Mining and Power sectors. Our Construction Services segment achieved organic gross revenue growth of 18.3%. Organic and acquisition revenue growth were partly offset by the impact of foreign exchange rates.

The gross to net revenue ratio for Consulting Services increased slightly from 2016 to 2017. The gross to net revenue ratio in our Energy & Resources and Environmental Services business operating units increased because a higher proportion of projects involved subconsultants in 2017 than in 2016 and certain projects included more flow-through expenses. The Buildings business operating unit gross to net revenue ratio increased because we inherited commitments to outside consultants from firms we acquired and we partnered with outside consultants on several major pursuits. As well, Consulting Services – Global saw an increase in subcontractor work in Environmental Services in southern Europe.

In Construction Services, the gross to net revenue ratio increased from 3.8 in 2016 to 4.6 in 2017 due to the mix of projects; in 2017, projects had a higher proportion of subcontracted work and increased flow-through costs to the client.

Gross margin. Gross margin as a percentage of net revenue decreased—from 54.1% in 2016 to 53.5% in 2017— mainly in Construction Services. This resulted from cost escalations and the extensions to project life completion dates for certain UK-based waste-to-energy projects and higher costs on certain US-based hard-bid projects, particularly in the fourth quarter. Gross margin for Consulting Services increased mainly in the Infrastructure business operating unit, a result of the mix of projects and improved margins in Transportation.

Administrative and marketing expenses. Administrative and marketing expenses as a percentage of net revenue decreased—from 43.1% in 2016 to 42.8% in 2017. Excluding the impact of $14.5 million in acquisition-related costs incurred in 2016 (mainly related to the MWH acquisition); our administrative and marketing expenses was 42.6% in 2016 compared to 42.8% in 2017, a slight increase year over year. This increase was impacted by a $12.0 million increase in IT costs because we migrated to cloud-based software and developed our global platform and core network infrastructure. Also, there was a $13.3 million increase in actuarial estimates associated with the provision for self-insurance mainly due to the addition of MWH. We incurred a $3.9 million increase in our professional and audit fees for regulatory and planning activities such as SOX compliance for the legacy MWH business and tax advice regarding the US tax reform and out-from-under tax planning. In addition,

we incurred approximately $3.5 million in costs related to integration activities for MWH. These higher costs were partly offset by an $11.3 million decrease in occupancy and lease exit costs and a $3.5 million decrease in severance payments.

Other income. Other income increased $10.2 million mainly due to the realization of a $6.7 million gain on the sale of equities on our investments held for self-insured liabilities.

We also recorded a $54.6 million gain on the sale of Innovyze in Q2 17.

EBITDA. EBITDA increased 26.1%—from $336.3 million in 2016 to $424.1 million in 2017. Adjusted EBITDA increased 3.2%—from $352.3 million in 2016 to $363.4 million in 2017. Adjusted EBITDA as a percentage of net revenue remained fairly constant year over year for Consulting Services. Construction Services EBITDA was impacted by cost escalations and revenue adjustments on certain projects (discussed previously).

Other. Amortization of intangible assets increased $4.5 million in 2017 compared to 2016 due to the increase in backlog and client relationships mainly from the MWH acquisition. This was partly offset by the sale of Innovyze.

Interest expense decreased $2.8 million due to a $3.9 million breakage fee on our senior secured notes in 2016. In addition, we had a decrease in our outstanding long-term debt in 2017 compared to 2016, partly offset by an increase in interest rates on our revolving credit facility.

Taxes. The reported annual tax rate of 63.2%, or $166.5 million, was impacted byout-from-under tax planning, the US tax reform bill, and the sale of Innovyze. A tax expense of $3.2 million was incurred because of a corporate reorganization that realigned certain global entities under a common UK parent company to make our corporate tax and organization structures more efficient. We recorded $31.2 million in tax expenses associated with a one-time transition tax on deemed mandatory repatriations and a deferred income tax recovery of $12.6 million, both a result of the US tax reform. Additionally, we recorded a $94.5 million net tax expense related to the sale of Innovyze. (See the Income Taxes section of this report for more information.) The effective income tax rate adjusted for all the items listed above is 24.0%.

Net income and EPS. Adjusted net income was $202.0 million—up $20.9 million or 11.5% from 2016. Net income was $97.0 million—down $33.5 million or 25.7% from 2016. Adjusted diluted EPS was up from $1.69 in 2016 to $1.77 in 2017, and diluted EPS was down from $1.22 in 2016 to $0.85 in 2017.

For further details regarding our overall annual performance, refer to the Financial Performance section of this report.

Strategic Activities. In 2017, we continued to grow by consistently executing our strategy. The following highlights major strategic activities in 2017 that contributed to our financial performance and overall financial condition:

- **Divestiture of Innovyze.** On May 5, 2017, we closed the sale of Innovyze, resulting in apre-tax gain of $54.6 million in Q2 17. We saw this as an opportunity to continue working with Innovyze in servicing our clients while allowing both companies to prosper with the best available resources. We received gross proceeds of $369.1 million (US$270.0 million), less working capital adjustments and transaction costs. From a balance sheet perspective, the sale reduced our goodwill by $194.4 million and intangible assets by $95.1 million, and we reduced our revolving credit facility by $221.3 million.

- **Growth through acquisition.** By successfully executing our acquisition and integration strategy, acquisitions completed in 2017 and 2016 contributed $760.3 million and $364.4 million to our year-over-year growth in gross revenue and net revenue, respectively.

- **Synergies achieved.** When we announced the MWH acquisition on March 29, 2016, we outlined our anticipated synergies of approximately US$25 million—cost synergies of US$15 million and revenue synergies of US$10 million. As of the end of Q4 17, we exceeded our anticipated amount of US$25 million. Cost synergies were due primarily to reducing labor, eliminating corporate costs, reducing accounting fees, and savings from consolidating real estate. We also realized savings by realigning our combined insurance and employee benefit plans. We continue to achieve revenue synergies as we win work together that we would not be able to win if MWH and Stantec were separate companies.

- **Integration.** As of January 1, 2018, we are branded globally as “Stantec,” a significant milestone in our integration process. We have rolled out collaboration tools like common email, skype, and calendar access to ensure that we can find the right people to work on projects around the world. We will continue to invest in streamlining our common enterprise systems to improve our operational efficiency.

- **Strong backlog.** Our contract backlog remains consistent—$3.9 billion at December 31 in 2017 and 2016. Increases in our backlog due to organic and acquisition growth were offset by the strengthening Canadian dollar—from US$0.74 to US$0.80. (Backlog, a non-IFRS measure, is further discussed in the Definitions section of this report.)

- **Evolution of Company leadership.** Following a nine-year tenure, Bob Gomes retired from his role as president & CEO effective December 31, 2017, and he became a director on Stantec’s board. Gordon Johnston was selected by the board of directors to assume the role of president & CEO effective January 1, 2018. Gord has more than 30 years of industry leadership experience, including more than 20 years with Stantec.

  During Q4 17, Stantec announced Steve Fleck’s promotion to the newly created position of chief practice and project officer (CPO) effective January 1, 2018. Following a successful tenure as an executive vice president leading the firm’s Project Delivery Office, Steve will manage the strategic positioning, contractual elements, and governance of Stantec’s largest projects while overseeing alternative project delivery. He has nearly 35 years of industry leadership experience, including more than 10 years with Stantec.

  Subsequent to the year end, Richard Bradeen of Montreal, Quebec, was elected as a new director of our board. Richard served as senior vice-president of Strategy, Mergers & Acquisitions, Pension Investments, Corporate Audit Services, and Risk Assessment for Bombardier Inc. Prior to that, he worked at Ernst & Young for 19 years, holding increasingly senior roles including partner and president of the Corporate Finance Group in Toronto, Ontario. Richard will also serve on the board’s Audit and Risk Committee.

Outlook

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to the Cautionary Note Regarding Forward-Looking Statements section of this report.

Organic Revenue Growth

We expect organic gross revenue growth in 2018 to be in the low- to mid-single digits, in line with global GDP growth, and we continue to target a long-term average compound gross revenue growth rate of 15% through a combination of organic and acquisition growth.

Other Targets and Expectations

As part of our annual budget process, we reviewed our targets for 2018. Because of the difference in the nature of work between Consulting Services and Construction Services, we refined our targets for 2018. The following targets, now based on these two service offerings, provide greater transparency into our operations:

Measure	2018 Target Range
Consulting Services	
Gross margin as % of net revenue	Between 53% and 55%
Administrative and marketing expenses as % of net revenue	Between 41% and 43%
EBITDA as % of net revenue *(note)*	Between 11% and 13%
Construction Services	
Gross margin as % of net revenue	Between 30% and 33%
Administrative and marketing expenses as % of net revenue	Between 25% and 27%
EBITDA as % of net revenue *(note)*	Between 7% and 9%
Consolidated	
Gross margin as % of net revenue	Between 52% and 54%
Administrative and marketing expenses as % of net revenue	Between 41% and 43%
EBITDA as % of net revenue *(note)*	Between 10% and 12%
Net income as % of net revenue	At or above 5%2

note: EBITDA is a non-IFRS measure (discussed in the Definitions section of this report).

In addition, we expect the gross to net revenue ratio for Consulting Services and Construction Services to be in the following ranges for 2018:

	2018 Guidance Gross to Net Revenue Ratio
Consulting Services	Between 1.25 and 1.30
Construction Services	Between 4.50 and 5.00
Consolidated	Between 1.45 and 1.50

Other expectations for 2018 are as follows:

- Total capital expenditures for property and equipment of approximately $120 million, an increase in budgeted capital expenditure additions of $62.1 million over 2017. These relate primarily to a one-time cost of $72 million for leasehold improvements ($56 million) and office furniture and equipment ($16 million) for our new Edmonton headquarters building.

- Record a one-time lease exit liability charge of approximately $15 million in Q4 18 because of the move to our new Edmonton office and in accordance with IFRS. However, Stantec will receive the full reimbursement of this exit liability from our new landlord, plus the reimbursement of $28 million for tenant improvements. These recoveries will be treated as an inducement and reduce our lease costs over the life of the new lease term.

- Amortization expense for intangible assets for the full year 2018 of approximately $53 million. The decrease in budgeted compared to actual amortization of $80.2 million in 2017 is due primarily to a decrease in the intangible asset balance remaining from the MWH acquisition.

- Software additions of approximately $31 million. The increase in budgeted software additions over actual additions of $5.7 million in 2017 relates mainly to renewing our Autodesk in 2018.

- We expect an effective tax rate of approximately 27% in 2018. which is based on the statutory rates in jurisdictions where we operate and on our estimated earnings in each of those jurisdictions. We review statutory rates, uncertain tax positions, and jurisdictional earnings quarterly and adjust our estimated income tax rate accordingly.

As well, we continue to anticipate enhancements to our information technology infrastructure and enterprise system; this will optimize and streamline business processes and prepare us for global growth. We are building this foundation for growth because we believe in integrating acquired operations onto a consistent platform.

The targets and expectations listed above exclude the impact of acquisitions that may occur in 2018. Actual performance for 2018 will fluctuate, particularly from quarter to quarter, depending on the mix of clients and projects and the number of acquisitions completed in the year. Fluctuations will also occur due to seasonality: the first and fourth quarters have the lowest revenue generation and project activity because of holidays and weather conditions in the northern hemisphere. We could exceed some targets if, for instance, we complete an opportune larger acquisition that impacts our administrative and marketing expenses or temporarily increases our debt level.

The infrastructure and facilities market is diverse, consisting of many sectors and industries in both the public and private sectors. Clients within this market require services from multiple disciplines and areas of expertise for projects of varying complexities across the project life cycle. Market size is affected by many factors, including capital spending plans of private sector clients, government allocations to infrastructure, and the range of alternative project delivery (APD) methods in certain sectors.

For 2018, our outlook was determined based on various expectations, including the following:

- Continued economic growth in the United States resulting from tax reform, growth innon-residential construction, and our progress toward building a top-tier position in the market
- Increased infrastructure spending through regulatory support and spending by provincial, state, and federal governments in Canada and the United States
- Modest improvement in the energy and resource sector compared to 2017 because oil and gas and commodity prices are expected to stabilize and slowly improve and companies are expected to increase capital spending
- Continued support for APD methods, including P3s, in Canada, and new opportunities for APD in the United States
- Moderate slowdown in the Canadian housing market offset by housing growth in the United States
- Global economic growth and our ability to expand our global footprint

We base our outlook on successfully capitalizing on opportunities and strategic initiatives (described in the Strategy section of this report).

Overall Outlook

Because of our diversity of operations, mix of clients, and flexible business model, as well as our ability to position our Company to work effectively in local communities and on national opportunities, we believe that we will continue to operate our business efficiently, to adapt our business to changing economic conditions, and to position ourselves for growth in a very large infrastructure and facilities market.

We expect to achieve a long-term average annual compound growth rate for gross revenue of 15%—a target we have met or exceeded since our initial public offering in 1994. This continued growth results from successfully executing our strategy, which means we can enhance the depth of our expertise, broaden our service offerings, increase our geographic presence in communities across North America and globally, provide expanded opportunities for our employees, and leverage our Integrated Management Systems. By further maximizing the critical mass and maturity we have achieved in certain sectors and geographic locations, we can increase our business with key clients and sell our services across local markets.

Our ability to expand depends on our strategic efforts to grow organically and the availability of acquisition opportunities. We believe our opportunities to expand have increased: the MWH acquisition in 2016 resulted in a larger global footprint. We do not expect to encounter constraints in 2018 when looking for available acquisition candidates because of our past success and the trend in our industry—smaller firms wanting to join larger and more stable organizations. At any particular time, we are discussing consolidation opportunities with many firms. Since we want an appropriate cultural fit and complementary services that can provide an accretive transaction, the acquisition process can extend over months, even years.

We continue to make significant progress on the integration of MWH. We have deployed key collaboration tools to the majority of the operations. We continue to evaluate and plan for the consolidation of our enterprise platforms, with the objective of streamlining where practical. Construction Services will not be integrated into Stantec's Consulting Services platform and will continue to be reported as a separate segment of our business.

Strategy

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to the Cautionary Note Regarding Forward-Looking Statements at the end of this report.

Given the scale and diversity of our organization and the rapid evolution of the industry we operate within, we plan continually now, rather than following a three-year planning cycle. Starting with Plan 2018, we will create a new plan each year and evaluate and update it quarterly. Each annual plan will look forward five years or longer.

Reportable Segments

Our chief operating decision maker (chief executive officer) assesses our Company's performance based on financial information available from our operating segments.

Our reportable segments (in accordance with IFRS) are based on our two primary service offerings—Consulting Services and Construction Services—and our regional geographic areas. The Company has four operating and reportable segments:

- Consulting Services – Canada
- Consulting Services – United States
- Consulting Services – Global
- Construction Services

In our operational structure, we separate the construction business from the consulting business, which allows both streams of expertise to operate effectively and synergies to develop that complement but do not distract from the strategy of each business. However, the two businesses can be bundled when beneficial for the client. We are well positioned to leverage the strengths of each business to maintain and grow our number 1 position in the water market in the United Kingdom and achieve a strong position in the design-build market in the United States.

Business Model

Our business model, a key element of our strategy, is based on providing services across diverse geographic regions, service specializations, and all phases of the infrastructure and facilities project life cycle—planning, design, construction, commissioning, maintenance, decommissioning, and remediation.

Because of our diverse model, we can generally adapt to changes in market conditions by offsetting a decreased demand for services in one business operating unit or geographic location with an increased demand in another. We believe this strategy helps us mitigate risk while we continue to increase our revenue and earnings. Also, we work on tens of thousands of projects for thousands of clients in hundreds of locations. This ensures we do not rely on a few large projects for our revenue.

The following information outlines the three main components of our business model: geographic diversification, service specialization, and life-cycle solutions.

Geographic Diversification

The first element of our business model is geographic diversification. Our Consulting Services business operates in three regional operating units—Canada, the United States, and Global—offering similar services across all regions. Our Construction Services business operates primarily in the United States and United Kingdom.

Canada

At December 31, 2017, we had over 7,500 employees in Canada. We benefit from a mature position within each region and view our strategic opportunities as follows:

- Grow our Canadian operations in facilities, pipelines, ports and marine terminals, waterpower and dams, health, education,mixed-use urbanization, and civic markets.
- Pursue business expansion opportunities in our Water business operating unit and Transportation sector in the Greater Toronto Area and the rest of Ontario, and in the Atlantic and British Columbia regions.
- Within our Energy & Resources business operating unit, capitalize on opportunities in alternative energy—specifically wind, hydro, and co-generation—and in carbon capture. For the oil sands, focus on emerging technology and sustaining capital opportunities.
- Continue to capitalize on opportunities in public-private partnerships (P3s) in the Transportation sector and Water and Buildings business operating units.
- Using the strength of our Indigenous partnerships and connection to our local communities, to pursue First Nations opportunities due to increased funding that has been outlined by the federal government.

United States

At December 31, 2017, we had approximately 9,800 employees in the United States (including 800 in Construction Services). Due to acquisitions completed over the past number of years, we are achieving critical mass and diversity in many sectors and geographies. We will remain focused on strengthening our service capabilities and reaching maturity in the markets we serve. We view our strategic opportunities as follows:

- Renew emphasis on expanding our Federal Services group.
- Continue to grow the Urban Places initiative, which gathers experts across a wide range of disciplines to help communities across the globe increase livability, equity, and sustainability.
- Fill in gaps in geography in our Water business operating unit, focusing on Texas.
- Continue to look for opportunities to expand our Environmental Services and Energy & Resources business operating units across the United States, focusing on the US West.
- In Energy & Resources, focus on acquiring firms in Houston and the US Northeast that have international capabilities in midstream integrity services.
- Continue to expand and diversify our US Buildings business from healthcare, education and commercial in existing geographies while continuing to integrate recently acquired firms and adding critical mass in the US West and Southeast.

Global

At December 31, 2017, we had over 5,000 employees outside North America (including 1,100 in Construction Services, all located in the United Kingdom). We view our strategic opportunities as follows:

- Grow our Australia and New Zealand operations to be atop-tier provider in multiple sectors so that we can operate at an optimum economic scale. In the short term, we will build on the MWH brand in Water and Transportation in Australia and New Zealand to leverage Stantec's services and reputation in local market sectors.
- Grow our UK operations by diversifying into the most attractive UK business sectors and align them with the wider Stantec capabilities. Solidify and protect our top-tier presence in the water market by delivering our current AMP6 contracts and positioning for AMP7.
- Consolidate and strengthen our position and enhance our performance in other Global geographies, while further reviewing and planning the next stages of our Global business.

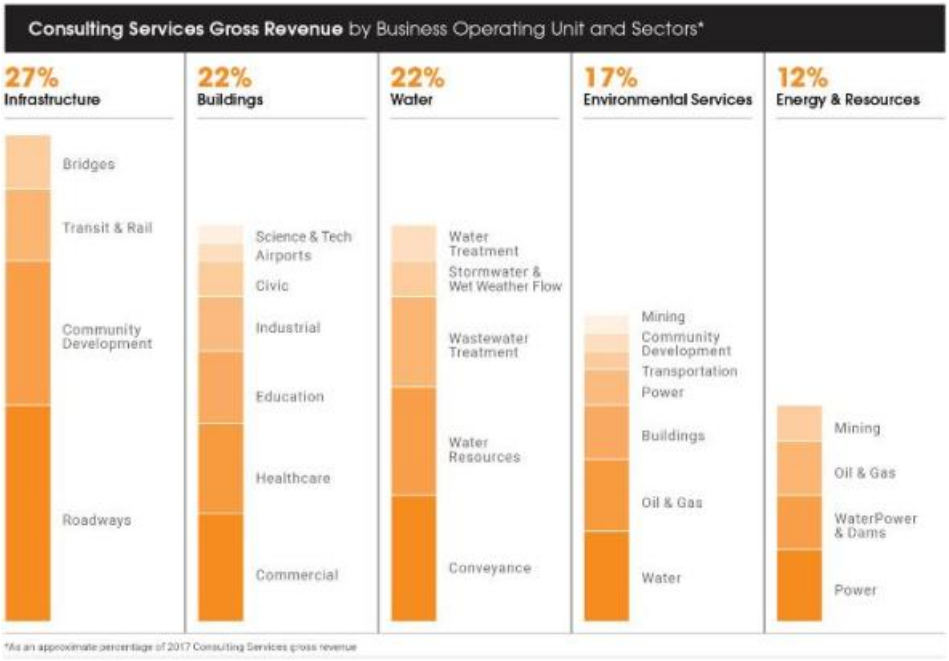
Service Specialization

The second element of our business model, service specialization, is discussed below (broken down by our two primary services: Consulting Services and Construction Services).

Consulting Services

Consulting Services currently represents approximately 80% of our overall gross revenue (93% of our overall net revenue). We provide professional consulting services in engineering, architecture, interior design, landscape architecture, surveying, environmental services, project management, and project economics under fee-for-service agreements with clients.

During 2017, Consulting Services had five specialized business operating units; within these five business operating units, we focus on sectors that our clients operate in. By better understanding our clients' goals, the market influences, and our business drivers, we can offer multidisciplinary solutions to meet their needs.



Buildings
We generate most revenue in our Buildings business operating unit by providing pre-design, design, and construction administration services in planning, architecture, buildings engineering, and interior design services for vertical infrastructure. Most revenue comes from private sector and institutional clients, the rest from public sector clients.

Energy & Resources
We generate most revenue in our Energy & Resources business operating unit from industrial engineering, project management, and construction management services primarily for private sector clients.

Environmental Services
We generate most revenue in our Environmental Services business operating unit by providing front-end environmental services for private sector clients and remediation activities for private and public sector clients. Environmental Services provides services across all Company sectors—7.0% of its revenue is generated from our Energy & Resources business operating unit.

Infrastructure
We generate most revenue in our Infrastructure business operating unit by providing front-end design and engineering services; a small portion of this comes from project and construction management services.

Our Community Development sector primarily serves private sector clients. Our Transportation sector serves public sector clients for the most part, but a growth area is providing services using alternative project delivery methods.

Water
We generate revenue in our Water business operating unit by providing front-end design and engineering and construction management services.

Construction Services

Construction Services currently represents approximately 20% of our overall gross revenue (7% of our overall net revenue). We provide construction and construction management services mainly on water-related projects for key long-term clients. The main contract types in this segment generally fall into four functional areas:

- Construction and construction management
- Design-build and progressive design-build
- Construction management in support of design completed by Consulting Services
- Hard-bid construction with self-performance

In the United States, we offer start-to-finish construction capabilities to municipal, utility, federal, and industrial clients, including commissioning and start-up services. In the United Kingdom, we participate primarily in design-build water and wastewater projects through joint ventures and alliance agreements.

Life-Cycle Solutions

Life-cycle solutions is the third element of our business model. We provide professional services in all phases of the project life cycle: planning, design, construction, commissioning, maintenance, decommissioning, and remediation. This inclusive approach enables us to (1) deliver services during periods of strong new capital project activity (design and construction) and periods of redevelopment and operational spending activity (maintenance, integrity management, and remediation) and (2) maintain long-term client relationships throughout the life of a project or an infrastructure asset.

Beginning with the planning and design stages, we provide conceptual and detailed design services, conduct feasibility studies, and prepare plans and specifications. During the construction phase, we generally act as the owner's representative, providing project management, construction management, surveying, and resident engineering services. In our Consulting Services business, we focus principally on fee-for-service work and rarely act as the contractor or take on construction risk. In our Construction Services business, we provide construction and construction management at-risk services. During the maintenance phase that follows project completion, we provide ongoing professional services for integrity management, as well as for maintenance and rehabilitation projects such as facilities and infrastructure management, facilities operations, and performance engineering. In the final decommissioning phase, we provide solutions, recommendations, and remediation strategies for taking facilities out of active service.

Key Performance Drivers and Capabilities

Key External Drivers

Consulting Services

Our Consulting Services business is driven by external industry factors that affect the demand for our services.

Buildings
Our Buildings business operating unit is driven by a combination of factors, such as economic outlook, technological advancements, aging infrastructure, resiliency trends, regulatory changes, P3 project complexity, population growth, urbanization, and demographic changes. Drivers specific to our key market sectors include the following: infrastructure renewal and expansion (Airports & Aviation), US healthcare reform (Healthcare), the incorporation of full automation in warehousing and the supply chain (Industrial), transit-oriented developments (Commercial), transit infrastructure (Civic), and a focus on skilled learning to bridge workforce gaps (Education and Science & Technology).

Energy & Resources
Our Energy & Resources business operating unit is driven primarily by supply and demand for commodities both globally and locally. Our Oil & Gas and Mining sectors are impacted by economics, commodity prices, cost reduction and efficiencies, technological advancements, and political and regulatory drivers (including carbon emission reductions). Other considerations include alternative fuels, aging infrastructure, and energy efficiency trends. These highly cyclical sectors can experience rapid and dramatic fluctuations in price and supply and demand.

Our Power sector is more of an infrastructure business, but economic activity also affects power demand and therefore impacts this market. Regulations, infrastructure age, the location of supply and demand for transmission and distribution, and renewable subsidization also influence activity in our Power sector.

For the WaterPower & Dams sector, significant drivers include climate change and the associated demand for hydroelectric power, both as a renewable generation source and for its ability to integrate other renewables (wind and solar). Aging infrastructure results in the need to rehabilitate, modernize, and upgrade existing dam and hydroelectric facilities.

Environmental Services
Our Environmental Services business operating unit performs services in various capacities across all Company sectors, though most significantly in our Energy & Resources business operating unit and our Transportation and Commercial sectors. Therefore, the drivers for Environmental Services overlap with those affecting other business operating units. Following are the most significant drivers affecting Environmental Services: economic and political conditions, environmental regulations, emphasis on public safety and disaster resiliency, demand for emergency site remediation planning and cleanups, Indigenous involvement in resource-based projects, technology mega trends and increased spending on infrastructure improvements.

Infrastructure
Our Infrastructure business operating unit is driven by a combination of economic, demographic, urbanization and housing, technology, public funding, and regulatory factors. Additional drivers include oil prices, employment rates, interest rates, public and active transport usage, technological advancements, aging infrastructure, resiliency trends, regulatory changes, elections, and alternative project delivery. Drivers specific to key market sectors include the housing-affordability crisis (Community Development), connected and autonomous vehicles (Transportation), and Smart Cities and design-build (Transportation). Overall, this business operating unit relies heavily on local and regional clients and benefits from Stantec's strong community presence.

Water
Our Water business operating unit completes work for both private and public sector entities. Water is driven primarily by regulations, increased water demands, changing nature of water supplies, and public funding. Our primary drivers include aging infrastructure, resiliency strategies, demographic shifts, climate change, globalization and geopolitics, technology, and economic mega-cycles.

Construction Services

Key performance drivers for Construction Services are similar to the drivers for the Water business operating unit in Consulting Services. Specifically, trends that are expected to impact water infrastructure requirements and drive growth in the sector include demographic shifts, water scarcity, climate change, globalization and geopolitics, technology, and economic cycles. Design-build opportunities in the water market also mean that we can bundle our Construction Services with our Consulting Services to better capture more of these opportunities.

Key Internal Drivers

Growth opportunities

We aim to achieve consistent growth and profitability by sustaining excellence and remaining committed to our clients, employees, shareholders, and our diversification strategy.

We effectively service our existing regional and local clients, develop new client relationships, and grow our reputation and business where opportunities exist. This approach to market presence makes us less likely to be affected by downturns in regional economies.

Organic growth has been and continues to be an element of our strategy. To achieve growth, we leverage client relationships by cross-selling, following a sector-based approach, and by delivering our Account Management and our strategic pursuits and campaign programs. We refine internal strategies that promote a culture of revenue generation in all areas of our Company.

Acquisitions are also key to our strategy. Increasing the depth of our capabilities and broadening our geographic coverage leads to growth and better client service. For 2018, we will continue to follow our successful acquisition strategy for North America: we will maintain operational excellence, coordinate acquisition timing with integration efforts, and thoughtfully select targets that meet our sector and regional needs. Beyond North America, we will focus on growing our United Kingdom, Australia, and New Zealand operations.

Employees

Our people remain at the core of what we do. We strive to attract and retain the best employees in the field and are committed to supporting, fostering, and investing in each employee’s success through a culture of opportunity, equity, development, diversity, and innovation. Specific career streams provide employees with career development direction and growth opportunities based on their primary area of interest. We also have a formalized succession planning process and offer a number of leadership programs. Our Diversity and Inclusion (D&I) Councils foster a workplace that supports the unique differences of our clients and employees.

We measure the success of our various employee initiatives through retention rates, employee surveys,360-degree feedback, and exit interviews. The results help us develop future programs and initiatives.

Senior leadership

Our Executive Vice President Team (EVPT) is made up of our senior leaders: the chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), chief business officer (CBO), chief practice and project officer (CPO), and executive vice presidents (EVPs). The EVPT oversees the Company’s overall performance,

including developing and monitoring our business plan, monitoring financial performance and risks, approving policies and procedures, and overseeing acquisitions and divestitures. EVPs are specifically responsible for the performance of our reportable segments and business operating units.

Our ability to align the activities of our senior leadership and other key employees with our short- and long-term financial and strategic goals is a key driver of our success. In addition to fixed salaries, we provide short- and long-term compensation on a discretionary basis. For additional information regarding our executive compensation, refer to our Management Information Circular.

Account Management and strategic pursuits

Over the last two years, we have evolved our Account Management platform to improve our ability to gather client intelligence information, improve pursuit tracking, and enable our leadership teams to more actively engage with our clients. We regularly survey our clients to improve our performance by better understanding their needs.

To increase the effectiveness of our strategic positioning activities, a multipronged Position to Win Program was launched in 2017 and will continue to evolve in 2018. A standard and consistent business development framework provides a common sales process and sales language, enabling Stantec employees to work better together to propel our organic growth.

Alternative project delivery

We continue to put only a portion of our project bid fee at risk in return for a success fee in our public-private partnership (P3) and design projects. When appropriate, we will consider putting more of our upfront fee at risk in return for a higher success fee or for some long-term equity in the project. In 2018, we will continue this approach, and this potential upfront investment will continue to be used selectively on projects with the right risk oversight, terms and conditions, and project and partner combinations and will be subject to the review and approval of the Major Project Risk Committee before proposing the concept to our partners.

Creativity & Innovation Program

The Creativity & Innovation (C&I) Program is designed to support our people to explore new and enhanced services or solutions that benefit us, our clients, and our communities, and that enhance our reputation, competitive position, and, ultimately, our financial performance. The program is intended to provide annual monetary and non-monetary support and visibility to creativity and innovation in all its forms, both in the services that we bring to our clients and the services that support our internal operations.

External positioning

We bring our industry expertise and leading-edge creativity to the geographic areas we serve. The closer we are to our clients, the more we can build strong, successful working relationships. Through technology, effective communication, collaboration, and combined knowledge, our teams provide services and solutions from different geographic locations across the Company.

Ethics and integrity

Our reputation remains a significant asset; therefore, our focus continues to be on aligning our actions and decisions with our ethics and integrity policies. One way we ensure this is by conducting annual mandatory ethics, integrity, and anti-corruption compliance training for all employees. We articulate our high standard of business practices through our Project Management Framework, Code of Business Conduct, and policies and practices. We also engage an outside agency to monitor, review, and report any issues identified through our Integrity Hotline.

Health, safety, security, and environment

We work together for safety—at work, at home, and in our communities. We foster a safety culture that encourages making safe choices for ourselves and those around us so we all return home safely each day. Our Occupational Health and Safety Management System helps our employees, clients, and subcontractors understand the health, safety, security, and environmental risks related to their work so that they can identify hazards and assess and manage risk. We conduct regular audits and inspections, provide employee training, and maintain stringent hazard recognition and control processes.

Project Management

Since the MWH acquisition, we have incorporated best practices from both companies to help create integrated PM tools and processes, and in 2018 we will continue to build out our Project Management (PM) Ecosystem, processes, and tools that support project management, including embedding the PM career path. The enhanced tools and processes will help us share work more easily, manage our business better, and speak a common PM language, resulting in the PM leadership we need to execute projects exceptionally. We believe these enhancements will be key differentiators and catalysts for growth in the competitive marketplace.

We understand the need to enhance our earned value management culture, regularly update project processes, and recognize the revenue we earn based on the progress we achieve. Integrating the legacy MWH project financial management processes with Stantec's legacy processes has provided Stantec with a robust set of business processes that drive earned value. We have incorporated these processes into our Integrated Management Platform and will deploy them through 2018.

We always strive to enhance our project execution and forecasting ability and to facilitate more efficient resource management. Currently, we use a diverse range of tools, including our Enterprise Management System, to execute projects effectively, and we will continue to invest in these tools in 2018.

Practice technology and global platform development

Our Company embraces digital technologies that help us improve and deliver professional services to clients. We have a dedicated Practice Technology team that studies and develops new technology solutions to ensure market differentiation, drive productivity gains, and bring industry recognition for innovation to Stantec. We also recognize the importance of cybersecurity and therefore have a comprehensive IT security program designed to predict, prevent, detect, and respond to cybersecurity threats. (Cybersecurity is further described in the Risk Factors section of this report.)

The global platform development and integration of Stantec's business processes, practices, and systems continues in 2018. We need to closely manage scope by standardizing current Stantec North American business and system practices wherever possible, unless local legislation or critical client requirements need to be met.

Sustainability

At Stantec, sustainability means reducing the environmental impacts and improving the social impacts of our operations while governing ourselves responsibly. Through the services we offer, we help our clients do the same.

Our clients deal with escalating temperatures, water scarcity, unprecedented storms, social protests, and loss of biodiversity. Through the services we offer, we respond to these significant climate change-related challenges and promote sustainable development. Stantec sustainability professionals design LEED buildings and renewable energy systems, engineer net-zero and net-positive energy buildings, develop greenhouse gas inventories and energy action plans, provide clean water through water and wastewater treatment, deliver water reuse and recycling solutions, support sustainable supply chain capacity building, and incorporate sustainability practices into infrastructure design by applying the Envision rating system.

In our internal operations, we take responsibility for the impacts of our operations and choose approaches of least impact to the environment through an ISO-certified environmental management system as well as emission, energy, and waste-reduction programs.

Stantec tracks and reports our progress in our annual Sustainability Report (compliant with the Global Reporting Initiative) and our submissions to the Carbon Disclosure Project (CDP). We have participated in the United Nations Global Compact since 2015 and actively support the UN Sustainable Development Goals.

Community engagement

Our purpose is to create communities. We target donating up to 1% of our annuabre-tax profits through direct cash contributions or services in kind to charitable and not-for-profit endeavors in the arts, in education, in the environment, and in health and wellness.

In 2017, our Company contributed approximately $3 million to community engagement activities in arts, education, environment, and health and wellness. In addition to these funds, we continued to give back to our communities by volunteering, fundraising, and partnering with charitable and community organizations to work on social projects, environmental projects, and charitable initiatives. For example, as part of our Company-wide Stantec in the Community Week, more than 5,000 employees helped over 400 community organizations across 6 continents.

In every region, we make decisions with local input. We recognize that local employees best understand how to match our resources and capabilities to our communities' priorities and how to provide support to the organizations that make a difference. Corporately, we provide the framework that guides decision making, ensuring our community investments align with our organizational objectives and resonate with our employees and business leaders in the communities we serve.

Financing

Our continued ability to finance our growth plan supports our success. Adequate financing gives us the flexibility to acquire firms that are appropriate for our vision and complement our business model.

Since the public trading of our shares began on the Toronto Stock Exchange (TSX) in 1994, we have increased our gross revenue at a compound annual rate of 19.3%. To fund acquisition growth, we require cash generated from both internal and external sources. Historically, we have completed acquisitions almost entirely by using cash generated from operations, credit facilities, and vendor notes. However, under certain favorable market conditions, we do consider issuing common shares to facilitate acquisition growth or to reduce borrowings under our credit facilities.

Financial Performance

Selected Annual Information

The following table highlights trending of certain annual information:

(In millions of Canadian dollars, except per share amounts and percentages)	**2017**	**2017 vs. 2016 (%)**	**2016**	**2016 vs. 2015 (%)**	**2015**
Gross revenue	**5,140.1**	19.5%	4,300.1	49.5%	2,877.2
Net revenue	**3,417.3**	10.3%	3,098.4	30.5%	2,373.7
EBITDA *(note)*	**424.1**	26.1%	336.3	9.8%	306.3
Adjusted EBITDA *(note)*	**363.4**	3.2%	352.3	15.5%	305.1
Net income	**97.0**	(25.7%)	130.5	(16.6%)	156.4
Adjusted net income *(note)*	**202.0**	11.5%	181.1	(4.1%)	173.9
EPS – basic	**0.85**	(30.3%)	1.22	(26.5%)	1.66
EPS – diluted	**0.85**	(30.3%)	1.22	(26.1%)	1.65
Adjusted EPS – basic *(note)*	**1.77**	4.7%	1.69	(8.6%)	1.85
Adjusted EPS – diluted *(note)*	**1.77**	4.7%	1.69	(8.2%)	1.84
Cash dividends declared per common share	**0.50**	11.1%	0.45	7.1%	0.42
Total assets	**3,880.9**	(9.4%)	4,284.7	83.0%	2,341.9
Total long-term debt	**739.6**	(27.5%)	1,020.5	179.3%	365.4

note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted earnings per share (EPS) are non-IFRS measures and are further discussed in the Definitions section of this report.

Acquisitions

Consideration for acquisitions completed was $28.4 million in 2017 and $1.2 billion in 2016. We completed the following acquisitions in 2017:

- On April 28, 2017, we acquired certain assets and liabilities of Inventrix Engineering, Inc. (Inventrix), adding 22 staff to our Company. Inventrix, based in Seattle, Washington, provides expertise in mechanical engineering.
- On July 28, 2017, we acquired all the shares and business of RNL Facilities Corporation (RNL), adding approximately 130 staff to our Company. Based in Denver, Colorado, RNL provides expertise in architecture, interior design, urban design, and landscaping.
- On October 27, 2017, we acquired certain assets and liabilities of North State Resources, Inc. (NSR), adding approximately 60 staff to our Company. Based in Redding, California, NSR provides expertise in physical, biological, and environmental sciences.

Divestitures

On May 5, 2017, we completed the sale of the shares of our software business, Innovyze, to the EQT Mid Market US fund, part of the international alternative investments firm EQT, for gross proceeds of $369.1 million (US$270 million), less working capital adjustments, resulting in net cash proceeds of $336.9 million. This sale transaction resulted in an accounting gain of $54.6 million. We recorded a tax expense of $94.5 million on this transaction resulting in an after-tax negative impact to net income of $39.9 million.

The $352.6 million gain for tax purposes was higher than the accounting gain because the adjusted cost base (for tax purposes) of Innovyze was $9.0 million, resulting in a current tax provision of $124.1 million (further explained in the Income Taxes section of this report) and we reversed $29.6 million of deferred taxes that was previously recognized.

We used the net proceeds on sale, less taxes payable and certain transaction costs, to repay $221.3 million of our long-term debt.

Discussion of Operations

The following table summarizes our key operating results as a percentage of net revenue and the percentage increase or decrease in the dollar amount of each key operating result:

	Year Ended Dec 31		
	Percentage of Net Revenue		Percentage Increase (Decrease) *
	2017	2016	2017 vs. 2016
Gross revenue	150.4%	138.8%	19.5%
Net revenue	100.0%	100.0%	10.3%
Direct payroll costs	46.5%	45.9%	11.8%
Gross margin	53.5%	54.1%	9.0%
Administrative and marketing expenses	42.8%	43.1%	9.6%
Other (income) expense	(1.7%)	0.1%	n/m
EBITDA	12.4%	10.9%	26.1%
Depreciation of property and equipment	1.6%	1.7%	6.6%
Amortization of intangible assets	2.3%	2.4%	5.9%
Net interest expense	0.8%	1.0%	(9.8%)
Income before income taxes	7.7%	5.8%	45.7%
Income taxes	4.9%	1.6%	231.0%
Net income	2.8%	4.2%	(25.7%)

n/m = not meaningful

** Percentage increase (decrease) calculated based on the dollar change from the comparable period.*

The percentage increase in gross and net revenue in 2017 compared to 2016 was due to acquisition growth and organic growth and was partly offset by the impact of foreign exchange rates on revenue earned in foreign subsidiaries. (See the Gross and Net Revenue section that follows for more information.) We were negatively impacted by a decrease in gross margin as a percentage of net revenue. This was partly offset by declines in administrative and marketing expenses, amortization of intangible assets, and net interest expense as a percentage of net revenue in 2017 compared to 2016.

Gross and Net Revenue

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to the Cautionary Note Regarding Forward-Looking Statements at the end of this report.

While providing professional services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. Revenue associated with these direct costs is included in gross revenue. Because these direct costs and associated revenue can vary significantly from contract to contract, changes in gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue (which is gross revenue less subconsultant, subcontractor, and other direct expenses) and analyze results in relation to net revenue rather than gross revenue.

The difference between gross revenue and net revenue is larger for construction-related projects than for consulting-related projects since Construction Services incurs proportionately higher costs. For construction projects, we use subcontractors to provide specialized building services such as earthwork, HVAC, electrical, piping, local craft labor, and design- and engineering-related services. Construction direct costs include expenditures for insurance, travel, and meals, and purchases of materials and equipment (such as membranes, pumps, steel, concrete, aggregate, pipe, and electrical components) to install into facilities.

For this analysis and in the tables that follow, revenue earned by acquired companies in the first 12 months following an acquisition is reported initially as revenue from acquisitions and thereafter as organic revenue.

Consulting Services generates approximately 70% of gross revenue in foreign currencies primarily in US dollars. Construction Services generates gross revenue primarily in British pound sterling and US dollars. Fluctuations in these currencies had a $75.4 million negative impact on our gross revenue results in 2017 compared to 2016 as further described below:

- The Canadian dollar averaged US$0.76 in 2016 and US$0.77 in 2017—a 1.3% increase. The strengthening Canadian dollar had a negative effect on gross and net revenue in 2017 compared to 2016.

- The Canadian dollar averaged GBP0.58 in 2016 and GBP0.60 in 2017—a 3.4% increase. The strengthening Canadian dollar had a negative effect on gross and net revenue in 2017 compared to 2016.

Fluctuations in other foreign currencies did not have a material impact on our gross and net revenue in 2017 compared to 2016.

Our contract backlog was $3.9 billion at December 31, 2017—$2.8 billion in Consulting Services and $1.1 billion in Construction Services—which is consistent with December 31, 2016. Backlog increased organically but was offset by the strengthening Canadian dollar. We define “backlog” as the total value of secured work that has not yet been completed where we have an executed contract or a letter of intent that management is reasonably assured will be finalized in a formal contract. (Backlog, a non-IFRS measure, is further described in the Definitions section of this report.) Only approximately the first 12 to 18 months of the total value of secured work for a project is included in contract backlog.

Acquisitions

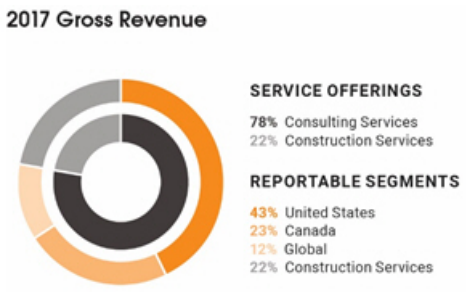
Following is a list of acquisitions completed in 2016 and 2017 that impacted our four reportable segments and our five business operating units within Consulting Services:

REPORTABLE SEGMENTS	MONTH ACQUIRED	CONSULTING SERVICES - BUSINESS OPERATING UNITS				
		Buildings	Energy & Resources	Environmental Services	Infrastructure	Water
Consulting Services - Canada						
MWH	May 2016		●			
Arch | TB	Dec. 2016	●				
Consulting Services - United States						
Bury	Mar. 2016	●			●	
MWH	May 2016		●	●		●
VOA	May 2016	●				
Edwards & Zuck	Sept. 2016	●				
Inventrix	Apr. 2017	●				
RNL	Jul. 2017	●				
NSR	Oct. 2017			●		
Consulting Services - Global						
MWH	May 2016		●	●	●	●
RNL	Jul. 2017	●				
Construction Services						
MWH	May 2016	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

Gross Revenue and Net Revenue by Reportable Segments

The following charts and tables summarize gross and net revenue as well as gross and net revenue growth in our two service offerings and four reportable segments:





Gross Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	2017	2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	1,191.7	1,168.8	22.9	10.0	n/a	12.9	1.1%
United States	2,226.0	2,062.9	163.1	209.5	(40.3)	(6.1)	(0.3%)
Global	611.0	423.2	187.8	167.9	(10.4)	30.3	7.2%
Total Consulting Services	4,028.7	3,654.9	373.8	387.4	(50.7)	37.1	
Percentage growth (retraction)				***10.6%***	***(1.4%)***	***1.0%***	
Construction Services	1,111.4	645.2	466.2	372.9	(24.7)	118.0	
Percentage growth (retraction)				***57.8%***	***(3.8%)***	***18.3%***	
Total	5,140.1	4,300.1	840.0	760.3	(75.4)	155.1	3.6%

n/a = not applicable
note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

Net Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	2017	2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	1,027.6	1,020.6	7.0	6.3	n/a	0.7	0.1%
United States	1,714.7	1,595.9	118.8	149.5	(30.6)	(0.1)	0.0%
Global	431.5	310.2	121.3	119.4	(6.7)	8.6	2.8%
Total Consulting Services	3,173.8	2,926.7	247.1	275.2	(37.3)	9.2	
Percentage growth (retraction)				***9.4%***	***(1.3%)***	***0.3%***	
Construction Services	243.5	171.7	71.8	89.2	(10.2)	(7.2)	
Percentage growth (retraction)				***52.0%***	***(5.9%)***	***(4.2%)***	
Total	3,417.3	3,098.4	318.9	364.4	(47.5)	2.0	0.1%

n/a = not applicable
note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

Consulting Services – Canada

In our Consulting Services – Canada operations, gross revenue increased 2.0% and net revenue increased 0.7% in 2017 compared to 2016. Organic gross revenue grew 1.1% and organic net revenue grew 0.1% in 2017 compared to 2016. Organic revenue growth was seen primarily in our Mining and Power sectors and our Buildings and Infrastructure business operating units; this growth was partly offset by retraction in our Oil & Gas and WaterPower & Dams sectors and our Environmental Services business operating unit.

Our Buildings business operating unit saw organic growth in 2017 in Ontario, Alberta, and British Columbia because of the mobilization of new project wins. This growth was offset by retraction in the other provinces due to fee pressures, reduced government spending, and private sector investment slowing down because of soft commodity prices.

In our Energy & Resources business operating unit, our Oil & Gas sector experienced organic revenue retraction. Our Canadian Power operations were impacted by the slowdown in capital spending by oil and gas clients, so we increased our focus on renewable energy in Alberta, Saskatchewan, and Ontario. Our additional focus on the industrial market has resulted in major wins and an improved backlog. Growth in our Power sector in the Atlantic region offset retractions in other parts of Canada. Mining revenues grew organically in 2017 compared to 2016 because we secured a major project in Q2 17.

In our Environmental Services business operating unit, revenue retracted in 2017 compared to 2016, mainly in the oil and gas market in western Canada. This was partly offset by growth in other provinces. Environmental Services continued to face pricing pressure as clients reviewed their supply chain for opportunities to gain efficiencies; therefore, our margins were impacted. Organic revenue retraction slowed, as evidenced by recent wins, including some new clients and an increase in small project opportunities. Although the oil and gas and mining markets were challenged across North America, we maintained our backlog because of our strong emphasis on operations and maintenance programs and the award and execution of a few assessment projects. We saw growth in government infrastructure spending, including spending for Indigenous communities.

The Community Development sector in our Infrastructure business operating unit saw strong growth in eastern Canada and southern Alberta; however, central and northern Alberta retracted due to the continuing weakness in the oil and gas market. Alberta is in the early stages of economic recovery. We expect it will be some time before business volume increases and competitive pressure on fees softens. Because of increased government investment in infrastructure, we had new opportunities to pursue interdisciplinary services: for example, we secured the Calgary Foothills Cancer Centre and the Calgary Green Line Light Rail Transit Corridor projects.

Also, in the Infrastructure business operating unit, our Transportation business—in particular, our Transit & Rail sector—continued to show organic growth, benefiting from 2016 provincial budgets that provided stimuli for infrastructure spending. Significant investment in transit markets in Alberta and British Columbia was partly offset by retraction in our Quebec operations because existing large-scale projects were winding down.

Our Water business operating unit had slight growth in 2017 compared to 2016. Growth in eastern Canada was partly offset by retraction in western Canada and Quebec. Major projects were completed in Alberta and the economy slowed down in the Prairie provinces (a result of the continued slowdown in natural resource revenues). This slowdown impacted greenfield and brownfield investments in water and wastewater infrastructure.

Consulting Services – United States

In our Consulting Services – United States operations, gross revenue increased 7.9% and net revenue increased 7.4% in 2017 compared to 2016. Revenue grew in 2016 compared to 2017 because of acquisition growth mainly in our Buildings and Water business operating units. Organic gross revenue retracted by 0.3% and organic net revenue was flat in 2017 compared to 2016. The retraction in organic revenue was largely driven by our Water and Environmental Services business operating units and offset by organic growth in our Buildings and Infrastructure business operating units and WaterPower & Dams and Power sectors.

Organic gross revenue growth in our Buildings business operating unit resulted mainly from steady activity in the healthcare and commercial markets; we saw increased opportunities in the southwestern United States, particularly in our Education sector.

In our Energy & Resources business operating unit, WaterPower & Dams had large new projects in the West. Growth in our Power business was assisted by renewable energy and distributed power generation along with continued penetration in the transmission and distribution markets.

Our Environmental Services business operating unit was impacted by low commodity prices, reduced capital spending, the winding down of some larger projects, and the effect of decreased rates due to downward pricing pressures in the oil and gas sector. The retraction was partly offset by growth in our Power and Transportation sectors. We experienced increased activity in airport, rail, and highway and road projects, particularly in our eastern US operations, and we saw strong backlog spread across all our primary sectors. We expanded our services in the manufacturing sector to serve MWH's key legacy clients.

In our Infrastructure business operating unit, our Community Development sector benefited from favorable and stable market indicators, including employment rates, housing demand, interest rates, and economic conditions.

Growth in the Transportation sector of our Infrastructure business operating unit was moderate, impacted by a retraction in our Central operations because significant projects—such as the State Highway 288 Toll Lanes and Loop I-375—are nearing design completion and certain projects in Ohio and Illinois have been delayed. Otherwise, an expanding US economy and our North American strategic market position led to an increase in organic growth opportunities, especially in APD. Because of our maturity and prominence in the Transportation sector, we are more selective when choosing the construction consortiums we want to team with in this expanding APD market, we attract top talent more easily, and we increase our diversity. Plus, our maturity in numerous locations throughout North America and our ability to serve our clients on all projects, regardless of size or prominence, better position us to compete in both large and small markets. Growth in Transportation was also positively influenced by a renewed investment in infrastructure, particularly in the Northeast, and localized gas tax increases in some states.

The Water business operating unit experienced organic gross and net revenue retraction in 2017 compared to 2016. This was due primarily to the $5 million downward revenue adjustment on a major design-build project, resulting from additional costs and design and project scope issues. Our core consulting business was flat year over year with retraction in the West and Pacific Northwest offset by growth in APDs and in the South and Southwest. In the Water Program Management group, several major tasks and entire programs that were active in 2016 ended shortly after year-end. Further, work on the Atlanta, San Jose, San Diego, and Willamette programs slowed down temporarily. However, amendments have been signed for additional work for these programs.

Consulting Services – Global

In our Consulting Services – Global operations, gross revenue increased 44.4% and net revenue increased 39.1% in 2017 compared to 2016. Acquisition revenue increased because of the MWH acquisition in 2016. Organic gross revenue grew 7.2% and organic net revenue grew 2.8% in 2017 compared to 2016.

In our Environmental Services business operating unit, we experienced organic revenue growth, fueled by increased private sector activity in southern Europe. We also experienced growth in our environmental remediation offerings in northern Europe.

Our Water business operating unit experienced year-over-year growth in 2017. The UK Water business saw continued strong revenue volume through the Asset Management Programme 6 (AMP6) cycle. As well, the Water sector in Australia and New Zealand benefited from higher public sector spending. These gains were partly offset by retraction in water-related foreign aid project business and retraction in our Middle East operations where infrastructure spending in the region was impacted by political uncertainty and low energy prices.

Organic revenue growth was offset by softness in our WaterPower & Dams sector and Buildings business operating unit. The decline in our WaterPower & Dams revenue was due to the completion of the Panama Canal Third Set of Locks project. Revenue in our Buildings business operating unit was down primarily in the Middle East, an area impacted by low energy prices and political instability. We also saw a decline in the Mining sector over the previous year. Because of project delays and cancellations, Mining revenue was down in Latin America and Australia, where capital spending by mining companies remains depressed. But the mining sector did show signs of recovery as the year progressed.

Highlights of projects secured in 2017 include a commissioning by the Regional Transit Authority (RTA) of the Government of Dubai to develop a Code of Practice. This will provide manufacturers with clarity on the nature of the upcoming regulatory and testing framework that the RTA will implement on the path to full deployment of self-driving vehicles on Dubai's roads. We were also awarded a contract to design upgrades to State Highway 58 in New Zealand.

Construction Services

In our Construction Services operations, gross revenue increased 72.3% and net revenue increased 41.8% in 2017 compared to 2016. Organic gross revenue grew 18.3% and organic net revenue retracted 4.2% in 2017 compared to 2016. Construction Services revenue was generated primarily in the United States and United Kingdom. The United States generated $697.2 million in gross revenue ($122.0 million in net revenue). In Florida, Texas, and the western United States, we had significant and steady work on a number of major water and wastewater treatment plant construction projects. Also, activity increased on a major commercial contract in the western United States; under this contract, we are performing the construction management and project management services for a major manufacturer.

The remaining $414.2 million in gross revenue ($121.5 million in net revenue) was earned mainly in the United Kingdom, driven by ongoing construction activities for water utilities in the third year of the Asset Management Programme 6 (AMP6) cycle.

Gross Revenue and Net Revenue by Consulting Services – Business Operating Units

The following tables summarize gross revenue and gross revenue growth in our five Consulting Services business operating units—Buildings, Energy & Resources, Environmental Services, Infrastructure, and Water:

Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	**2017**	**2016**	**Total Change**	**Change Due to Net Acquisitions (Divestitures)**	**Change Due to Foreign Exchange**	**Change Due to Organic Growth (Retraction)**	**% of Organic Growth (Retraction)**
Consulting Services							
Buildings	898.1	818.2	79.9	85.2	(10.6)	5.3	0.6%
Energy & Resources	479.2	418.5	60.7	57.6	(8.4)	11.5	2.7%
Environmental Services	683.8	636.5	47.3	55.4	(5.8)	(2.3)	(0.4%)
Infrastructure	1,090.4	1,059.7	30.7	20.4	(13.9)	24.2	2.3%
Water	877.2	722.0	155.2	168.8	(12.0)	(1.6)	(0.2%)
Total Consulting Services	4,028.7	3,654.9	373.8	387.4	(50.7)	37.1	
Percentage growth (retraction)				***10.6%***	***(1.4%)***	***1.0%***	

note: Comparative figures have been reclassified due to a realignment of several business lines.

Net Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	2017	2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	714.8	665.8	49.0	61.3	(8.0)	(4.3)	(0.6%)
Energy & Resources	401.5	367.9	33.6	44.9	(6.3)	(5.0)	(1.4%)
Environmental Services	458.9	443.1	15.8	29.3	(2.8)	(10.7)	(2.4%)
Infrastructure	899.1	866.2	32.9	17.9	(10.7)	25.7	3.0%
Water	699.5	583.7	115.8	121.8	(9.5)	3.5	0.6%
Total Consulting Services	3,173.8	2,926.7	247.1	275.2	(37.3)	9.2	
Percentage growth (retraction)				***9.4%***	***(1.3%)***	***0.3%***	

note: Comparative figures have been reclassified due to a realignment of several business lines.

Buildings
Organic gross and net revenue in the Buildings business operating unit were both flat when comparing 2017 to 2016. Organic revenue was impacted by the decline in the oil and gas markets, which affected private and public spending in our western Canadian and Middle East operations. The declines in Canada were offset by significant project wins, primarily in the healthcare sector. In the United States, gross revenue increased partly due to strategic acquisitions completed in 2016. We also benefited from the urbanization trend across North America as inner cities are revitalized. Our Civic sector provided a range of services that responded to these needs.

Highlights of projects secured in 2017 include design-build services for Phase One of the Royal Columbian Hospital Redevelopment Project in New Westminster, British Columbia, which includes a new acute mental health and substance use building, an energy center, a data center, underground parking, and other upgrades. We also secured a contract to design the Colorado Rockies West Lot, a mixed-use entertainment facility—approximately 650,000 square feet (60,000 square metres)—adjacent to the Colorado Rockies baseball stadium in Denver, Colorado. During Q4 17, we secured two student housing projects for the University of California, Davis (Orchard Park and West Village). We will serve as subcontractor to Pyatok for this project, providing interior design, landscape design, and MEP (mechanical, electrical, and plumbing). Stantec will serve as Prime Architect for the West Village project, while also providing interior design, landscape design, and MEP.

Energy & Resources
In our Energy & Resources business operating unit, Mining had increased activity in Canada and Power experienced growth in Canada and the United States. However, we experienced organic revenue retraction in our Oil & Gas sector and Global Mining sector. Sustained weakness in the oil and gas sector in Canada continued to impact our engineering services. Despite a slowdown caused by uncertain market conditions, our midstream business in our Oil & Gas sector continued to be awarded new work because of our strong client relationships. In our Power sector, we secured projects because of infrastructure improvement, environmental compliance, and resiliency requirements in the transmission and distribution and the power replacement markets. Our Mining sector's organic revenue growth was positive in 2017 because of improvements in the mining market. The 2016 retraction was challenging for our Mining sector, but the number of small and midsized capital project opportunities resulted in a turnaround in 2017.

In 2017, Stantec helped ensure that California's Oroville Dam Spillway repairs were completed in time for the winter weather. Stantec's efforts included the design, construction management, and biological monitoring to replace a key transmission line under threat of washout from erosions caused by the spillway damage; the engineering design, construction management, and oversight of the Oroville Spillway Recovery Project; as well as

the ongoing Federal Energy Regulatory Commission (FERC) relicensing (since 2000) and implementation (since 2007) for the entire Oroville Facilities Project.

Highlights of other significant projects secured in 2017 include the design work for the Gross Reservoir Expansion Project in Colorado, which will raise the dam's height from 340 to 471 feet (from 104 to 144 metres), tripling its water storage and providing water for an additional 54,000 single-family homes per year. We also secured a contract to provide underground mining engineering design and reserve estimation for a platinum mine in South Africa.

Environmental Services

Environmental Services was impacted by low commodity prices and reduced capital spending, primarily in the midstream oil and gas sector. This led to delays and cancellations and put downward pressure on project fees. Existing large-scale projects continued to wind down; however, the oil and gas industry showed signs of increasing activity in late 2017. Our North American operations continued to win a stream of smaller lower-margin projects because of our strong client relationships and industry expertise, and larger opportunities are emerging in the western Canada midstream sector.

Highlights of projects awarded in 2017 include a contract to conduct specialized technical studies (such as air and water quality) for projects undertaken by the Los Angeles Department of Water and Power. We will also provide environmental assessment and documentation services, assistance with permit acquisition, and mitigation monitoring. As well, we won a contract to provide environmental inspection support for Pacific Gas and Electric Company's (PG&E's) Environmental Inspections Program, specifically supporting their Air-Water-Hazardous Materials team to ensure that PG&E's construction activities comply with environmental requirements and laws and regulations.

Infrastructure

In our Infrastructure business operating unit, our Community Development sector had organic growth in 2017 compared to 2016 since both Canada and the United States experienced stable demand for housing, continued interest in Canadian and US urban design projects, and an increase in mixed-use commercial projects. Plus, our Transportation sector saw organic growth due to increased revenue across all major subsectors.

Highlights of projects secured in 2017 include Stantec joining a Traffic and Transportation Engineering Professional Services panel to provide efficient professional services for small to midsized transportation projects in Auckland, New Zealand, from 2017 to 2022. In addition, our Community Development team won the Alberta Infrastructure contract to provide project management, preliminary design, detailed design, and construction management for the next five years on the 2,000-acre (809-hectare) Parsons Creek master-planned community development in Fort McMurray, Alberta. We also won a bid to lead design services on the 9.8-mile (15.7-kilometre) Long Island Rail Road Third Track Expansion Project in New York state.

Water

In our Water business operating unit, our Canadian business experienced organic revenue growth, and our Global business had strong organic revenue growth. This growth was offset by retraction in the United States due to the downward revenue adjustment on a major design-build project and temporary slowdowns in the Water Program Management group. Our gross revenue acquisition growth of $168.8 million is net of a $26.4 million reduction in revenue in 2017 compared to 2016 due to the sale of Innovzye.

Highlights of projects awarded in 2017 include the construction management services for the Willamette Water Supply Program, a US$1.2 billion project to develop a resilient and redundant water supply for communities in Washington County, Oregon. We were also awarded a contract to implement an inspection and enforcement program for industrial and commercial facilities using New York City's Municipal Separate Storm Sewer System, which captures and diverts stormwater runoff to protect and improve the city's water quality. In addition, Yorkshire Water appointed Stantec to be its strategic planning partner for the United Kingdom's Asset Management

Programme 7 (AMP7) for the next seven years (with an option to extend five more years). AMP7 is intended to improve the utility's service delivery, resilience, innovation, and affordability for customers.

Gross Margin

Gross margin is calculated as net revenue minus direct payroll costs. Direct payroll costs include the cost of salaries and related fringe benefits for labor hours that are directly associated with the completion of projects. Labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in administrative and marketing expenses.

In general, gross margin fluctuations depend on the particular mix of projects in progress during any year and on our project execution. These fluctuations reflect the basis of our business model, which provides two primary service offerings—Consulting Services and Construction Services—across diverse geographic locations, business operating units (within Consulting Services), and all phases of the infrastructure and facilities project life cycle.

Gross margin as a percentage of net revenue decreased from 54.1% in 2016 to 53.5% in 2017. Gross margin as a percentage of net revenue was impacted by a decrease in our Consulting Services – Canada margins and by the addition of the Construction Services business, which generates a lower margin than Consulting Services. The impact of Construction Services was greater in 2017 because it included a full year of operations compared to eight months in 2016. These decreases were partly offset by an increase in our Consulting Services – United States and Consulting Services – Global margins.

The following table summarizes our gross margin percentages by reportable segments:

	2017	2016	Change
Consulting Services			
Canada	53.7%	53.9%	(0.2%)
United States	55.9%	55.3%	0.6%
Global	58.3%	58.1%	0.2%
Total Consulting Services	55.5%	55.1%	0.4%
Construction Services	27.1%	37.0%	(9.9%)

note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

In our Consulting Services – Canada operations, the decrease in gross margin in 2017 compared to 2016 resulted from the mix of projects. The increase in gross margins in our Consulting Services – United States and Consulting Services – Global operations resulted mainly because of higher margins in the mix of projects acquired from MWH.

Construction Services is a high-volume, lower-margin business that incurs more subcontractors and direct expenditures than Consulting Services. Margins decreased in 2017 compared to 2016 due to project life completion dates being extended for certain UK-based projects and higher job closeout and labor costs on certain US-based projects. Also, a US facility management project with a lower margin had higher activity in 2017 than in 2016.

The following table summarizes our gross margin percentages by business operating unit for Consulting Services:

	2017	2016	Change
Consulting Services			
Buildings	54.7%	54.5%	0.3%
Energy & Resources	52.0%	51.1%	0.9%
Environmental Services	57.3%	57.6%	(0.3%)
Infrastructure	55.2%	53.3%	1.9%
Water	57.6%	59.1%	(1.5%)
Total Consulting Services	55.5%	55.1%	0.4%

note: Comparative figures have been reclassified due to a realignment of several business lines.

In our Buildings business operating unit, gross margin increased in 2017 compared to 2016 as a result of lower employee costs and an increase in contract revenue on a major project in the Middle East. These increases were partly offset by a decrease in gross margins in our Canadian operations due to increased competition.

Our Energy & Resources business operating unit had higher margins in 2017 than in 2016, mainly due to the mix of projects acquired from MWH. In Canada, reduced capital investment in our Oil & Gas and Mining sectors resulted in reduced margins on projects that were awarded in the year.

Our Environmental Services business operating unit had lower margins, mainly because of clients' downward pressures on fees and reduced subconsultant markups in response to economic challenges in certain markets, especially in the oil and gas industry in our Canadian operations. In the United States, gross margins remained relatively flat while Global gross margins grew in 2017.

Infrastructure had higher margins in 2017 than in 2016 due to the mix of projects and improved margins in Transportation, which led to higher utilization and efficiencies. This market has improved, resulting in a reduced impact from low-cost competitors. Another positive influence on margin was the completion of a major project that provided negative revenue impacts in 2016.

Water had lower margins in 2017 than in 2016 due to the May 5, 2017, divestiture of Innovyze; as a software business, Innovyze operated at high margins.

Administrative and Marketing Expenses

As a percentage of net revenue, our administrative and marketing expenses decreased from 43.1% in 2016 to 42.8% in 2017, falling within the expected range of 41% to 43%. Excluding the impact of $14.5 million in acquisition-related costs in 2016, our administrative and marketing expense as a percentage of net revenue was 42.6% in 2016. Administrative and marketing expenses as a percentage of net revenue fluctuates from year to year because of the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress during the period as well as by business development and acquisition integration activities.

When 2016 is adjusted to 42.6%, administrative and marketing expenses as a percentage of net revenue remained consistent year over year. Cloud-based software subscriptions and customization costs and investments in our core infrastructure increased by approximately $12.0 million. Costs incurred for project and financial MWH Americas integration activities were approximately $3.5 million because of lower utilization. Our provision for self-insurance costs increased by $13.3 million mainly due to the inclusion of MWH. Professional and audit fees increased by $3.9 million because additional fees were incurred for regulatory and planning activities, such as SOX compliance and tax advice regarding the US tax reform, and for the reorganization of certain global entities to align them under a common UK parent company. These increases were partly offset by a $3.5 million reduction in severance payments and an $11.3 million decrease in lease exit and occupancy costs because we consolidated our offices and optimized our existing office space.

Depreciation of Property and Equipment

Depreciation increased $3.4 million year over year. As a percentage of net revenue, depreciation of property and equipment decreased from 1.7% in 2016 to 1.6% in 2017. This decrease is due to the following: (i) a decrease in additions to property and equipment as a percentage of net revenue over the last three years and (ii) a $2.5 million decrease because of a prospective change from declining balance to straight-line depreciation. Additions (excluding acquisitions) to property and equipment were $62.1 million in 2017 compared to $58.7 million in 2016. We spent more in 2017 on property and equipment because of an increase in the number of leasehold improvements made to various office locations and an increase in engineering equipment.

As a professional services organization, we are not capital intensive. In the past, we made capital expenditures mostly for items such as leasehold improvements, computer equipment, furniture, and other office and field equipment. The $62.1 million of additions to property and equipment was $12.9 million less than our budgeted $75.0 million (set at the beginning of 2017) because we had fewer additions to computer equipment than we anticipated. Our capital expenditures during 2017 were financed by cash flows from operations.

Intangible Assets

The timing of completed acquisitions, size of acquisitions, and type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years, and contract backlog and finite-lived trademarks are generally amortized over an estimated useful life of 1 to 3 years. Consequently, the impact of the amortization of contract backlog can be significant in the 4 to 12 quarters following an acquisition. As at December 31, 2017, $10.3 million of the $262.4 million in intangible assets related to backlog.

The following table summarizes the amortization of identifiable intangible assets:

(In millions of Canadian dollars, except percentages)	**2017**	**2016**
Client relationships	30.2	26.8
Backlog	26.4	22.3
Software	17.2	21.6
Other	8.3	6.9
Lease disadvantage	(1.9)	(1.9)
Total amortization of intangible assets	80.2	75.7

The $4.5 million increase in intangible asset amortization from 2016 to 2017 was mainly due to an increase in backlog and client relationships from acquisitions completed in 2016 and 2017. The MWH acquisition in 2016 added $315.3 million to intangible assets in 2016; this was partly offset by the Innovyze sale. During 2017, we added $11.8 million to intangible assets: $6.1 million from acquisitions and $5.7 million mainly from renewing various software agreements.

The $5.7 million in additions to intangible software was below our budgeted $15.0 million (set at the beginning of 2017), mainly because certain planned software purchases were postponed.

In accordance with our accounting policies, we review intangible assets at each reporting period to determine whether there is an indication of impairment. To determine indicators of impairment, we consider external sources of information such as prevailing economic and market conditions. We also consider internal sources of information such as the historical and expected financial performance of the intangible assets. Based on our review of intangible assets at each reporting period in 2017 and 2016, there have been no material indications of impairment. (See the Critical Accounting Estimates in the Critical Accounting Estimates, Developments, and Measures section of this report for more information about the methodology used to test long-lived assets and intangibles for impairment.)

Net Interest Expense

Net interest expense decreased by $2.8 million in 2017 compared to 2016. This decrease was primarily due to a $3.9 million breakage fee on our senior secured notes in 2016 and a $280.9 million decrease in our outstanding long-term debt at December 31, 2017, compared to December 31, 2016. These decreases were partly offset by an increase in interest rates on our revolving credit facility.

Repayments to our revolving credit facility of $221.3 million were made from proceeds received from the Innovyze sale. Additionally, payments of $66.4 million on notes payable from previous acquisitions were made to decrease notes payables from $127.2 million at December 31, 2016 to $60.8 million at December 31, 2017. The average interest rate for our revolving credit facility and term loan was 3.2% at December 31, 2017, and 3.13% at December 31, 2016. The weighted average interest rate on our notes payable was 3.46% in 2017 and 3.45% in 2016.

Foreign Exchange Losses and Gains

We reported a foreign exchange loss of $0.1 million in 2017 and $0.7 million in 2016. These foreign exchange losses arose from the translation of the foreign-denominated assets and liabilities held in our Canadian, US, and other foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching foreign currency assets with foreign currency liabilities and, when appropriate, by entering into forward contracts to buy or sell foreign currencies in exchange for Canadian dollars. The foreign exchange losses in 2017 and 2016 were caused by the volatility of daily foreign exchange rates and the timing of the recognition and relief of foreign-denominated assets and liabilities.

As at December 31, 2017, we had no material foreign-currency forward contracts.

Income Taxes

Our 2017 effective income tax rate was 63.2% compared to 27.8% in 2016. Our effective tax rate increased as a result of the following transactions: $94.5 million in net tax expense related to the sale of Innovyze, a $31.2 million one-time transition tax on deemed repatriated earnings resulting from the US tax reform, and a $3.2 million corporate reorganization tax charge. These increases were offset by a net recovery of $12.6 million from remeasuring deferred tax assets and liabilities pursuant to the US tax reform. Without the impact of these items, the effective tax rate would be 24.0%. The decrease in our effective tax rate from 27.8% in 2016 to 24.0% in 2017 was mainly due to the recognition of tax credits against income earned in jurisdictions with higher tax rates.

Innovyze Sale

The sale of Innovyze had a net tax impact of $94.5 million on net income. The current tax provision of $124.1 million was partly offset by the reversal of $29.6 million of deferred taxes previously recorded. The taxable gain on the Innovyze sale was $352.6 million, which is higher than the $54.6 million accounting gain because the adjusted cost base of Innovyze was $9.0 million.

The shares of Innovyze were purchased as part of the MWH acquisition. Stantec acquired MWH in a taxable share acquisition where the tax basis of MWH's shares was equal to the consideration paid. Special elections were not available to push down this consideration to the adjusted cost base of MWH's subsidiaries. Therefore, the fair value of MWH's assets purchased, including intangibles and goodwill, could not be considered when calculating the taxable gain on the Innovyze sale. In addition, for US federal tax purposes, the current tax due on the gain on the Innovyze sale was taxed as ordinary income at full US federal and state tax rates.

Out-from-Under Reorganization

In September 2017, we completed a reorganization of certain global entities that aligned them under a common UK parent company. We incurred a non-recurring cash tax expense of $3.2 million primarily related to taxable capital gains realized as a result of the reorganization. As part of our long-term strategy to make our corporate tax and organizational structures more efficient, this reorganization will allow for a more efficient repatriation of profits.

US Tax Reform

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act of 2017 (the Tax Act or tax reform). The Tax Act significantly revises the US corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, imposing a mandatory one-time transitional tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to US tax.

Changes included in the Tax Act and considered significant to our Company include the remeasurement of federal net deferred tax liabilities resulting from the reduction in the US statutory corporate tax rate from 35% to 21%, the mandatory one-time transition tax on the accumulated earnings of our foreign subsidiaries, and the option to claim enhanced accelerated depreciation deductions on qualified property acquired and placed in service after September 27, 2017, and before 2023.

We have reasonably estimated the effects of the Tax Act and recorded provisional amounts in our audited consolidated financial statements as at December 31, 2017. The remeasurement of the Company's federal net deferred tax liabilities at the lower tax rate of 21% resulted in a tax recovery of approximately $12.6 million (US$9.9 million). In addition, we incurred an approximate $31.2 million (US$24.5 million) one-time transition tax on the accumulated earnings of our foreign subsidiaries. Therefore, the net tax increase was $18.6 million (US$14.6 million).

The federal liability associated with the one-time transition tax was approximately $29.3 million (US$23.0 million). We elected to apply carryforward foreign tax credits of $9.1 million (US$7.1 million) against the federal portion for a net liability of $20.2 million (US$15.9 million), payable over eight years with no interest charged. The state liability associated with the one-time transition tax was approximately $1.9 million (US$1.5 million) and is due in 2018. (See note 29 in our 2017 audited consolidated financial statements for more information on the balances due each year for the federal portion.)

The Tax Act permits that certain capital expenditures can be immediately expensed until December 31, 2022. We expensed capital expenditures of $9.2 million (US$7.2 million). A company may also elect not to immediately write off qualifying assets. We will reassess our tax position annually to determine the most appropriate course of action.

When tax planning for 2018, we may consider other areas of the Tax Act—such as the base erosion anti-abuse tax (BEAT) and limitations on interest expense deductions. The BEAT subjects US corporations to a minimum tax after adding back base erosion payments (for example, payments made to foreign related parties through transfer-pricing arrangements). As additional guidance becomes available, we will consider our tax planning strategies to ensure an optimal approach is undertaken.

As we complete our analysis of the Tax Act, collect and prepare necessary data, and interpret any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, we may make adjustments to our estimates on a prospective basis. In particular, estimates were used to determine the one-time transition tax and the remeasurement of deferred tax assets and liabilities.

Fourth Quarter Results

Overall Q4 17 Results

The following table summarizes our key operating results for Q4 17 as a percentage of net revenue and the percentage increase in the dollar amount of these results in Q4 17 compared to Q4 16:

(In millions of Canadian dollars, except percentages)	Quarter Ended December 31		% of Net Revenue		% Increase (Decrease)*
	2017	**2016**	**2017**	**2016**	**2017 vs. 2016**
Gross revenue	**1,246.0**	**1,240.8**	**154.8%**	**151.3%**	**0.4%**
Net revenue	**805.0**	**820.2**	**100.0%**	**100.0%**	**(1.9%)**
Direct payroll costs	379.5	373.0	47.1%	45.5%	1.7%
Gross margin	**425.5**	**447.2**	**52.9%**	**54.5%**	**(4.9%)**
Administrative and marketing expenses	361.2	363.5	44.9%	44.3%	(0.6%)
Depreciation of property and equipment	13.3	14.8	1.7%	1.8%	(9.5%)
Amortization of intangible assets	18.7	20.7	2.3%	2.5%	(9.7%)
Net interest expense	5.6	7.0	0.7%	0.9%	(20.0%)
Other net finance expense	0.5	0.8	0.2%	0.1%	(37.5%)
Share of income from joint ventures and associates	0.2	(0.7)	0.0%	(0.1%)	(114.3%)
Foreign exchange loss (gain)	0.3	0.2	0.0%	0.0%	50.0%
Other (income) expense	(6.1)	0.5	(0.8%)	0.1%	n/m
Income before income taxes	**31.8**	**40.4**	**3.9%**	**4.9%**	**(21.3%)**
Income taxes	20.6	11.0	2.5%	1.3%	87.3%
Net income	**11.2**	**29.4**	**1.4%**	**3.6%**	**(61.9%)**

n/m = not meaningful
**percentage increase (decrease) calculated based on the dollar change from the comparable period.*

Gross revenue increased 0.4%—from $1,240.8 million in Q4 16 to $1,246.0 million in Q4 17. Net revenue decreased 1.9%—from $820.2 million in Q4 16 to $805.0 million in Q4 17. Total gross revenue was positively impacted by acquisitions completed in 2016 and 2017 and overall organic revenue growth of 4.1%. Net revenue saw a decline, impacted by divestitures relating to the Innovyze sale and high subcontractor costs.

Adjusted EBITDA decreased 24.7%—from $83.8 million in Q4 16 to $63.1 million in Q4 17. EBITDA decreased 16.3%—from $82.9 million in Q4 16 to $69.4 million in Q4 17. EBITDA was negatively impacted by a decrease in our gross margin as a percentage of net revenue—from 54.5% in Q4 16 to 52.9% in Q4 17. Lower EBITDA as a percentage of net revenue also resulted from an increase in administrative and marketing expenses in Consulting Services mainly caused by a $6.2 million increase in our provision for self-insurance.

Net income decreased 61.9%—from $29.4 million in Q4 16 to $11.2 million in Q4 17. Diluted EPS decreased 61.5%—from $0.26 in Q4 16 to $0.10 in Q4 17. Adjusted diluted EPS decreased 8.6%—from $0.35 in Q4 16 to $0.32 in Q4 17. Net income was negatively impacted by the decrease in gross margin and an increase in

administrative and marketing expenses as a percentage of net revenue—from 44.3% in Q4 16 to 44.9% in Q4 17. Also in Q4 17, we recorded an $18.6 million tax expense associated with the US tax reform enacted on December 22, 2017. (See the Income Taxes section of this report for more information.) These negative impacts were partly offset by decreases in depreciation, amortization, and net interest expense, and a $6.7 million rebalancing gain for investments held for self-insured liabilities.

Gross and Net Revenue – Q4 17 vs. Q4 16

During Q4 17, gross revenue increased by $5.2 million compared to Q4 16. This increase was positively impacted by acquisitions and growth in organic revenue and was partly offset by fluctuations in foreign currencies. Total gross revenue was also negatively impacted by the divestiture of our water software business, Innovyze, and a Quebec cell tower alignment business, Azimuth. The average exchange rate for the Canadian dollar was US$0.77 in Q4 17 compared to US$0.75 in Q4 16 and the British pound sterling was GBP0.60 in both Q4 17 and Q4 16.

Our operations are typically affected by seasonality: the first and fourth quarters have the lowest revenue generation and project activity due to holidays and weather conditions in the northern hemisphere.

The following tables summarize the change in gross and net revenue by reportable segment and by business operating unit in Q4 17 compared to Q4 16:

Gross Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	**Quarter Ended Dec 31, 2017**	**Quarter Ended Dec 31, 2016**	**Total Change**	**Change Due to Net Acquisitions (Divestitures)**	**Change Due to Foreign Exchange**	**Change Due to Organic Growth (Retraction)**	**% of Organic growth (Retraction)**
Consulting Services							
Canada	300.0	284.8	15.2	(0.1)	n/a	15.3	5.4%
United States	521.7	546.3	(24.6)	5.1	(26.2)	(3.5)	(0.6%)
Global	155.7	154.5	1.2	(2.8)	(6.4)	10.4	6.7%
Total Consulting Services	977.4	985.6	(8.2)	2.2	(32.6)	22.2	
Percentage growth (retraction)				***0.2%***	***(3.3%)***	***2.3%***	
Construction Services	268.6	255.2	13.4	-	(15.3)	28.7	
Percentage growth (retraction)				***-***	***(6.0%)***	***11.2%***	
Total	1,246.0	1,240.8	5.2	2.2	(47.9)	50.9	4.1%

n/a = not applicable
note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

Net Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	Quarter Ended Dec 31, 2017	Quarter Ended Dec 31, 2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Canada	252.5	238.8	13.7	(0.9)	n/a	14.6	6.1%
United States	390.8	414.3	(23.5)	0.7	(19.6)	(4.6)	(1.1%)
Global	106.6	104.0	2.6	(2.5)	(3.5)	8.6	8.3%
Total Consulting Services	749.9	757.1	(7.2)	(2.7)	(23.1)	18.6	
Percentage growth (retraction)				***(0.4%)***	***(3.1%)***	***2.5%***	
Construction Services	55.1	63.1	(8.0)	-	(7.2)	(0.8)	
Percentage growth (retraction)				***-***	***(11.4%)***	***(1.3%)***	
Total	805.0	820.2	(15.2)	(2.7)	(30.3)	17.8	2.2%

n/a = not applicable
note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

The gross to net revenue ratio for Consulting Services was flat in Q4 17 compared to Q4 16. The gross to net revenue ratio for Construction Services was 4.87 in Q4 17 compared to 4.04 in Q4 16 due to the increased use of subcontractors in Q4 17 compared to Q4 16.

Our Consulting Services – Canada and Consulting Services – Global operations had increases in both organic gross and net revenue in Q4 17 compared to Q4 16. Organic growth in Canada resulted because of our private sector work, which increased for a number of reasons: the continued strong housing demand in Ontario, southern Alberta, and Quebec; several larger pipeline projects; and a large mining project. In the public sector, we continued work on large healthcare projects in Ontario, Alberta, and British Columbia. Our global operations had organic growth due to strong project activity in the United Kingdom through the Water Asset Management Programme 6 (AMP6) cycle and to improving market conditions in our Latin America Mining sector and Middle East Water business operating unit.

Our Consulting Services – United States operations had retraction in both organic gross and net revenue in Q4 17 compared to Q4 16. Organic retraction in the quarter was seen in our Buildings, Environmental Services, and Water business operating units and our Transportation sector. We completed significant design phases earlier in the year for a number of large projects in our Buildings and Water business operating units and our Transportation sector; this resulted in lower revenues in Q4 17. Our Environmental Services business operating unit continued to experience pricing pressure from clients. Our Water business operating unit was also negatively impacted by a downward revenue adjustment on a major design-build project. The retraction was partly offset by growth in our Community Development, Mining, Power, and WaterPower & Dams sectors. Growth in our WaterPower & Dams sector occurred primarily in the western United States, and our Community Development sector continued to see consistent growth because of the ramp-up of new design work.

Our Construction Services operations had organic gross revenue growth of 11.2% and organic net revenue retraction of 1.3%. Several legacy MWH projects experienced significant challenges. We recorded $5.0 million in cost increases related to certain UK-based waste-to-energy projects that are nearing completion. Construction Services in the United States recorded downward revenue adjustments and incurred cost escalations in several legacy projects, including the major design-build project for Consulting Services (mentioned above). In addition, we recognized cost escalations in legacy MWH US-based water hard-bid projects for $16.3 million due to site

conditions, client delays, and productivity issues. Claims against parties believed to be responsible for causing much of these costs have been or will be asserted and any recoveries obtained may benefit future quarters as the claims are resolved.

Gross Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Dec 31, 2017	Quarter Ended Dec 31, 2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	212.4	202.6	9.8	12.4	(6.3)	3.7	1.8%
Energy & Resources	130.5	108.9	21.6	(1.8)	(5.7)	29.1	26.7%
Environmental Services	177.4	186.7	(9.3)	0.9	(4.7)	(5.5)	(2.9%)
Infrastructure	251.1	260.3	(9.2)	-	(7.4)	(1.8)	(0.7%)
Water	206.0	227.1	(21.1)	(9.3)	(8.5)	(3.3)	(1.5%)
Total Consulting Services	977.4	985.6	(8.2)	2.2	(32.6)	22.2	
Percentage growth (retraction)				***0.2%***	***(3.3%)***	***2.3%***	

note: Comparative figures have been reclassified due to a realignment of several business lines.

Net Revenue by Consulting Services - Business Operating Unit

(In millions of Canadian dollars, except percentages)	Quarter Ended Dec 31, 2017	Quarter Ended Dec 31, 2016	Total Change	Change Due to Net Acquisitions (Divestitures)	Change Due to Foreign Exchange	Change Due to Organic Growth (Retraction)	% of Organic Growth (Retraction)
Consulting Services							
Buildings	165.0	170.7	(5.7)	7.4	(4.8)	(8.3)	(4.9%)
Energy & Resources	106.8	83.4	23.4	(1.7)	(4.1)	29.2	35.0%
Environmental Services	112.2	112.3	(0.1)	0.8	(1.5)	0.6	0.5%
Infrastructure	208.0	212.6	(4.6)	-	(7.1)	2.5	1.2%
Water	157.9	178.1	(20.2)	(9.2)	(5.6)	(5.4)	(3.0%)
Total Consulting Services	749.9	757.1	(7.2)	(2.7)	(23.1)	18.6	
Percentage growth (retraction)				***(0.4%)***	***(3.1%)***	***2.5%***	

note: Comparative figures have been reclassified due to a realignment of several business lines.

The gross to net revenue ratio increased in our Buildings business operating unit due to the continued use of outside subconsultants on projects assumed from acquisitions. Over time, acquired firms will be transitioned to our integrated service model and some previously contracted services will be brought in-house. The gross to net revenue ratio decreased in our Energy & Resources and Environmental Services business operating units because we decreased the use of subconsultants and reduced direct expenses.

In our Buildings business operating unit, organic net revenue retraction was caused by the loss of certain architectural clients from acquired firms in the United States, predominately related to our engineering disciplines, and partly offset by the mobilization of large P3 healthcare projects in Canada, including the Calgary Cancer Centre and the Mackenzie Vaughan Hospital projects.

In our Energy & Resources business operating unit, the positive trend continued in our Canadian and US Power and Mining sectors, and we saw growth in our Canadian Oil & Gas and US WaterPower & Dams sectors. Growth

was partly offset by continued declining market conditions in our Global Mining and Global WaterPower & Dams sectors.

Organic net revenue in our Environmental Services business operating unit was impacted by pricing pressure as clients reviewed their supply chain for opportunities to gain efficiencies.

In our Infrastructure business operating unit, organic net revenue growth occurred in Canada, particularly in Alberta where the economy saw improvements and growth in the housing market. This growth was partly offset by retraction in our Transportation sector because certain projects are winding down in the central United States.

The organic revenue retraction in our Water business operating unit occurred primarily in the United States. We had a high volume of APD projects in Q4 16; the volume of work decreased in Q4 17. Also, major programs in the Program Management group were completed in the early part of 2017, and there was a $5 million downward revenue adjustment on major design-build project in Q4 17. This retraction was partly offset by revenue from projects in Cincinnati and Atlanta. Organic revenue retracted in Canada as a result of project completions in Alberta. Global Water operations grew in Q4 17 compared to Q4 16 due to significant AMP programs in the United Kingdom and water projects in the Middle East. Gross and net revenue decreased by $9.3 million in Q4 17 compared to Q4 16 due to the sale of Innovyze.

Gross Margin

Gross margin as a percentage of net revenue decreased from 54.5% in Q4 16 to 52.9% in Q4 17. Gross margins quarter over quarter in our reportable segments and our business operating units are summarized below:

Gross Margin by Reportable Segments

	Quarter Ended December 31		
	2017	**2016**	**Change**
Consulting Services			
Canada	54.1%	54.2%	(0.1%)
United States	55.5%	56.7%	(1.2%)
Global	61.6%	58.5%	3.1%
Total Consulting Services	55.9%	56.2%	(0.3%)
Construction Services	11.8%	34.8%	(23.0%)

note: Comparative figures have been reclassified due to a realignment between Consulting Services—United States and Consulting Services—Global reportable segments.

Gross Margin by Consulting Services - Business Operating Unit

	Quarter Ended December 31		
	2017	**2016**	**Change**
Consulting Services			
Buildings	53.2%	55.0%	(1.9%)
Energy & Resources	52.9%	53.4%	(0.5%)
Environmental Services	58.6%	59.0%	(0.4%)
Infrastructure	56.4%	52.9%	3.6%
Water	58.1%	60.8%	(2.7%)
Total Consulting Services	55.9%	56.2%	(0.3%)

note: Comparative figures have been reclassified due to a realignment of several business lines.

Gross margins in our US operations declined as a result of the divestiture of Innovyze (a water software business that operated at higher margins) and some project execution challenges in our Buildings operations as acquisition integrations from 2016 moved toward completion. Gross margins in our Global operations increased, primarily because of the recognition of incentive fees on contracts in our UK and Middle East Water business as well as incentive fees and changes in estimated cost to complete on a major WaterPower & Dams project in Latin America.

Gross margins in Construction Services decreased from 34.8% in Q4 16 to 11.8% in Q4 17. Construction Services is a high-volume, lower-margin business that incurs more subcontractors and direct expenditures than Consulting Services. The lower margins in the quarter resulted because of significant project impacts. Project life completion dates were extended for certain UK-based waste-to-energy projects that are nearing completion and costs were higher on certain US-based hard-bid projects as a result of site conditions, craft labor issues, and productivity issues. Claims against parties believed to be responsible for causing much of these costs have been or will be asserted. Only a portion of these claims have been recognized as revenue to date and any recoveries obtained may benefit future quarters as the claims are resolved.

In Consulting Services, gross margins as a percentage of net revenue declined or remained flat in each business operating unit, except Infrastructure. Gross margins were affected by increased pricing pressures from oil and gas clients. The gross margin percentage decreased for Buildings due to the mix of projects, competitive pressures, and specific project issues on a number of projects acquired through recent acquisitions; decreased for Water because of the divestiture of Innovyze (which operated at high margins) and adjustments to both estimated costs to complete and revenue on certain projects; and increased for Infrastructure primarily because of improved margins in our Transportation sector due to the mix of projects.

Other

Administrative and marketing expenses as a percentage of net revenue increased from 44.3% in Q4 16 to 44.9% in Q4 17. This was mainly due to a $6.2 million increase in our provision for self-insurance and a $3 million increase in marketing and administrative labor due to lower utilization. These increases were partly offset by a $5.3 million decrease in share-based compensation. Our operations include higher administrative and marketing expenses in the fourth quarter; a primary reason for this is the holiday season and weather conditions in the northern hemisphere, which result in lower staff utilization. Overall, our analysis, based on a percentage of net revenue, was impacted by a lower net revenue base in Q4 17 than in Q4 16.

Depreciation as a percentage of net revenue decreased in Q4 17 compared to Q4 16. This decrease is a result of a decrease in additions to property and equipment as a percentage of net revenue over the last two years. In addition, amortization of intangible assets decreased resulting from our divestiture of Innovyze and net interest expense decreased because of a reduction in our long-term debt. Other income increased as a result of realized gains of $6.7 million associated with the sale of certain equities in our investments held for self-insured liabilities.

In Q4 17, our reported tax rate was 64.8% primarily impacted by a $18.6 million net tax expense associated with the US tax reform. Without the impact of the US tax reform, our estimated annual effective tax rate decreased from 27.0% in Q3 17 to 24.0% in Q4 17, resulting in a Q4 17 tax rate of 7.6%. The reduction of our effective tax rate was mainly due to the recognition of tax credits against income earned in jurisdictions with higher tax rates. Our effective tax rate is based on statutory rates in jurisdictions where we operate.

Quarterly Trends

The following is a summary of our quarterly operating results for the last two fiscal years (all prepared in accordance with IFRS):

Quarterly Unaudited Financial Information

(In millions of Canadian dollars, except per share amounts)	2017				2016			
	Q4	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Gross revenue	1,246.0	1,299.2	1,318.6	1,276.3	1,240.8	1,257.3	1,046.6	755.4
Net revenue	805.0	853.0	888.5	870.8	820.2	872.2	777.4	628.6
Net income (loss)	11.2	46.2	97.6	(58.0)	29.4	49.3	21.2	30.6
Adjusted net income *(note)*	37.2	61.1	57.9	45.8	40.4	63.0	39.5	37.6
Earnings (loss) per share - basic	0.10	0.41	0.86	(0.51)	0.26	0.43	0.20	0.33
Earnings (loss) per share - diluted	0.10	0.40	0.85	(0.51)	0.26	0.43	0.20	0.32
Adjusted EPS - basic *(note)*	0.33	0.54	0.51	0.40	0.35	0.55	0.37	0.40
Adjusted EPS - diluted *(note)*	0.32	0.54	0.51	0.40	0.35	0.55	0.37	0.40

Quarterly earnings per share (EPS) and basic and diluted adjusted EPS are not additive and may not equal the annual EPS reported. This is a result of the effect of shares issued on the weighted average number of shares. Quarterly and annual diluted EPS and diluted adjusted EPS are also affected by the change in the market price of our shares since we do not include in dilution options when the exercise price of the option is not in the money.

note: Adjusted net income and adjusted basic and diluted EPS are non-IFRS measures and are further discussed in the Definition of Non-IFRS Measures section of this report.

The following items impact the comparability of our quarterly results:

Gross Revenue

(In millions of Canadian dollars)	**Q4 17 vs. Q4 16**	**Q3 17 vs. Q3 16**	**Q2 17 vs. Q2 16**	**Q1 17 vs. Q1 16**
Increase (decrease) in gross revenue due to				
Net acquisition growth	2.2	4.0	200.5	553.6
Organic growth (retraction)	50.9	75.1	47.4	(18.3)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(47.9)	(37.2)	24.1	(14.4)
Total net increase in gross revenue	5.2	41.9	272.0	520.9

The MWH acquisition impacted our quarterly results beginning in Q2 16. In Q1 17, our results were impacted by a deferred tax charge of $90.4 million related to the potential sale of Innovyze; excluding this impact, our net income for Q1 17 would have been $32.4 million. In Q2 17, our results were impacted by the completion of the Innovyze sale; excluding this impact, our net income for Q2 17 would have been $47.1 million.

We experienced variability in our results of operations from quarter to quarter due to the seasonal nature of the industries and geographic locations we operate in. In the first and fourth quarters, we see seasonal slowdowns related to winter weather conditions and holiday schedules. (See additional information on the operating results for each of the first three quarters of 2017 in our Management's Discussion and Analysis for each respective quarter.)

Statements of Financial Position

The following highlights the major changes to our assets, liabilities, and equity from December 31, 2016, to December 31, 2017:

Balance Sheet Summary

(In millions of Canadian dollars, except percentages)	Dec 31, 2017	Dec 31, 2016	$ Change	% Change
Total current assets	1,608.2	1,582.5	25.7	1.6%
Property and equipment	212.6	213.9	(1.3)	(0.6%)
Goodwill	1,556.6	1,828.1	(271.5)	(14.9%)
Intangible assets	262.4	449.5	(187.1)	(41.6%)
Net employee defined benefit asset	12.7	-	12.7	n/m
Deferred tax assets	23.2	26.2	(3.0)	(11.5%)
Other financial assets	186.1	160.1	26.0	16.2%
All other assets	19.1	24.4	(5.3)	(21.7%)
Total assets	**3,880.9**	**4,284.7**	**(403.8)**	**(9.4%)**
Long-term debt	198.2	91.9	106.3	115.7%
All other current liabilities	955.1	980.9	(25.8)	(2.6%)
Total current liabilities	1,153.3	1,072.8	80.5	7.5%
Income taxes payable	18.3	-	18.3	n/m
Long-term debt	541.4	928.6	(387.2)	(41.7%)
Net employee defined benefit liability	31.2	50.5	(19.3)	(38.2%)
Deferred tax liabilities	54.6	79.6	(25.0)	(31.4%)
All other liabilities	182.8	176.7	6.1	3.5%
Equity	1,896.3	1,975.7	(79.4)	(4.0%)
Non-controlling interests	3.0	0.8	2.2	n/m
Total liabilities and equity	**3,880.9**	**4,284.7**	**(403.8)**	**(9.4%)**

n/m = not meaningful

Refer to the Liquidity and Capital Resources section for an explanation of the changes in current assets and current liabilities and the Shareholders' Equity section for an explanation of the changes in equity.

Overall, the carrying amounts of assets and liabilities for our US subsidiaries on our consolidated balance sheets decreased because of the strengthening Canadian dollar—from US$0.74 at December 31, 2016, to US$0.80 at December 31, 2017. Other factors that impacted our long-term assets and liabilities are indicated below.

Goodwill and intangible assets decreased as a result of completing the Innovyze sale. Most notably, we sold $194.4 million of goodwill and $95.1 million of intangible assets. Intangible assets also decreased as a result of amortization recorded in the year. Decreases were partly offset by additions to goodwill and intangible assets from acquisitions made during the year. Other financial assets increased mainly because of an increase in investments held for self-insured liabilities and holdbacks on long-term contracts.

Total current and long-term debt decreased as a result of the following: net repayments of $203.0 million made to reduce our revolving credit facility, a $66.4 million decrease in notes payable from prior-year acquisitions, and a $12.7 million decrease in finance lease obligations. In accordance with our credit facility agreement, we were required to pay down our debt with the net proceeds of the Innovyze sale (less taxes payable and certain transaction costs), which reduced our revolving credit facility.

The federal tax portion of the transition tax from the US tax reform is payable over eight years and is included in long-term income taxes payable.

The net employee defined benefit liability decreased $19.3 million and the net employee defined benefit asset increased $12.7 million, a combined decrease in the unfunded status of the Company's defined benefit pension plans of $32.0 million. This change—the result of regular contributions of $13.6 million, voluntarily accelerated contributions of $7.7 million, and a positive return on plan assets of $30.1 million—was offset by actuarial losses, foreign exchange, and expenses of $19.4 million.

Net deferred tax liabilities decreased due to the Innovyze sale and the remeasurement of deferred taxes resulting from the US tax reform.

Goodwill

In accordance with our accounting policies (described in note 4 of our audited consolidated financial statements), we conduct a goodwill impairment test annually as at October 1 or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment test date and December 31.

We allocate goodwill to our cash generating units (CGUs) or groups of CGUs. The Company currently has seven CGUs: three are grouped into Consulting Services – Global; two are grouped into Construction Services for the purposes of testing impairment; one is for Consulting Services – Canada; and one is for Consulting Services – United States. CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. In 2016, Construction Services was considered as one CGU. In 2017, we concluded that the cash inflows of the operations in the US and UK businesses within Construction Services were not interdependent and are two separate CGUs.

As a Company, we constantly evolve and continue to expand into new geographic locations. As we evolve, we regularly review our corporate and management structure to ensure our operations are organized into logical units, particularly for making operating decisions and assessing performance. If we determine that our corporate and management structure should change, we review our definitions of CGUs and reportable segments. We do not allocate goodwill to or monitor it by our business operating units.

On October 1, 2016, and October 1, 2017, we performed our annual goodwill impairment test. Based on the results of these tests, we concluded that the recoverable amount of each CGU or group of CGUs approximated or exceeded its carrying amount and, therefore, goodwill was not impaired.

Valuation techniques

When performing our goodwill impairment test, we compare the recoverable amount of our CGUs or groups of CGUs to their respective carrying amounts. If the carrying amount of a CGU or group of CGUs is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statement of financial position and recognized as a non-cash impairment charge in income. We estimate the recoverable amount by using the fair value less costs of disposal approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGU's or group of CGUs' projection of estimated operating results and discounted cash flows based on a discounted rate that reflects current market conditions.

We use cash flow projections from financial forecasts approved by senior management for a five-year period. For our last two impairment tests on October 1, 2016, and October 1, 2017, we discounted the cash flows for each CGU or group of CGUs using after-tax discount rates ranging from 8.9% to 15.1%. To arrive at cash flow

projections, we use estimates of economic and market information, including growth rates in revenues, estimates of future changes in operating margins, and cash expenditures. Other significant estimates and assumptions include estimates of future capital expenditures and changes in future working capital requirements.

We believe that our methodology provides us with a reasonable basis for determining whether an impairment charge should be taken. (Note 12 in our 2017 audited consolidated financial statements provides more details about our goodwill impairment test and is incorporated by reference in this report.)

If market and economic conditions deteriorate or if volatility in the financial markets causes declines in our share price, increases our weighted-average cost of capital, or changes valuation multiples or other inputs to our goodwill assessment, our goodwill may require testing for impairment between annual test dates. Moreover, changes in the numerous variables associated with the judgments, assumptions, and estimates we made in assessing the fair value of our goodwill could cause our CGUs or groups of CGUs to be impaired. These impairments are non-cash charges that could have a material adverse effect on our consolidated financial statements but would not have any adverse effect on our liquidity, cash flows from operating activities, or debt covenants, and would not have an impact on future operations.

Sensitivity

The calculation of fair value less costs of disposal for all of our CGUs or groups of CGUs is most sensitive to the following assumptions:

- Operating margin rates based on actual experience and management's long-term projections.
- Discount rates—reflecting investors' expectations when discounting future cash flows to a present value—that take into consideration market rates of return, capital structure, company size, and industry risk. This rate is further adjusted to reflect risks specific to the CGU or group of CGUs for which future estimates of cash flows have not been adjusted.
- Terminal growth rates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that typically does not exceed 3.0%.
- Non-cash working capital requirements based on historical actual, rates, market analysis, and management's long-term projections.

As at October 1, 2017, the recoverable amount of each CGU and group of CGUs exceeded its carrying amount. For Consulting Services – Canada and Consulting Services – United States, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount to exceed its recoverable amount.

For Consulting Services – Global group of CGUs, and Construction Services group of CGUs, as at the impairment testing date, the recoverable amount approximated the carrying amount. As a result, any adverse change in key assumptions could cause the carrying value to exceed the fair value less costs of disposal. The Consulting Services – Global group of CGUs had a moderated outlook in the pace of recoveries in the energy and mining sectors and in public sector spending in regions linked to these markets and Construction Services group of CGUs is under increased competition in the water sector. These moderated outlooks were reflected in the Company's budget and projections finalized in late 2017.

The values assigned to the most sensitive key assumptions for Consulting Services – Global group of CGUs and Construction Services group of CGUs are listed in the table below:

Key Assumptions	Consulting Services – Global	Construction Services
Operating margin rates	5.6% to 8.1%	1.1% to 1.3%
After tax discount rate	11.3%	12.5%
Terminal growth rate	3%	3%
Non-cash working capital rates	14.9% to 15.3%	(5.1%) to (5.6%)

note: Operating margin rates and non-cash working capital rates for Consulting Services – Global are calculated on net revenue, whereas Construction Services' rates are calculated on gross revenue.

Liquidity and Capital Resources

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to the Cautionary Note Regarding Forward-Looking Statements section at the end of this report.

We are able to meet our liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $800 million revolving credit facility (with access to an additional $200 million subject to approval), our $460 million senior secured term loan, and the issuance of common shares. We use funds primarily to pay operational expenses; complete acquisitions; sustain capital spending on property, equipment, and software; repay long-term debt; and pay dividend distributions to shareholders.

We believe that internally generated cash flows, supplemented by borrowings, if necessary, will be sufficient to cover our normal operating and capital expenditures. We also believe that the design of our business model (explained in the Core Business and Strategy sections of this report) reduces the impact of changing market conditions on our operating cash flows. However, under certain favorable market conditions, we do consider issuing common shares to facilitate acquisition growth or to reduce borrowings under our credit facilities.

We continue to limit our exposure to credit risk by placing our cash and short-term deposits in—and, when appropriate, by entering into derivative agreements with—high-quality credit institutions. Investments held for self-insured liabilities include bonds and equities. We mitigate risk associated with these bonds and equities through the overall quality and mix of our investment portfolio.

Working Capital

The following table shows summarized working capital information as at December 31, 2017, compared to December 31, 2016:

(In millions of Canadian dollars, except ratios)	**2017**	2016	Change
Current assets	**1,608.2**	1,582.5	25.7
Current liabilities	**(1,153.3)**	(1,072.8)	(80.5)
Working capital *(note)*	**454.9**	509.7	(54.8)
Current ratio *(note)*	**1.39**	1.48	n/a

n/a= not applicable

note: Working capital is calculated by subtracting current liabilities from current assets. Current ratio is calculated by dividing current assets by current liabilities. Both non-IFRS measures are further described in the Definitions section of this report.

Current assets increased primarily because of a $28.6 million increase in cash and cash equivalents (further explained in the Cash Flows section of this report) and a $2.7 million increase in trade and other receivables and in unbilled revenue. These increases were partly offset by an $11.6 million decrease in other financial assets due to the maturity of bonds in our investments held for self-insurance.

Gross revenue trade receivables increased 0.9%, or $6.8 million, from December 31, 2016, to December 31, 2017. During the year, our gross trade receivables in the over-90-day aging categories decreased 6.3%, or $8.5

million. The mix of clients may impact our trade receivables aging categories going forward. We reduce our gross revenue trade receivables with an allowance for doubtful accounts that is calculated using historical statistics for collection and loss experience. We also allow for specific projects based on our best estimate of an allowance after assessing the collectability of the outstanding receivables balance.

Investment in trade and other receivables and in unbilled revenue decreased from 88 days at December 31, 2016, to 84 days at December 31, 2017. In particular, our Construction Services decreased from 59 days at December 31, 2016, to 48 days at December 31, 2017.

Current liabilities increased primarily due to reclassifying $150.0 million of our term loan from long-term to current since tranche A of our term loan is due May 6, 2018. (Without reclassifying, our current ratio would have been 1.60.) This increase was partly offset by a $38.4 million decrease in notes payable for past acquisitions and a $5.5 million decrease in current finance lease obligations. Trade and other payables decreased $13.5 million mainly due to less retention and payroll accruals compared to December 31, 2016. In addition, deferred revenue decreased by $14.4 million mainly because Construction Services started work that we collected advance payments for.

Cash Flows

Our cash flows from (used in) operating, investing, and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

(In millions of Canadian dollars, except percentages)	**2017**	**2016**	**Change**
Cash flows from operating activities	**263.7**	285.7	(7.7%)
Cash flows from (used) in investing activities	**60.3**	(1,136.6)	105.3%
Cash flows (used in) from financing activities	**(281.1)**	995.1	128.2%

Cash flows from operating activities

Cash flows from operating activities are impacted by the timing of acquisitions, particularly the timing of payments for acquired trade and other payables, including annual employee short-term incentive payments. The decrease in cash flows from operating activities in 2017 compared to 2016 resulted from an increase in cash paid to employees, which, in turn, was caused by an increase in the number of employees and short-term incentive payments in 2017. As well, cash paid to suppliers increased because of acquisition growth and the timing of various payments. The decrease in cash flows was partly offset by an increase in cash receipts from clients due to acquisition growth, a $12.1 million decrease in taxes paid as a result of paying less in tax instalments, and a $5.8 million increase in income taxes recovered due to a refund of an overpayment of 2016 tax instalments. Interest paid decreased $2.2 million, mainly because of a decrease in our level of borrowings year over year.

Cash flows from investing activities

Cash flows from investing activities increased in 2017 compared to 2016, mainly due to the receipt of $336.6 million (net of cash sold) from the Innovyze sale and a decrease in cash used for business acquisitions. We used $1.1 billion in 2016 to pay cash consideration for current year acquisitions (mainly for MWH) and notes payable compared to $79.7 million in 2017. In addition, the purchase of investments held for self-insured liabilities decreased $6.4 million. These decreases in cash outflows were partly offset by an income tax instalment of $124.1 million paid on the Innovyze sale. We also had less cash inflow from other financial assets since last year we received $13.3 million related to the liquidation of a trust acquired from MWH.

Cash flows used in financing activities

Cash flows used in financing activities increased in 2017 compared to 2016 mainly due to a $203.0 million net cash outflow for the payment of our revolving credit facility in 2017 compared to a net cash inflow of $500.0 million

in 2016. In 2017, we used $221.3 million from the proceeds of the Innovyze sale to reduce our revolving credit facility. In 2016, we had a net cash inflow of $583.1 million from the issuance of shares as well as a net cash inflow of $490.6 million from the settlement of our old revolving credit facility and senior secured notes and from funds drawn on our new revolving credit facility and term loans. The increase in cash used in financing for 2017 compared to 2016 was also a result of paying an additional $9.4 million in dividends. These increases were partly offset by a decrease of $3.8 million to repurchase shares for cancellation under our Normal Course Issuer Bid.

Capital Management

We manage our capital structure according to our internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5 to 1.0. At December 31, 2017, our net debt to EBITDA ratio was 1.16, calculated on a trailing four-quarter basis. There may be occasions when we exceed our target by completing acquisitions that increase our debt level for a period of time.

Stantec has $1.26 billion syndicated senior secured credit facilities consisting of a senior secured revolving credit facility of a maximum of $800 million and a $460 million term loan in three tranches. This agreement allows us access to an additional $200 million, subject to approval, under the same terms and conditions. The revolving credit facility, expiring May 6, 2021, may be repaid from time to time at our option and is available for future acquisitions, working capital needs, and general corporate purposes. Tranches A and B of the term loan were drawn in Canadian funds of $150 million each (due May 6, 2018, and May 6, 2019, respectively); tranche C was redenominated to Canadian dollars of $160.0 million (due May 6, 2020).

The credit facilities may be drawn in Canadian dollars as either a prime rate loan or a bankers' acceptance; US dollars as either a US base rate or a LIBOR advance; or, in the case of the revolving credit facility, in sterling or euros as a LIBOR advance; and by way of letters of credit. Depending on the form under which the credit facilities are accessed, rates of interest vary between Canadian prime, US base rate, and LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points vary—depending on our leverage ratio (a non-IFRS measure)—from 0 to 175 for Canadian prime and US base rate loans, and from 100 to 275 for bankers' acceptances, LIBOR advances, and letters of credit. As security for the obligations under these facilities, Stantec and certain of our subsidiaries granted the lenders a first-ranking security interest over all present and after-acquired assets, property, and undertakings, subject to customary carve-outs.

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to the facility agreement. At December 31, 2017, $538.3 million was available in our revolving credit facility for future activities.

We are subject to financial and operating covenants related to our credit facilities. Failure to meet the terms of one or more of these covenants constitutes a default, potentially resulting in accelerated repayment of our debt obligation. In particular, we are required to satisfy the following at all times: (1) our leverage ratio must not exceed 3.0 to 1.0, except in the case of a material acquisition when our leverage ratio must not exceed 3.5 to 1.0 for a period of four complete quarters following the acquisition and (2) our interest coverage ratio must not be less than 3.0 to 1.0. (Leverage ratio and interest coverage ratio are defined in the Definition of Non-IFRS Measures section of this report.)

We were in compliance with all of these covenants as at and throughout the year ended December 31, 2017.

Shareholders' Equity

Shareholders equity decreased from $1,975.7 million at December 31, 2016, to $1,896.3 at December 31, 2017. Shareholders equity was impacted by various transactions as explained below.

We recorded a $134.1 million foreign exchange loss in our currency translation adjustments in other comprehensive income in 2017 compared to a $12.3 million gain in 2016. Unrealized losses arise when translating our foreign

operations into Canadian dollars. We do not hedge for this foreign exchange translation risk. The loss recorded during 2017 was caused primarily by the strengthening Canadian dollar compared to the US dollar. This was partly offset by a $13.8 million adjustment to recognize the realized exchange difference associated with the divestiture of Innovyze.

We hold investments for self-insured liabilities consisting of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value with the unrecognized gain or loss recorded in other comprehensive income. Realized gains and losses are transferred to income as they arise. The net unrealized gain on the fair value of these investments was $0.5 million in 2017 and $3.9 million in 2016. The net realized gain transferred to income was $9.6 million in 2017 and $0.1 million in 2016.

The Company is a sponsor of defined benefit pension plans as a result of the MWH acquisition in 2016. In 2017, we recorded a remeasurement gain of $11.6 million on the net employee defined benefit liability in other comprehensive income; in 2016, we recorded a remeasurement loss of $14.4 million. This comprises actuarial losses in 2017 of $16.1 million ($36.9 million in 2016), the return on plan of assets of $30.1 million ($19.5 million in 2016), and a deferred tax expense of $2.4 million ($3.0 million recovery in 2016).

Our board of directors grants share options as part of our incentive programs. Our board granted 1,229,689 share options in 2017 (995,904 in 2016) to various officers and employees of the Company. These options vest equally over a three-year period and have a contractual life of five years from the grant date. Share options exercised generated $7.9 million in cash in 2017 and $5.0 million in cash in 2016.

In 2016, we renewed a Normal Course Issuer Bid with the TSX that enabled us to purchase up to 3,418,357 common shares during the period November 14, 2016, to November 13, 2017. We believe that, at times, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at these times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. During 2017, 465,713 common shares were repurchased for cancellation pursuant to the ongoing Normal Course Issuer Bid at a cost of $14.4 million.

On November 9, 2017, we received approval from the TSX respecting the renewal of the Company's Normal Course Issuer Bid that enables us to purchase up to 2,278,747 common shares during the period November 14, 2017, to November 13, 2018.

Other

Outstanding Share Data

At December 31, 2017, there were 113,991,676 common shares and 4,426,237 share options outstanding. From January 1, 2018, to February 21, 2018, no shares were repurchased and cancelled under our Normal Course Issuer Bid, no share options were granted, 180,682 share options were exercised, and 4,000 share options were forfeited. At February 21, 2018, there were 114,172,358 common shares and 4,241,555 share options outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and finance lease commitments, purchase and service obligations, and other liabilities as at December 31, 2017:

(In millions of Canadian dollars)	Payment Due by Period				
	Total	Less than 1 Year	1–3 Years	4–5 Years	After 5 Years
Debt	730.7	191.8	328.5	209.9	0.5
Interest on debt	44.3	19.6	22.4	2.3	-
Operating leases	1,059.1	185.5	308.4	216.0	349.2
Finance lease obligation	10.4	7.3	3.1	-	-
Purchase and service obligations	76.0	28.9	41.7	5.4	-
Other obligations	44.9	8.4	13.2	0.9	22.4
Total contractual obligations	1,965.4	441.5	717.3	434.5	372.1

For further information regarding the nature and repayment terms of our long-term debt, operating leases, and finance lease obligations, refer to the Cash Flows Used in Financing Activities section of this report and notes 18 and 23 in our 2017 audited consolidated financial statements incorporated by reference in this report.

Our operating lease commitments include future minimum rental payments under non-cancellable agreements for office space. Our purchase and service obligations include agreements to purchase future goods and services that are enforceable and legally binding. Our other obligations include amounts payable under our deferred share unit plan and amounts payable for performance share units issued under our long-term incentive program. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement. The previous table does not include obligations to fund defined benefit pension plans although we make regular contributions. Funding levels are monitored regularly and reset with triennial funding valuations performed for the board of trustees for the pension plans. The Company expects to contribute $14.9 million to the pension plans in 2018.

Off-Balance Sheet Arrangements

As at December 31, 2017, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $56.1 million that expire at various dates before January 2019. These—including the guarantee of certain office rental obligations—were issued in the normal course of operations.

Also as part of the normal course of operations, our surety facilities allow for the issuance of bonds for certain types of project work. As at December 31, 2017, $587.1 million in bonds—expiring at various dates before December 2021—were issued under these surety facilities. This amount relates mainly to our construction business, which requires construction and performance bonds. These bonds are intended to provide owners with financial security regarding the completion of their construction project in the event of default.

In the normal course of business, we also provide indemnifications and, in limited circumstances, guarantees. These are granted on commercially reasonable contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. We also indemnify our directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require us to compensate the counterparty for costs incurred through various events. The terms of these indemnifications and guarantees will vary based on the contract, the nature of which prevents us from making a reasonable estimate of the maximum potential amount that could be required to pay counterparties. Historically, we have not made any significant payments under such indemnifications or guarantees, and no amounts have been accrued in our consolidated financial statements with respect to these guarantees.

Financial Instruments and Market Risk

Fair value. As at December 31, 2017, we value and record our financial instruments as follows:

- Cash and cash equivalents and cash in escrow are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.
- Investments held for self-insured liabilities, consisting of bonds and equity securities, are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of. At that time, the realized gains and losses are recognized in other income for equity securities and in net finance income for bonds. Interest income is recorded in finance income; dividends are recorded in other income.
- Trade and other payables are classified as other financial liabilities and are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest rate (EIR) method. Realized gains and losses are reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, thereby calculating the amortized cost and subsequently allocating the interest income or expense over the life of the instrument.
- Long-term debts, including non-interest-bearing debts, are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method. EIR amortization and realized gains and losses are reported in net finance expense.

All financial assets are recognized initially at fair value plus directly attributable transaction costs, except for financial assets at FVPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in active markets, fair values are determined using appropriate valuation techniques, which may include recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis; however, other valuation models may be used. The fair values of derivatives are based on third-party indicators and forecasts. The fair values of cash and cash equivalents, cash in escrow, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amounts of bank loans approximate their fair values because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values.

Market risk. We are exposed to various market factors that can affect our performance, primarily our currency and interest rates.

Currency

Our currency exchange rate risk results primarily from the following three factors:

1. Consulting Services generates and incurs a significant portion of revenue and expenses in US dollars. Construction Services generates and incurs revenues and expenses in US dollars and British pound sterling. Therefore, we are exposed to fluctuations in exchange rates. To the extent that

    a. Foreign currency revenues are greater than foreign currency expenses in a strengthening Canadian dollar environment, we expect to see a negative impact on our income from operations.

    b. Foreign currency revenues are greater than foreign currency expenses in a weakening Canadian dollar environment, we expect to see a positive impact on our income from operations.

2. Foreign exchange fluctuations may also arise on the translation of the balance sheet of (net investment in) ourUS-based or other foreign subsidiaries where the functional currency is different from the Canadian dollar, and they are recorded in other comprehensive income. We do not hedge for this foreign exchange translation risk.

3. Foreign exchange gains or losses arise on the translation of foreign-denominated assets and liabilities (such as accounts receivable, accounts payable and accrued liabilities, and long-term debt) held in our Canadian, US, and other foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations on these items by matching foreign currency assets with foreign currency liabilities and, when appropriate, by entering into forward foreign currency contracts.

Although we may buy or sell foreign currencies in exchange for Canadian dollars in accordance with our foreign exchange risk mitigation strategy, on occasion we may have a net exposure to foreign exchange fluctuations because of the timing of the recognition and relief of foreign-denominated assets and liabilities. Based on a slight net exposure at December 31, 2017, we estimate that a 1.0% decrease in the exchange rates (with all other variables held constant) would have increased net income by less than $0.2 million. A 1.0% increase would have an equal and opposite impact on net income.

Interest rates

Changes in interest rates also present a risk to our performance. Our revolving credit facility and term loan balances carry a floating rate of interest. In addition, we are subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government and corporate bonds and term deposits. Based on our loan balance at December 31, 2017, we estimate that a 0.5% increase in interest rates (with all other variables held constant) would have decreased net income by $2.5 million. A 0.5% decrease would have an equal and opposite impact on net income.

Price risk

We are subject to market price risk to the extent that our investments held for self-insured liabilities contain equity funds. This risk is mitigated because the portfolio of equity funds is monitored regularly and is appropriately diversified. The effect of a 1.0% increase in equity prices (with all other variables held constant) would have increased comprehensive income by $0.4 million. A 1.0% decrease would have an equal and opposite impact on comprehensive income.

Related-Party Transactions

We have subsidiaries that are 100% owned and are consolidated in our financial statements. We also have agreements in place with several structured entities to provide various services, including architecture, engineering, planning, and project management. Based on these agreements, we have assessed that we have control over the relevant activities, we are exposed to variable returns, and we can use our power to influence the variable returns; therefore, we control these entities and have consolidated them in our consolidated financial statements. We receive a fee generally equal to the net income of the entities and have an obligation regarding their liabilities and losses. Transactions among subsidiaries and structured entities are entered into in the normal course of business and on an arm's-length basis. Using the consolidated method of accounting, all intercompany balances are eliminated.

From time to time, we enter into transactions with associated companies and other entities pursuant to a joint arrangement. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's-length basis. Associated companies are entities over which we are able to exercise significant influence but not control. A joint arrangement is classified as either a joint venture or joint operation, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. A joint venture provides us with rights to the net assets of the arrangement. A joint operation provides us with rights to the individual assets and obligations.

We account for a joint operation by recognizing our share of assets, liabilities, revenues, and expenses of the joint operation and by combining them line by line with similar items in our consolidated financial statements. We use the equity method of accounting for our associated companies and joint ventures. In 2017, the total sales to our associates were $10.2 million and distributions paid by our associates were $0.7 million. At December 31, 2017, receivables from our associates were $1.8 million. Total sales to our joint ventures were $40.6 million and distributions paid by our joint ventures were $1.3 million in 2017. At December 31, 2017, receivables from our joint ventures were $10.8 million.

From time to time, we guarantee the obligations of a subsidiary or structured entity for lease agreements, service agreements, and obligations to a third party pursuant to an acquisition agreement. In addition, we may guarantee service agreements for associated companies, joint ventures, and joint operations. (Transactions with subsidiaries, structured entities, associated companies, joint ventures, and joint operations are further described in notes 14, 24, and 35 of our 2017 audited consolidated financial statements and are incorporated by reference in this report.)

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of our Company and include our CEO, CFO, COO, CPO, CBO, and executive vice presidents. Total compensation to key management personnel and directors recognized as an expense was $16.1 million in 2017 compared to $16.5 million in 2016.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires us to make various judgments, estimates, and assumptions. There has been no significant change in our critical accounting estimates in 2017 from 2016, except for a change in the useful lives of certain property and equipment (further described in note 2 of our December 31, 2017, consolidated financial statements).

Note 5 of our December 31, 2017, consolidated financial statements outlines our significant accounting estimates and is incorporated by reference in this report.

The accounting estimates discussed in our consolidated financial statements are considered particularly important because they require the most difficult, subjective, and complex management judgments. Accounting estimates are done for the following:

- Revenue and cost recognition on contracts
- Allowance for doubtful accounts
- Provision for self-insured liabilities
- Share-based payment transactions
- Fair values on business combinations
- Assessment of impairment of non-financial assets
- Divestitures
- Employee benefit plans
- Fair value of financial instruments
- Taxes
- Categorizing interests in other entities

Because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Unless otherwise specified in our discussion of specific critical accounting estimates, we expect no material changes in overall financial performance and financial statement line items to arise, either from reasonably likely changes in material assumptions underlying an estimate or within a valid range of estimates from which the recorded estimate was selected. In addition, we are not aware of trends, commitments, events, or uncertainties that can reasonably be expected to materially affect the methodology or assumptions associated with our critical accounting estimates, subject to items identified in the Risk Factors, Outlook, and Cautionary Note Regarding Forward-Looking Statements sections of this report.

Accounting Developments

Recently Adopted

Effective January 1, 2017, we adopted the following amendments:

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*
- *Disclosure Initiative (Amendments to IAS 7)*
- *Annual Improvements (2012–2014 Cycle) (Amendments to IFRS 12 Disclosure of Interestsin Other Entities)*

The adoption of these amendments did not have an impact on the financial position or performance of our Company. Note 6 of our December 31, 2017, consolidated financial statements describes these amendments and is incorporated by reference in this report.

Future Adoptions

The list below includes issued standards, amendments, and interpretations that we reasonably expect to be applicable at a future date and intend to adopt when they become effective. We are currently assessing the impact of adopting these standards, amendments, and interpretations on our consolidated financial statements and cannot reasonably estimate the effect at this time.

- *IFRS 15 Revenue from Contracts with Customers*
- *IFRS 9 Financial Instruments*
- *IFRS 16 Leases*

- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *Annual Improvements (2014–2016 Cycle) (Amendments to IFRS 1 and IAS 28)*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28)*
- *Annual Improvements (2015–2017 Cycle) (Amendments to IFRS 3 Business Combinations, IFRS11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs)*

These standards, amendments, and interpretations are described in note 6 of our December 31, 2017, consolidated financial statements and are incorporated by reference in this report.

Materiality

We determine whether information is “material” based on whether we believe that a reasonable investor’s decision to buy, sell, or hold securities in our Company would likely be influenced or changed if the information was omitted or misstated.

Definition of Non-IFRS Measures

This Management’s Discussion and Analysis includes references to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These measures and terms are working capital, current ratio, return on equity, EBITDA, net debt to EBITDA, leverage ratio, interest coverage ratio, backlog, adjusted EBITDA, and adjusted EPS. These non-IFRS measures may not be comparable to similar measures presented by other companies. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

Working Capital. We use working capital as a measure for assessing overall liquidity. Working capital is calculated by subtracting current liabilities from current assets. There is no directly comparable IFRS measure for working capital.

Current Ratio. We use current ratio as a measure for assessing overall liquidity. Current ratio is calculated by dividing current assets by current liabilities. There is no directly comparable IFRS measure for current ratio.

Return on Equity. As part of our overall assessment of value added for shareholders, we monitor our return on equity. Return on equity is calculated as net income for the last four quarters, divided by the average shareholders’ equity over each of the last four quarters. There is no directly comparable IFRS measure for return on equity.

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, and goodwill and intangible impairment. This measure is referenced in our credit facility agreement as part of our debt covenants, and we use it as part of our overall assessment of our operating performance. There is no directly comparable IFRS measure for EBITDA.

Net Debt to EBITDA. As part of our assessment of our capital structure, we monitor net debt to EBITDA. This measure is referenced in our credit facility agreement as part of our debt covenants. It is defined as the sum of (1) long-term debt, including current portion, less cash and cash equivalents and cash in escrow, divided by (2) EBITDA (as defined above). There is no directly comparable IFRS measure for net debt to EBITDA.

Leverage Ratio. This ratio is referenced in our New Credit Facilities agreement as part of our debt covenants. It is defined as total indebtedness divided by EBITDA. Total indebtedness, as defined in the credit facility agreement, includes all obligations for borrowed money; bonds, debentures, notes, or similar instruments; the deferred purchase price of property or services (excluding current accounts payable); and bankers’ acceptances; plus all of the following: obligations upon which interest is customarily paid; obligations under conditional sale or other title retention agreements related to property acquired; indebtedness secured by liens on owned property;

guarantees; capital lease obligations; letters of credit or guarantee; hedge exposures; and obligations to purchase, redeem, retire, or otherwise acquire our equity securities. There is no directly comparable IFRS measure for leverage ratio.

Interest Coverage Ratio. This ratio is referenced in our New Credit Facilities agreement as part of our debt covenants. It is defined as EBITDA divided by interest expense, including any interim amount payable pursuant to a hedge arrangement with respect to interest rate risk. There is no directly comparable IFRS measure for interest coverage ratio.

Backlog. As part of our assessment of our financial condition, we monitor our backlog. We define backlog as the total value of secured work that has not yet been completed that

- Is assessed by management as having a high certainty of being performed by either the existence of an executed contract or work order specifying the job scope, value, and timing, or
- Has been awarded to us through an executed binding or nonbinding letter of intent or agreement describing the general job scope, value, and timing. Management must be reasonably assured that the letter of intent or agreement will be finalized in the form of a formal contract.

Only the first 12 to 18 months of the total value of secured work of a project are included in work backlog.

Backlog is not a recognized performance measure under IFRS and does not have any standardized meaning prescribed by IFRS. We believe that backlog is a useful means of projecting activity in future periods. There is no directly comparable IFRS measure for backlog.

We currently use EBITDA as a measure of pre-tax operating cash flow and net income as a measure of overall profitability. Management defines adjusted EBITDA, adjusted net income, and adjusted EPS as follows:

- **Adjusted EBITDA.** This is EBITDA adjusted for acquisition-related costs, out-of-ordinary course severance, and gains or losses on property and equipment, discontinued operations, sale of subsidiaries, and the rebalancing of our investments held for self-insured liabilities. There is no directly comparable IFRS measure for adjusted EBITDA; the most directly comparable measure is net income.
- **Adjusted Net Income.** Net (loss) income, as prescribed by IFRS, is adjusted to exclude the amortization of acquisition-related intangibles, acquisition-related costs, out-of-ordinary course severance, and gains or losses on property and equipment, discontinued operations, sale of subsidiaries, the rebalancing of our investments held for self-insured liabilities, and tax expense as a result of a reorganization or major tax reform. There is no directly comparable IFRS measure for adjusted net income; the most directly comparable measure is net (loss) income.
- **Adjusted EPS.** Earnings per share, as prescribed by IFRS, adjusted to exclude the amortization of acquisition-related intangibles, acquisition-related costs, out-of-ordinary course severance, and gains or losses on property and equipment, discontinued operations, sale of subsidiaries, the rebalancing of our investments held for self-insured liabilities, and tax expense as a result of a reorganization or major tax reform. There is no directly comparable IFRS measure for adjusted EPS; the most directly comparable measure is EPS.

We believe adjusted EBITDA, adjusted net income, and adjusted EPS are useful for providing securities analysts, investors, and other interested parties with additional information to assist them in understanding components of our financial results (including a more complete understanding of factors and trends affecting our operating performance). They also provide supplemental measures of operating performance, thus highlighting trends that may not otherwise be apparent when relying solely on IFRS financial measures.

The tables below provide a reconciliation of net income to EBITDA and adjusted EBITDA, and a reconciliation of net income to adjusted net income and EPS to adjusted EPS.

	Quarter Ended December 31		Year Ended December 31		
(In millions of Canadian dollars, except per share amounts)	**2017**	**2016**	**2017**	**2016**	**2015**
Net income for the period	**11.2**	**29.4**	**97.0**	**130.5**	**156.4**
Add back:					
Income taxes	20.6	11.0	166.5	50.3	55.2
Net interest expense	5.6	7.0	25.8	28.6	10.9
Depreciation of property and equipment	13.3	14.8	54.6	51.2	45.9
Amortization of intangible assets	18.7	20.7	80.2	75.7	37.9
EBITDA	**69.4**	**82.9**	**424.1**	**336.3**	**306.3**
Acquisition-related costs	-	-	0.4	14.5	0.8
Loss (gain) on sale of property and equipment	0.4	0.9	0.2	1.5	(1.9)
Rebalancing of investments held for self-insured liabilities	(6.7)	-	(6.7)	-	(4.2)
Loss (gain) on disposition of a subsidiary	-	-	(54.6)	-	4.1
Adjusted EBITDA	**63.1**	**83.8**	**363.4**	**352.3**	**305.1**

	Quarter Ended December 31		Year Ended December 31		
(In millions of Canadian dollars, except per share amounts)	**2017**	**2016**	**2017**	**2016**	**2015**
Net income for the period	**11.2**	**29.4**	**97.0**	**130.5**	**156.4**
Add back:					
Amortization of intangible assets related to acquisitions (*note 1*)	12.6	10.3	47.9	39.0	18.4
Acquisition-related costs *(note 2)*	-	-	0.3	10.5	0.6
Loss (gain) on sale of property and equipment	0.3	0.7	0.2	1.1	(1.4)
Rebalancing of investments held for self-insured liabilities *(note 3)*	(5.1)	-	(5.1)	-	(3.1)
Loss (gain) on disposition of a subsidiary *(note 4)*	-	-	39.9	-	3.0
Tax expense on reorganization of legal entities *(note 5)*	(0.4)	-	3.2	-	-
US tax reform *(note 5)*	18.6	-	18.6	-	-
Adjusted net income	**37.2**	**40.4**	**202.0**	**181.1**	**173.9**
Weighted average number of shares outstanding - basic	113,951,072	113,995,604	113,991,507	107,006,168	94,143,455
Weighted average number of shares outstanding - diluted	114,498,677	114,377,441	114,352,920	107,325,791	94,593,935
Adjusted earnings per share					
Adjusted earnings per share - basic	**0.33**	**0.35**	**1.77**	**1.69**	**1.85**
Adjusted earnings per share - diluted	**0.32**	**0.35**	**1.77**	**1.69**	**1.84**

note 1: The add back of intangible amortization relates only to the amortization from intangible assets acquired through acquisitions and excludes the amortization of software purchased by Stantec. This amount for the quarter ended December 31, 2017, is net of tax of $2.1 (2016 - $4.0). For the year ended December 31, 2017, this amount is net of tax of $15.1 (2016 - $15.0).

note 2: For the year ended December 31, 2017, this amount is net of tax of $0.1 (2016 - $4.0).

note 3: This amount for the quarter ended December 31, 2017, is net of tax of $1.6 (2016 - nil). For the year ended December 31, 2017, this amount is net of tax of $1.6 (2016 - nil).

note 4: Refer to the Divestitures section for further details.

note 5: Refer to the Income Taxes section for further details.

Risk Factors

Overview

To preserve and enhance stakeholder value, we approach the management of risk strategically through our Enterprise Risk Management (ERM) program. The ERM process—governed by the board of directors (board) and Audit and Risk Committee—is applied across the organization to frontline employees. We view each risk in relation to each of the other risks because the risks encountered and the actions taken to mitigate the risks may impact another area of the organization and potentially create other risks.

Board governance and risk oversight

The board provides ERM oversight—including direction, guidance, and monitoring—and has delegated the responsibility for oversight of the ERM program to the Audit and Risk Committee. The committee ensures that

- Management has developed appropriate methods to identify, evaluate, mitigate, and report the principal risks inherent to our business and strategic direction
- Our systems, policies, and practices are appropriate and address our principal risks
- Our risk appetite is appropriate for the organization

Annually, the board receives a comprehensive risk report when it receives the Company's Strategic Plan. Quarterly, the ARC receives a report on the changes in principal risks and mitigation strategies.

Risk management responsibilities

The C-suite is directly accountable to the board for all risk-taking activities and risk management practices. Responsibility for risk management is shared across the organization. The executive leadership team manages risk from an integrated, Company-wide perspective: risk management is part of our day-to-day operations and included in key decision-making processes like strategic planning.

Our leadership team is supported by numerous teams—Legal; Integrity Management; Health, Safety, Security, and Environment (HSSE); Information Technology (IT); Finance; and others. These teams carry out risk management and compliance functions across the organization and work with management to design and monitor appropriate risk mitigation. Internal Audit provides independent assurance regarding the effectiveness and efficiency of risk management across the organization.

Principal risks and uncertainties

Management remains confident about our ability to successfully carry out long-term objectives; however, we are exposed to several risks and uncertainties, just like other professional infrastructure and facilities services firms. After conducting a risk assessment, we've identified the most significant risks to our Company (see below). These are listed from most to least significant based on their assessed impact on our Company and the probability that the risks may occur. If any of these risks occur, individually or in combination, our business, financial condition, results of operations, and prospects could be materially and adversely affected in ways we do not currently anticipate.

The risks and uncertainties described in this report are not the only ones we face. Additional risks and uncertainties—that we are unaware of, that we currently believe are not material, and that may arise based on new developments—may also become important factors that adversely affect our business.

Readers of this report should consider carefully the risks and uncertainties described below, together with all other information in this report.

Risks

Stantec may have difficulty achieving organic growth expectations.

Though our strategy is to pursue organic growth, if we are unable to effectively compete for projects, expand services to existing and new clients by cross-selling our services, and attract qualified staff or are significantly affected by adverse economic conditions, we may have difficulty increasing our market share and achieving organic growth expectations.

Project workplaces are inherently dangerous. Failure to maintain safe work sites could have an adverse impact on Stantec's business, reputation, financial condition, and results of operations.

With projects and office locations across the globe, our employees travel to and work in high-security-risk countries around the world that may be undergoing political, social, and economic problems resulting in war, civil unrest, criminal activity, acts of terrorism, or public health crises. Construction sites are inherently dangerous. Though we invest in a strong program focused on the health, safety, and security of our employees as well as controlling environment-related risks, we are exposed to the risk of personal injury, loss of life, or environmental or other damage to our property or the property of others. We could be exposed to civil or statutory liability arising from injuries or deaths, or liable for damages greater than our insurance coverage. We may also incur additional costs on projects due to delays related to health and safety incidents. Failure to maintain a strong safety record may also result in loss of projects.

Stantec bears the risk of cost overruns on fixed-price contracts.

Our business has historically followed a fee-for-service model; however, some clients in select markets and business operating units are demanding APD methods, such as bundled services of engineering, procurement, and construction; design-builds; and public-private partnerships. Stantec may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates or if we make errors in estimating costs. Poor project management may also result in cost overruns and liabilities.

Failure to maintain effective operational management practices may adversely affect Stantec's financial condition and results of operations.

For Stantec to succeed, our internal processes—for example, strong project managers and project management tools, a simple and effective way to bill and collect from clients, and an appropriate insurance program—must support effective professional practice standards. If we do not manage projects effectively, we may incur additional costs and affect profitability. Projects that are over budget or not on schedule may also lead to client dissatisfaction and the withholding of payments and claims. Delays in billings and customer payments may require Stantec to make increased working capital investment.

Failure to manage subcontractor performance could lead to significant losses.

The profitable completion of some contracts depends to a large extent on the satisfactory performance of the subcontractors that complete different elements of work. If these subcontractors do not perform to acceptable standards, Stantec may be required to hire other subcontractors to complete the tasks, which may add additional costs to a contract, may impact profitability on a specific job, and, in certain circumstances, may lead to significant losses and claims.

Due to participation in joint arrangements, we may have limited control and may be adversely impacted by the failure of the joint arrangement or its participants in fulfilling their obligations.

As part of our business strategy, Stantec may enter into joint arrangements like partnerships or joint ventures where control may be shared with unaffiliated third parties. We sometimes have joint and several liability with these parties under the applicable contracts for the joint projects. In certain cases, these joint arrangements may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. Failure by a joint arrangement partner to comply with applicable rules, regulations, and client requirements may have an adverse impact on Stantec's reputation, business, and financial condition.

If we fail to attract, retain, and mobilize skilled employees, we could adversely affect our ability to execute our strategy.

Stantec derives revenue almost exclusively from services performed by our employees. Therefore, our ability to attract, retain, and develop highly qualified people is a crucial driver of our success. An inability to attract, retain, and mobilize highly qualified staff could impede our ability to compete for new projects, deliver successfully on projects, and maintain or expand client relationships. Mobilization of employees may be further adversely impacted by changing visa rules or trade negotiations such as NAFTA and Brexit.

Also, the construction industry is increasingly facing a shortage of skilled laborers in some areas and disciplines, particularly in remote locations that require workers to live in temporary camps. The resulting competition for labor may limit our ability to take advantage of opportunities that would otherwise be available or may impact the profitability of these endeavors as we move forward.

A cybersecurity breach may cause loss of critical data, interrupt operations, and cause prejudice to our clients.

As a global company, we rely on computers, large enterprise systems, and information and communication technologies, including third-party vendor systems, to conduct our business; therefore, cybersecurity is an inherently high risk for organizations like us. Although we devote significant resources to the security of Stantec's computer systems and have strong vetting processes for third-party systems we rely on, we may still be vulnerable to threats. If our systems are breached, we could be exposed to system interruptions, delays, and loss of critical data that could delay or interrupt our operations. We also possess sensitive and confidential data that our clients entrust us with. Loss of any such data may cause prejudice to our clients. Possible adverse impacts of these events include remediation and litigation costs, costs associated with increased protection, lost revenues, and reputational damage leading to lost clients.

A failure in our IT infrastructure could lead to business interruption and loss of critical data and, therefore, may adversely affect our operating results.

To sustain business operations and remain competitive, we rely heavily on our core and regional networks, complex server infrastructure and operating systems, communications and collaboration technology, design software, and business applications. As our Company grows, if we do not scale this core infrastructure and constantly upgrade our applications, systems, and network infrastructure, as well as attract and retain key IT personnel, then our service delivery and revenues could be interrupted or delayed.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar worldwide anticorruption laws, including the UK's Bribery Act and Canada's Corruption of Foreign Public Officials Act, generally prohibit companies and their intermediaries

from making improper payments to officials for obtaining or retaining business. Stantec operates in many parts of the world that have experienced government corruption to some degree. In certain circumstances, strict compliance with anticorruption laws may conflict with local customs and practices.

We have implemented policies and provide training to our employees about the requirement to strictly comply with anti-bribery laws. We have also built processes to advise our partners, subcontractors, suppliers, and agents who work with us or work on our behalf that they must comply with anti-bribery law requirements. Despite Stantec's policies, training, and compliance programs, we cannot assure that our internal control policies and procedures will always protect us from inadvertent, reckless, or criminal acts committed by our employees or agents. Violations of these laws or allegations of such violations could disrupt our business and result in a material adverse effect on our operating results or financial condition. Litigation or investigations relating to alleged violations could be costly and distracting for management, even if we are found not to be in violation after the investigation.

Demand for Stantec's services is vulnerable to economic downturns and reductions in government and private industry spending.

Demand for our services is vulnerable to economic conditions and events, and our growing global organization is exposed to an increased number of local economy fluctuations and geopolitical risks.

Adverse economic conditions, political conditions, or both negatively impact our clients' interest and ability to fund and approve new projects. Currency and interest rate fluctuations, inflation, financial market volatility, or credit market disruptions may negatively affect the ability of our clients to obtain credit to finance their businesses on acceptable terms. This, in turn, may impact their ability to pay us on time for our services, which may adversely affect our backlog, earnings, and cash flows.

In these conditions, our clients may seek to change the overall mix of services they purchase and demand a more favorable price and other contract terms. Increased competition during a period of economic decline could force us to accept contract terms that are less favorable to Stantec, which may cause our revenue and margins to decline and expose us to greater liability.

The outcome of claims and litigation and the threat of a major loss, even if Stantec is ultimately found not liable, could adversely impact our business.

The threat of a major loss—such as the filing of a design-defect lawsuit against Stantec for damages that exceed Stantec's professional liability insurance limits—could adversely impact our business even if, after several years of protracted legal proceedings, Stantec is ultimately found not liable for the loss or claim. Furthermore, we are subject to the risk of claims and legal actions for various commercial and contractual matters that may arise primarily from construction disputes, in respect of which insurance may be limited or not available.

Failure to source suitable acquisition targets could impair our growth.

As the professional services industry consolidates, suitable acquisition candidates may become more difficult to find and may be available only at prices or under terms that are less favorable than they once were. Future acquisitions may result in a decrease in our operating income or operating margins, and we may be unable to recover investments made in any such acquisitions.

If we are not able to successfully manage our integration program, then our business and results of operations may be adversely affected.

Stantec continues to pursue growth opportunities through acquisition. One of Stantec's core strategies and strengths has been to integrate companies immediately, though, with larger acquisitions, quick integration may not be possible or optimal.

Difficulties encountered while combining companies and running our enterprise through several different platforms could adversely affect the Company's businesses. This may prevent us from achieving the anticipated synergies, improvement in professional service offerings, market penetration, profitability, and geographic presence that are the key drivers of our acquisition program. The value of an acquired business may decline if we are unable to retain key employees of the acquired business. Acquired firms may also expose Stantec to unanticipated problems or legal liabilities undiscovered during our due diligence processes.

We also risk losing or diminishing our entrepreneurial and innovative culture if our overall corporate growth is burdened by increased processes and administration.

Force majeure events could interrupt our business and negatively impact our ability to complete client work.

Stantec's offices, IT infrastructure, project sites, and staff may be impacted by events beyond our control, such as natural disasters, extreme weather events, telecommunications failures, acts of war or terrorism, and so forth. Though we maintain a strong business continuity program, a major event could impact our ability to operate and may put our employees and clients at risk.

Climate change has presented an increasing number of extreme weather events in recent times, such as heavier precipitation, major fires, or hurricanes, that may also increase the severity and likelihood of such business interruptions. Such events could result in closed offices, difficulty for staff coming to work, damage to our office space, project delays and client dissatisfaction and claims.

Delays resulting from extended periods of poor weather in our construction projects may result in penalties for late completion (imposed by contract) or incur incremental costs arising from loss of productivity, compressed schedules, or overtime work used to offset time lost, reducing profitability.

New or changing policies, regulations, and standards could adversely affect our business operations and results.

Stantec is subject to various regulations and standards. Stantec's business model includes a range of business operating units and jurisdictions, each with its own set of rules and regulations. As we grow geographically, compliance with additional regulations and standards could materially increase Stantec's costs, and noncompliance with laws and regulations could have a significant impact on results.

For example, specific to climate change, the United Nations COP-21 Paris Agreement presents both risks and opportunities for our business. New environmental regulations, laws, and policies could result in increased costs for our clients or create the potential for litigation, possibly preventing a project from going forward and thus reducing the potential for our services. At the same time, by partnering with our clients early in the process, we help clients proactively address these changes in a way that provides them benefits, better protects the environment, and results in additional revenue for Stantec. Each of our business lines already has established components related to renewable energy, climate change adaptation, resiliency, sustainable buildings/infrastructure, environmental preservation, carbon capture, storage, and so forth. Relaxation or repeal of laws and regulations could also impact the demand for our services.

In addition, the implementation of trade barriers, changes in duties or border taxes, or changes in laws, policies, or regulations governing the industries and sectors in which we work could result in a decline in the demand for our services or could increase our costs. These changes in regulations and policies cannot be predicted, nor can we predict with certainty their impact on our business and our clients.

Our actual results could differ from the assumption and estimates used to prepare our financial statements.

In preparing our financial statements, under IFRS, we are required to make certain estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue, and expenses, and the disclosure of contingent assets and liabilities. Areas requiring significant estimates by our management include

- Recognition of contract revenue, costs, profits, or losses when applying the principles ofpercentage-of-completion accounting
- Recognition of revenues related to project incentives or awards that we expect to receive
- Recognition of recoveries under contract change orders or claims
- Estimated amounts for expected project losses, contract close-outs, or other costs
- Collectability of billed and unbilled accounts receivable and the need for an allowance for doubtful accounts
- Asset valuations
- Income tax provisions and related valuation allowances
- Determination of expense and potential liabilities under pension and other post-retirement benefit programs
- Accruals for other estimated liabilities, including litigation and insurance revenues and reserves

Our actual business and financial results could differ from our estimates of such results; this could have a material negative impact on our financial condition and reported results of operations.

Currency and interest rate fluctuations, inflation, financial market volatility, or credit market disruptions may limit our access to capital.

Several capital market risks could affect our business; however, key drivers impacting our business include currency risk, interest rate risk, and availability of capital. Although we report our financial results in Canadian dollars, a substantial portion of our revenue and expenses is generated or incurred in non-Canadian dollars. Therefore, if the Canadian dollar strengthens relative to the US dollar and other currencies, the amount of net income from our non-Canadian dollar business could decrease, having a material adverse effect on our business, financial condition, and results of operations. Changes in interest rates also present a risk to our performance. Our revolving credit facility carries a floating rate of interest. We are also subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government and corporate bonds. If we are unable to obtain additional debt or equity capital on acceptable terms, we may have to reduce the scope of our anticipated expansion, which may negatively affect our competitiveness and results of operations. We have no assurance that existing debt will continue to be available from our current lenders or other financial institutions on similar favorable terms. Similarly, there is no assurance that equity markets will be available to raise the level of capital to meet our needs.

These market fluctuations may also negatively affect the ability of our clients to obtain credit to finance their businesses on acceptable terms, which will impact the demand for our services and the existing clients' ability to pay for our services.

Failure to adequately tax plan could significantly impair Stantec's overall capital efficiency.

Continuous changes to various global tax laws all pose a risk to the organization. Management uses accounting and fiscal principles to determine income tax positions that we believe are likely to be sustained by applicable tax authorities; however, there is no assurance that Stantec's tax benefits or tax liability will not materially differ from our estimates or expectations. In the ordinary course of business, the ultimate tax determination is uncertain for many transactions and calculations.

Any factor noted above could affect our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as Stantec grows. This, in turn, could have a material adverse effect on our net income or cash flows. An increase or decrease in Stantec's effective tax rate could have a material adverse impact on our financial condition and results of operations.

Shareholder activists could disrupt the business and detract from management's ability to focus on operations.

In recent years, shareholder activism has increased in equity markets. Canada has a shareholder-friendly legal framework. If Stantec is unable to provide the market with a compelling business strategy that is attractive to investors, it may be targeted by activist investors who may seek to bring about a change in the strategic direction, operations, governance, or financial structure of the Company. An activist investor campaign on Stantec could create management distraction, impose a significant cost to address it, and disrupt our business.

Stantec has defined benefit plans that currently have a significant deficit. These could grow in the future, causing us to incur additional costs.

Stantec has foreign defined benefit pension plans for certain employees. At December 31, 2017, two of the defined benefit pension plans had an aggregate deficit (the excess of the projected benefit obligations over the fair value of the plan assets) of approximately $31.2 million and one of the defined benefit pension plans had a surplus (the excess of the fair value of the plan assets over the projected benefit obligation) of approximately $12.7 million. In the future, our pension deficits or surplus may increase or decrease depending on changes in interest rate levels, pension plan performance, inflation and mortality rates, and other factors. If we are forced or elect to make up all or a portion of the deficit for unfunded benefit plans over a short time, our cash flow could be materially and adversely affected.

Access to bonding may be unavailable in the future due to economic or other external factors.

Many construction contracts require bonding. The construction industry has endured a certain degree of instability and uncertainty that arises from weak economic conditions; the long-term effects may increase pressures on debt obligations, causing delays on projects or failure to complete projects. Additionally, the issuance of bonds under surety facilities is at the sole discretion of the surety company on a project-by-project basis, and the indemnity agreements may be called at any time. As such, even sizable surety facilities are no guarantee of surety support on any specific project.

Managing Our Risks

Global Operations

We manage our global Consulting Services business through a combination of centralized and decentralized controls to address the unique aspects of the various markets, cultures, and geographies we operate in. Our matrix-based leadership structure provides distinct yet coordinated oversight of our business services and geographies.

Our construction services are purposefully restricted to primarily two jurisdictions—the United States and the United Kingdom—to reduce the risks of performing work in jurisdictions where we have little background or experience.

Our approach to integration involves implementing our Company-wide information technology and financial management systems and providing support services from our corporate and regional offices.

Business Model

Our business model—based on geography, business operating unit specialization, and life-cycle diversification—reduces our dependency on any industry or economic driver. We intend to continue diversifying our geographic presence and service offerings and focusing on key client sectors. We believe this will reduce our susceptibility to industry-specific and regional economic cycles and will help us take advantage of economies of scale in the highly fragmented professional services industry.

We also differentiate our Consulting Services business from competitors by entering both large and small contracts with various fee amounts. We work on tens of thousands of projects for thousands of clients in hundreds of locations. Our broad project mix strengthens our brand identity and ensures that we do not rely on only a few large projects for our revenue. We expect to continue to pursue selective acquisitions, enabling us to enhance our market penetration and to increase and diversify our revenue base.

Our Construction Services business operates separately; however, Construction Services may be coordinated with our Consulting Services business when appropriate and advantageous for our client.

Effective Processes and Systems

Our Integrated Management System (IMS) provides a disciplined and accountable framework for managing risks, quality outcomes, and occupational health and safety and environmental compliance. Stantec's operations (except for former MWH operations and recent acquisitions) are certified to the following four internationally recognized consensus ISO standards:

ISO 9001:2015 (Quality Management)
ISO 14001:2015 (Environmental Management)
OHSAS 18001:2007 (Occupational Health & Safety Management)
ISO/IEC 20000-1:2011 (IT Service Management)

The former MWH North American operations will be incorporated into Stantec's Integrated Management System ISO certifications in 2018. Our global operations are largely managed by country-specific management systems with differing ISO certifications as required to support those country- and industry-specific business requirements.

Consulting Services uses a Project Management (PM) Framework which confirms and clarifies the expectations Stantec has of its project managers. It includes the critical tasks which affect both the management of risks and achievement of quality on typical projects.

Our internal practice audit process enables us to assess the compliance of operations with our IMS. This ensures that all offices and labs are audited at least once over the three-year term of our ISO 9001, ISO 14001, and OHSAS 18001 registrations. Additionally, field-level assessments are conducted for projects where we provide construction-related services. We have a formal improvement process to encourage suggestions for improvement, address non-conformances with the IMS, promote root-cause analysis, and document follow-up actions and responsibilities.

Our largest and most complex projects are supported by our Programs and Business Solutions (PBS) group, which provides specialized program and project management services.

Construction Services uses a project Management Administration Plan (MAP) to tailor its project management practices to each project and integrate quality, risk, health and safety, IT, and change management procedures. During the project, project quality is assessed through a combination of periodic operational and scheduling reviews by management and mid-project quality reviews performed by an independent Global Risk Management team.

Our comprehensive IT security (cybersecurity) program is designed to predict, prevent, detect, and respond. Key initiatives of the program include detailed security and acceptable use policies, practices, and procedures; awareness campaigns to staff; and a comprehensive array of security initiatives for enforcing security standards, including regular penetration tests. We have an integrated Security Incident Response team linked to our Crisis Communication Plan to ensure that breach response protocols are aligned with our overall corporate crisis response plans.

We invest resources in our Risk Management team. Team members are dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. Structured risk assessments are conducted before we begin pursuing projects that involve heightened or unique risk factors.

Insurance

Our policies cover the following types of insurance: general, automobile, environmental, workers' compensation and employers', directors', and officers', professional, cyber, patent infringement, fiduciary, crime, Construction Services all risk, wrap-up, and contractors' equipment liability. We have a regulated captive insurance company to insure and fund the payment of any professional liability self-insured retentions related to claims. We or our clients also obtain project-specific insurance when required.

Growth Management

We have an acquisition and integration program managed by a dedicated acquisition team to address the risk of being unsuccessful when integrating acquired companies. A senior regional or business leader is appointed for each acquisition. The team supports and is responsible for

- Identifying and valuing acquisition candidates
- Undertaking and coordinating due diligence
- Negotiating and closing transactions
- Integrating employees and leadership structures immediately and systems as soon as practical following an acquisition

Capital Liquidity

We meet our capital liquidity needs and expansion strategy through various sources that include cash generated from operations, short- and long-term borrowings from our $1.26 billion syndicated senior secured credit facilities, and the issuance of common shares.

Controls and Procedures

Disclosure controls and procedures are designed to ensure that information we are required to disclose in reports filed with securities regulatory agencies is recorded, processed, summarized, and reported on a timely basis and is accumulated and communicated to management—including our CEO and CFO, as appropriate—to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2017 (as defined in rules adopted by the Securities and Exchange Commission (SEC) in the United States and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

We account for the following joint operations in accordance with IFRS: Balfour Beatty MWH Joint Venture; Costain MWH Delivery Partner; Efficient Service Delivery; MBV Energy Recovery; MWH Constructors, Israel, Inc. Shikun and Binui – Solei Boneh Infrastructure, Ltd., Joint Venture; MWHT Costain Joint Venture; and Skanska MWH Balfour Beatty Joint Venture. Management does not have the contractual ability to assess the internal controls of these joint arrangements. Once the financial information is obtained from these joint arrangements, it falls within the scope of the Company's internal controls framework. Management's conclusion regarding the effectiveness of internal controls does not extend to the internal controls at the transactional level of these joint arrangements. Our 2017 audited consolidated financial statements includes $93.3 million and $25.7 million of total assets and net assets, respectively, as at December 31, 2017, and $304.0 million and $20.7 million of revenues and net income, respectively, for the year then ended related to these joint arrangements.

As permitted by published guidance of the SEC in the United States, management's evaluation of and conclusions on the effectiveness of internal control over financial reporting did not include the internal controls of Inventrix Engineering, Inc.; RNL Facilities Corporation; and North State Resources, Inc. acquisitions; these are included in the Company's 2017 consolidated financial statements. Aggregate assets acquired were $17.7 million, representing 0.5% of the Company's total assets as at December 31, 2017. Gross revenue earned from the dates of acquisition to December 31, 2017, constituted 0.4% of the Company's gross revenue for the year ended December 31, 2017.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of our financial reporting and preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2017 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2017, that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

We will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

Corporate Governance

Disclosure Committee

Stantec has a Disclosure Committee, consisting of a cross-section of management. The committee's mandate is to provide ongoing review of Stantec's continuous disclosure policy and to facilitate compliance with applicable legislative and regulatory reporting requirements.

Board of Directors

Stantec's board of directors currently has 10 members. Eight members are independent under Canadian securities laws and under the rules of the SEC and the NYSE and are free from any interest or relationship that could materially interfere with their ability to act in the best interest of our Company and shareholders. Because Bob Gomes has been the CEO of Stantec within the past three years and Gord Johnston is Stantec's current chief executive officer, they are not considered independent. The chair of Stantec's board of directors, Aram Keith, is an independent director.

The board's mandate is to supervise Stantec's management with a view to the Company's best interests. The board fulfills its mandate by

- Overseeing the Company's strategic planning process
- Satisfying itself as to the integrity of the CEO and other executive officers
- Ensuring that the Company has a policy in place for communicating effectively with shareholders, other stakeholders, and the public
- Reviewing and monitoring the Company's principal business risks as identified by management, along with the systems for managing such risks
- Overseeing senior management succession planning, including the appointment, development, and monitoring of senior management
- Ensuring that management maintains the integrity of the Company's internal controls and management information systems

In 2017, Stantec's board included two committees: the Audit and Risk Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of independent directors.

Audit and Risk Committee

The Audit and Risk Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, accounting control policies, and risk management. The chair provides regular reports at the Company's board meetings. The board has determined that each member is financially literate and independent and that three members of the committee are "financial experts" (as the term is defined under the rules of the SEC and NYSE).

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee monitors, evaluates, approves, and makes recommendations on matters affecting corporate governance and board and executive compensation. Governance matters include but are not limited to board size, director nominations, orientation, education, and self-evaluation. Compensation matters include but are not limited to director and executive management compensation, performance review, and succession planning. The committee reviews and approves the CEO's objectives and monitors these objectives quarterly. The chair provides regular reports at board meetings.

More information about Stantec's corporate governance can be found on our website (stantec.com), and additional information will be available in the Management Information Circular prepared for our May 10, 2018, annual general meeting of shareholders. As well, the following documents are posted on our website:

- Corporate Governance Guidelines
- Audit and Risk Committee Terms of Reference
- Corporate Governance and Compensation Committee Terms of Reference
- Code of Business Conduct

The documents listed above are not and should not be deemed to be incorporated by reference. Copies of these documents will be made available in print form to any shareholder who requests them.

Subsequent Events

On February 21, 2018, we declared a cash dividend of $0.1375 per share, payable on April 12, 2018, to shareholders of record on March 29, 2018, an increase of 10.0% from last year.

On February 21, 2018, Richard Bradeen of Montreal, Quebec, was elected as a new director of our board and will serve on the board's Audit and Risk Committee.

Cautionary Note Regarding Forward-Looking Statements

Our public communications often include written or verbal forward-looking statements within the meaning of the US Private Securities Litigation Reform Act and Canadian securities laws. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include financial outlook or future-oriented financial information. Any financial outlook or future-oriented financial information in this Management's Discussion and Analysis has been approved by management of Stantec. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future.

Forward-looking statements may involve but are not limited to comments with respect to our objectives for 2018 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations. Statements of this type may be contained in filings with securities regulators or in other communications and are contained in this report. Forward-looking statements in this report include but are not limited to the following:

- *The discussion of our goals in the Core Business, Strategy, and Key Performance Drivers and Capabilities sections including but not limited to our ability to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth, capitalize on strategic opportunities, and grow our market presence*
- *Our 2018 target ranges and expectations for certain measures in the Outlook section*
- *Our ability to recover costs on challenged projects*
- *Our expectations regarding future capital expenditures relating to our new corporate headquarters*
- *Our expectations regarding economic trends, industry trends, and commodity prices in the sectors and regions in which we operate*
- *Our expectations regarding our sources of cash and ability to meet our normal operating and capital expenditures in the Liquidity and Capital Resources section*
- *Our target of donating 1% of our annualpre-tax profits to charitable and not-for-profit endeavours*
- *Our plans to build out our Project Management Ecosystem*
- *Our expectations on capital expenditures, software additions, amortization expenses for intangible assets, and effective tax rate for 2018*

These describe the management expectations and targets by which we measure our success and assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

Future outcomes relating to forward-looking statements may be influenced by many factors and material risks, including the risks described in the Risk Factors section of this report.

Assumptions

In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian, US, and global economies in 2018 and their effect on our business. The factors and assumptions we used about the performance of Canadian, US, and Global economies in 2018 in determining our annual targets and our outlook for 2018 are listed in the Outlook section of this report. In addition, our budget is a key input for making certain forward-looking statements and certain key assumptions underlying our budget. These key factors and assumptions are set forth below:

- *For 2018, the World Bank forecasted 2.9% for global real GDP growth; the Bank of Canada projected 2.1% GDP growth for Canada; and the Congressional Budget Office projected 2.2% for the United States.*
- *Management assumed the value of the Canadian dollar would be relatively stable compared to 2017 and used an average value of US$0.77 in 2018.*
- *In Canada, the overnight interest rate target—currently at 1.25%—is expected to further increase in 2018. The US Federal Reserve is expected to gradually increase the federal funds rate in 2018. Therefore, management assumed that the average interest rates would rise slightly in 2018 compared to 2017.*
- *Management considered the tax rates substantially enacted at December 31, 2017, for the countries we operate in to establish our effective income tax rate; in particular we considered the US tax reform enacted on December 22, 2017.*
- *The Canadian unemployment rate—5.9% at the end of 2017—is not expected to change significantly in 2018. In the United States, the unemployment rate—4.1% at the end of 2017, the lowest level in over 10 years—is expected to remain at historically low levels through 2018.*
- *In the United States, housing activity is expected to remain positive in 2018; the seasonally adjusted annual rate of total housing starts is expected to increase to 1,255,000 from the expected 1,191,000 total housing starts in 2017.*

  In Canada, the Canadian Mortgage and Housing Corporation suggested total housing starts will slow in 2018; new housing starts, expected to range from 192,200 to 203,000 units in 2018, are down modestly from 2017; however, they would still be at historical high levels.
- *In recent months, the Architecture Billings Index (ABI) from the American Institute of Architects has been consistently above 50.0, suggesting growing demand for design services; we anticipate that it will largely remain above 50.0 throughout 2018 as non-residential construction continues to trend upwards.*

- *Prices for most metals, minerals, and precious metals are expected to increase in 2018 compared to 2017, according to the World Bank. According to the US Energy Information Administration, the price of WTI crude oil is expected to average $52.77 in 2018 compared to an average of $50.56 in 2017, and US crude oil production is expected to average 10.0 million barrels a day in 2018 compared to an average of 9.2million barrels a day in 2017.*
- *Management expects to support our targeted level of growth using a combination of cash flows from operations andborrowings.*

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 21, 2018, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal year 2018, it is our current practice to evaluate and, where we deem appropriate, to provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

Consolidated Financial Statements

For the Years Ended December 31, 2017, and 2016

Management Report

The annual report, including the consolidated financial statements and Management's Discussion and Analysis (MD&A), is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 4 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

The board of directors is responsible for ensuring that management fulfills its responsibilities and for providing final approval of the annual consolidated financial statements. The board has appointed an Audit and Risk Committee comprising three directors; none are officers or employees of the Company or its subsidiaries. The Audit and Risk Committee meets at least four times each year to discharge its responsibilities under a written mandate from the board of directors. The Audit and Risk Committee meets with management and with the external auditors to satisfy itself that it is properly discharging its responsibilities; reviews the consolidated financial statements, MD&A, and Independent Auditors' Report; and examines other auditing and accounting matters. The Audit and Risk Committee has reviewed the audited consolidated financial statements with management and discussed the quality of the accounting principles as applied and the significant judgments affecting the consolidated financial statements. The Audit and Risk Committee has discussed with the external auditors the external auditors' judgments of the quality of those principles as applied and the judgments noted above. The consolidated financial statements and MD&A have been reviewed by the Audit and Risk Committee and approved by the board of directors of Stantec Inc.

The consolidated financial statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Professional Accountants. The Independent Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The external auditors have full and unrestricted access to the Audit and Risk Committee with or without management being present.



Gord Johnston
President & CEO
February 21, 2018



Dan Lefaivre
Executive Vice President & CFO
February 21, 2018

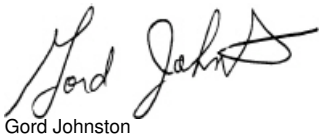
Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

The Company accounts for joint operations in accordance with IFRS. The Company's significant joint operations are: Balfour Beatty MWH Joint Venture, Costain MWH Delivery Partner, Efficient Service Delivery, MBV Energy Recovery, MWH Constructors, Israel, Inc. Shikun and Binui - Solei Boneh Infrastructure, Ltd., Joint Venture, MWHT Costain Joint Venture, and Skanska MWH Balfour Beatty Joint Venture. Once the financial information is obtained from these joint arrangements, it falls within the scope of the Company's internal controls framework. Management's conclusion regarding the effectiveness of internal controls does not extend to the internal controls at the transactional level of these joint arrangements. The 2017 consolidated financial statements of the Company includes $93.3 million and $25.7 million of total assets and net assets, respectively, as at December 31, 2017, and $304.0 million and $20.7 million of revenues and net income, respectively, for the year then ended related to these joint arrangements.

Management has assessed the effectiveness of the Company's internal control over financial reporting, as at December 31, 2017, and has concluded that such internal control over financial reporting is effective. Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2017, has also issued a report on the effectiveness of the Company's internal control over financial reporting.

As permitted by published guidance of the U.S. Securities and Exchange Commission (SEC), management's evaluation of and conclusions on the effectiveness of internal control over financial reporting did not include the internal controls of Inventrix Engineering, Inc.; RNL Facilities Corporation; and North State Resources, Inc. acquisitions, which are included in the Company's 2017 consolidated financial statements. The aggregate assets acquired were $17.7 million, representing 0.5% of the Company's total assets as at December 31, 2017. The gross revenue earned from their dates of acquisition to December 31, 2017, constituted 0.4% of the Company's gross revenue for the year ended December 31, 2017.



Gord Johnston
President & CEO
February 21, 2018



Dan Lefaivre
Executive Vice President & CFO
February 21, 2018

Report of Registered Public Accounting Firm

To the Board of Directors and Shareholders of Stantec Inc.:

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Stantec Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years ended December 31, 2017 and 2016, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Report on internal control over financial reporting
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 21, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

We have served as the Company's auditor since 1993.



Chartered Professional Accountants

Edmonton, Canada
February 21, 2018

Report on Internal Control over Financial Reporting

(Under the standards of the Public Company Accounting Oversight Board (United States))

To the Board of Directors and Shareholders of Stantec Inc.:

Opinion on Internal Control over Financial Reporting
We have audited Stantec Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)," (the COSO criteria). In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria**.**

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Balfour Beatty MWH Joint Venture, Costain MWH Delivery Partner, Efficient Service Delivery, MBV Energy Recovery, MWH Constructors, Israel, Inc., Shikun and Binui – Solei Boneh Infrastructure, Ltd., Joint Venture, MWHT Costain Joint Venture and Skanska MWH Balfour Beatty Joint Venture (Joint Arrangements), which are included in the 2017 consolidated financial statements of the Company and constituted $93.3 million and $25.7 million of total and net assets, respectively, as of December 31, 2017, and $304 million and $20.7 million of gross revenues and net income, for the year then ended. In addition, it did not include the internal controls of Inventrix Engineering, Inc., RNL Facilities Corporation, and North State Resources, Inc. (Acquisitions), which are included in the 2017 consolidated financial statements of the Company. The total assets acquired from these specified acquisitions represented 0.5% of Stantec Inc.'s consolidated total assets as at December 31, 2017, and 0.4% of Stantec Inc.'s consolidated gross revenues for the year then ended. Our audit of internal control over financial reporting of Stantec Inc. also did not include an evaluation of the internal control over financial reporting of the Joint Arrangements and Acquisitions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of Stantec Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years ended December 31, 2017 and 2016, and the related notes, comprising a summary of significant accounting policies and other explanatory information and our report dated February 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion
Stantec Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Stantec Inc.'s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Stantec Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Chartered Professional Accountants

Edmonton, Canada
February 21, 2018

Consolidated Statements of Financial Position

(In millions of Canadian dollars)	Notes	**December 31 2017 $**	December 31 2016 $
ASSETS	18		
Current			
Cash and cash equivalents	9	**239.5**	210.9
Cash in escrow	9	**7.9**	8.8
Trade and other receivables	10	**816.1**	806.4
Unbilled revenue		**414.8**	421.8
Income taxes recoverable		**61.6**	46.7
Prepaid expenses		**54.3**	62.3
Other financial assets	15	**9.3**	20.9
Other assets	16	**4.7**	4.7
Total current assets		**1,608.2**	1,582.5
Non-current			
Property and equipment	11	**212.6**	213.9
Goodwill	12	**1,556.6**	1,828.1
Intangible assets	13	**262.4**	449.5
Investments in joint ventures and associates	14	**9.7**	9.2
Net employee defined benefit asset	20	**12.7**	-
Deferred tax assets	29	**23.2**	26.2
Other financial assets	15	**186.1**	160.1
Other assets	16	**9.4**	15.2
Total assets		**3,880.9**	4,284.7
LIABILITIES AND EQUITY			
Current			
Trade and other payables	17	**704.6**	718.1
Deferred revenue		**187.4**	201.8
Income taxes payable		**11.0**	1.8
Long-term debt	18	**198.2**	91.9
Provisions	19	**28.1**	36.0
Other financial liabilities		**1.8**	2.4
Other liabilities	21	**22.2**	20.8
Total current liabilities		**1,153.3**	1,072.8
Non-current			
Income taxes payable		**18.3**	-
Long-term debt	18	**541.4**	928.6
Provisions	19	**81.7**	80.7
Net employee defined benefit liability	20	**31.2**	50.5
Deferred tax liabilities	29	**54.6**	79.6
Other financial liabilities		**9.1**	7.6
Other liabilities	21	**92.0**	88.4
Total liabilities		**1,981.6**	2,308.2
Shareholders' equity			
Share capital	25	**878.2**	871.8
Contributed surplus	25	**21.5**	18.7
Retained earnings		**947.1**	917.9
Accumulated other comprehensive income		**49.5**	167.3
Total shareholders' equity		**1,896.3**	1,975.7
Non-controlling interests		**3.0**	0.8
Total liabilities and equity		**3,880.9**	4,284.7

See accompanying notes

On behalf of Stantec Inc.'s Board of Directors



Aram Keith, Director



Gord Johnston, Director

Consolidated Statements of Income

Years ended December 31 *(In millions of Canadian dollars, except per share amounts)*	Notes	**2017** **$**	2016 $
Gross revenue		**5,140.1**	4,300.1
Less subconsultant/subcontractor and other direct expenses		**1,722.8**	1,201.7
Net revenue		**3,417.3**	3,098.4
Direct payroll costs	31	**1,589.4**	1,422.1
Gross margin		**1,827.9**	1,676.3
Administrative and marketing expenses	7,25,31,37	**1,463.8**	1,335.1
Depreciation of property and equipment	11	**54.6**	51.2
Amortization of intangible assets	13	**80.2**	75.7
Net interest expense	30	**25.8**	28.6
Other net finance expense	30	**7.1**	6.4
Share of income from joint ventures and associates	14	**(2.6)**	(2.4)
Foreign exchange loss		**0.1**	0.7
Gain on disposition of a subsidiary	8	**(54.6)**	-
Other (income) expense	32	**(10.0)**	0.2
Income before income taxes		**263.5**	180.8
Income taxes			
Current	29	**192.9**	37.7
Deferred	29	**(26.4)**	12.6
Total income taxes		**166.5**	50.3
Net income for the year		**97.0**	130.5
Earnings per share			
Basic	33	**0.85**	1.22
Diluted	33	**0.85**	1.22

See accompanying notes

Consolidated Statements of Comprehensive (Loss) Income

Years ended December 31 *(In millions of Canadian dollars)*	Notes	**2017** **$**	2016 $
Net income for the year		**97.0**	130.5
Other comprehensive (loss) income			
Items that may be reclassified to net income in subsequent periods:			
Exchange differences on translation of foreign operations		**(134.1)**	12.3
Realized exchange difference on disposition of a subsidiary	8	**13.8**	-
Unrealized loss on foreign currency hedge	22	**-**	(10.2)
Reclassification of realized loss on foreign currency hedge	22	**-**	10.2
Net unrealized loss on available-for-sale financial assets		**0.5**	3.9
Net realized gain on available-for-sale financial assets transferred to income	32	**(9.6)**	-
Income tax effect on available-for-sale financial assets		**-**	(0.1)
		(129.4)	16.1
Items not to be reclassified to net income:			
Remeasurement gains (losses) on net employee defined benefit liability net of deferred tax of $2.4 (2016 – $3.0)	20	**11.6**	(14.4)
Other comprehensive (loss) income for the year, net of tax		**(117.8)**	1.7
Total comprehensive (loss) income for the year, net of tax		**(20.8)**	132.2

See accompanying notes

Consolidated Statements of Shareholders' Equity

(In millions of Canadian dollars, except shares outstanding)	Shares Outstanding (note 25) #	Share Capital (note 25) $	Contributed Surplus (note 25) $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Total $
Balance, January 1, 2016	94,435,898	289.1	15.8	852.7	165.6	1,323.2
Net income				130.5		130.5
Other comprehensive income					1.7	1.7
Total comprehensive income				130.5	1.7	132.2
Share options exercised for cash	254,156	5.0				5.0
Share-based compensation expense			4.4			4.4
Shares repurchased under Normal Course Issuer Bid (note 25)	(572,825)	(1.8)	(0.1)	(16.3)		(18.2)
Shares issued, net of transaction costs	19,964,000	578.1		-		578.1
Reclassification of fair value of share options previously expensed		1.4	(1.4)			-
Dividends declared (note 25)				(49.0)		(49.0)
Balance, December 31, 2016	114,081,229	871.8	18.7	917.9	167.3	1,975.7
Net income				97.0		97.0
Other comprehensive loss					(117.8)	(117.8)
Total comprehensive income (loss)				97.0	(117.8)	(20.8)
Share options exercised for cash	376,160	7.9				7.9
Share-based compensation expense			4.9			4.9
Shares repurchased under Normal Course Issuer Bid (note 25)	(465,713)	(3.6)	-	(10.8)		(14.4)
Reclassification of fair value of share options previously expensed		2.1	(2.1)			-
Dividends declared (note 25)				(57.0)		(57.0)
Balance, December 31, 2017	**113,991,676**	**878.2**	**21.5**	**947.1**	**49.5**	**1,896.3**

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In millions of Canadian dollars)*	Notes	**2017** **$**	2016 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients		**5,186.3**	4,459.1
Cash paid to suppliers		**(2,378.9)**	(1,900.8)
Cash paid to employees		**(2,485.2)**	(2,194.9)
Interest received		**3.2**	4.7
Interest paid		**(28.6)**	(30.8)
Finance costs paid		**(6.7)**	(7.3)
Income taxes paid		**(44.7)**	(56.8)
Income taxes recovered		**18.3**	12.5
Cash flows from operating activities	34	**263.7**	285.7
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	7	**(79.7)**	(1,072.6)
Cash in escrow		**(5.4)**	(7.7)
Dividend distributions from investments in joint ventures and associates		**1.9**	0.8
Purchase of investments held for self-insured liabilities		**(5.7)**	(12.1)
(Increase) decrease in other financial assets		**(2.3)**	14.2
Proceeds from lease inducements		**4.4**	3.3
Proceeds on disposition of a subsidiary, net of cash sold	8	**336.6**	-
Income taxes paid on disposition of subsidiary	8	**(124.1)**	-
Purchase of intangible assets		**(5.5)**	(7.6)
Purchase of property and equipment		**(61.3)**	(58.3)
Proceeds on disposition of property and equipment		**1.4**	3.4
Cash flows from (used in) investing activities		**60.3**	(1,136.6)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of revolving credit facility	8,18	**(462.4)**	(282.4)
Proceeds from revolving credit facility		**259.4**	457.4
Repayment of senior secured notes		**-**	(125.0)
Proceeds from term loan	18	**-**	450.0
Repayment of other long-term debt		**(3.4)**	-
Transaction costs on long-term debt		**-**	(9.4)
Payment of finance lease obligations		**(12.7)**	(14.3)
Repurchase of shares for cancellation	25	**(14.4)**	(18.2)
Proceeds from issue of share capital		**7.9**	608.9
Transaction costs for issue of shares		**-**	(25.8)
Payment of dividends to shareholders	25	**(55.5)**	(46.1)
Cash flows (used in) from financing activities		**(281.1)**	995.1
Foreign exchange loss on cash held in foreign currency		**(14.3)**	(0.6)
Net increase in cash and cash equivalents		**28.6**	143.6
Cash and cash equivalents, beginning of the year		**210.9**	67.3
Cash and cash equivalents, end of the year	9	**239.5**	210.9

See accompanying notes

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1. Corporate Information
The consolidated financial statements of Stantec Inc. (the Company) for the year ended December 31, 2017, were authorized for issuance in accordance with a resolution of the Company's board of directors on February 21, 2018. The Company was incorporated under the Canada Business Corporations Act on March 23, 1984. Its shares are traded on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The Company's registered office is located at 10160 – 112 Street, Edmonton, Alberta. The Company is domiciled in Canada.

The Company is a provider of comprehensive professional services in the area of infrastructure and facilities for clients in the public and private sectors. The Company's services include engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, construction services, project management, and project economics, from initial project concept and planning through to design, construction, commissioning, maintenance, decommissioning, and remediation.

2. Basis of Preparation
These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies adopted in these consolidated financial statements are based on IFRS effective as at December 31, 2017.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the significant accounting policies. The consolidated financial statements are presented in Canadian dollars, and all values, including United States dollars, are rounded to the nearest million ($000,000), except when otherwise indicated.

Based on a review of the underlying nature, physical use, and technological lives of certain property and equipment, effective January 1, 2017, depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives on a straight-line basis as follows:

	Estimated lives	Declining balance prior to 2017
Engineering equipment	5 to 10 years	20% to 30%
Office equipment	5 to 10 years	20% to 30%
Other	5 to 50 years	10% to 30%

Management believes that the change in the estimates better represents the use of the property and equipment and the change was applied prospectively. The effect of the related change in estimates is a decrease of consolidated depreciation expense of $2.5 for the year ended December 31, 2017. It is impracticable to determine the amount of the effect in future periods since depreciation expense is impacted by additions and disposals.

3. Basis of Consolidation
The consolidated financial statements include the accounts of the Company, its subsidiaries, and its structured entities as at December 31, 2017.

Subsidiaries and structured entities are fully consolidated from the date of acquisition, which is the date the Company obtains control, and continue to be consolidated until the date that this control ceases. The financial statements of the subsidiaries and structured entities are prepared as at December 31, 2017, and December 31, 2016. All intercompany balances are eliminated.

Joint ventures and associates are accounted for using the equity method, and joint operations are accounted for by the Company recognizing its share of assets, liabilities, revenue, and expenses of the joint operation.

4. Summary of Significant Accounting Policies
a) Cash and cash equivalents
Cash and cash equivalents include cash and unrestricted investments. Such investments are carried at fair value.

b) Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes the cost of replacing parts of property and equipment. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	5 to 10 years	straight-line
Office equipment	5 to 10 years	straight-line
Leasehold improvements		straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Other	5 to 50 years	straight-line

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

c) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of a finite and indefinite intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, finite intangible assets are carried at cost less any accumulated amortization and any impairment losses and indefinite intangible assets are carried at cost less any impairment loss.

The Company's intangible assets with finite lives are amortized over their useful economic lives on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

The Company also incurs costs for third-party internet-based cloud computing services. These costs are expensed in administrative and marketing expenses over the period of the service agreement.

Intangible assets acquired from business combinations
The Company's policy is to amortize client relationships with finite lives over periods ranging from 10 to 15 years. Contract backlog and finite trademarks are amortized over estimated lives of generally 1 to 3 years. Advantageous lease commitments are amortized over the remaining lease term. The Company assigns value to acquired intangibles using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This, in turn, involves estimating the revenues and earnings expected from the asset. Recognition of the contributory assets, such as workforce, working capital, and property and equipment required and used to generate the expected after-tax earnings, is included since these assets also require a return based on their fair values. Expected earnings after contributory charges and income taxes are discounted by the appropriate after-tax discount rate to arrive at the fair value.

d) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, achieving a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of either its estimated useful life or the lease term. The Company's finance leases are for certain office and automotive equipment and are depreciated on a straight-line basis. The Company also has finance leases for software, which are depreciated on a straight-line basis over periods ranging from three to seven years.

Rental payments under operating leases are expensed evenly over the lease term.

From time to time, the Company enters into or renegotiates premises operating leases that result in receiving lease inducement benefits. These benefits are accounted for as a reduction of rental expense over the terms of the associated leases. As well, from time to time, the Company enters into or renegotiates premises operating leases that include escalation clauses. The scheduled rent increases pursuant to lease escalation clauses are recognized on a straight-line basis over the lease terms.

e) Investments in joint arrangements and associates
Each joint arrangement of the Company is classified as either a joint venture or joint operation based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. A joint arrangement that provides the Company with rights to the net assets of the arrangement is classified as a joint venture, and a joint arrangement that provides the Company with rights to the individual assets and obligations arising from the arrangement is classified as a joint operation.

The Company accounts for a joint venture using the equity method (described below). The Company accounts for a joint operation by recognizing its share of assets, liabilities, revenues, and expenses of the joint operation and combining them line by line with similar items in the Company's consolidated financial statements.

Investments in associated companies, over which the Company is able to exercise significant influence but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus post-acquisition changes in the Company's share of the net assets of the associate. The share of the profit of associates or joint ventures is recorded in the consolidated statements of income. Since this is profit attributable to the equity holders of the associate or joint venture, it is profit after tax. Adjustments are made in the Company's consolidated financial statements to eliminate its share of unrealized gains and losses resulting from transactions with its associates.

If the financial statements of associates or joint arrangements are prepared for a date that is different from the Company's date (due to the timing of finalizing and receiving information), adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. When necessary, adjustments are made to bring the accounting policies in line with the Company's.

f) Investments held for self-insured liabilities
In other financial assets, the Company has investments held for self-insured liabilities that are categorized as available for sale and are recorded at fair value, with associated unrealized gains or losses (except permanent impairments) reported in other comprehensive income until disposed of, at which time realized gains or losses are recognized in income. These investments consist of government and corporate bonds, equity securities, and term deposits.

g) Provisions

General

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed—for example, under an insurance contract—and when the reimbursement is virtually certain, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is significant, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for self-insured liabilities

The Company self-insures certain risks related to professional liability, automobile physical damages, and employment practices liability. The provision for self-insured liabilities includes estimates of the costs of reported claims (including potential claims that are probable of being asserted) and is based on estimates of loss using assumptions made by management, including consideration of actuarial projections. The provision for self-insured liabilities does not include unasserted claims where assertion by a third party is not probable.

The Company invests funds to support the provision for self-insured liabilities. These investments are recorded at fair value in other financial assets as investments held for self-insured liabilities.

Provisions for claims

The Company has claims that are not covered by its provisions for self-insured liabilities, including claims that are subject to exclusions under the Company's commercial and captive insurance policies. Provisions are recognized for these claims in accordance with the preceding description of provisions under "General."

Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the preceding description of provisions under "General."

Onerous contracts

The Company's onerous contracts consist of lease exit liabilities and sublease losses. For lease exit liabilities, the Company accrues charges when it ceases to use an office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments offset by the present value of estimated future rental income.

From time to time, the Company may sublet a portion of office space that is under an operating lease arrangement. The Company accrues a liability, a sublease loss, if the costs to be incurred under an operating lease will exceed the anticipated revenue on the sublease. Included in the liability is the present value of the remaining lease payments offset by the present value of the future rental income.

h) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency. Each entity in the Company determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies (i.e., those different from an entity's functional currency) are initially translated into the functional currency of an entity using the foreign exchange rate at the transaction date. Subsequent to the transaction date, foreign currency transactions are measured as follows:

- On the consolidated statements of financial position, monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items at cost are translated at historical exchange rates.

Non-monetary items at fair value are translated at rates in effect at the date the fair value is determined. Any resulting realized and unrealized foreign exchange gains or losses are included in income in the period incurred. The exception is unrealized foreign exchange gains and losses on non-monetary investments (equity investments) classified as available for sale, which are included in other comprehensive income.

- Revenue and expense items are translated at the exchange rate on the transaction date, except for depreciation and amortization, which are translated at historical exchange rates.

Foreign operations
The Company's foreign operations are translated into its reporting currency (Canadian dollar) as follows:

- Assets and liabilities are translated at the rate of exchange in effect at each consolidated statement of financial position date

- Revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month

The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in other comprehensive income (loss).

i) Financial instruments
Initial recognition and subsequent measurement
The Company classifies its financial instruments as follows:

- Cash and cash equivalents and cash in escrow are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.

- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.

- Investments held for self-insured liabilities, consisting of bonds, equity securities, and term deposits, are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income (except permanent impairments) until disposed of; at this time, the realized gains and losses are recognized in other income for equity securities and in finance income for bonds and term deposits. Interest income is recorded in finance income, and dividends are recorded in other income.

- Trade and other payables are classified as other financial liabilities and are recorded at fair value and subsequently recorded at amortized cost using the effective interest rate (EIR) method. Realized gains and losses are reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, and thereby calculates the amortized cost and subsequently allocates the interest income or expense over the life of the instrument.

- Long-term debts are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method. EIR amortization and realized gains and losses are reported in net finance expense.

Fair value
All financial assets are recognized initially at fair value plus directly attributable transaction costs, except for financial assets at FVPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in active markets,

fair values are determined using appropriate valuation techniques, which may include recentarm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis; however, other valuation models may be used. The fair values of the Company's derivatives are based on third-party indicators and forecasts. The fair values of cash and cash equivalents, cash in escrow, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amounts of bank loans approximate their fair values because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the consolidated financial statements.

Derivatives
From time to time, the Company enters into foreign currency forward contracts to manage risk associated with net operating assets or liabilities denominated in foreign currencies. The Company's policy is not to use these derivatives for trading or speculative purposes.

j) Impairment
The carrying amounts of the Company's assets or group of assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (referred to as a "loss event") and if that loss event has an impact on the estimated future cash flows of the financial asset. When an indication of impairment exists or annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

Trade and other receivables
The Company maintains an allowance for doubtful accounts on trade receivables. The estimate is based on the best assessment of the collectibility of the related receivable balance based in part on the age of the outstanding receivables and the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction is recognized in administrative and marketing expenses in the consolidated statements of income.

Non-financial assets
For non-financial assets such as property and equipment, goodwill, investments in joint ventures and associates, and intangible assets, the recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) value in use or its fair value less costs of disposal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. To assess value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To determine fair value less costs of disposal, an appropriate valuation model is used. The results of these valuation techniques are corroborated by the market capitalization of comparable public companies and arm's-length transactions of comparable companies. Impairment losses are recognized in the consolidated statements of income in those expense categories that are consistent with the nature of the impaired asset.

Goodwill is not amortized but is evaluated for impairment annually (as at October 1) or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment test date and December 31. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or a group of CGUs to its carrying value including the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the

asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the consolidated statements of income.

Available-for-sale financial investments
For equity investments classified as available for sale, objective evidence of impairment includes a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

For debt instruments (such as bonds) classified as available for sale, the Company first assesses individually whether objective evidence of impairment exists for debt instruments that are individually significant or collectively for debt instruments that are not individually significant. If an impairment loss has occurred, the amount recorded is the cumulative loss, measured as the difference between the amortized cost and the current fair value, less any previously recognized impairment loss. This amount is removed from other comprehensive income and recognized in the consolidated statements of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset applying the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If the fair value of a debt instrument increases in a subsequent year and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in the consolidated statements of income.

k) Revenue recognition
While providing services, the Company incurs certain direct costs for subconsultants, subcontractors, and other expenditures that are recoverable directly from clients. These direct costs are included in the Company’s gross revenue. Since these direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company’s revenue trends. Therefore, the Company also reports net revenue, which is gross revenue less subconsultants, subcontractors, and other direct expenses.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, duty, and taxes collected from clients that are reimbursable to government authorities. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by referring to the stage of completion using the revenue cost approach. Stage of completion is measured using labor and subcontractor costs incurred to date as a percentage of total estimated labor and subcontractor costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that the losses are determined. Revenue from time-and-material contracts without stated ceilings is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

Unbilled revenue represents work in progress that has been recognized as revenue but has not yet been invoiced to clients. Deferred revenue represent amounts that have been invoiced to clients but are not yet recognized as revenue.

l) Employee benefit plans

Defined benefit plans

The Company sponsors defined benefit pension plans covering certainfull-time employees and past employees, primarily in the United Kingdom. Benefits are based on final compensation and years of service. Benefit costs (determined separately for each plan using the projected unit credit method) are recognized over the periods that employees are expected to render services in return for those benefits.

Remeasurements, comprising of actuarial gains and losses and the return on the plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to net income in subsequent periods.

The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset, the recognized asset is limited to the economic benefits available in the form of any future refunds or reductions in future contributions to the plan.

Past service costs are recognized in net income on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, adjusted for benefit and contribution payments during the year. The Company recognizes the following changes in the net defined benefit obligations under administrative and marketing expenses in the consolidated statements of income: service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; net interest expense or income; and administrative expenses paid directly by the pension plans.

Defined contribution plans

The Company also contributes to group retirement savings plans and an employee share purchase plan. Certain plans are based on the amount of employee contributions and subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period in which the contributions are made.

m) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax that relates to items recognized directly in equity is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes an uncertain tax liability where appropriate.

Income taxes payable are typically expected to be settled within twelve months of the year end date. However, there may be instances where taxes payable are over a longer period. The portions due in excess of a one year period are classified as noncurrent and are not discounted.

Deferred tax

Deferred tax is determined using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Deferred taxes are not recognized for the initial recognition of goodwill;

the initial recognition of assets or liabilities, outside of a business combination, that affect neither accounting nor taxable profit; or the differences relating to investments in associates and interests in joint ventures to the extent that the reversal can be controlled and it is probable that it will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled and are based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in equity is also recognized in equity. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax
Revenues, expenses, and assets, except trade receivables, are recognized net of the amount of sales tax recoverable from or payable to a taxation authority. Trade receivables and trade payables include sales tax. The net amount of sales tax recoverable from or payable to a taxation authority is included as part of trade receivables or trade payables (as appropriate) in the consolidated statements of financial position.

n) Share-based payment transactions
Under the Company's share option plan, the board of directors may grant to officers and employees remuneration in the form of share-based payment transactions, whereby officers and employees render services as consideration for equity instruments (equity-settled transactions).

Under the Company's deferred share unit plan, the directors of the board of the Company may receive deferred share units (DSUs) equal to one common share. Before 2014, the chief executive officer could also receive DSUs. Under the Company's long-term incentive plan, certain members of the senior leadership teams, including the chief executive officer, are granted performance share units (PSUs) that vest and are to be settled after a three-year period. The DSUs and PSUs are share appreciation rights that can be settled only in cash (cash-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is measured at fair value at the grant date using a Black-Scholes option-pricing model. The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the service conditions are fulfilled (the vesting period). For equity-settled transactions, the cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recorded in administrative and marketing expenses. No expense is recognized for awards that do not ultimately vest.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes option-pricing model. This fair value is expensed upon issue with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognized in administrative and marketing expenses.

o) Earnings per share
Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

p) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred at fair value at the acquisition date. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in other income. Acquisition costs are expensed when incurred in administrative and marketing expenses.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the fair value of a Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each CGU or group of CGUs that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each CGU or group of CGUs represents the lowest level at which management monitors the goodwill.

q) Dividends
Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's board of directors.

5. Significant Accounting Judgments, Estimates, and Assumptions
Preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Discussed below are the key management judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Revenue recognition

The Company accounts for its revenue in accordance with IAS 11*Construction Contracts*, which requires estimates to be made for contract costs and revenues. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of labor costs incurred to total estimated labor costs. Estimating total direct labor costs is subjective and requires the use of management's best judgments based on the information available at that time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and affect the Company's revenue and unbilled revenue.

b) Allowance for doubtful accounts
The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables. The Company uses estimates in arriving at its allowance for doubtful accounts. The estimates are based on the age of the outstanding receivables and on the Company's historical collection and

loss experience. Future collections of receivables that differ from the Company's current estimates would affect the results of its operations in future periods as well as the Company's trade receivables and administrative and marketing expenses.

c) Provision for self-insured liabilities
The Company self-insures certain risks, including professional liability, automobile liability, and employment practices liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss using management's assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques to determine the proposed liability. Estimates of loss may vary from those used in the actuarial projections and result in a larger loss than estimated. Any increase in loss would be recognized in the period in which the loss is determined and increase the Company's self-insured liabilities and reported expenses.

d) Share-based payment transactions
The Company measures the cost of share-based payment transactions by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company has chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions.

Estimating fair value also requires determining the most appropriate inputs to the valuation model—including volatility in the price of the Company's shares, a risk-free interest rate, and the expected hold period to exercise—and making assumptions about them. The expected volatility is based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data is used to estimate the expected life of the option. As well, the Company estimates its forfeiture rate for equity-settled transactions based on historical experience to determine the compensation expense arising from the share-based awards. Changes to estimates are recorded in the period in which they are made and would affect the Company's administrative and marketing expenses, contributed surplus, and other liabilities.

e) Business combinations
In a business combination, the Company may acquire certain assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment to determine the fair values assigned to the tangible and intangible assets (i.e., backlog, client relationships, trademarks, software, and favorable and unfavorable leases) acquired and the liabilities assumed on the acquisition. Determining fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates. During a measurement period not to exceed one year, adjustments of the initial estimates may be required to finalize the fair value of assets acquired and liabilities assumed. After the measurement period, a revision of fair value may impact the Company's net income.

f) Impairment of non-financial assets
Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. Fair value less costs of disposal is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of this data, other valuation techniques can be used to estimate fair value less costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

When based on a discounted cash flow methodology, the recoverable amount is most sensitive to the expected future cash inflows, the growth rate used for extrapolation purposes, the discount rate, and non-cash working capital requirements. To arrive at cash flow projections, the Company uses estimates of economic and market information

over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Future estimates of capital expenditures are also a significant estimate.

g) Divestitures
For business divestitures, the Company may be required to allocate an amount of goodwill associated with an operation being disposed of and include this goodwill in the carrying amount of the disposal group when determining the gain or loss on disposal. The goodwill to be allocated is measured on the basis of the relative fair values of the operation disposed of and the portion of the CGU retained. When the fair value(s) are determined using a discounted cash flow methodology a variety of assumptions are required, including revenue growth rates, expected operating income, non-cash working capital assumptions, and discount rates. These assumptions are assessed for reasonability by comparing them to relevant market information and forecasts.

h) Employee benefit plans
The cost of the defined benefit pension plans and the present value of the pension obligations are determined separately for each plan using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual future developments. These include determining the discount rate, mortality rates, future salary increases, inflation, and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the defined benefit obligation and cost are highly sensitive to changes in these assumptions, particularly to the discount and mortality rates (although a portion of the pension plans has protection against improving mortality rates by utilizing guaranteed annuity rate contracts with an insurance company). All assumptions are reviewed annually.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment obligation and that have an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the benefit obligation.

The mortality rate is based on publicly available information in the actuarial profession’s publications plus any special geographical or occupational features of each plan’s membership. Mortality tables tend to change only at intervals in response to demographic changes. Future salary increases reflect the current estimate of management. Pension increases are calculated based on the terms of the individual plans and estimated future inflation rates.

i) Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, it is determined using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets if possible, but when this is not feasible, a degree of judgment is required to establish fair values. The judgments include considering inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments and reported expenses and income.

j) Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Company’s income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions, primarily in Canada and the United States, including the recent US tax reform further described in note 29. The Company’s effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Company’s income tax expense reflects an estimate of the taxes it expects to pay for the current year, as well as a provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management’s expectations about future operating results, previous tax audits, and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Differences in interpretation may arise for a wide variety of issues, depending on the conditions prevailing in the respective legal

entity's domicile. On a regular basis, management assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, as well as from deferred tax depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits, together with future tax-planning strategies. If estimates change, the Company may be required to recognize an adjustment to its deferred income tax asset or liability and income tax expense.

k) Interests in other entities

The Company determines whether it has control over another entity by making judgments about what the relevant activities of that entity are and which party or parties have power to direct those activities, as well as whether the Company is exposed to variable returns of the entity. The Company assesses whether it has control, significant influence, or joint control over an entity based on the individual facts and circumstances of each agreement. In the case of a joint arrangement, the Company makes judgments to determine if the arrangement is a joint venture or joint operation, including whether it has rights to the individual assets or liabilities or to the net assets of the entity and whether unanimous consent is required to make decisions about relevant activities.

6. Recent Accounting Pronouncements and Changes to Accounting Policies

Recently adopted

The following amendments have been adopted by the Company effective January 1, 2017. The adoption of these amendments did not have an impact on the financial position or performance of the Company.

- In January 2016, the International Accounting Standards Board (IASB) issued *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*. The amendments clarify requirements for the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective January 1, 2017, retrospectively, subject to certain exceptions.

- In January 2016, the IASB issued *Disclosure Initiative (Amendments to IAS 7)*. These amendments clarify IAS 7, improving the information provided to users of financial statements about an entity's financing activities. These amendments are effective January 1, 2017, with earlier application permitted. The additional disclosures required by the amendments are included in note 34.

- In December 2016, the IASB issued *Annual Improvements (2014-2016 Cycle)* which amended IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12) to clarify the scope of disclosures. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 to B16, apply to an entity's held-for-sale interests. The Company has adopted the amendments retrospectively.

Future adoptions

Listed below are the standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements and cannot reasonably estimate the effect at this time unless specifically mentioned below.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). In April 2016, the IASB issued amendments to clarify the standard and provide additional transition relief for modified contracts and completed contracts. IFRS 15 applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant, and equipment, and intangible assets. It sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services.

IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance

obligations, changes in contract asset and liability account balances, and key judgments and estimates. In addition, the accounting for loss-making contracts will fall under the onerous contracts guidance in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Major provisions of IFRS 15 include determining which goods and services are distinct and require separate accounting (performance obligations), determining the total transaction price, estimating and recognizing variable consideration, identifying and accounting for contract modifications, and determining whether revenue should be recognized at a point in time or over time (including guidance on measuring the stage of completion).

The mandatory effective date of IFRS 15 is January 1, 2018, and the standard may be adopted using a full retrospective or modified retrospective approach. The Company selected the modified retrospective approach which will result in the cumulative effect of adoption being recognized at the date of initial application, January 1, 2018. The Company elected to apply IFRS 15 only to contracts that were not completed at January 1, 2018. In addition, the Company elected, as a practical expedient, to reflect the aggregate effect of all contract modifications that occurred before January 1, 2018, for the purposes of identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The Company established a cross-functional IFRS 15 implementation team that provides regular updates to the Audit and Risk Committee, including reports on the progress made on the project's detailed work plan. As part of the implementation project, the Company prepared an impact assessment, amended policies and practices, updated internal controls, and educated stakeholders. The updated internal controls will be tested by management in the first quarter of 2018. The Company's operational finance team is in the process of completing contract reviews, and the implementation team is in the process of finalizing its assessment and quantifying the potential effect of IFRS 15 requirements on its consolidated financial statements, including the impact on opening retained earnings as at January 1, 2018. Details of key judgments and expected changes that may impact the timing and pattern of recognition are described below. Because the Company's assessment will not be finalized until the end of the first quarter, the following explanation may not fully describe the potential effect of IFRS 15 on the Company's accounting policies and is subject to change with new facts and circumstances.

Revenue recognized over time: The Company transfers control of the goods or services it provides to clients over time and therefore recognizes revenue progressively as the services are performed. The Company expects to continue to recognize revenue over time for fixed-fee and variable-fee-with-ceiling contracts by referring to the stage of completion using an input method based on cost. For the majority of its time-and-material contracts without stated ceilings, the Company expects to apply a practical expedient that allows the recognition of revenue in the amount for which it has the right to invoice, consistent with current practices for such contracts.

Contracts with multiple goods or services: The Company's contracts often include multiple goods or services. Currently, the Company may segment revenue recognition between services such as the design, preconstruction, and construction phases of its contracts. Under IFRS 15, the Company will account for goods and services as separate performance obligations if they are distinct—if a good or service is separately identifiable from other items in the contract and if a customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer. The Company expects that many of its contracts will include a single performance obligation because the promise to transfer the individual goods or services is highly integrated and not separately identifiable from other promises in the contract and, therefore, is not distinct. The Company expects that, in some cases, the timing and pattern of revenue recognition may be impacted.

Contract modifications and claims: Contract modifications or claims against the customer have a different threshold for recognition in IFRS 15 than in IAS 11. The Company currently includes contract modifications or claims against the customer in estimated revenue at completion when it is probable the customer will approve or accept the amount and it can be reliably measured. Under IFRS 15, contract modifications or claims against the customer are included in estimated revenue at completion when management believes the Company has an enforceable right to the modification or claim, the amount can be estimated reliably, and realization is highly probable. The Company expects that, in some cases, the recognition of revenue related to contract modifications or claims against the customer will be later under IFRS 15.

Significant financing component: The Company currently recognizes holdbacks on long-term contracts at their discounted present value. Under IFRS 15, holdbacks will not typically result in a significant financing component as the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract. As a result, the Company expects that holdbacks on long-term contracts will no longer be discounted.

Presentation of contract balances: The Company expects to reclassify certain amounts in the consolidated statements of financial position to comply with IFRS 15. Amounts that are billed based on contractual milestones or on achieving performance-based targets that are currently presented as unbilled revenue are expected to be included in contract assets. In addition, contract asset and contract liability balances will be presented on a net basis for each contract.

Disaggregation of revenue: The Company expects to disclose the disaggregation of gross revenue in categories that are consistent with its disclosure of segmented information (note 36), except that disclosure of Construction Services gross revenue by regional geographic area will be added.

IFRS 9 Financial Instruments (IFRS 9)

In July 2014, the IASB issued IFRS 9 *Financial Instruments (IFRS 9)* to introduce new requirements for the classification and measurement of financial assets and financial liabilities, including derecognition. IFRS 9 requires that all financial assets be subsequently measured at amortized cost or fair value. For financial liabilities designated at fair value through profit and loss, the new standard also requires that changes in fair value attributable to a financial liability's credit risk be presented in other comprehensive income, not in profit or loss. Guidance on accounting for debt modifications has also been amended. As well, IFRS 9 includes a single expected-loss impairment model and a reformed approach to hedge accounting.

This standard is effective on or after January 1, 2018, and may be adopted using a full retrospective or modified retrospective approach. The Company has selected the modified retrospective approach. Based on the analyses performed to date, the Company is expecting the following impact from the adoption of the new standard on January 1, 2018:

Classification and measurement: The Company's debt instruments held for self-insured liabilities, currently classified as available for sale, are being analyzed to determine whether the conditions for classification as fair value through other comprehensive income (FVOCI) will be met. There will be no significant change to the accounting for debt instruments that are ultimately determined to meet these conditions. To the extent that any debt instruments do not meet these conditions, the fair value will be reclassified to financial assets at fair value through profit or loss (FVPL), and the related fair value gains will be transferred from other comprehensive income to retained earnings on January 1, 2018.

The Company has determined that equity securities held for self-insured liabilities do not meet the criteria to be classified as either FVOCI or amortized cost. Consequently, $49.4 will be reclassified to financial assets at FVPL. Related fair value gains of $1.0 will be transferred from other comprehensive income to retained earnings on January 1, 2018.

Additional financial assets held by the Company include:

- Cash and cash equivalents and cash held in escrow, currently measured at FVPL, that meet the conditions for classification at amortized cost, and
- Trade and other receivables and unbilled revenue, currently measured at amortized cost, that meet the conditions for classification at amortized cost under IFRS 9

The Company does not expect the new guidance to affect the measurement of these financial assets.

There will be no impact on the Company's accounting for financial liabilities because the new requirements affect only the accounting for financial liabilities that are designated at FVPL, and the Company does not have any such liabilities.

Derecognition of financial assets and liabilities: Derecognition rules for financial liabilities have been amended to clarify the accounting for modifications of fixed interest rate debt that do not result in extinguishment. To the extent the Company has a modification of debt in the future that does not constitute an extinguishment, an immediate remeasurement gain or loss will occur as a result of the revisions to this guidance. At January 1, 2018, there were no outstanding debt instruments impacted by the retrospective impact of this guidance. The derecognition rules for financial assets remain consistent with IAS 39 *Financial Instruments: Recognition and Measurement*

Hedging: The new hedge accounting guidance will not impact the Company on adoption because there were no designated hedges at December 31, 2017.

Impairment of financial assets: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15, lease receivables, loan commitments, and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company expects the impact on credit losses to be insignificant.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments. Because the Company is in its final stages of assessing IFRS 9, the above explanations may not fully describe the potential effects of IFRS 9 on the Company's accounting policies and is subject to change with new facts and circumstances.

IFRS 16 Leases (IFRS 16)

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) to introduce a single lease accounting model. It requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low in value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases* (IAS 17). The Company will apply IFRS 16 effective January 1, 2019.

The Company established an implementation team in early 2017. The Company continues to assess all potential impacts and transition provisions of this standard and believes that the most significant impact will relate to the accounting for operating leases associated with real estate leases. At this time, a quantitative estimate of the effect of the new standard has not been determined, but the Company anticipates a material impact to the statement of financial position due to the recognition of the present value of unavoidable future lease payments as lease assets and lease liabilities. The Company has not yet selected the transition method it will apply. Because the Company is currently assessing IFRS 16, the above explanation may not fully describe the potential effects of IFRS 16 on its accounting policies and is subject to change with new facts and circumstances.

Other future adoptions

- In June 2016, the IASB issued *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)* The amendments clarify how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This amendment is effective on or after January 1, 2018, with earlier application permitted.

- In December 2016, the IASB issued *Annual Improvements (2014-2016 Cycle)* to make necessary but non-urgent amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1), and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28). The amendments to IFRS 1 and IAS 28 are effective January 1, 2018, on a retrospective basis.

- In December 2016, the International Financial Reporting Interpretations Committee (IFRIC) issued an interpretation: *IFRIC 22 Foreign Currency Transactions and Advance Consideration* (IFRIC 22). This interpretation clarifies that for non-monetary assets and non-monetary liabilities, the transaction date is the date used to determine the exchange rate on which a company initially recognizes a prepayment or deferred income arising

from an advance consideration. The interpretation is effective January 1, 2018, and entities may use either a retrospective or prospective approach on transition, with earlier application permitted.

- In June 2017, IFRIC issued IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23). This interpretation addresses how to reflect the effects of uncertainty in accounting for income tax. When there is uncertainty over income tax treatments under IAS 12 *Income Taxes*, IFRIC 23 is to be applied to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates. This interpretation is effective January 1, 2019, retrospectively, subject to certain exceptions.

- In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* The amendments address concerns about how IFRS 9 classifies prepayable financial assets and clarifies accounting for financial liabilities following a modification. These amendments are effective on or after January 1, 2019, on a retrospective basis subject to certain exceptions, with earlier application permitted.

- In October 2017, the IASB issued *Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28).* The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that forms part of a net investment in the associate or joint venture but to which the equity method is not applied. These amendments are effective on or after January 1, 2019, on a retrospective basis subject to certain exceptions, with earlier application permitted.

- In December 2017, the IASB issued *Annual Improvements (2015-2017 Cycle)* to make necessary but non-urgent amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, and IAS 23 *Borrowing Costs*. These amendments are effective on or after January 1, 2019, with earlier application permitted.

7. Business Acquisitions

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain estimates of fair values of assets and liabilities acquired may not be finalized at the initial time of reporting. These estimates are completed after the vendors' final financial statements have been prepared and accepted by the Company, after detailed project portfolio reviews are performed, and when the valuations of intangible assets and other assets and liabilities acquired are finalized. The preliminary fair values are based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition date. During a measurement period not to exceed one year, adjustments to the initial estimates may be required to finalize the fair value of assets and liabilities acquired. The Company will revise comparative information if these measurement period adjustments are material.

The consideration paid for acquisitions may be subject to price adjustment clauses included in the purchase agreements and may extend over a number of years. At each consolidated statement of financial position date, these price adjustment clauses are reviewed. This may result in an increase or decrease of the notes payable consideration (recorded on the acquisition date) to reflect either more or less non-cash working capital than was originally recorded. Since these adjustments are a result of facts and circumstances occurring after the acquisition date, they are not considered measurement period adjustments.

For some acquisitions, additional payments may be made to the employees of an acquired company that are based on the employees' continued service over an agreed time period. These additional payments are not included in the purchase price. They are expensed as compensation when services are provided by the employees.

Acquisitions in 2016
During 2016, the Company acquired all the shares and business of Bury Holdings, Inc. (Bury); MWH Global, Inc. (MWH); VOA Associates, Inc. (VOA); Edwards and Zuck, P.C. and Edwards and Zuck Consulting Engineers, D.P.C. (collectively called Edwards & Zuck); and certain assets and liabilities of Architecture | Tkalcic Bengert (Arch | TB). The preliminary fair values of the net assets recognized in the Company's consolidated financial statements were based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition dates. For the year ended December 31, 2017, management finalized the fair value assessment for all assets and liabilities acquired from Bury, MWH, VOA, Edwards & Zuck and Arch | TB. For the Bury, VOA, Edwards & Zuck and Arch | TB acquisitions, no adjustments were required to the initial estimates of the fair value of assets and liabilities acquired. For the MWH acquisition, all adjustments required, from the initial estimates of the fair value of net assets acquired to their final fair value, were recorded in 2016. These adjustments, as well as the final MWH purchase price allocation to all identifiable assets and liabilities acquired, are disclosed in note 7 of the Company's December 31, 2016, annual consolidated financial statements. There were no significant measurement period adjustments recorded in the year ended December 31, 2017.

Acquisitions in 2017
On April 28, 2017, the Company acquired certain assets and liabilities of Inventrix Engineering, Inc. (Inventrix) for cash consideration and notes payable. Inventrix, based in Seattle, Washington, provides expertise in mechanical engineering. This addition enhances the Company's Buildings business operating unit in the United States. The consideration was allocated to the fair value of assets and liabilities acquired.

On July 28, 2017, the Company acquired all the shares and business of RNL Facilities Corporation (RNL) for cash consideration and notes payable. RNL, based in Denver, Colorado, has additional offices in Phoenix, Arizona; Los Angeles, California; Washington, DC; and Abu Dhabi, United Arab Emirates. RNL provides expertise in architecture, interior design, urban design, and landscaping. This addition enhances the Company's Buildings business operating unit.

On October 27, 2017, the Company acquired certain assets and liabilities of North State Resources, Inc. (NSR) for cash consideration and notes payable. NSR is based in Redding, California, and has additional offices in Sacramento and Chico, California. NSR provides expertise in physical, biological, and environmental sciences. This addition enhances the Company's Environmental Services business operating unit.

Aggregate consideration for assets acquired and liabilities assumed
Details of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

For acquisitions completed in the year	Total $
Cash consideration	**18.7**
Notes payable	**9.7**
Consideration	**28.4**
Assets and liabilities acquired	
Cash acquired	**5.4**
Non-cash working capital	**0.8**
Property and equipment	**0.8**
Intangible assets	
Client relationships	**3.2**
Contract backlog	**2.7**
Lease advantages	**0.1**
Other	**0.1**
Provisions	**(0.1)**
Long-term debt	**(0.1)**
Deferred income taxes	**(0.8)**
Total identifiable net assets at fair value	**12.1**
Goodwill arising on acquisitions	**16.3**
Consideration	**28.4**

Other information
Trade receivables assumed from acquired companies are recognized at fair value at the time of acquisition. For 2017, trade receivables acquired as at the time of acquisition had a fair value of $7.9 and gross value of $8.2.

Goodwill consists of the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree. Goodwill relating to acquisitions completed in 2017 added to our Consulting Services – United States and Consulting Services – Global cash generating units (CGUs). For all acquisitions completed in 2017, $22.3 of goodwill and intangible assets is deductible for income tax purposes.

The fair values of provisions are determined at the acquisition date. These liabilities relate to claims that are subject to legal arbitration and onerous contracts. For acquisitions completed in 2017, the Company assumed $0.2 in provisions for claims. At the reporting date, provisions for claims outstanding relating to all prior acquisitions were reassessed and determined to be $17.0, based on their expected probable outcome. Certain of these claims are indemnified by the acquiree (note 19).

For business combinations that occurred in 2017, the gross revenue earned in 2017, since the acquired entities' acquisition dates, is $19.8. The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore, it is impracticable to disclose the acquiree's earnings in its consolidated financial statements since the acquisition date.

If the business combinations that occurred in 2017 had taken place at the beginning of 2017, gross revenue from continuing operations for 2017 would have been $5,176.8 (unaudited) and profit from continuing operations would have been $98.3 (unaudited).

In 2017, directly attributable acquisition-related costs of $0.4 have been expensed and are included in administrative and marketing expenses. These costs consist primarily of legal, accounting, and financial advisory fees and costs directly related to acquisitions.

Consideration paid and outstanding
Details of the consideration paid for current and past acquisitions are as follows:

	December 31 2017 $
Cash consideration (net of cash acquired)	**13.3**
Payments on notes payable from previous acquisitions	**66.4**
Total net cash paid	**79.7**

Total notes payable and adjustments to these obligations are as follows:

	December 31 2017 $
Balance, beginning of the year	**122.4**
Additions for acquisitions in the year	**9.7**
Other adjustments	**(2.8)**
Payments	**(66.4)**
Interest	**1.0**
Impact of foreign exchange	**(5.1)**
Total notes payable	**58.8**

8. Disposition of a Subsidiary
On May 5, 2017, the Company completed the sale of the shares of Innovyze, Inc. along with its subsidiaries Innovyze Pty Limited and Innovyze Limited (collectively, Innovyze). Innovyze was acquired as part of the MWH acquisition and formed part of the Company's Consulting Services – United States and Consulting Services – Global reportable segments. Innovyze was sold for gross proceeds of $369.1 (US$270.0), less working capital adjustments, resulting in cash proceeds of $336.9. As a result of the sale, the Company recognized the following gain on disposition in the consolidated statements of income:

	$
Gross proceeds	**369.1**
Working capital adjustments	**(15.3)**
Transaction costs	**(16.9)**
Net proceeds from sale	**336.9**
Net assets disposed	**(268.5)**
Cumulative exchange loss on translating foreign operations reclassified from equity	**(13.8)**
Gain on disposition of a subsidiary	**54.6**

In accordance with the Credit Facilities agreement (note 18), the Company used the net proceeds on sale, less taxes payable and certain transaction costs (all as defined in the relevant agreements), to repay its long-term debt by $221.3.

As a result of the close of the sale, in the second quarter of 2017, current tax expense of $124.1 was recognized in the consolidated statements of income calculated pursuant to US tax legislation. In addition, $29.6 of deferred taxes

was recognized in the consolidated statements of income, primarily related to deferred taxes, previously recorded on Innovyze net assets.

Major categories of assets and liabilities of Innovyze that were disposed of were as follows:

	$
Assets	
Cash and cash equivalents	**0.3**
Trade and other receivables	**3.3**
Unbilled revenue	**0.2**
Prepaid expenses	**0.2**
Property and equipment	**0.3**
Goodwill	**194.4**
Intangibles	
Client relationships	**71.0**
Trademarks - indefinite	**6.1**
Software	**18.0**
Total assets disposed	**293.8**
Liabilities	
Trade and other payables	**13.7**
Deferred revenue	**10.1**
Income taxes payable	**1.4**
Provisions	**0.1**
Total liabilities disposed	**25.3**
Net assets disposed	**268.5**

9. Cash and Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of the following:

	December 31 2017 $	December 31 2016 $
Cash	**234.7**	207.1
Unrestricted investments	**4.8**	3.8
Cash and cash equivalents	**239.5**	210.9

Unrestricted investments consist of short-term bank deposits with initial maturities of three months or less.

At December 31, 2017, and pursuant to acquisition agreements, $7.9 (US$6.2) (2016 – $8.8 (US$6.6)) was held in escrow accounts. These escrow funds cover potential indemnification claims and will be settled in accordance with an escrow agreement. A corresponding obligation was recorded on acquisition and is included in notes payable (note 18).

10. Trade and Other Receivables

	December 31 2017 $	December 31 2016 $
Trade receivables, net of allowance	**746.6**	740.7
Holdbacks, current	**43.8**	45.0
Other	**25.7**	20.7
Trade and other receivables	**816.1**	806.4

The Company maintains an allowance for estimated losses on trade receivables. The estimate is based on the best assessment of the collectibility of the related receivable balance, which is determined in part based on the age of the outstanding receivables and the Company's historical collection and loss experience.

The following table provides a reconciliation of changes to the Company's allowance for doubtful accounts.

	December 31 2017 $	December 31 2016 $
Balance, beginning of the year	**28.2**	20.9
Provision for doubtful accounts	**11.6**	17.0
Deductions	**(8.7)**	(8.0)
Impact of foreign exchange	**(2.0)**	(1.7)
Balance, end of the year	**29.1**	28.2

The aging analysis of gross trade receivables is as follows:

	Total $	1–30 $	31–60 $	61–90 $	91–120 $	121+ $
December 31, 2017	**775.7**	**406.5**	**183.6**	**60.0**	**39.4**	**86.2**
December 31, 2016	768.9	413.6	159.5	61.7	44.1	90.0

11. Property and Equipment

	Engineering Equipment $	Office Equipment $	Leasehold Improvements $	Assets under Finance Leases $	Other $	Total $
Cost						
December 31, 2015	129.0	70.7	130.9	2.2	31.7	364.5
Additions	15.8	12.0	27.7	-	3.2	58.7
Additions arising on acquisitions	15.7	6.2	28.5	0.8	3.2	54.4
Disposals	(27.1)	(5.9)	(18.7)	(0.6)	(4.2)	(56.5)
Transfers	1.4	0.5	(0.5)	(1.4)	(0.1)	(0.1)
Impact of foreign exchange	(2.9)	(1.5)	(1.0)	(0.1)	(0.7)	(6.2)
December 31, 2016	131.9	82.0	166.9	0.9	33.1	414.8
Additions	21.2	6.8	29.4	-	4.7	62.1
Additions arising on acquisitions	0.2	0.1	0.5	-	-	0.8
Disposals	(33.4)	(24.9)	(16.4)	(0.8)	(3.0)	(78.5)
Transfers	0.1	(0.8)	0.2	-	0.5	-
Impact of foreign exchange	(3.3)	(1.6)	(5.1)	-	(1.5)	(11.5)
December 31, 2017	**116.7**	**61.6**	**175.5**	**0.1**	**33.8**	**387.7**
Accumulated depreciation						
December 31, 2015	82.3	45.1	61.2	0.9	16.9	206.4
Current year depreciation	17.6	8.4	22.2	0.2	2.8	51.2
Disposals	(25.5)	(5.2)	(17.5)	(0.3)	(3.1)	(51.6)
Transfers	0.7	-	(0.1)	(0.6)	-	-
Impact of foreign exchange	(2.0)	(2.7)	(0.9)	(0.1)	0.6	(5.1)
December 31, 2016	73.1	45.6	64.9	0.1	17.2	200.9
Current year depreciation	18.2	7.6	26.7	-	2.1	54.6
Disposals	(32.7)	(25.4)	(15.9)	(0.1)	(2.6)	(76.7)
Impact of foreign exchange	(1.2)	(0.2)	(1.6)	-	(0.7)	(3.7)
December 31, 2017	**57.4**	**27.6**	**74.1**	**-**	**16.0**	**175.1**
Net book value						
December 31, 2016	58.8	36.4	102.0	0.8	15.9	213.9
December 31, 2017	**59.3**	**34.0**	**101.4**	**0.1**	**17.8**	**212.6**

Leasehold improvements includes construction work in progress of $3.5 (2016 – $2.5) on which depreciation has not started. The Company entered into finance leases for certain office and automotive equipment.

Included in the Other category is automotive equipment, buildings, land, and fractional ownership of an aircraft.

12. Goodwill

	Note	December 31 2017 $	December 31 2016 $
Net goodwill, beginning of the year		**1,828.1**	966.5
Current year acquisitions		**16.3**	850.7
Current year disposals	8	**(194.4)**	-
Impact of foreign exchange		**(93.4)**	10.9
Net goodwill, end of the year		**1,556.6**	1,828.1
Gross goodwill, end of the year		**1,734.6**	2,006.1
Accumulated impairment losses, beginning and end of the year		**(178.0)**	(178.0)
Net goodwill, end of the year		**1,556.6**	1,828.1

Goodwill arising from acquisitions includes factors such as the expertise and reputation of the assembled workforce acquired, the geographic location of the acquiree, and the expected synergies.

CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. The Company has seven CGUs. Three of these are grouped into Consulting Services – Global and two are grouped into Construction Services for the purposes of impairment testing. The Company does not monitor goodwill at or allocate goodwill to its business operating units.

During the second quarter of 2017, the Company completed the sale of the shares of Innovyze (note 8). Innovyze's goodwill disposed of included $106.3 allocated from Consulting Services – United States and $88.1 allocated from Consulting Services – Global.

On October 1, 2017, and October 1, 2016, the Company performed its annual goodwill impairment test in accordance with its policy described in note 4. Based on the results of the 2017 and 2016 tests, the Company concluded that the recoverable amount of each CGU or groups of CGUs approximated or exceeded its carrying amount and, therefore, goodwill was not impaired.

Goodwill was allocated to each CGU or groups of CGUs as follows:

	December 31 2017 $	December 31 2016 $
Consulting Services		
Canada	**337.8**	337.6
United States	**917.7**	1,073.2
Global	**183.2**	287.9
Construction Services	**117.9**	129.4
Allocated	**1,556.6**	1,828.1

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many factors used to determine whether goodwill is impaired are outside of management's control and involve inherent uncertainty. Therefore, actual results could differ from those estimated.

Valuation techniques
When performing the goodwill impairment test, if the carrying amount of a CGU or group of CGUs is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimates the recoverable amount by using the fair value less costs of disposal approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGUs or groups of CGUs projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions and the risk of achieving the cash flows. The Company uses cash flow projections covering a five-year period from financial forecasts approved by senior management. For its October 1, 2017, and October 1, 2016, impairment tests, the Company discounted the cash flows for each CGU or group of CGUs using an after-tax discount rate ranging from 8.9% to 15.1% (2016 – 9.0% to 13.7%) . To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period (note 5).

The Company validates its estimate of the fair value of each CGU or group of CGUs under the income approach by comparing the resulting multiples to multiples derived from comparable public companies and comparable company transactions. The Company reconciles the total fair value of all CGUs and groups of CGUs with its market capitalization to determine if the sum is reasonable. If the reconciliation indicates a significant difference between the external market capitalization and the fair value of the CGUs or groups of CGUs, the Company reviews and adjusts, if appropriate, the discount rate of the CGU or groups of CGUs and considers whether the implied acquisition premium (if any) is reasonable in light of current market conditions. The fair value measurement was categorized as a level 3 fair value based on the significant inputs in the valuation technique used (note 26).

The Company may need to test its goodwill for impairment between its annual test dates if market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment. In addition, changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value could cause them to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

Key assumptions
The calculation of fair value less costs of disposal is most sensitive to the following assumptions:

- Operating margin rates based on actual experience and management's long-term projections.
- Discount rates reflecting investors' expectations when discounting future cash flows to a present value, taking into consideration market rates of return, capital structure, company size, and industry risk. If necessary, a discount rate is further adjusted to reflect risks specific to a CGU or group of CGUs when future estimates of cash flows have not been adjusted.
- Terminal growth rates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that does not exceed 3.0%.
- Non-cash working capital requirements are based on historical actual rates, market analyis, and management'slong-term projections.

Sensitivity to changes in assumptions
As at October 1, 2017, the recoverable amount of each CGU and group of CGUs exceeded its carrying amount. For Consulting Services – Canada and Consulting Services – United States management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount to exceed its recoverable amount.

For Consulting Services – Global group of CGUs, and Construction Services group of CGUs, as at the impairment testing date, the recoverable amount approximated the carrying amount. As a result, any adverse change in key assumptions could cause the carrying value to exceed the fair value less costs of disposal. The Consulting Services – Global group of CGUs had a moderated outlook in the pace of recoveries in the energy and mining sectors and in public sector spending in regions linked to these markets and Construction Services group of CGUs is under increased competition in the water sector. These moderated outlooks were reflected in the Company's budget and projections finalized in late 2017.

The values assigned to the most sensitive key assumptions for Consulting Services – Global group of CGUs and Construction Services group of CGUs are listed in the table below:

Key Assumptions	Consulting Services – Global	Construction Services
Operating margin rates	5.6% - 8.1%	1.1% - 1.3%
After tax discount rate	11.3%	12.5%
Terminal growth rate	3.0%	3.0%
Non-cash working capital rates	14.9% - 15.3%	(5.1%) - (5.6%)

Key assumptions for operating margin rates and non-cash working capital rates for Consulting Services - Global are calculated on net revenue, whereas Construction Services rates are calculated on gross revenue.

13. Intangible Assets

	Client Relationships $	Contract Backlog $	Software $	Other $	Total $	Total Lease Disadvantage (note 21) $
Cost						
December 31, 2015	146.3	12.9	63.0	9.9	232.1	(8.1)
Additions	-	-	25.7	-	25.7	-
Additions – internal development	-	-	0.6	-	0.6	-
Additions arising on acquisitions	246.9	50.6	27.6	29.1	354.2	(2.8)
Removal of fully amortized assets	(0.3)	(9.5)	(16.5)	(1.5)	(27.8)	0.5
Impact of foreign exchange	6.1	1.5	(2.8)	0.9	5.7	0.1
December 31, 2016	399.0	55.5	97.6	38.4	590.5	(10.3)
Additions	-	-	5.7	-	5.7	-
Additions arising on acquisitions	3.2	2.7	-	0.2	6.1	-
Disposals – Innovyze	(78.1)	-	(19.1)	(6.1)	(103.3)	-
Disposals – other	-	-	(3.3)	-	(3.3)	-
Removal of fully amortized assets	(13.8)	(6.2)	(15.7)	(3.1)	(38.8)	2.5
Impact of foreign exchange	(20.8)	(4.1)	0.4	(1.9)	(26.4)	0.6
December 31, 2017	**289.5**	**47.9**	**65.6**	**27.5**	**430.5**	**(7.2)**
Accumulated amortization						
December 31, 2015	59.3	6.0	25.4	3.3	94.0	(4.1)
Current year amortization	26.8	22.3	21.6	6.9	77.6	(1.9)
Removal of fully amortized assets	(0.3)	(9.5)	(16.5)	(1.5)	(27.8)	0.4
Impact of foreign exchange	(0.8)	0.4	(2.3)	(0.1)	(2.8)	0.1
December 31, 2016	85.0	19.2	28.2	8.6	141.0	(5.5)
Current year amortization	30.2	26.4	17.2	8.3	82.1	(1.9)
Disposals – Innovyze	(7.2)	-	(1.1)	-	(8.3)	-
Disposals – other	-	-	(2.7)	-	(2.7)	-
Removal of fully amortized assets	(13.8)	(6.2)	(15.7)	(3.1)	(38.8)	2.5
Impact of foreign exchange	(3.8)	(1.8)	1.0	(0.6)	(5.2)	0.4
December 31, 2017	**90.4**	**37.6**	**26.9**	**13.2**	**168.1**	**(4.5)**
Net book value						
December 31, 2016	314.0	36.3	69.4	29.8	449.5	(4.8)
December 31, 2017	**199.1**	**10.3**	**38.7**	**14.3**	**262.4**	**(2.7)**

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Software includes finance leases with a net book value of $16.5 (2016 – $23.0).

In accordance with its accounting policies in note 4, the Company tests intangible assets for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. To determine indicators of impairment of intangible assets, the Company considers external sources of information such as prevailing economic and market conditions and internal sources of information such as the historical and expected financial performance of the intangible assets. If indicators of impairment are present, the Company determines recoverability based on an estimate of discounted cash flows, using the higher of either the value in use or the fair value less costs of disposal methods. The measurement of impairment loss is based on the amount that the carrying amount of an intangible asset exceeds its recoverable amount at the CGU level. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future

contracts with clients, margins, market conditions, and the useful lives of the assets. During 2017, the Company concluded that there were no indicators of impairment to intangible assets.

14. Investments in Joint Ventures and Associates

The Company has interests in a number of joint ventures and associates that are private entities not listed on any public exchange. All operations are continuing.

Movement in investments in joint ventures and associates	**December 31 2017 $**	December 31 2016 $
Balance, beginning of the year	**9.2**	4.5
Additions arising on acquisitions	**-**	3.0
Share of total comprehensive income	**2.6**	2.4
Dividends and distributions received	**(2.0)**	(0.8)
Impact of foreign exchange	**(0.1)**	0.1
Balance, end of the year	**9.7**	9.2

The Company's interests in joint ventures include a 40% investment in PAE (New Zealand) Limited (PAE) and a 50% investment in ESH MWH Limited (ESH) which operates in the United Kingdom. Both joint ventures provide construction services. No dividends were paid in 2017 and 2016. The significant financial information for these joint ventures, based on their financial statements, are as follows:

	For the year ended December 31 2017		For the year ended December 31 2016	
	PAE $	**ESH $**	PAE $	ESH $
Revenue	**61.3**	**30.1**	28.6	-
Other expenses	**58.7**	**30.1**	27.6	-
Income tax expense	**0.6**	**-**	0.6	-
Net income for the year	**2.0**	**-**	0.4	-
Total comprehensive income	**2.0**	**-**	0.4	-

The Company has immaterial joint ventures and associates. Summarized financial information for the Company's share of these immaterial entities are as follows:

	December 31 2017 $	December 31 2016 $
Total comprehensive income	**1.8**	2.2
Aggregate carrying value	**5.0**	5.1

Activities classified as joint operations are accounted for in the consolidated financial statements by reflecting, line by line, the Company's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operation (note 35).

To support the activities of certain joint ventures and associates, the Company and the other investors in the joint ventures have agreed to make additional contributions in proportion to their interests to make up any losses, if required. In addition, for certain joint ventures and associates, the profits will not be distributed until the parties to the arrangement provide consent for distribution.

15. Other Financial Assets

	December 31 2017 $	December 31 2016 $
Investments held for self-insured liabilities	**147.1**	141.1
Holdbacks on long-term contracts	**39.6**	33.9
Indemnifications	**2.4**	2.4
Other	**6.3**	3.6
	195.4	181.0
Less current portion	**9.3**	20.9
Long-term portion	**186.1**	160.1

Investments held for self-insured liabilities

Investments held for self-insured liabilities consist of government and corporate bonds, equity securities, and term deposits. These investments are classified as available for sale and are stated at fair value with unrealized gains (losses) recorded in other comprehensive (loss) income.

Their fair value and amortized cost are as follows:

	December 31 2017 $		December 31 2016 $	
	Fair Value	**Amortized Cost/Cost**	Fair Value	Amortized Cost/Cost
Bonds	**97.7**	**98.6**	93.0	93.1
Equity securities	**49.4**	**48.3**	46.6	39.9
Term deposits	**-**	**-**	1.5	1.5
Total	**147.1**	**146.9**	141.1	134.5

The bonds bear interest at rates ranging from 0.75% to 5.15% per annum (December 31, 2016 – 0.88% to 4.88%). The terms to maturity of the bond portfolio, stated at fair value, are as follows:

	December 31 2017 $	December 31 2016 $
Within one year	**5.6**	18.6
After one year but not more than five years	**73.5**	64.8
More than five years	**18.6**	9.6
Total	**97.7**	93.0

Indemnifications

The Company's indemnifications relate to certain legal claims (note 19). During 2017, the change to provisions and indemnification assets relating to prior acquisitions was $0.2 (2016 – increased by $1.2) due to new information obtained in the year.

16. Other Assets

	December 31 2017 $	December 31 2016 $
Investment tax credits	**9.2**	14.1
Transaction costs on long-term debt	**4.9**	5.8
	14.1	19.9
Less current portion	**4.7**	4.7
Long-term portion	**9.4**	15.2

17. Trade and Other Payables

	December 31 2017 $	December 31 2016 $
Trade accounts payable	**367.1**	363.9
Employee and payroll liabilities	**248.8**	270.7
Accrued liabilities	**88.7**	83.5
Trade and other payables	**704.6**	718.1

18. Long-Term Debt

	December 31 2017 $	December 31 2016 $
Notes payable	**60.8**	127.2
Revolving credit facilities	**209.9**	416.1
Term loan	**458.5**	454.1
Finance lease obligations	**10.4**	23.1
	739.6	1,020.5
Less current portion	**198.2**	91.9
Long-term portion	**541.4**	928.6

Notes payable

Notes payable consists primarily of notes payable for acquisitions (note 7). The weighted average rate of interest on the notes payable at December 31, 2017, was 3.46% (2016 – 3.45%). The notes payable may be supported by promissory notes and are due at various times from 2018 to 2020. The aggregate maturity value of the notes at December 31, 2017, was $61.9 (2016 – $129.4). At December 31, 2017, $57.4 (US$45.7) (2016 – $122.3 (US$91.1)) of the notes' carrying amount was payable in US funds.

Revolving credit facilities and term loan

On May 6, 2016, the Company entered into an agreement for new $1.25 billion syndicated senior secured credit facilities (Credit Facilities) consisting of a senior secured revolving credit facility in the maximum amount of $800.0 and a $450.0 senior secured term loan in three tranches. This agreement allows the Company access to an additional $200.0, subject to approval, under the same terms and conditions. The revolving credit facility expires on May 6, 2021, and may be repaid from time to time at the option of the Company. The facility is available for future acquisitions, working capital needs, and general corporate purposes. Tranches A and B of the term loan were drawn in Canadian funds of $150.0 each (due May 6, 2018, and May 6, 2019, respectively), and tranche C was originally drawn in US funds of $116.7 (due May 6, 2020). On May 5, 2017, the Company reached an agreement to extend the maturity date of its $800.0 senior secured revolving credit facility from May 6, 2020, to May 6, 2021, and to

redenominate tranche C of its senior secured term loan from US funds of $116.7 to Canadian funds of $160.0. The term loan was recorded net of transaction costs of $3.3, which are amortized over the life of the three tranches.

The Credit Facilities may be drawn in Canadian dollars as either a prime rate loan or a bankers' acceptance; in US dollars as either a US base rate or a LIBOR advance; or, in the case of the revolving credit facility, in sterling or euros as a LIBOR advance; and by way of letters of credit. Depending on the form under which the credit facilities are accessed, rates of interest vary between Canadian prime, US base rate, and LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points vary, depending on the Company's leverage ratio (a non-IFRS measure), from 0 to 175 for Canadian prime and US base rate loans and from 100 to 275 for bankers' acceptances, LIBOR advances, and letters of credit. As security for the obligations under these facilities, the Company and certain of its subsidiaries granted the lenders a first-ranking security interest over all present and after-acquired assets, property, and undertakings, subject to customary carve-outs. The Credit Facilities contain restrictive covenants (note 28).

At December 31, 2017, $106.9 (US$85.0) of the revolving credit facility was payable in US funds, and $103.0 was payable in Canadian funds. At December 31, 2016, $114.1 (US$85.0) of the revolving credit facility was payable in US funds and $302.0 was payable in Canadian funds. At December 31, 2017, $460.0 of the term loan was payable in Canadian funds. At December 31, 2016, $156.7 (US $116.7) of the term loan was payable in US funds and $300.0 was payable in Canadian funds. The average interest rate applicable at December 31, 2017, for the Credit Facilities was 3.20% (2016 – 3.13%).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to the facility agreement. At December 31, 2017, the Company had issued and outstanding letters of credit that expire at various dates before January 2019, are payable in various currencies, and total $51.8 (2016 – $54.7). These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2017, $538.3 (2016 – $329.2) was available in the revolving credit facility for future activities.

At December 31, 2017, there were $4.3 (2016 – $3.6) in additional letters of credit issued and outstanding, outside of the Company's revolving credit facility. These were issued in various currencies and expire at various dates before November 2018.

Surety facilities
The Company has surety facilities to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. At December 31, 2017, the Company issued bonds under these surety facilities totaling $0.2 (2016 – $0.2) in Canadian funds, $587.1 (US$467.0) (2016 – $430.6 (US$320.7)) in US funds, and $1.0 (2016 – $1.3) in other foreign currencies. These bonds expire at various dates before December 2021.

Finance lease obligations
The Company has finance leases for software and for automotive and office equipment. At December 31, 2017, finance lease obligations included finance leases bearing interest at rates ranging from 1.4% to 5.25% (2016 – 1.37% to 5.93%). These finance leases expire at various dates before November 2021.

Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	December 31 2017 $	December 31 2016 $
Within one year	**7.4**	12.9
After one year but not more than five years	**3.1**	10.4
Total minimum lease payments	**10.5**	23.3
Present value of minimum lease payments	**10.4**	23.1

19. Provisions

	December 31 2017 $	December 31 2016 $
Provision for self-insured liabilities	**72.5**	69.4
Provisions for claims	**18.9**	25.2
Onerous contracts	**4.8**	10.8
End of employment benefit plans	**13.6**	11.3
	109.8	116.7
Less current portion	**28.1**	36.0
Long-term portion	**81.7**	80.7

In the normal conduct of operations, various legal claims are pending against the Company, alleging, among other things, breaches of contract or negligence in connection with the performance of consulting and construction services. The Company carries professional liability insurance, subject to certain deductibles and policy limits, and has a captive insurance company that provides insurance protection against such claims. In some cases, the Company may be subject to claims for which it is only partly insured or it is completely insured. Damages assessed in connection with and the cost of defending such actions could be substantial and possibly in excess of policy limits, for which a range of possible outcomes are either not able to be estimated or not expected to be significant. However, based on advice and information provided by legal counsel, the Company's previous experience with the settlement of similar claims, and the results of the annual actuarial review, management believes that the Company has recognized adequate provisions for probable and reasonably estimated liabilities associated with these claims. In addition, management believes that it has appropriate insurance in place to respond to and offset the cost of resolving these claims.

During the year, claims related to pre-acquisition contracts not covered by the Company's self-insurance have developed. It is not practical to estimate the potential effect of these claims; however, management believes it is not probable that resolution of these claims will result in an outflow and the Company has or will be asserting various affirmative claims of its own related to the same projects.

Due to uncertainties in the nature of the Company's legal claims, such as the range of possible outcomes and the progress of the litigation, provisions accrued involve estimates. The ultimate cost to resolve these claims may exceed or be less than that recorded in the consolidated financial statements. Management believes that the ultimate cost to resolve these claims will not materially exceed the insurance coverage or provisions accrued and, therefore, would not have a material adverse effect on the Company's consolidated statements of income and financial position.

Management regularly reviews the timing of the outflows of these provisions. Cash outflows for existing provisions are expected to occur within the next one to five years, although this is uncertain and depends on the development of the various claims. These outflows are not expected to have a material impact on the Company's cash flows.

Provision for self-insured liabilities

	December 31 2017 $	December 31 2016 $
Provision, beginning of the year	**69.4**	61.5
Current-year provisions	**23.9**	10.5
Claims from acquisitions	**-**	8.0
Payment for claims settlement	**(17.5)**	(9.6)
Impact of foreign exchange	**(3.3)**	(1.0)
Provision, end of the year	**72.5**	69.4

The current and long-term portions of the provision for self-insured liabilities are determined based on an actuarial estimate. At December 31, 2017, the long-term portion was $65.9 (2016 – $64.0).

Provisions for claims

	December 31 2017 $	December 31 2016 $
Provisions, beginning of the year	**25.2**	13.3
Current-year provisions	**2.3**	2.3
Claims from acquisitions	**0.2**	23.6
Claims paid or otherwise settled	**(6.8)**	(11.3)
Impact of foreign exchange	**(2.0)**	(2.7)
Provisions, end of the year	**18.9**	25.2

Provisions for claims include an estimate for costs associated with legal claims covered by third-party insurance. Often, these legal claims are from previous acquisitions and may be indemnified by the acquiree (notes 7 and 15).

Onerous contracts

	December 31 2017 $	December 31 2016 $
Liability, beginning of the year	**10.8**	10.7
Current-year provisions	**0.7**	4.3
Resulting from acquisitions	**-**	2.5
Costs paid or otherwise settled	**(6.4)**	(6.6)
Impact of foreign exchange	**(0.3)**	(0.1)
Liability, end of the year	**4.8**	10.8

Onerous contracts consist of lease exit liabilities and sublease losses. Payments for these onerous contracts will occur until 2024. The Company anticipates a lease exit liability of approximately $15.0 to be recorded in the fourth quarter of 2018 in relation to its corporate office move.

20. Net Employee Defined Benefit Liability

The Company sponsors defined benefit pension plans (the Plans) covering certainfull-time employees and past employees, primarily in the United Kingdom. The benefits for the defined benefit pension plans are based on final compensation and years of service. The Plans ceased all future service benefits, although the future salary link has been retained for certain continuing active members.

The Plans are governed by the laws of the United Kingdom. Each pension plan has a board of trustees–consisting of four employer-appointed trustees (one of these is a professional trustee) and two member-nominated trustees–that is responsible for administering the assets and defining the investment policies of the Plans.

The funding objective of each pension plan is to have sufficient and appropriate assets to meet actuarial liabilities. The board of trustees reviews the level of funding required based on separate triennial actuarial valuations for funding purposes; the most recent was completed as at March 31, 2017. The Plans require that contributions be made to separately administered funds, which are maintained independently by custodians. The Company expects to contribute $14.9 to the Plans in 2018.

The Plans expose the Company to a number of risks, including changes tolong-term UK interest rates and inflation expectations, movements in global investment markets, changes in life expectancy rates, foreign exchange risk, and regulatory risk from changes in UK pension legislation. The Company is also exposed to price risk because the Plan assets include significant investments in equities.

Guaranteed annuities, purchased for certain plan members upon retirement, protect a portion of the Plans from changes in interest rates and longevity post-retirement. Post-retirement benefits that are fully matched with insurance policies have been included in both the asset and liability figures in the following tables.

A program of liability-driven investments (LDI) has been implemented to hedge a portion of the Plans' long-term interest rate risk. The LDI program is at a relatively early stage and relates to only a portion of the Plans' investments; therefore, the Plans remain exposed to significant interest rate risk, along with the other risks mentioned above.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

	2017			**2016**		
	Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**	Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
	$	**$**	**$**	$	$	$
Balance, beginning of the year	**374.6**	**(324.1)**	**50.5**	383.6	(339.8)	43.8
Included in profit or loss						
Interest expense (income)	**10.4**	**(8.9)**	**1.5**	7.5	(6.7)	0.8
Administrative expenses paid by the Plans	**-**	**1.0**	**1.0**	-	0.9	0.9
	10.4	**(7.9)**	**2.5**	7.5	(5.8)	1.7
Included in other comprehensive income						
Return on the plan assets (excluding interest income)	**-**	**(30.1)**	**(30.1)**	-	(19.5)	(19.5)
Actuarial (gains) losses arising from:						
Changes in demographic assumptions	**(8.1)**	**-**	**(8.1)**	(1.3)	-	(1.3)
Changes in financial assumptions	**29.5**	**-**	**29.5**	35.0	-	35.0
Experience adjustments	**(5.3)**	**-**	**(5.3)**	3.2	-	3.2
Effect of movement in exchange rates	**10.2**	**(9.4)**	**0.8**	(45.0)	40.1	(4.9)
	26.3	**(39.5)**	**(13.2)**	(8.1)	20.6	12.5
Other						
Benefits paid	**(13.6)**	**13.6**	**-**	(8.4)	8.4	-
Contributions by employer	**-**	**(21.3)**	**(21.3)**	-	(7.5)	(7.5)
	(13.6)	**(7.7)**	**(21.3)**	(8.4)	0.9	(7.5)
Balance, end of the year	**397.7**	**(379.2)**	**18.5**	374.6	(324.1)	50.5

Presented in the statement of financial position as:

	December 31 2017	December 31 2016
	$	$
Net defined benefit asset	**(12.7)**	-
Net defined benefit liability	**31.2**	50.5
	18.5	50.5

The Company has an unconditional right to derive economic benefit from the above surplus and has, therefore, recognized a net defined benefit asset.

The major categories of plan assets, measured at fair value, are as follows:

	December 31 2017 $	December 31 2016 $
Cash and cash equivalents	**2.9**	8.8
Investments quoted in active markets (mutual funds and exchange-traded funds):		
Equities	**110.1**	80.8
Corporate bonds and fixed income	**45.0**	36.1
Property funds	**6.6**	8.0
Unquoted investments (insurance contract):		
Annuity policies	**102.9**	90.5
Equities and property	**69.5**	59.0
Corporate bonds	**22.7**	19.1
Cash and cash equivalents	**19.5**	21.8
Fair Value of the plan assets	**379.2**	324.1

The investment policy for the Plans is to balance risk and return. Approximately 40% of the plan assets are invested in mutual funds and exchange-traded funds (both are fair valued using quoted market prices) or held in cash. Approximately 30% of the plan assets are held in annuity policies which are purchased for certain plan members upon retirement. The fair value of these policies reflects the value of the obligation for these retired plan members and is determined using actuarial techniques and guaranteed annuity rates. The remaining assets of the Plans are invested in a wholly insured with-profits insurance contract with a major insurance company. Contributions made to this contract are invested in insurance policies administered by third parties, which provide for a declared rate of interest. The yields on the investments are intended to provide for a steady return on the assets, which is not wholly dependent on stock market fluctuations, to reflect the long-term performance of the investment. The insurance contract is fair valued using valuation techniques with market observable inputs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using actuarial valuations. The principal assumptions used in determining pension benefit obligations for the Plans are shown below (expressed as weighted averages):

	December 31 2017	December 31 2016
Discount rate	**2.47%**	2.68%
Rate of increase in salaries	**3.51%**	4.50%
Rate of inflation, pre-retirement	**2.40%**	2.45%
Rate of increase in future pensions payment	**3.53%**	3.58%
Life expectancy at age 65 for current pensioners:		
Male	**22 years**	22 years
Female	**24 years**	24 years
Life expectancy at age 65 for current members aged 40:		
Male	**23 years**	24 years
Female	**26 years**	26 years

At December 31, 2017, the weighted average duration of the defined benefit obligation was 15 years (2016 – 14 years).

Quantitative sensitivity analyses showing the impact on the defined benefit obligation for significant assumptions are as follows:

	December 31 2017		December 31 2016	
	Increase $	**Decrease $**	Increase $	Decrease $
Change in discount rate by 0.25%	**(11.2)**	**11.8**	(10.5)	11.0
Change in pre-retirement inflation rate by 0.25%	**3.9**	**(3.8)**	3.5	(3.3)
Change in salary growth by 0.25%	**0.5**	**(0.5)**	0.8	(0.6)
Change in pension increase assumption by 0.25%	**6.4**	**(6.1)**	0.8	(0.8)
Increase of one year in the life expectancy	**6.0**	**n/a**	4.6	n/a

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption and keeping all other assumptions constant, and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

21. Other Liabilities

	Note	December 31 2017 $	December 31 2016 $
Deferred gain on sale leaseback		**0.5**	1.1
Lease inducement benefits		**57.2**	50.3
Lease disadvantages		**2.7**	4.8
Deferred share units payable	25	**15.5**	16.2
Other cash-settled share-based compensation	25	**7.0**	8.0
Liability for uncertain tax positions		**31.3**	28.8
		114.2	109.2
Less current portion		**22.2**	20.8
Long-term portion		**92.0**	88.4

22. Derivative Financial Instruments

During the year ended December 31, 2016, the Company entered into US$773.0 foreign currency forward contract agreements to purchase US$773.0 for $1,009.0 at fixed rates varying from 1.3236 to 1.28655 that matured on May 6, 2016. These derivative financial instruments were entered into to mitigate foreign currency fluctuation risk on the purchase price of MWH that was to be paid in US dollars. The fair value of the contracts resulted in a realized loss of $10.2 in 2016. The Company designated these foreign currency forward contracts as a cash flow hedge which was effective to the date of maturity.

23. Commitments

The Company has various operating lease commitments, including commitments for annual basic premises rent underlong-term leases and equipment and vehicle operating leases. The Company also has purchase obligations for cloud services, software support, and equipment. Depending on the agreement, the Company may enter into renewal options or escalation clauses.

Future minimum rental payments payable under noncancellable operating leases and purchase obligations as at December 31, 2017, are as follows:

	$
Within one year	**214.4**
After one year but not more than five years	**571.5**
More than five years	**349.2**
	1,135.1

The premises rental expense for the year ended December 31, 2017, was $178.1 (2016 – $165.0).

Sublease rental income for the year ended December 31, 2017, was $7.4 (2016 – $6.0). Future minimum sublease payments expected to be received under noncancellable sublease agreements as at December 31, 2017, are $16.8 (2016 – $20.9).

24. Contingencies and Guarantees

The nature of the Company's legal claims and the provisions recorded for these claims are described in note 19. Although the Company accrues adequate provisions for probable legal claims, it has contingent liabilities relating to reported legal incidents that, based on current known facts, are not probable to result in future cash outflows. The Company is monitoring these incidents and will accrue no provision until further information results in a situation in which the criteria required to record a provision is met. Due to the nature of these incidents, such as the range of possible outcomes and the possibility of litigation, it is not practicable for management to estimate the financial effects of these incidents, the amount and timing of future outflows, and the possibility of any reimbursement of these outflows.

In the normal course of business, the Company provides indemnifications and, in limited circumstances, surety bonds and guarantees. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes to or in the interpretation of laws and regulations, or as a result of damages or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications and guarantees will vary based on the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. In most cases, the potential payment amount of an outstanding indemnification or guarantee is limited to the remaining cost of work to be performed under engineering and construction contracts. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications. Historically, the Company has not made any material payments under such indemnifications or guarantees, and no amounts have been accrued in the consolidated financial statements with respect to these indemnifications and guarantees.

25. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series, with attributes designated by the board of directors

Common shares

During 2017, 465,713 (2016 – 572,825) common shares were repurchased for cancellation pursuant to the ongoing Normal Course Issuer Bid at a cost of $14.4 (2016 – $18.2). Of this amount, $3.6 (2016 – $1.9) reduced share capital

and $10.8 (2016 – $16.3) was charged to retained earnings. On November 2, 2017, the Company received approval from the TSX respecting the renewal of the Company's Normal Course Issuer Bid, which enables it to purchase up to 2,278,747 common shares during the period November 14, 2017 to November 13, 2018.

During 2017, the Company recognized a share-based compensation expense of $9.5 (2016 – $8.9) in administrative and marketing expenses in the consolidated statements of income. Of the amount expensed, $4.9 (2016 – $4.4) related to the amortization of the fair value of options granted and $4.6 (2016 – $4.5) related to the cash-settled share-based compensation (deferred share units (DSUs) and performance share units (PSUs)).

The fair value of the amortized portion of the options granted was reflected through contributed surplus, and the cash-settled share-based compensation was reflected through other liabilities. Upon the exercise of share options for which a share-based compensation expense has been recognized, the cash paid, together with the related portion of contributed surplus, is credited to share capital.

Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's board of directors. The table below describes the dividends declared and recorded in the consolidated financial statements in 2017.

Date Declared	Record Date	Payment Date	Dividend per Share $	Paid $
February 22, 2017	March 31, 2017	April 13, 2017	0.1250	14.3
May 10, 2017	June 30, 2017	July 13, 2017	0.1250	14.2
August 8, 2017	September 29, 2017	October 12, 2017	0.1250	14.2
November 8, 2017	December 31, 2017	January 11, 2018	0.1250	-

At December 31, 2017, trade and other payables included $14.3 (2016 – $12.8) related to the dividends declared on November 8, 2017.

Share-based payment transactions

In 2017, under the long-term incentive program, the Company granted share options and PSUs. The Company also has a DSU plan for the board of directors.

a) Share options

The Company has granted share options to officers and employees to purchase 4,426,237 shares at prices from $14.33 to $32.90 per share. These options expire on dates between January 28, 2018, and May 16, 2022.

	For the year ended December 31 2017		For the year ended December 31 2016	
	Shares #	Weighted Average Exercise Price per share $	Shares #	Weighted Average Exercise Price per share $
Share options, beginning of the year	**3,655,020**	**28.33**	2,980,601	26.17
Granted	**1,229,689**	**31.75**	995,904	32.83
Exercised	**(376,160)**	**21.09**	(254,156)	19.76
Forfeited	**(82,312)**	**31.57**	(67,329)	31.45
Share options, end of the year	**4,426,237**	**29.84**	3,655,020	28.33

The options held by officers and employees at December 31, 2017, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices per share $	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price per share $	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price per share $
14.33 – 14.88	**337,714**	**0.87**	**14.73**	**337,714**	**0.87**	**14.73**
20.88	**432,367**	**2.16**	**20.88**	**432,367**	**2.16**	**20.88**
31.75 – 32.90	**3,656,156**	**3.86**	**32.29**	**1,516,836**	**3.58**	**32.56**
14.33 – 32.90	**4,426,237**	**3.46**	**29.84**	**2,286,917**	**2.91**	**27.72**

The fair value of options granted is determined at the date of grant using the Black-Scholes option-pricing model. The model was developed to use when estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including expected share price volatility and expected hold period to exercise.

In 2017, the Company granted 1,229,689 (2016 – 995,904) share options. The estimated fair value of options granted at the share market price on the grant date was $5.03 per share (2016 – $5.22) and was determined using the weighted average assumptions indicated below:

	2017	2016
Volatility in the price of the Company's shares (%)	**24.13**	23.73
Risk-free interest rate (%)	**0.81**	0.76
Expected hold period to exercise (years)	**3.50**	3.50
Dividend yield (%)	**1.575**	1.370
Exercise price ($)	**31.75**	32.83

The expected volatility was based on the historical volatility of the Company's shares over a period commensurate with the expected hold period of the share options. The risk-free interest rate for the expected hold period of the options was based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data was used to estimate the expected hold period before exercising the options. The options have a contractual life of five years.

A summary of the status of the Company's non-vested options as at December 31, 2017, and of changes in the period are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value per share $
Non-vested share options, beginning of the year	**1,826,629**	**5.78**
Granted	**1,229,689**	**5.03**
Vested	**(852,874)**	**5.98**
Forfeited	**(64,124)**	**5.46**
Non-vested share options, end of the year	**2,139,320**	**5.28**

At December 31, 2017, 2,139,320 (2016 – 1,826,629) options remain unvested. At December 31, 2017, a total compensation cost of $4.8 (2016 – $3.9) relating to the Company's share option plans remained unrecognized. This cost is expected to be recognized over a weighted average period of 1.06 years (2016 – 0.98 years).

b) Performance share units
Under the Company's long-term incentive program, certain members of the senior leadership teams, including the chief executive officer (CEO), may be granted PSUs. These units are adjusted for dividends as they arise, based on the number of units held on the record date. PSUs vest upon completing a three-year service condition that starts on the grant date. The number of units that vest is subject to a percentage that can range from 0% to 200%, depending on achieving two equally weighted three-year performance objectives based on net income growth and return on equity. For units that vest, unit holders receive a cash payment based on the closing price of the Company's common shares on the third anniversary date of issue. For PSUs issued in 2017 onward, the price will be based on the weighted-by-volume average of the closing market price of the Company's common shares for the last 5 trading days preceding the anniversary date of issue. The fair value of these units is expensed over their three-year vesting period.

During 2017, 284,777 PSUs were issued (2016 – 233,255), and 19,617 PSUs were forfeited (2016 – 5,243). At December 31, 2017, 685,233 PSUs were outstanding at a fair value of $14.3 (2016 – 576,055 PSUs were outstanding at a fair value of $15.5).

c) Deferred share units
The directors of the board receive DSUs and, on an annual basis, elect to receive an additional fixed value compensation in the form of either DSUs or cash payment, less withholding amounts, to purchase common shares. A DSU is equal to one common share. Before 2014, the CEO could also receive DSUs. These units vest on their grant date and are paid in cash to the CEO and directors of the board on their death or retirement, or in the case of the CEO, in cash on termination. They are valued at the weighted-by-volume average of the closing market price of the Company's common shares for the last 10 trading days of the month of death, retirement, or termination. These units are recorded at fair value. DSUs are adjusted for dividends as they arise, based on the number of units outstanding on the record date.

During 2017, 38,625 DSUs (2016 – 37,325) were issued. At December 31, 2017, 438,969 DSUs were outstanding at a fair value of $15.5 (2016 – 466,365 DSUs were outstanding at a fair value of $16.2).

26. Fair Value Measurements
All financial instruments carried at fair value are categorized into one of the following:

- Level 1 – quoted market prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities that are not active, or other inputs that are observable directly or indirectly
- Level 3 – unobservable inputs for the assets and liabilities that reflect the reporting entity's own assumptions and are not based on observable market data

When forming estimates, the Company uses the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the financial instrument is categorized based on the lowest level of significant input.

When determining fair value, the Company considers the principal or most advantageous market in which it would transact and the assumptions that market participants would use when pricing the asset or liability. The Company measures certain financial assets at fair value on a recurring basis. During 2017, no change was made to the method of determining fair value.

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorizations at the end of each reporting period. During the year ended December 31, 2017, no transfers were made between levels 1 and 2 of the fair value measurements.

The following table summarizes the Company's fair value hierarchy for those assets and liabilities measured and adjusted to fair value on a recurring basis as at December 31, 2017:

	Note	Carrying Amount $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Investments held for self-insured liabilities	15	**147.1**	**-**	**147.1**	**-**

Investments held for self-insured liabilities consist of government and corporate bonds, and equity securities. Fair value of equities is determined using the reported net asset value per share of the investment funds. The funds derive their value from the observable quoted prices of the equities owned that are traded in an active market. Fair value of bonds is determined using observable prices of debt with characteristics and maturities that are similar to the bonds being valued.

The following table summarizes the Company's fair value hierarchy for those liabilities that were not measured at fair value but are required to be disclosed at fair value on a recurring basis as at December 31, 2017:

	Note	Fair Value Amount of Liability $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Notes payable	18	**60.7**	-	**60.7**	-

The fair value of notes payable is determined by calculating the present value of future payments using observable benchmark interest rates and credit spreads for debt with similar characteristics and maturities.

27. Financial Instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, cash in escrow, trade and other receivables, investments held for self-insured liabilities, holdbacks on long-term contracts, and indemnifications.

The Company's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which at December 31, 2017, was $1,252.6 (2016 – $1,203.5).

The Company limits its exposure to credit risk by placing its cash and cash equivalents in high-quality credit institutions. Investments held for self-insured liabilities include corporate bonds, equity securities, and term deposits. The Company believes the risk associated with corporate bonds, equity securities, and term deposits is mitigated by the overall quality and mix of the Company's investment portfolio.

The Company mitigates the risk associated with trade and other receivables and holdbacks on long-term contracts by providing services to diverse clients in various industries and sectors of the economy. The Company does not concentrate its credit risk in any particular client, industry, or economic or geographic sector. In addition, management reviews trade and other receivables past due on an ongoing basis to identify matters that could potentially delay the collection of funds at an early stage. The Company monitors trade receivables to an internal target of days of revenue in trade receivables, which, at December 31, 2017, was 55 days (2016 – 57 days).

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet obligations associated with its financial liabilities as they fall due. The Company meets its liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from its $800.0 revolving credit facility and term loan, and the issuance of common shares. The unused capacity of the revolving credit facility at December 31, 2017, was $538.3 (2016 – $329.2). The Company believes that it has sufficient resources to meet obligations associated with its financial liabilities. Liquidity risk is managed according to the Company's internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5 as defined in note 28.

The timing of undiscounted cash outflows relating to financial liabilities is outlined in the table below:

	Total $	Less than 1 Year $	1 to 3 Years $	After 3 Years $
December 31, 2017				
Trade and other payables	**704.6**	**704.6**	**-**	**-**
Long-term debt	**740.8**	**198.4**	**541.4**	**1.0**
Other financial liabilities	**10.9**	**1.8**	**7.5**	**1.6**
Total contractual obligations	**1,456.3**	**904.8**	**548.9**	**2.6**
December 31, 2016				
Trade and other payables	718.1	718.1	-	-
Long-term debt	1,023.0	92.4	929.5	1.1
Other financial liabilities	10.0	2.4	7.6	-
Total contractual obligations	1,751.1	812.9	937.1	1.1

In addition to the financial liabilities listed in the table, the Company will pay interest on the revolving credit facility and the term loan outstanding in future periods. Further information on long-term debt is included in note 18.

Interest rate risk
Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate cash flow risk to the extent that its revolving credit facility and term loan are based on floating interest rates. The Company is also subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities include fixed-rate government and corporate bonds and term deposits.

If the interest rate on the Company's revolving credit facility and term loan balances at December 31, 2017, was 0.5% higher, with all other variables held constant, net income would have decreased by $2.5. If it was 0.5% lower, an equal and opposite impact on net income would have occurred.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in net income arise on the translation of foreign currency–denominated assets and liabilities (such as trade and other receivables, trade and other payables, and long-term debt) held in the Company's Canadian operations and foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching foreign currency assets with foreign currency liabilities.

If exchange rates were 1.0% lower at December 31, 2017, with all other variables held constant, net income would have increased by less than $0.2. If they were 1.0% higher, an equal and opposite impact on net income would have occurred.

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income (loss). The Company does not hedge for this foreign exchange risk.

Price risk
The Company's investments held for self-insured liabilities are exposed to price risk arising from changes in the market values of the equity securities. This risk is mitigated because the portfolio of equity funds is monitored regularly and is appropriately diversified.

A 1.0% increase in equity prices at December 31, 2017, would have increased the Company's comprehensive income by $0.4. A 1.0% decrease would have had an equal and opposite impact on comprehensive income.

28. Capital Management
The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures, acquisition growth, and payment of dividends, while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity.

The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. To maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to Normal Course Issuer Bids, issue new shares, or raise or retire debt.

The Company periodically monitors capital by maintaining a net debt to EBITDA ratio below 2.5. This target is established annually and monitored quarterly, and is the same as in 2016.

Net debt to EBITDA ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents and cash in escrow, divided by (2) EBITDA, calculated as income before income taxes, net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible asset impairment. The Company's net debt to EBITDA ratio at December 31, 2017, was 1.16 (2016 – 2.38), calculated on a trailing four-quarter basis. Going forward, there may be occasions when the Company exceeds its target by completing acquisitions that increase its debt level above the target for a period of time.

The Company is subject to restrictive covenants related to its Credit Facilities (measured quarterly). These covenants include, but are not limited to, a leverage ratio and an interest coverage ratio (non-IFRS measures). The leverage ratio is calculated as consolidated debt to EBITDA, and the interest coverage ratio is calculated as EBITDA to interest expense. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation.

The Company was in compliance with the covenants under these agreements as at and throughout the year ended December 31, 2017.

29. Income Taxes

The effective income tax rate in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	For the year ended December 31	
	2017 %	2016 %
Income tax expense at statutory Canadian rates	**27.0**	27.0
Increase (decrease) resulting from:		
Rate differential on foreign income	**4.0**	5.2
Unrecognized tax losses and temporary differences	**(0.5)**	1.1
Non-deductible acquisition-related costs	**-**	1.2
Non-deductible meals and entertainment	**0.9**	1.0
Income from associated companies	**(0.3)**	0.7
Non-taxable foreign income	**(4.1)**	(7.3)
Research and development and other tax credits	**(2.7)**	(1.3)
Disposition of a subsidiary	**30.3**	-
Reorganization of corporate structure	**1.2**	-
Statutory rate change on deferred tax balances	**(4.8)**	-
Transition tax related to US tax reform	**11.8**	-
Other	**0.4**	0.2
	63.2	27.8

The major components of current income tax expense are as follows:

	For the year ended December 31	
	2017 $	2016 $
On-going operations	**34.4**	37.7
Disposition of subsidiary	**124.1**	-
Transition tax related to US tax reform	**31.2**	-
Reorganization of corporate structure	**3.2**	-
Total current income tax expense	**192.9**	37.7

The major components of deferred income tax (recovery) expense are as follows:

	For the year ended December 31	
	2017 $	2016 $
Origination and reversal of timing differences	**16.4**	12.7
Change of tax rates	**0.6**	(1.9)
Unrecognized tax losses and temporary differences	**0.4**	1.8
Recovery arising from previously unrecognized tax assets	**(1.6)**	-
Revaluation due to US tax reform	**(12.6)**	-
Disposition of a subsidiary	**(29.6)**	-
Total deferred income tax (recovery) expense	**(26.4)**	12.6

Significant components of the Company's net deferred income tax assets (liabilities) are as follows:

	December 31 2017 $	December 31 2016 $
Deferred income tax assets (liabilities)		
Differences in timing of taxability of revenue and deductibility of expenses	**36.1**	69.3
Loss and tax credit carryforwards	**9.6**	22.2
Employee defined benefit plan	**3.3**	8.7
Carrying value of property and equipment less than (in excess of) tax cost	**(3.6)**	4.6
Carrying value of intangible assets in excess of tax cost	**(78.8)**	(150.7)
Cash to accrual adjustment on acquisition of US subsidiaries	**(2.5)**	(7.8)
Other	**4.5**	0.3
	(31.4)	(53.4)

The following is a reconciliation of net deferred tax assets (liabilities):

	December 31 2017 $	December 31 2016 $
Balance, beginning of the year	**(53.4)**	(10.0)
Tax recovery during the year recognized in net income	**26.4**	(12.6)
Impact of foreign exchange	**1.8**	(4.5)
Deferred taxes acquired through business combinations	**(0.8)**	(28.3)
Tax effect on other comprehensive income	**(2.4)**	2.9
Other	**(3.0)**	(0.9)
Balance, end of the year	**(31.4)**	(53.4)

At December 31, 2017, except as noted below, all loss carryforwards and deductible temporary differences available to reduce the taxable income of Canadian, US, and foreign subsidiaries were recognized in the consolidated financial statements.

	December 31 2017 $	December 31 2016 $
Deductible temporary differences	**12.8**	8.8
Non-capital tax losses:		
Expire (2018 to 2037)	**16.3**	36.8
Never expire	**72.2**	54.0
	88.5	90.8
Capital tax losses:		
Never expire	**5.5**	10.3
	106.8	109.9

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). This significantly changed US tax laws in a number of ways including but not limited to reducing the corporate tax rate from 35% to 21% and moving from a worldwide tax system to a territorial system.

In reporting periods before the Tax Act, the Company's intent was not to repatriate foreign earnings, therefore, deferred tax was not recorded since it was not probable it would reverse in the foreseeable future. As a result of the enactment of the legislation, the Company incurred a $31.2 (US$24.5) one-time transition tax on deemed mandatory repatriation of earnings. The US federal portion of this tax was $29.3 (US$23.0), when adjusted for foreign tax credits previously recognized of $9.1 (US$7.1), resulted in a net transition tax liability of approximately $20.2 (US$15.9), and is payable over eight years with no interest charged. The state liability portion of this tax was approximately $1.9 (US$1.5) and is due in 2018. The proportion of US federal tax due, net of foreign tax credits, is 8% from 2018 to 2022, 15% in 2023, 20% in 2024, and 25% in 2025.

In addition, the Company's deferred tax assets and liabilities have been remeasured using a tax rate of 21%. Included in deferred income tax expense for changes in tax rate is a $12.6 (US$9.9) in recovery.

The Tax Act requires complex computations to be performed that were not previously required in US tax law, judgements to be made in interpretation of the provisions of the Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The US Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from the Company's interpretation. At this time, the Company made its best estimate on each aspect of the tax law changes. As the Company completes its analysis, collects and prepares necessary data, and interprets any additional guidance, the Company may make changes to its estimates on a prospective basis. In particular,estimates were used to determine the one-time transition tax and the remeasurement of deferrred tax assets and liabilities.

30. Net Interest Expense and Other Net Finance Expense

Net interest expense

	For the year ended December 31	
	2017	2016
	$	$
Interest on notes payable	**2.9**	4.4
Interest on revolving credit facilities	**24.4**	19.8
Interest on senior secured notes	**-**	5.8
Interest on finance leases	**0.1**	0.3
Other	**1.6**	1.1
Total interest expense	**29.0**	31.4
Interest income on available-for-sale investment debt securities	**(2.4)**	(2.1)
Other	**(0.8)**	(0.7)
Total interest income	**(3.2)**	(2.8)
Net interest expense	**25.8**	28.6

Other net finance expense	For the year ended December 31	
	2017	2016
	$	$
Amortization on available-for-sale investment debt securities	**0.6**	0.4
Bank charges	**8.6**	7.4
Total other finance expense	**9.2**	7.8
Realized gain on sale of available-for-sale investment debt securities	**(1.4)**	(0.1)
Derecognition of notes payable	**(0.7)**	(1.3)
Other net finance expense	**7.1**	6.4

31. Employee Costs

		For the year ended December 31	
		2017	2016
	Note	**$**	$
Wages, salaries, and benefits		**2,444.8**	2,211.7
Pension costs		**70.2**	58.9
Share-based compensation	25	**9.5**	8.9
Total employee costs		**2,524.5**	2,279.5
Direct labor		**1,589.4**	1,422.1
Indirect labor		**935.1**	857.4
Total employee costs		**2,524.5**	2,279.5

Direct labor costs include salaries, wages, and related fringe benefits for labor hours directly associated with the completion of projects. Bonuses, share-based compensation, termination payments, and salaries, wages, and related fringe benefits for labor hours not directly associated with the completion of projects are included in indirect labor costs. Indirect labor costs are included in administrative and marketing expenses in the consolidated statements of income. Included in pension costs is $67.7 (2016 – $57.2) related to defined contribution plans.

32. Other (Income) Expense

	For the year ended December 31	
	2017	**2016**
	$	**$**
Loss on sale of property and equipment	**0.2**	1.5
Realized gain on available-for-sale equity securities	**(9.6)**	-
Other	**(0.6)**	(1.3)
Total other (income) expense	**(10.0)**	0.2

33. Earnings Per Share

The number of basic shares outstanding and diluted common shares, calculated on a weighted average basis, is as follows:

	December 31 2017 #	December 31 2016 #
Basic shares outstanding	**113,991,507**	107,006,168
Share options (dilutive effect of 4,426,237 options; 2016 – 3,655,020 options)	**361,413**	319,623
Diluted shares	**114,352,920**	107,325,791

At December 31, 2017, and 2016, no options were antidilutive.

34. Cash Flow Information

Cash flows from operating activities determined by the indirect method are as follows:

	For the year ended December 31	
	2017 $	2016 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income for the year	**97.0**	130.5
Add (deduct) items not affecting cash:		
Depreciation of property and equipment	**54.6**	51.2
Amortization of intangible assets	**80.2**	75.7
Deferred income taxes	**(26.4)**	12.6
Loss (gain) on sale of property and equipment	**0.2**	1.5
Realized gain on available-for-sale equity securities	**(9.6)**	-
Gain on sale of a subsidiary	**(54.6)**	-
Share-based compensation	**9.5**	8.9
Provision for self-insured liabilities and claims	**26.2**	12.8
Share of income from joint ventures and associates	**(2.6)**	(2.4)
Other non-cash items	**5.0**	(2.6)
	179.5	288.2
Trade and other receivables	**70.7**	32.8
Unbilled revenue	**58.9**	1.9
Prepaid expenses	**15.9**	(1.5)
Income taxes recoverable	**143.7**	(4.8)
Trade and other payables	**(172.8)**	1.7
Deferred revenue	**(32.2)**	(32.6)
	84.2	(2.5)
Cash flows from operating activities	**263.7**	285.7

A reconciliation of liabilities arising from financing activities for the year ended December 31, 2017 is as follows:

		Statement of Cash Flows		Non-cash Changes		
	January 1 2017 $	Proceeds $	Repayments or Payments $	Foreign Exchange $	Other $	December 31 2017 $
Revolving credit facilities	**416.1**	**259.4**	**(462.4)**	**(3.2)**	**-**	**209.9**
Term loan	**454.1**	**-**	**-**	**3.3**	**1.1**	**458.5**
Finance lease obligations	**23.1**	**-**	**(12.7)**	**(0.1)**	**0.1**	**10.4**
Dividends to shareholders	**12.8**	**-**	**(55.5)**	**-**	**57.0**	**14.3**
Total liabilities from financing activities	**906.1**	**259.4**	**(530.6)**	**-**	**58.2**	**693.1**

35. Related-Party Disclosures

At December 31, 2017, the Company had subsidiaries and structured entities that it controlled and included in its consolidated financial statements. The Company also enters into related-party transactions through a number of joint ventures and associates. These transactions involve providing or receiving services entered into in the normal course of business.

The Company owns 100% of the voting and restricted securities of the entities below, except for certainnon-controlling interests as noted.

Name	Jurisdiction of Incorporation
58053 Newfoundland & Labrador Inc.	Newfoundland and Labrador, Canada
59991 Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
3221969 Nova Scotia Company	Nova Scotia, Canada
AIVEK Stantec Limited Partnership*	Newfoundland and Labrador, Canada
Brycon-MWHC Joint Venture*	Unincorporated
Bury – AUS, Inc.	Texas, United States
Bury – DFW, Inc.	Texas, United States
Bury – HOU, Inc.	Texas, United States
Bury – SAN, Inc.	Texas, United States
Bury Holdings, Inc.	Texas, United States
Edwards and Zuck Consulting Engineers, D.P.C.	New York, United States
ENTRAN of Virginia, PLLC	Virginia, United States
FST Engineers, Inc.	New York, United States
Harza International Development Company, LLC	Delaware, United States
Hawksley Consulting Pty Limited	Australia
Houston Airport Alliance*	Unincorporated
International Insurance Group Inc.	Barbados
Montgomery Watson (Bermuda) Ltd.	Bermuda
Montgomery Watson Harza (MWH) Mühendislik ve Müsavirlik Limited Sirketi	Turkey
Mustang Acquisition Holdings Inc.	Delaware, United States
MWH (Fiji) Limited	Fiji
MWH-AGS, Inc. JV*	Unincorporated
MWH Americas Inc. Chile, Limitada	Chile
MWH Americas, A New York Corporation	New York, United States
MWH Architects and Engineers, Inc.	Delaware, United States
MWH Canada, Inc.	Canada
MWH Constructors Canada Ltd.	Canada
MWH Constructors Holding B.V.	Netherlands

**Non-controlling interest*

Name	Jurisdiction of Incorporation
MWH Constructors Holdings Limited	Hong Kong
MWH Constructors Israel, Inc.	Delaware, United States
MWH Constructors Nevada, Inc.	Nevada, United States
MWH Constructors NZ	New Zealand
MWH Constructors, Inc.	Delaware, United States
MWH Constructors, Inc. & J.A. Tiberti Construction Co.,Inc. DBA Nevada Water Solutions Joint Venture*	Unincorporated
MWH Constructors, Inc. & Slayden Construction Group Inc., Joint Venture*	Unincorporated
MWH Consultancy (Malaysia) Sdn Bhd	Malaysia
MWH Consultants (Singapore) Pte Limited	Singapore
MWH DRC S.A.R.L.	Congo
MWH Energy Solutions, Inc.	Delaware, United States
MWH Enterprises, Inc.	Delaware, United States
MWH Environmental Technologies Taiwan Ltd.	Taiwan
MWH Holding B.V.	Netherlands
MWH IFI Limited	Hong Kong
MWH India Private Limited	India
MWH International, Inc.	Delaware, United States
MWH.JHCE JV*	Unincorporated
MWH/Khafra Joint Venture*	Unincorporated
MWH Khonji Bahrain*	Unincorporated
MWH Pakistan (Private) Limited	Pakistan
MWH Panama S.A.	Panama
MWH Peru, S.A.	Peru
MWH Rateware, Inc.	Delaware, United States
MWH Recovery Limited	New Zealand
MWH ResourceNet (India) Private Limited	India
MWH Société anonyme	Belgium
MWH Venezuela C.A.	Venezuela
MWH Venezuela (SA) LLC	Delaware, United States
MWH-WRE*	Unincorporated
R.G. Consulting Group	New Zealand
RDC of Nepal	Cayman Islands
Servicios de Infraestructura SDI C.A.	Venezuela
Slayden Constructors, Inc.	Oregon, United States
Stantec Aircraft Holdings Ltd.	Alberta, Canada
Stantec Argentina S.A.	Argentina
Stantec Asia Limited	Hong Kong
Stantec Australia Pty Ltd	Australia
Stantec B.V.	Netherlands
Stantec Constructors Holding (2017) Limited	United Kingdom
Stantec Consulting (Shanghai) Co., Ltd	China
Stantec Consulting Caribbean Ltd.	Barbados
Stantec Consulting Cayman Islands Ltd.	Cayman Islands
Stantec Consulting International LLC	Arizona, United States
Stantec Consulting International Ltd.	Canada
Stantec Consulting Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Consulting Ltd./Stantec Experts-conseils ltée	Canada
Stantec Consulting México, S. de R.L. de C.V.	Mexico
Stantec Consulting Michigan Inc.	Michigan, United States
Stantec Consulting Services Inc.	New York, United States
Stantec Delaware II LLC	Delaware, United States
Stantec Delaware III LLC	Delaware, United States

**Non-controlling interest*

Name	Jurisdiction of Incorporation
Stantec Delaware IV LLC	Delaware, United States
Stantec Energy & Resources Inc.	Delaware, United States
Stantec Environmental Engineering (Shanghai) Co., Ltd	China
Stantec Europe Limited	United Kingdom
Stantec Farrer Limited	United Kingdom
Stantec Global Capital Limited	United Kingdom
Stantec Holdings (2017) Limited	United Kingdom
Stantec Holdings	New Zealand
Stantec Holdings II Ltd.	Alberta, Canada
Stantec Limited	England and Wales
Stantec New Zealand	New Zealand
Stantec New Zealand International	New Zealand
Stantec Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Oceania Limited	United Kingdom
Stantec S.p.A.	Italy
Stantec Technology International Inc.	Delaware, United States
Stantec Treatment Group Limited	United Kingdom
Stantec Treatment Holding Limited	United Kingdom
Stantec Treatment Limited	United Kingdom
Stantec UK Limited	United Kingdom
Stassinu Stantec Limited Partnership*	Newfoundland and Labrador, Canada
Thomas Hawksley Consulting Limited	United Kingdom
UEI Associates, Inc.	Texas, United States
UEI Global I, Inc.	Texas, United States

**Non-controlling interest*

There are no significant restrictions on the Company's ability to access or use assets or to settle liabilities of its subsidiaries. The financial statements of all subsidiaries are prepared as at the same reporting date as the Company's.

Structured entities

At December 31, 2017, the Company had management agreements in place with several entities to provide various services, including architecture, engineering, planning, and project management. These entities have been designed so that voting rights are not the dominant factor in deciding who controls the entity. Each entity has a management agreement in place that provides the Company with control over the relevant activities of the entity where it has been assessed that the Company is exposed to variable returns of the entity and can use its power to influence the variable returns. The Company receives a management fee generally equal to the net income of the entities and has an obligation regarding the liabilities and losses of the entities. Based on these facts and circumstances, management determined that the Company controls these entities and they are consolidated in the Company's consolidated financial statements. The Company does not have any unconsolidated structured entities.

The following is a list of structured entities that are consolidated in the Company's financial statements.

Name	Jurisdiction of Incorporation
Architecture Stantec Québec Ltée	Québec, Canada
Consorcio Stantec Architecture Ltd. y Capitel S.A. Limitada	Chile
Harza Associates of New York PLLC	New York, United States
Montgomery Watson Engineers of New York, P.C.	New York, United States
MWH Architects and Engineers of New York, P.C.	New York, United States
RNL Design, Inc.	Colorado, United States
SHW Group LLC	Michigan, United States
Stantec Architecture and Engineering LLC	Pennsylvania, United States
Stantec Architecture and Engineering P.C.	Massachusetts, United States
Stantec Architecture Inc.	North Carolina, United States
Stantec Architecture Ltd.	Canada
Stantec Connecticut Inc.	Connecticut, United States
Stantec Engineering (Puerto Rico) P.S.C.	Puerto Rico
Stantec Geomatics Ltd.	Alberta, Canada
Stantec International Inc.	Pennsylvania, United States
Stantec Land Surveying Ltd.	British Columbia, Canada
Stantec Planning and Landscape Architecture P.C.	Maine, United States
Stantec Planning and Landscape Architecture P.C.	New York, United States
VOA+BBA Design Partnership, L.L.C.	Louisiana, United States
VOA-Ellerbe Becket, LLC	Florida, United States

Joint operations

The Company also conducts its business through the following significant joint operations, which primarily provide construction services.

Name	Ownership Interests	Jurisdiction
Balfour Beatty MWH Joint Venture (The Advance JV)	50%	United Kingdom
Costain MWH Delivery Partner	50%	United Kingdom
Efficient Service Delivery	33%	United Kingdom
MBV Energy Recovery	50%	United Kingdom
MWH Constructors, Israel, Inc. Shikun and Binui - Solei Boneh Infrastructure, Ltd., Joint Venture	50%	Israel
MWHT Costain Joint Venture	50%	United Kingdom
Skanska MWH Balfour Beatty Joint Venture	33%	United Kingdom

Joint ventures and associates

The Company enters into transactions through its investments in joint ventures and associates.

The following table provides the total dollar amount for transactions that have been entered into with related parties.

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	Sales to Related Parties $	Distributions Paid $	Amounts Owed by Related Parties $	Sales to Related Parties $	Distributions Paid $	Amounts Owed by Related Parties $
Joint ventures	**40.6**	**1.3**	**11.1**	41.5	0.3	28.1
Associates	**10.2**	**0.7**	**0.8**	11.9	0.5	2.4

Compensation of key management personnel and directors of the Company

	Note	For the year ended December 31 **2017** **$**	2016 $
Salaries and other short-term employment benefits		**11.3**	12.3
Directors' fees		**0.8**	1.0
Share-based compensation	25	**4.0**	3.2
Total compensation		**16.1**	16.5

The Company's key management personnel include its CEO, chief operating officer, chief business officer, chief financial officer, and executive vice presidents. The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the reporting year. Share-based compensation includes the fair value adjustment for the year.

36. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and globally. It considers the basis on which it is organized, including geographic areas and service offerings, to identify its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and are evaluated regularly by the chief operating decision maker when allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company, and the Company's operating segments are based on its two primary service offerings and regional geographic areas.

The three Consulting Services reportable segments provide professional consulting in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics services in the area of infrastructure and facilities. The Construction Services reportable segment provides construction management at-risk services primarily on water-related projects.

Segment performance is evaluated by the CEO based on gross margin and is measured consistently with gross margin in the consolidated financial statements. Inter-segment revenues are eliminated on consolidation and reflected in the Adjustments and Eliminations column. Comparative figures in the table below were reclassified due to a realignment between the Consulting Services—United States and Consulting Services—Global reportable segments.

Reportable segments

	For the year ended December 31, 2017						
	Consulting Services						
	Canada $	United States $	Global $	Construction Services $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	**1,221.9**	**2,254.0**	**664.7**	**1,126.2**	**5,266.8**	**(126.7)**	**5,140.1**
Less inter-segment revenue	**30.2**	**28.0**	**53.7**	**14.8**	**126.7**	**(126.7)**	**-**
Gross revenue from external customers	**1,191.7**	**2,226.0**	**611.0**	**1,111.4**	**5,140.1**	**-**	**5,140.1**
Less subconsultants and other direct expenses	**164.1**	**511.3**	**179.5**	**867.9**	**1,722.8**	**-**	**1,722.8**
Total net revenue	**1,027.6**	**1,714.7**	**431.5**	**243.5**	**3,417.3**	**-**	**3,417.3**
Gross margin	**551.5**	**958.7**	**251.7**	**66.0**	**1,827.9**	**-**	**1,827.9**

	For the year ended December 31, 2016						
	Consulting Services						
	Canada $	United States $	Global $	Construction Services $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	1,200.3	2,078.5	495.8	656.9	4,431.5	(131.4)	4,300.1
Less inter-segment revenue	31.5	15.5	72.7	11.7	131.4	(131.4)	-
Gross revenue from external customers	1,168.8	2,063.0	423.1	645.2	4,300.1	-	4,300.1
Less subconsultants and other direct expenses	148.2	467.1	112.9	473.5	1,201.7	-	1,201.7
Total net revenue	1,020.6	1,595.9	310.2	171.7	3,098.4	-	3,098.4
Gross margin	549.7	883.0	180.1	63.5	1,676.3	-	1,676.3

Geographic information: Non-current assets	**December 31 2017 $**	December 31 2016 $
Canada	**452.4**	471.2
United States	**1,311.2**	1,479.8
United Kingdom	**119.3**	135.9
Other countries	**148.7**	404.6
Total non-current assets	**2,031.6**	2,491.5

Non-current assets in the table above consist of property and equipment, goodwill, and intangible assets. Geographic information is attributed to countries based on the location of the assets.

Geographic information: Gross revenue

	For the year ended December 31	
	2017	2016
	$	$
Canada	**1,202.3**	1,168.8
United States	**2,923.2**	2,468.2
United Kingdom	**533.0**	318.2
Other countries	**481.6**	344.9
Total gross revenue from external customers	**5,140.1**	4,300.1

Gross revenue is attributed to countries based on the location of the project.

Gross revenue by services

	For the year ended December 31	
	2017	2016
	$	$
Consulting Services		
Buildings	**898.1**	818.2
Energy & Resources	**479.2**	418.5
Environmental Services	**683.8**	636.5
Infrastructure	**1,090.4**	1,059.7
Water	**877.2**	722.0
Construction Services	**1,111.4**	645.2
Total gross revenue from external customers	**5,140.1**	4,300.1

The Company's organizational structure for Consulting Services was realigned from four to five business operating units effective January 1, 2017. Gross revenue for comparative figures was reclassified due to this realignment and a realignment of services.

Customers
The Company has a large number of clients in various industries and sectors of the economy. No particular customer exceeds 10% of the Company's gross revenue.

37. Investment Tax Credits
Investment tax credits, arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation, are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2017, investment tax credits of $9.6 (2016 – $5.9) were recorded that reduced administrative and marketing expenses.

38. Events after the Reporting Period
Dividend
On February 21, 2018, the Company declared a dividend of $0.1375 per share, payable on April 12, 2018, to shareholders of record on March 29, 2018.

Exhibit 99.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-143082) pertaining to the Employee Stock Purchase Plan of Stantec Consulting Services Inc., and

2) Registration Statement (Form S-8 No. 333-143084) pertaining to the Employee Share Option Plan of Stantec Inc., and

3) Registration Statement (Form S-8 No. 333-212932) pertaining to the Long Term Incentive Plan of Stantec Inc.

of our reports dated February 21, 2018, with respect to the consolidated financial statements and the related notes of Stantec Inc. and the effectiveness of internal control over financial reporting of Stantec Inc., included in this Annual Report (Form 40-F) of Stantec Inc. for the year ended December 31, 2017.

We also consent to the use of our reports dated February 21, 2018, with respect to the consolidated financial statements of Stantec Inc. and the effectiveness of internal control over financial reporting of Stantec Inc., included in the Annual Report (Form 40-F) for the year ended December 31, 2017, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP
Charter Professional Accountants

Edmonton, Canada
February 21, 2018

Exhibit 99.5

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **GORDON A. JOHNSTON**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 21, 2018

/s/ Gordon A. Johnston
GORDON A. JOHNSTON, M. ENG, P. ENG
President & Chief Executive Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2017 (the "Report") with the United States Securities and Exchange Commission.

I, Gordon A. Johnston, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2018

/s/ Gordon A. Johnston
GORDON A. JOHNSTON, M. ENG., P. ENG President & Chief Executive Officer

Exhibit 99.7

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **DANIEL J. LEFAIVRE**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 21, 2018

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE
Executive Vice President & Chief Financial Officer

Exhibit 99.8

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2017 (the "Report") with the United States Securities and Exchange Commission.

I, Daniel J. Lefaivre, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2018

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE
Executive Vice President & Chief Financial Officer

Stantec Inc.
Code of Business Conduct

May 10, 2017

Policy

Stantec conducts business in accordance with high ethical, moral, and legal standards, and in the best interests of the Company, and its employees, shareholders, and other stakeholders. Stantec maintains business practices that will earn the respect of everyone with whom the Company conducts business.

Practice

The following standards are intended to protect the Company's reputation and the quality of its services.

Compliance Responsibilities

Stantec's Code of Business Conduct is to be strictly followed at all times and under all circumstances. Any violation will subject an employee to disciplinary action up to and including termination.

This Code of Business Conduct applies to all employees and is not intended to be exhaustive. The Code of Business Conduct is intended to serve as a source of guiding principles to ensure all operations and employees approach their work in a consistent and appropriate manner, regardless of location, entity, or job function.

It is vital that employees understand and comply with the Code of Business Conduct as well as recognize their continuing obligations to familiarize themselves with all Company policies and applicable laws that govern the work that we do.

If questions arise about how the Code of Business Conduct applies or how a situation involving an ethical or legal issue should be handled, employees must, without delay, contact corporate counsel or another of the compliance contact points listed in this Code.

Supervisors are responsible for all Employees reporting to them and must emphasize the importance of ethical conduct and compliance as part of their routine business practice. It is the obligation of all supervisors to see to it that there are no violations of law or policy within their areas of responsibility.

Definitions

The following words, phrases, and terms used in this Code have the following meanings:

- "Company" or "Stantec" means Stantec Inc. or any of its wholly owned subsidiaries and affiliated companies
- "Employees" means any director, officer, or employee of Stantec

- "Supervisor" means the person an employee reports to, and in the case of the president and chief executive officer and members of the board of directors, means the chair of the board of directors

Dollar values used in this Code are based on a North American cost of living. Anyone in a country outside of North America should contact our corporate counsel for guidance on the appropriate dollar amounts in your jurisdiction.

Reputation

The reputation of Stantec is determined by how every employee presents herself or himself and conducts business. Honesty, professionalism, ethical behavior, and integrity when interacting with others are the cornerstones of our reputation and key to our business success. The Company succeeds in the marketplace through superior performance, not by unethical or manipulative practices.

Abiding by the Law

Wherever Stantec operates, it will always comply with applicable laws and regulations. In acting on behalf of Stantec, no employee shall, at any time, take any action which he or she knows or reasonably should know to be in violation of any applicable law or regulation. No unethical or illegal act can be justified by an employee saying that the act was in the best interests of the Company or that he or she was directed to act by a higher level employee. Any time an employee is uncertain about the application or interpretation of a law or regulation, he or she should consult his or her supervisor or seek the opinion of any of the Company's in-house corporate counsel.

Accurate Books and Records

The Company requires full, fair, accurate, timely, and understandable recording and reporting of all Company accounting information. Employees must act in a manner that ensures all Company books, records, accounts, and financial statements are maintained in reasonable detail, accurately reflect the Company's transactions, and conform to applicable legal requirements, accounting standards, and the Company's system of internal controls.

Employees must execute and record transactions in accordance with all internal control procedures implemented by Company management. All records, including expense reports, must be complete and timely and must accurately reflect each transaction or expenditure. Employees must also ensure that their timecard accurately reflects the number of hours worked on each specific project.

Any Employee involved in preparing the Company's disclosure documents (such as corporate filings or press releases) must produce full, fair, accurate, timely, and understandable disclosure in such documents.

Employees are not to create or participate in the creation or perpetuation of any records that are intended to mislead or conceal any improper act or misconduct. Similarly, all legal holds must be followed, and no employee should destroy a Company record (including those in electronic form) in order to mislead or conceal any improper act or misconduct.

Conflicts of Interest

Employees have a duty to be free from the influence of any conflicting interest when representing Stantec. In dealings with current or potential clients, subconsultants, suppliers, contractors, and competitors, employees should act in the best interests of the Company to the exclusion of personal advantage.

A conflict of interest occurs when an individual's personal or family interests may interfere with the performance of his or her duties or with the best interests of Stantec. Even the appearance of a conflict of interest where none actually exists can be damaging and should be avoided. Whether or not a conflict of interest exists or will exist can be unclear. Stantec employees should not compete with Stantec and should never let business dealings on behalf of Stantec be influenced, or even appear to be influenced, by personal or family interests.

The following is a non-exhaustive list of circumstances which may give rise to a conflict of interest:

- **Work Outside of Stantec**

  Any activity that supports a competitor is prohibited. You may not be employed by (or provide consulting services to) a client, subconsultant, supplier, or contractor of Stantec. Any exceptions to this provision must be approved in writing by the business center managing leader and summarized and provided to the regional Human Resources manager to be placed in the employee's personnel file.

  Employment by or service on the board of a competitor or other service provider is generally discouraged and must be approved in writing by the employee's supervisor.

  Service on the board of a client must be approved in writing by the employee's supervisor and general counsel.

  All other requests for employment outside Stantec must be approved in writing by the supervisor, and summarized and provided to the regional Human Resources manager to be placed in the employee's personnel file.

- **Conducting business transactions with a family member or with a business in which you have a financial interest**

  If you have, or intend to acquire, a financial interest that may give rise to a conflict, or if you propose to conduct Stantec business with a family member, you must seek written approval from your supervisor. Persons evaluating whether ownership in a business constitutes a conflict of interest will consider the following:

  1. Size and nature of the investment
  2. Nature of the relationship between the other entity and Stantec
  3. Employee's access to confidential information
  4. Employee's ability to influence Stantec decisions

  Material related-party transactions will be publicly disclosed as required by applicable laws and regulations.

- **Dealing with Stantec property**

  You, or anyone with whom you do not deal at arm's length, should not buy, sell, or lease any kind of property, facilities, equipment, or service from or to Stantec, or have a financial interest in any such property, facilities, equipment, or service without the written approval of your supervisor.

- **Dealing with Stantec Information**

  Except in the best interests of Stantec, you should not give, release, or discuss with anyone not authorized by Stantec any data or information on Stantec activities that is not available to the general public, nor should you use such information for the personal advantage of your family or friends.

- **Soliciting, Accepting, or Offering Gifts**

  You may not solicit, accept, or offer gifts, favors, entertainment (including tickets to sporting, cultural events, etc.), hospitality (including meals, beverages, etc.), travel, preferential treatment, or other things of value (collectively, "Gifts") from or to any person or entity that does business or seeks to do business with Stantec, except as provided below. Gifts should not be solicited or accepted from anyone for Stantec staff event prizes. You may not accept or offer cash (or cash equivalents, including prepaid credit cards, checks, etc.) or loans under any circumstances. You may accept or offer infrequent Gifts of nominal value within the normal standards of courtesy, hospitality, or protocol. Any Gifts offered must be properly recorded in Stantec's records in accordance with our policies. No Gifts may be offered or accepted directly or indirectly (including Gifts to or from family members) if the Gifts exceed an aggregate value of $500 to or from any individual in any 12-month period.

  Further, no Gifts may be offered or accepted if doing so

  - Is unlawful
  - Violates the stricter of Stantec's or the other party's policies or practices (you are responsible for knowing and adhering to the rules that apply to parties you propose to offer a Gift to)
  - Obligates the recipient in any way
  - Compromises or may appear to compromise the integrity, reputation, or independence of the recipient
  - Includes air travel or overnight accommodation
  - Includes the giving or receiving of entertainment where a representative of the company offering the Gift will not be accompanying the recipient to the event
  - Involves a public sector employee (which is broadly interpreted to include elected or appointed representatives and employees or consultants at all levels of any municipal, state/provincial, or federal government). Subject always to the policies of the party being hosted (public sector employees are often not permitted to accept Gifts), a beverage or light lunch or dinner (valued at approximately $50) incidental to a business meeting is generally acceptable.

If an employee receives a gift that does not fall within these guidelines, the employee must report the gift to his or her supervisor and return it. If returning the gift is not practical, the employee must contact corporate counsel to determine and document how the gift will be dealt with.

By adopting these practices, Stantec chooses to avoid even the appearance of impropriety. As consultants, we owe a duty to our clients to be impartial and to give objective advice and recommendations. Any bias or perception of bias or favoritism must be avoided. These practices also apply to expenses personally incurred by Stantec employees, even when no reimbursement from Stantec is sought, where the expense was incurred to further the business interests of Stantec or the party receiving the Gift.

If in doubt about the interpretation or application of this practice—including whether an individual is a “public sector employee,” the definition of “incidental,” etc.—check with any of Stantec’s corporate counsel before offering or accepting any Gift.

- **Other Prohibited Conduct**

  Offering, soliciting, accepting, or giving anything of value (including favors, confidential information, loans, discounts, job offers, kickbacks, bribes, etc.) to improperly influence third-party decisions is also prohibited.

Dealing with Each Other

Stantec recognizes that workplace diversity is an essential ingredient to our success. Stantec understands that effective relationships are based on the recognition of the value and worth of each individual and that it is necessary to provide a working climate that is conducive to the success and well-being of all employees.

Stantec works to create an atmosphere of mutual trust and respect by being honest, fair, and consistent. Stantec treats all employees fairly and impartially and strives to consistently follow Company policies and practices. Stantec employees listen to one another and foster open and honest communications. Stantec values the opinion of employees, respects their diverse backgrounds, encourages communication among Employees, and solicits ideas and suggestions to improve or benefit the Company.

Stantec prohibits the use by its employees of any social or other media to post or display comments about coworkers, supervisors, clients, or the Company that (non-exhaustively)

- Are vulgar, obscene, threatening, intimidating, harassing
- Portray the Company or individuals in a negative light
- Are a violation of other workplace policies against discrimination, harassment, and violence

Posting or displaying such comments could result in disciplinary action being taken against an employee.

Dealing with Shareholders

Stantec is committed to protecting and improving shareholder value through the prudent use of Company resources and by observing high standards of legal and ethical conduct in all its business dealings. The Company communicates with shareholders regularly, candidly, and promptly, providing the information necessary to evaluate its management and investment value.

Dealing with Clients

Serving clients is the essence of Stantec's business. Meeting our clients' expectations and providing good value are the best ways to ensure ongoing demand for our services. Stantec will accurately represent its services and clearly communicate the terms under which these services are provided.

Dealing with Subconsultants and Suppliers

Stantec is committed to the fair treatment of subconsultants and suppliers and will select subconsultants and suppliers who provide the best value for the Company and its clients while also respecting its clients' wishes.

Proprietary Information Belonging to the Company

Employees must maintain the confidentiality of the Company's proprietary information. Examples of proprietary information include strategic plans, client lists, marketing plans, rate tables, and much of the technical information that the Company generates or uses in its business. The disclosure or misuse of Stantec's business information can harm the Company's competitive position and/or reputation and may be a violation of applicable laws. Employees, therefore, must not disclose business information outside the Company unless they are authorized and it is legal to do so.

Proprietary Information of Others

Stantec regularly receives proprietary information from its clients, subconsultants, and suppliers. The wrongful possession or use of any proprietary information of any third party is prohibited. Employees may use lawfully obtained proprietary information only for the purpose for which it is provided. If an employee is offered, or comes into, unauthorized possession of third-party proprietary information, the employee must decline the offer and take appropriate steps, if applicable, to return the information.

Improper Payments

No payment will be made by, or improper benefit conferred on behalf of, the Company either directly or indirectly to government officials, political candidates, or officers or employees of clients, subcontractors, suppliers, or competitors that violates applicable laws. Bribes, facilitation payments, and trading in influence are strictly prohibited. Employees working outside North America should familiarize themselves with Stantec's Foreign Business Policy.

Personal Business

Personal business should not be conducted during normal working hours. Any and all personal business activities should be confined to after hours or lunch breaks and should be consistent with this Code of Business Conduct, paying particular attention to the Conflicts of Interest section, Work Outside of Stantec subsection.

Hiring Former Government Employees

Employees must comply with all laws and regulations pertaining to employing or acquiring the services of present and former government employees. These rules apply to discussions with current government employees regarding potential employment by the Company or retaining such individuals in the capacity of consultant or subcontractor. These rules also restrict the roles and responsibilities that former government employees may perform after joining the Company. Any questions regarding activity which may create a conflict of interest should be raised immediately with corporate counsel.

Legal Processes, Investigations, and Audits

Occasionally, the Company may need to respond to inquiries, audits, or investigations imposed by outside entities or government authorities. It is required that employees bring all investigations and audits to the attention of corporate counsel immediately upon receipt of information, indicating that an inquiry, audit, or investigation by any outside entity or any government authority has commenced or is likely to commence and, in any event, prior to engaging with or providing any type of information or response. It is important to remember that penalties and fines can be imposed due to failure to respond, incorrect responses, and delays.

The following are examples of occurrences that must be brought immediately to the attention of corporate counsel:

1. Notification of an inquiry, audit or investigation
2. Request to appear or testify before a governmental or quasi-governmental agency, commission, legislative, or administrative body
3. Subpoenas or requests for documentation, interviews, on-site visits, or inspections
4. Summons or complaints served on the Company
5. Notification of fines, penalties, or injunctive actions

It is the policy of Stantec to cooperate fully with inquiries and investigations to the greatest extent possible. Knowledge of any investigation, even those that may appear focused on a supplier, subcontractor, client, or other Stantec-related party, must be communicated to corporate counsel immediately.

Reporting Concerns

Employees who become aware of any concerns about accounting, internal controls, auditing, or other financial or nonfinancial matters, including violations of applicable laws, regulations, or internal policies, must report such issues to the Company's Integrity Hotline. In the event that such an issue is brought to the attention of a Stantec employee, that person must refer the issue to the Integrity Hotline.

Stantec's Integrity Hotline is managed by an independent third party. The Hotline is structured to receive information verbally, by a web interface, or in writing, and all reports are treated as confidential. Requests for anonymity will be honored to the extent possible while still ensuring a full and proper investigation. It is important that anonymous reports contain sufficient detail for an investigation.

Integrity Hotline numbers and address:

- The Integrity Hotline Phone Numbers –

Country	Phone Number	Languages Spoken
United States, Canada, and Puerto Rico	*Direct Dial*: From an outside line, dial direct for your location: 1-855-389-9170	English, French, Spanish
Argentina	*Direct Access*: From an outside line, dial the direct access number for your location: ➢ Argentina (ALA Spanish): 0-800-288-5288 ➢ Argentina (Argentina Telecom): 0-800-555-4288 ➢ Argentina (Telefonica): 0-800-222-1288 At the *English* prompt, dial 855-389-9170.	Spanish (Latin American), English
Australia	*International Toll-Free Service (ITFS):* From an outside line, dial the ITFS number for your location: 1-800-79-2097	English
Bahrain	*Direct Access:* From an outside line, dial the direct access number for your location: ➢ Bahrain (US military bases): 800-000-00 ➢ Bahrain: 800-00-001 ➢ Bahrain (Cellular): 800-000-05 At the *English* prompt, dial 855-389-9170.	Arabic, English
Barbados	*Reverse Charge Calls / Collect Calls:* From an outside line, contact your local operator. ➢ Request a reverse charge or collect call to be placed to the United States: 503-444-4000 ➢ All reverse charge or collect calls will be accepted by the Contact Center using an automated *English* message.	English, Arabic
Belgium	*Direct Access:* From an outside line, dial the direct access number for your location: 0-800-100-10 At the *English* prompt, dial 855-389-9170.	Dutch, French (European), German, English
Brunei	*Direct Access:* From an outside line, dial the direct access number for your location: 800-1111 At the *English* prompt, dial 855-389-9170.	Malay, English

Country	Phone Number	Languages Spoken
Chile	*Direct Access:* From an outside line, dial the direct access number for your location: ➢ Chile (AT&T): 800-225-288 ➢ Chile (Telefonica): 800-800-288 ➢ Chile (ENTEL): 800-360-311 ➢ Chile (ENTEL – Spanish Operator): 800-360-312 ➢ Chile (Easter Island): 800-800-311 ➢ Chile (Easter Island – Spanish Operator): 800-800-312 At the *English* prompt, dial 855-389-9170.	Spanish (Latin American), English
China	*Direct Access:* From an outside line, dial the direct access number for your location: ➢ China (Southern – Mandarin Operator): 108-10 ➢ China (Southern): 10-811 ➢ China (Northern – Mandarin Operator): 108-710 ➢ China (Northern): 108-888 Special USADirect Dedicated Telephones At the *English* prompt, dial 855-389-9170.	Mandarin, Cantonese, English
Ethiopia	*Reverse Charge Calls / Collect Call:* From an outside line, contact your local operator. ➢ Request a reverse charge or collect call to be placed to the United States: 971-371-7833 ➢ All reverse charge or collect calls will be accepted by the Contact Center using an automated *English* message.	Amharic (Ethiopian), English
Fiji Islands	*Direct Access:* From an outside line, dial the direct access number for your location: 004-890-1001 At the *English* prompt, dial 855-389-9170.	English
India	*Direct Access:* From an outside line, dial the direct access number for your location: 000-117 At the *English* prompt, dial 855-389-9170.	English, Hindi
Italy *(includes San Marino, Vatican City)*	*International Toll-Free Service (ITFS):* From an outside line, dial the ITFS number for your location: 800-172418	Italian, English
Malaysia	*Direct Access:* From an outside line, dial the direct access number for your location: 1-800-80-0011 At the *English* prompt, dial 855-389-9170.	Malay, English
Netherlands	Reporting by phone is not currently available for this location. Please use the online reporting option to submit your concern.	Dutch, English
New Zealand	Reporting by phone is not currently available for this location. Please use the online reporting option to submit your concern.	English
Pakistan	*Direct Access*: From an outside line, dial the direct access number for your location: 00-800-01-001 ➢ Not available from cellular phones At the *English* prompt, dial 855-389-9170.	Punjabi, Urdu, English

Country	Phone Number	Languages Spoken
Panama	*Direct Access:* From an outside line, dial the direct access number for your location: 800-0109 ➢ (Spanish Operator): 800-2288 At the *English* prompt, dial 855-389-9170.	Spanish (Latin American), English
Peru	*Direct Access*: From an outside line, dial the direct access number for your location: ➢ Peru (Telefónica) – Spanish Operator): 0-800-50-000 ➢ Peru (Telefónica) : 0-800-50-288 At the *English* prompt, dial 855-389-9170.	Spanish (Latin American), English
Qatar	*Reverse Charge and Collect Calls*: From an outside line, contact your local operator. ➢ Request a reverse charge or collect call to be placed to the United States: 503-444-4000 ➢ All reverse charge or collect calls will be accepted by the Contact Center using an automated *English* message.	English, Arabic
Saudi Arabia	*Direct Access*: From an outside line, dial the direct access number for your location: 1-800-10 At the *English* prompt, dial 855-389-9170.	English, Arabic
Taiwan	*Direct Access:* From an outside line, dial the direct access number for your location: 00-801-102-880 At the *English* prompt, dial 855-389-9170.	Mandarin, English
Turkey	*Direct Access:* From an outside line, dial the direct access number for your location: 0811-288-0001 At the *English* prompt, dial 855-389-9170.	Turkish, English
United Arab Emirates	*Direct Access*: From an outside line, dial the direct access number for your location: ➢ United Arab Emirates: 8000-555-66 ➢ United Arab Emirates: 8000-021 ➢ United Arab Emirates (US military bases): 8000-051 ➢ United Arab Emirates (US military bases): 8000-061 At the *English* prompt, dial 855-389-9170.	English, Arabic
United Kingdom	*International Toll-Free Service (ITFS):* From an outside line, dial the ITFS number for your location: 0808-234-3434	English

The Integrity Hotline Web Intake – www.stantec.ethicspoint.com

- The Integrity Hotline Address:

  Integrity Hotline
  c/o Stantec
  10160 – 112 Street
  Edmonton, AB T5K 2L6

If issues that have been reported to the Integrity Hotline are not clarified or otherwise dealt with to the satisfaction of the employee, that employee may file a complaint. To ensure a correct

understanding of the matters subject to the complaint, the complaint should be filed with the Integrity Hotline in writing (although the complaint may be made verbally to the Integrity Hotline if the person making the complaint prefers), should be as specific as possible, and should identify any relevant documents. In order that prompt action can be taken, the complaint should be filed as soon as possible.

If the complaint has been made verbally to the Integrity Hotline, it will be reduced to writing. If the person making the complaint does not wish to maintain anonymity, the complaint may be submitted to the employee's immediate supervisor. Any supervisor who receives a complaint must forward the complaint to the Integrity Hotline. The complaint may also be submitted directly to the chair of the Audit and Risk Committee.

The chair of the Audit and Risk Committee is Douglas K. Ammerman, and he can be contacted at (949) 395-1461 or by email at douglasammerman@gmail.com.

Commencement of Process

If the nature of the complaint is material to the affairs of the Company or involves any officer of Stantec Inc., then the issue shall immediately be reported to the chair of the Audit and Risk Committee who shall appoint a fact finder (who may be the general counsel or any other person designated by the chair of the Audit and Risk Committee) to investigate the complaint and issue a fact-finding report. The fact finder must be independent and must not be a manager, directly or indirectly, of either the individuals involved in the matters complained of or the individual making the complaint. All other complaints will be investigated by the general counsel or his or her designate.

The general counsel shall prepare a quarterly report to the Audit and Risk Committee summarizing the nature and disposition of all complaints received by the Integrity Hotline; this report will include an overview of any ongoing investigations or the resolution of any complaints.

Confidentiality

Confidentiality—relating both to the fact that a complaint has been made and to its investigation of employee complaints—will be maintained to the greatest extent possible. Only persons with a reason to know will have access to information relating to the complaint and its investigation.

Fact-Finding

Investigation

The fact finder and/or general counsel will investigate all matters brought to the Integrity Hotline, such investigation to include interviews of persons who may have information concerning the matters in issue. The fact finder and/or general counsel will have access to all relevant information and documents. The fact finder and/or general counsel will complete the investigation and the delivery of the fact-finding report as soon as practicable after the receipt of the complaint.

The Fact-Finding Report

The fact-finding report will concisely summarize all facts and issues learned during the investigation and will offer recommendations. Fact-finding reports respecting complaints material to the affairs

of the Company or involving any officer of Stantec Inc. shall be delivered to the chair of the Audit and Risk Committee.

Evaluation of the Fact-Finding Report

The Audit and Risk Committee will review all fact-finding reports delivered to the Committee and may review other facts relating to the complaint. Any decision of the Audit and Risk Committee regarding the subject matter of the complaint will be communicated to the designated corporate executives and to the person filing the complaint, unless the complaint was filed anonymously.

Potential Outcomes

If it is determined that improper accounting, internal accounting controls, or auditing matters have occurred, or if something improper of a nonfinancial nature has occurred, appropriate action will be taken, including discipline of the wrongdoer(s). Discipline may take the form of counseling, verbal or written warning, reprimand, reassignment, suspension, demotion, and/or termination of employment. In appropriate cases, the matter may be referred to legal or regulatory authorities.

Retaliation

It is unlawful to retaliate against an employee who has, in good faith, provided information or otherwise assisted in an investigation regarding a complaint. The Audit and Risk Committee, the Board of Directors, and the Company will not tolerate any retaliation against an employee for complaining in good faith of questionable accounting, internal accounting controls, auditing matters, or nonfinancial matters, including violations of applicable laws, regulations, or internal policies, or for cooperating in the investigation of a complaint.

Complaint File Retention

At the conclusion of the process, the Audit and Risk Committee shall cause the office of the general counsel to confidentially retain a copy of the complaint, the fact-finding report, and any other documents deemed relevant by the Audit and Risk Committee, for a period of three (3) years from the date of the complaint. Such retention shall be solely for archival purposes.