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, 2018

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))

400 – 10220 103 Avenue, Edmonton, Alberta, Canada T5J 0K4, (780) 917-7000

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

Stantec Consulting Services Inc., 370 Interlocken Boulevard, Suite 300, Broomfield, CO 80021-8012, (303) 410-4000

(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, 2018 – 111,860,105 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 every Interactive Data File required to be submitted 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 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-51 of Exhibit 99.2, 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 99.3, 2018 Audited Consolidated Financial Statements, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Independent Registered Auditors’ Report on Internal Control Over Financial Reporting” on pages F-4 and F-5 of Exhibit 99.3, 2018 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-51 of Exhibit 99.2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2018, Stantec’s audit and risk committee was made up of the following four members: Douglas K. Ammerman (Chair), Richard C. Bradeen, Donald J. Lowry, and Marie-Lucie Morin.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has three audit committee financial experts serving on its audit and risk committee. Douglas K. Ammerman, Richard C. Bradeen, 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 99.9 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 Health, Safety, Security, Environment and Sustainability 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 99.1, 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 99.1, 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-36 of Exhibit 99.2, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-35 of Exhibit 99.2, 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 99.1, 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 28, 2019

EXHIBIT INDEX

Exhibit No.	Description
99.1	Annual Information Form dated February 28, 2019
99.2	Management's Discussion and Analysis for the year ended December 31, 2018 (pages M-1 through M-55 of the 2018 Annual Report)
99.3	2018 Audited Consolidated Financial Statements (pages F-1 through F-63 of the 2018 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
101.	Interactive Data File

Exhibit 99.1

DELIVER
INSPIRE
COLLABORATE
SUSTAIN
EVOLVE
DESIGN
ENHANCE
LEAD
INNOVATE
PERFORM
ENVISION
ACHIEVE
CREATE
TRANSFORM
GROW
CONNECT
ENGAGE
SUPPORT

STN
TSX: NYSE

ANNUAL INFORMATION FORM
FEBRUARY 28, 2019

Stantec

Index to the Annual Information Form

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	1
CORPORATE STRUCTURE	3
Name, Address, and Incorporation	3
Intercorporate Relationships	3
GENERAL DEVELOPMENT OF THE BUSINESS	5
2019	5
2018	5
2017	7
2016	8
DESCRIPTION OF THE BUSINESS	9
Research and Development	10
Competitive Conditions	10
Services	11
Employees	11
Sustainability	11
Global Operations	12
RISK FACTORS	13
DIVIDENDS	13
DESCRIPTION OF CAPITAL STRUCTURE	13
Preferred Shares	13
Common Shares	14
MARKET FOR SECURITIES	14
Trading Price and Volume	14
DIRECTORS AND OFFICERS	15
Directors' and Executive Officers' Share Ownership	16
AUDIT AND RISK COMMITTEE INFORMATION	17
Audit and Risk Committee Terms of Reference	17
Composition of the Audit and Risk Committee	17
Preapproval Policy	18
External Auditor Service Fees	19
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	19
TRANSFER AGENT	19
MATERIAL CONTRACTS	19
INTERESTS OF EXPERTS	20
ADDITIONAL INFORMATION	20
NYSE CORPORATE GOVERNANCE DISCLOSURE	20
APPENDIX I – AUDIT AND RISK COMMITTEE TERMS OF REFERENCE (MANDATE)	21

Stantec Inc.
Annual Information Form

February 28, 2019

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, 2018. Refer to the following sections: Core Business, Outlook, and Cautionary Note Regarding Forward-Looking Statements (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 2019 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, 2018 (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 2019 and how this 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, 2018 (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 pages M-44 to M-49 and M-54 to M-55 of our MD&A. Our MD&A for the year ended December 31, 2018 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 28, 2019 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 2019. 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 Suite 400, 10220 – 103 Avenue NW, Edmonton, Alberta, Canada, T5J 0K4.

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. All amounts in this AIF are in Canadian dollars unless otherwise noted.

Intercorporate Relationships

The following chart lists, as at December 31, 2018, 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, 2018. 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, 2018.

Name of Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares (1)	Governing Jurisdiction
3221969 Nova Scotia Company	100	100	Nova Scotia
International Insurance Group Inc.	100	n/a	Barbados
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 Ltd.	100	n/a	Australia
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
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

Name of Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares (1)	Governing Jurisdiction
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 Holding (2017) Limited	100	n/a	United Kingdom
Stantec Holdings II Ltd.	100	n/a	Alberta
Stantec International Inc.	100 (3)	n/a	Pennsylvania
Stantec New Zealand	100	n/a	New Zealand
Stantec Technology International Inc.	100	100	Delaware
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

2019

Officer and Director Changes

On January 1, 2019, executive vice president Theresa Jang was appointed to the position of chief financial officer (CFO) of Stantec as announced by the Company on August 23, 2018.

Three-Year History

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

2018

Acquisitions

In 2018, we acquired the following firms in Canada, the United States, Europe, and New Zealand:

Month	Business Acquired	Nature of Business
March	Occam Engineers Inc.	Provides water, transportation, and public works services. Principally located in Albuquerque, New Mexico.
March	ESI Limited	Provides environmental consulting services with capabilities in groundwater, land, and sustainable development. Principally located in Shrewsbury, United Kingdom.
April	Traffic Design Group Limited	Provides transportation planning and traffic engineering services. Principally located in Auckland, New Zealand.
May	Norwest Corporation	Provides resource assessment, mine development, reclamation, hydrology, and geotechnical engineering services. Principally located in Calgary, Alberta.
May	Cegertec Experts Conseils Inc.	Provides services in the power, industrial, building, and infrastructure sectors. Principally located in Chicoutimi, Quebec.
September	Peter Brett Associates LLP	Supports the office and commercial, urban regeneration, infrastructure, education, energy, public sector, residential, retail and town centers, tourism and leisure, waste and water sectors. Provides services related to urban planning, traffic assessments and optimization, environmental impact assessments, and public consultation. Principally located in Reading, United Kingdom.
October	True Grit Engineering Limited	Provides infrastructure engineering, project management and planning, and environmental services. Principally located in Thunder Bay, Ontario.

On October 9, 2018, Stantec signed a letter of intent to acquire Wood & Grieve Engineers, a buildings engineering firm based in Perth, Australia.

Divestitures

On August 31, 2018, Stantec closed the sale of its interest in EM&I (Canada) Ltd. (formerly EM&I Stantec Ltd.), a joint venture which delivered asset integrity services to the oil, gas, and energy industries in Canada.

On November 2, 2018, Stantec closed the sale of its Construction Services business (MWH Constructors, inclusive of MWH Constructors' UK and US divisions and Slayden Constructors, Inc.) for $104.2 million, less estimated transaction costs and working capital adjustments. In 2016, MWH Constructors joined Stantec through the MWH Global, Inc. acquisition. The divestiture of MWH Constructors concludes the strategic review of construction services (announced in April 2018), a review undertaken to determine an option that would optimize the value of MWH Constructors and provide the best prospects for employees, clients, and shareholders.

Officer and Director Changes

On January 1, 2018, Gordon A. Johnston was appointed president and chief executive officer and 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 and to serve as a member of the Audit and Risk Committee.

Anthony P. Franceschini did not stand forre-election as a director at our annual general meeting of shareholders held on May 10, 2018, and thus his service as a director of Stantec ended on that date.

On August 23, 2018, the Company announced that Dan Lefaivre, Stantec's executive vice president and CFO, would retire from the CFO role effective December 31, 2018, as part of a planned executive leadership succession strategy and that executive vice president Theresa Jang would, and did, take on the CFO role effective January 1, 2019.

On November 7, 2018, Shelley A. M. Brown was appointed to Stantec's board of directors and to serve as a member of the Corporate Governance and Compensation Committee.

Renewal of Normal Course Issuer Bid and Automatic Share Purchase Plan

On November 9, 2018, 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 2,273,879 common shares, representing approximately 2% of Stantec's 113,693,990 issued and outstanding common shares as of October 31, 2018. Purchases were permitted to commence on November 14, 2018, and to terminate no later than November 13, 2019. Except for block purchases permitted by the TSX, the number of shares purchased per day will not exceed 46,458 or approximately 25% of the average daily trading volume for the six full calendar months prior to October 31, 2018. During 2018, 2,470,560 common shares were repurchased for cancellation at a weighted average price of $31.09 per share.

In connection with the NCIB, Stantec also entered into an automatic share purchase plan (ASPP) with a designated broker to purchase its common shares under the NCIB at times when Stantec could not be active in the market due to applicable regulatory restrictions or internal trading blackout periods.

Organizational Evolution

In 2018, we continued focusing on organic growth and strategic acquisitions while increasing operational efficiency. With the divestiture of our Construction Services business, we can now focus wholly on continuing to grow our Consulting Services business. Completing the acquisitions of UK-based ESI Limited, New Zealand-based Traffic Design Group, and UK-based Peter Brett Associates LLP plus announcing the signed letter of intent to acquire Australian-based Wood & Grieve Engineers means we can continue exploring opportunities to expand our global reach.

Financing

In 2018, we announced that Stantec entered into an amended and restated credit agreement with its syndicate of lenders (the "Amended and Restated Credit Agreement"), which removed the provisions regarding the granting of collateral by Stantec and its subsidiaries, making all facilities unsecured. The Amended and Restated Credit Agreement extends Stantec's revolving credit maturity date to June 27, 2023, its $150 million term credit (Tranche B) maturity date to June 27, 2022, and its $160 million term credit (Tranche C) maturity date to June 27, 2023. It also decreases the number of cash management constraints and provides expanded operational flexibility. The revolver component remains at $800 million and the accordion feature has increased to $400 million. Before the amendment, on May 6, 2018 Stantec made a $150 million repayment on Tranche A of its term loan.

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.

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 was permitted to 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 could 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 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 our 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$116.7 million to C$160.0 million.

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, the 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 Richard Allen prepared to retire in 2016, the chief operating officer'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.

David Emerson did not stand for re-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. We subsequently divested Construction Services in November 2019 as described in 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. This 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 were 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).

Description of the Business

Stantec collaborates across disciplines and industries to bring buildings, energy and resources, environmental, water, and infrastructure projects to life. Our Company's work—engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics—begins at the intersection of community, creativity, and client relationships. By offering integrated expertise and services across the project life cycle, we provide our clients with a vast number of project solutions. We believe this integrated approach enables us to execute our operating philosophy by maintaining a world-class level of expertise, which we supply to our clients through the strength of our local offices.

We have refined our long-standing business objective: 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 marketplace.

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 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.

Our reportable segments (in accordance with IFRS) are based on the regional geographic areas in which we operate. The Company has three operating and reportable segments: Consulting Services – Canada, Consulting Services – United States, and Consulting Services – Global. The Company's Construction Services operations were disposed of during the year and reported as discontinued operations.

The following table illustrates the breakdown of gross revenue for our reportable segments in 2017 and 2018.

	2017 Gross Revenue (millions $)	2018 Gross Revenue (millions $)
Reportable Segments – Continuing Operations		
Consulting Services – Canada	1,191.7	1,275.8
Consulting Services – United States	2,226.0	2,334.6
Consulting Services – Global	611.0	673.4
Discontinued Operations		
Construction Services	1,111.4	884.4

For additional information regarding our core business and strategy, see our MD&A for the year ended December 31, 2018, pages M-2 and M-10 to M-11 (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 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, whether 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, thereby 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.

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 of December 31, 2018, 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 our specialized services. As we operate in a competitive industry where turnover costs are high and long-term relationships are key, we work hard to recruit and retain the best people. We use various recruitment strategies to address staffing needs: an employee referral bonus program, website job postings, career fairs, and student programs, and we have opportunities to transfer to other office locations.

The Social section of our annual Sustainability Report contains additional information on the steps we take to attract, support, motivate, and develop world-class talent and to build an inspiring and inclusive work environment for our staff.

Sustainability

Stantec's Sustainability Program is 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.

Accountability for our sustainability performance sits with our Executive ESG Committee that is chaired by the chief operating officer, is coordinated by our director of Sustainability, and includes senior managers from across our business. In 2018, Stantec's board of directors established the Health, Safety, Security, Environment and Sustainability (HSSES) Committee to oversee the overall framework for managing health, safety, security, and environment risks; sustainability; emergency preparedness; and non-financial risks arising from the Company's Integrity Management Program.

Our annual Sustainability Report provides details about our Sustainability Program. ESG highlights are outlined below.

Environment

Stantec manages, monitors, and improves our environmental performance with an ISO 14001:2015-certified Environmental Management System (EMS). Our enterprise-wide EMS sets environmental objectives and monitors and measures environmental targets, regulatory compliance, orders and citations, and improvement plans. We take steps to conserve resources and publicly report our greenhouse gas emissions and reduction performance. In 2018, Stantec was recognized for its corporate climate change action through a leadership (A-) CDP score.

Stantec provides a wide range of environmental services to clients. Whether we are providing climate change mitigation services, designing energy-efficient buildings, protecting biodiversity, developing new ways to conserve water, or promoting renewable energy, our commitment to sustainability drives innovation, reduces risks, and provides attractive project life cycle return on investment.

Social

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 people. Stantec offers a flexible and collaborative work environment, competitive employee benefits, and the opportunity to work on iconic projects. Our focus on inclusion and diversity increases employee engagement, connects us with clients, and improves employee well-being. Our investment in innovation and research helps us prepare for future client needs and promote thought leadership.

Stantec programs support the well-being of our employees, partners, and clients. We manage, monitor, and improve our health and safety performance with a formal OHSAS 18001:2007-certified management system (OHSMS) and track both lagging indicators (e.g., injury rates) and leading indicators (e.g., inspections, observations, hazard identifications) to gauge the effectiveness of our programs.

For the communities where we work and live, we invest in initiatives that build capacity and support long-term change. We do this by contributing time, expertise, and money to the arts, education, the environment, and health and wellness. We also specifically focus on maintaining respectful and successful relationships with Indigenous communities.

For clients, we consider the social impacts of decisions made when managing projects throughout their life cycle. We help clients understand the norms of local communities so that they address local priorities and build lasting positive relationships. We incorporate social equity and justice considerations into our projects and design to foster community well-being.

Governance

Stantec believes that good governance is essential to maintaining an ethical and effective corporate culture. By embracing ethical business practices, we demonstrate our Company values and, in turn, establish a competitive advantage in the 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 the implementation of our strategy. The IMS includes the EMS and OHSMS referenced 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 to pass our ESG expectations along our supply chain.

Additional information about our board of directors, risk management, and strategic planning process can be found in Stantec's 2018 Annual Report and Management Information Circular.

Global Operations

In 2018, Stantec remained active internationally; gross revenue from our Global operations was $673.4 million.

We perform work and have permanent offices 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, security or political risks are acceptable. Each major project has an executive leadership sponsor and is formally reviewed.

Risk Factors

For a review of the risks pertaining to our Company, please refer to our MD&A for the year ended December 31, 2018, pages M-44 to M-49 (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 this policy, the Company anticipates that it will declare a dividend to shareholders of record on the last business day of each quarter and pay it on or about the fifteenth day of the following month.

Since adopting our Dividend Policy, we have paid quarterly dividends on our common shares. Although 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 various 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 2018, 2017, and 2016.

Dividends Paid ($ per common share)

	Year (Total)	Q4	Q3	Q2	Q1
2018	0.55	0.1375	0.1375	0.1375	0.1375
2017	0.50	0.125	0.125	0.125	0.125
2016	0.45	0.1125	0.1125	0.1125	0.1125

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, 2018, no preferred shares and 111,860,105 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 each meeting, 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, 2018:

Toronto Stock Exchange 2018

Month	High	Low	Volume
January	$36.04	$34.90	4,386,967
February	$36.83	$31.47	9,109,854
March	$34.16	$30.97	6,594,374
April	$34.34	$31.15	3,677,190
May	$33.48	$31.94	3,780,858
June	$34.43	$32.63	4,333,455
July	$34.76	$33.42	3,191,151
August	$34.50	$32.36	4,069,077
September	$33.45	$32.04	2,922,561
October	$34.98	$31.43	5,616,309
November	$35.04	$30.54	4,960,798
December	$31.99	$29.03	4,938,079
Total			57,580,673

The following table outlines the monthly trading data on the NYSE (in US$) for January 1 to December 31, 2018:

New York Stock Exchange 2018

Month	High	Low	Volume
January	$29.25	$27.80	404,121
February	$29.25	$24.75	521,913
March	$26.15	$24.05	1,251,810
April	$26.65	$24.30	397,595
May	$26.30	$24.75	333,147
June	$26.11	$25.10	256,282
July	$26.35	$25.35	224,118
August	$26.40	$24.75	316,084
September	$25.70	$24.60	279,180
October	$26.66	$24.12	578,204
November	$26.74	$23.05	283,501
December	$24.25	$21.44	275,449
Total			5,121,404

Directors and Officers

The following table lists Stantec's directors as of February 28, 2019, 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
Shelley A. M. Brown Saskatoon, Saskatchewan, Canada	Corporate Director	2018
Delores M. Etter Camano Island, Washington, United States	Corporate Director	2011
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:

- Ms. Morin was a corporate director and consultant until December 2015
- 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 28, 2019, and their municipality of residence as well as their 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.
Theresa Jang Calgary, 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 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 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 led 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 of our Infrastructure business operating unit; he held that position until his appointment to president and chief executive officer on January 1, 2018.

Theresa Jang joined Stantec in 2018 as executive vice president and was appointed chief financial officer of Stantec effective January 1, 2019. She previously held the position of chief financial officer of Veresen Inc.

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 2018:

- Audit and Risk Committee – Douglas K. Ammerman (chair), Richard C. Bradeen, Donald J. Lowry, and Marie-Lucie Morin
- Corporate Governance and Compensation Committee – Susan E. Hartman (chair), Shelley A. M. Brown, Delores M. Etter, and Marie-Lucie Morin
- Health, Safety, Security, Environment, and Sustainability Committee – Delores M. Etter (chair), Robert J. Gomes, and Donald J. Lowry

Directors' and Executive Officers' Share Ownership

As of December 31, 2018, our group of directors and executive officers beneficially owned, controlled, or directed, either directly or indirectly, 836,366 common shares, which is 0.75% 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), attached as Appendix I to this AIF.

Composition of the Audit and Risk Committee

As of February 28, 2019, our Audit and Risk Committee members are Douglas K. Ammerman (chair), Richard C. Bradeen, Donald J. Lowry, and Marie-Lucie Morin.

The board of directors believes that the composition of this committee reflects an appropriate level of financial literacy and expertise and has determined that each committee member is "independent" and "financially literate" (as those terms are defined under applicable Canadian and US securities laws). As well, 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 was a partner of KPMG LLP for almost 30 years before his retirement; during that time, he served as the national practice partner, the managing partner of the Orange County office, and as 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, 2018, Mr. Ammerman owned 29,348 common shares valued at $877,799 and 40,732 deferred share units valued at $1,203,981.

Richard C. Bradeen

Mr. Bradeen served as senior vice president of Strategy, Mergers & Acquisitions, Pension Investments, Corporate Audit Services and Risk Assessment for Bombardier Inc. (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 of Acquisitions. Before 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 over 19 years held increasingly senior roles, including that of president of the Corporate Finance Group in Toronto. He currently serves on the board of directors and audit committee of Superior Plus Corp.

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

As of December 31, 2018, Mr. Bradeen owned 1,000 common shares valued at $29,910 and 5,326 deferred share units valued at $157,510.

Donald J. Lowry

Mr. 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 the company was acquired in February 2016. He holds a bachelor of commerce (honors) and master of business administration degree 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 several boards and audit committees provide him with the relevant experience to perform his responsibilities as an Audit and Risk Committee member.

As of December 31, 2018, Mr. Lowry owned 22,300 common shares valued at $666,993 and 34,999 deferred share units valued at $1,034,572.

Marie-Lucie Morin

Ms. Morin is a lawyer and graduate of the Université de Sherbrooke. During her career in the public sector, Ms. Morin held a number of senior positions, including Ambassador to Norway with concurrent accreditation to Iceland; Executive Director for Canada, Ireland, and the Caribbean at the World Bank; National Security Advisor; and Associate Secretary to the Cabinet. These positions involved managing large budgets and understanding financial and risk-related matters. Ms. Morin's experience on other public and private boards, including Chorus Aviation Inc., AGT Food & Ingredients Inc., and Deloitte Canada exposed her to financial reporting and risk-management measures in various industries.

The expertise she gained during her distinguished career as a federal public servant and on public and private boards provides Ms. Morin with the relevant experience to perform her responsibilities as an Audit and Risk Committee member.

As of December 31, 2018, Ms. Morin owned no common shares and 12,165 deferred share units valued at $359,625.

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, 2018, and 2017, follow:

Category	Note	2018 ($)	2017 ($)
Audit fees	1	5,790,700	6,325,600 (5)
Audit-related fees	2	571,700	241,200 (5)
Tax fees	3	2,402,400	3,806,600
All other fees	4	49,800	21,800
Total Fees		8,814,600	10,395,200

(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 quarterly reviews, accounting consultation, statutory audit of in-scope subsidiaries and international financial reporting standard consultation.

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

(3) Tax fees: Professional services rendered by Ernst & Young LLP for income tax compliance of $2,103,500. Which generally involve the preparation of US tax returns including Innovyze sale transaction and US reform computations as well as preparation of certain of our International based Companies income tax returns. $298,900 for tax advice relating to mergers, acquisitions, financing structures and tax planning.

(4) All other fees: Non-audit assurance fees and related services provided by Ernst & Young LLP.

(5) Restated to current year's presentation.

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

On June 27, 2018, we entered into an Amended and Restated Credit Agreement 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. This material contract 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 located at Suite 1400, 10423 – 101 Street, 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.

A copy 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, 2018), may be obtained from our website at stantec.com or by mail on request from the Secretary at Suite 400, 10220 – 103 Avenue NW, Edmonton, Alberta, T5J 0K4. 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 28, 2019.

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


DELIVER
INSPIRE
COLLABORATE
SUSTAIN
EVOLVE
DESIGN
ENHANCE
LEAD
INNOVATE
PERFORM
ENVISION
ACHIEVE
CREATE
TRANSFORM
GROW
CONNECT
ENGAGE
SUPPORT
STN
TSX·NYSE
MANAGEMENT'S
DISCUSSION
AND ANALYSIS
2018
Stantec

Index to the Management's Discussion and Analysis

CORE BUSINESS	**2**
PRESENTATION OF FINANCIAL INFORMATION	**3**
2018 FINANCIAL HIGHLIGHTS	**4**
2018 FOURTH QUARTER HIGHLIGHTS	**7**
FINANCIAL TARGETS	**8**
BUSINESS MODEL	**9**
STRATEGY	**10**
OUTLOOK	**11**
FINANCIAL PERFORMANCE	**13**
Selected Annual Information	13
Discussion of Continuing Operations	13
Discussion of Discontinued Operations	21
Fourth Quarter Results	23
Quarterly Trends	27
Statements of Financial Position	28
Liquidity and Capital Resources	31
Other	35
CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES	**39**
Critical Accounting Estimates	39
Accounting Developments	39
Materiality	43
Definition of Non-IFRS Measures	43
RISK FACTORS	**44**
CONTROLS AND PROCEDURES	**51**
CORPORATE GOVERNANCE	**51**
SUBSEQUENT EVENTS	**53**
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	**53**

Management's Discussion and Analysis

February 28, 2019

This discussion and analysis of Stantec Inc.'s (Stantec or the Company) operations, financial position, and cash flows for the year ended December 31, 2018, dated February 28, 2019, should be read in conjunction with the Company's 2018 audited consolidated financial statements and related notes for the year ended December 31, 2018. Our 2018 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). All amounts shown 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. This 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 (MD&A).

Core Business

Our Company's work—engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics—begins at the intersection of community, creativity, and client relationships. By offering integrated expertise and services across the project life cycle, we provide our clients with a vast number of project solutions. We believe this integrated approach enables us to execute our operating philosophy by maintaining a world-class level of expertise, which we supply to our clients through the strength of our local offices.

The Stantec community unites approximately 22,000 employees working in over 400 locations across 6 continents. We have three reportable segments: Canada, United States, and Global. 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 and strategy, and drivers, refer to the Business Model and Strategy sections of this report.

Presentation of Financial Information

In 2018, we made a strategic decision to divest of our Construction Services business. We closed the sale of this business on November 2, 2018. This has impacted our 2018 consolidated financial statements and MD&A in three significant ways.

First, as required under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows previously reported for Construction Services have been restated as discontinued operations for the current and comparative periods and separated from the Company's continuing operations. Our statement of financial position has not been restated for December 31, 2017, and the financial position for December 31, 2018, no longer includes the assets and liabilities of Construction Services. Our statement of comprehensive income (loss) has not been restated for both December 31, 2018, and December 31, 2017. Unless otherwise indicated, our discussion and analysis reflects the results of continuing operations, and current and comparative periods have been restated accordingly. We have provided restated key financial information on a quarterly basis for the first three quarters of 2018 and for 2017 in the Quarterly Trends section of this MD&A.

Second, certain corporate costs that have historically been allocated to Construction Services are now required to be classified with our continuing operations, which solely comprises Consulting Services. Prior to the sale, our continuing operations comprised both Construction Services and Consulting Services, and it was appropriate to measure their respective financial performance after considering an allocation of indirect corporate costs. However, IFRS 5 permits only those costs directly attributable to Construction Services to be included in the determination of net income from discontinued operations. As a result, all indirect corporate costs, including those previously allocated to Construction Services, are required to be classified in continuing operations. For the year ended December 31, 2018, net income from continuing operations includes $12.1 million of corporate costs that would otherwise have been allocated to Construction Services. We have provided a reconciliation of restated results for the first three quarters of 2018 and for 2017 in the Quarterly Trends section of this MD&A.

Third, our segmented reporting has been revised to include the results of Consulting Services only.

Unrelated to the sale of Construction Services, we have refined our definitions for adjusted EBITDA, adjusted net income from continuing operations, and adjusted earnings per share (EPS) from continuing operations. These non-IFRS measures are now defined to exclude unusual ornon-recurring gains and losses that we believe are not reflective of our ongoing underlying operations. We believe these refined definitions provide more meaningful reflections and enhance period-over-period comparability of our normalized financial performance. These definitions are more fully described in the Definition of Non-IFRS Measures section (or Definitions section) of this MD&A. We have also provided reconciliations of these measures to their closest respective IFRS measures in the 2018 Financial Highlights section, and comparative periods have been restated accordingly.

2018 Financial Highlights

(In millions of Canadian dollars, except per share amounts)	Year Ended December 31 **2018 $**	2017 $	2016 $
Gross revenue	**4,283.8**	4,028.7	3,654.9
Net revenue	**3,355.2**	3,173.8	2,926.7
EBITDA from continuing operations *(note)*	**370.1**	414.6	319.8
Net income from continuing operations	**171.3**	97.0	123.7
Net (loss) income from discontinued operations	**(123.9)**	-	6.8
Net income	**47.4**	97.0	130.5
Basic and diluted earnings (loss) per share			
Continuing operations	**1.51**	0.85	1.16
Discontinued operations	**(1.09)**	-	0.06
Total basic and diluted earnings per share (EPS)	**0.42**	0.85	1.22
Dividends declared per common share	**0.55**	0.50	0.45
Continuing operations			
Adjusted EBITDA *(note)*	**392.5**	353.3	319.8
Adjusted net income *(note)*	**206.6**	196.7	159.5
Adjusted EPS – basic *(note)*	**1.82**	1.73	1.49
Adjusted EPS – diluted *(note)*	**1.82**	1.72	1.49
Total assets	**4,009.9**	3,883.1	4,284.7
Total long-term debt	**933.7**	739.6	1,020.5

Construction Services operations are presented as discontinued operations . Prior period amounts have been restated to conform with the current year's presentation. Gross and net revenue were accounted for using IAS 11 in 2017 and IFRS 15 in 2018.
note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted EPS are non-IFRS measures (discussed in the Definitions section of this report).

- Adjusted net income from continuing operations of $206.6 million or $1.82 on a diluted per share basis, a 5.0% and 5.8% increase, respectively, compared to 2017. This reflects solid net revenue growth from our core Consulting Services business.
- Excluding the required reclassification of certain corporate cost allocations that resulted from presenting Construction Services as a discontinued operation, our core Consulting Services business would have reported 2018 adjusted net income of $215.5 million or $1.89 on a per share basis.
- Net revenue growth of 5.7% compared to 2017, with increases across all geographies.
- Organic net revenue growth of 3.3%, supported by organic growth every quarter of 2018 compared to 2017.
- Acquisition net revenue growth of 2.6%, supported by seven acquisitions completed in 2018 and three acquisitions completed in 2017.

- Administrative and marketing expenses as a percentage of net revenue decreased from 44.4% in 2017 to 42.9% in 2018 (42.3% excluding unusual or non-recurring items) due to improved utilization and operational efficiencies.
- Adjusted EBITDA growth in continuing operations of 11.1% compared to 2017, representing 11.7% of 2018 net revenue compared to 11.1% of net revenue in 2017.
- Net income of $47.4 million or $0.42 on a diluted per share basis, a 51.1% and 50.6% decrease, respectively, compared to 2017, reflecting the impact of losses incurred from Construction Services and several unusual, non-recurring expenses.
- Divested Construction Services on November 2, 2018.
- Continued to build solid contract backlog of $4.2 billion at December 31, 2018.
- On February 27, 2019, our Board of Directors declared a dividend of $0.145 per share, an increase of 5.5% from last year, payable on April 15, 2019, to shareholders of record on March 29, 2019.

Reconciliation of Non-IFRS Financial Measures

(In millions of Canadian dollars, except per share amounts)	Year Ended December 31 2018	Year Ended December 31 2017	Quarter Ended December 31 2018	Quarter Ended December 31 2017
Net income from continuing operations	**171.3**	**97.0**	**21.2**	**15.6**
Add back:				
Income taxes	55.0	166.5	2.6	23.0
Net interest expense	28.7	25.9	9.3	5.5
Depreciation and amortization	115.1	125.2	28.1	29.4
EBITDA from continuing operations	**370.1**	**414.6**	**61.2**	**73.5**
Add back (deduct) pre-tax:				
Lease exit liability	12.8	-	12.8	-
Past service cost for pensions	4.7	-	4.7	-
Unrealized loss on investments held for self-insured liabilities	4.9	-	5.5	-
Rebalancing of investments held for self-insured liabilities	-	(6.7)	-	(6.7)
Gain on disposition of a subsidiary	-	(54.6)	-	-
Adjusted EBITDA from continuing operations	**392.5**	**353.3**	**84.2**	**66.8**

(In millions of Canadian dollars, except per share amounts)	Year Ended December 31 2018	Year Ended December 31 2017	Quarter Ended December 31 2018	Quarter Ended December 31 2017
Net income from continuing operations	**171.3**	**97.0**	**21.2**	**15.6**
Add back (deduct) after-tax:				
Amortization of intangible assets related to acquisitions *(note 1)*	28.8	43.0	7.3	11.0
Lease exit liability *(note 2)*	9.4	-	9.4	-
Past service cost for pensions *(note 3)*	3.5	-	3.5	-
Unrealized loss on investments held for self-insured liabilities *(note 4)*	3.6	-	4.1	-
US tax reform *(note 5)*	(10.0)	18.6	-	18.6
Tax expense on reorganization of legal entities *(note 5)*	-	3.2	-	(0.4)
Rebalancing of investments held for self-insured liabilities *(note 6)*	-	(5.1)	-	(5.1)
Gain on disposition of a subsidiary *(note 7)*	-	40.0	-	-
Adjusted net income from continuing operations	**206.6**	**196.7**	**45.5**	**39.7**
Weighted average number of shares outstanding - basic	113,733,118	113,991,507	113,142,068	113,951,072
Weighted average number of shares outstanding - diluted	113,822,318	114,352,920	113,158,097	114,498,677
Adjusted earnings per share from continuing operations				
Adjusted earnings per share - basic	**1.82**	**1.73**	**0.40**	**0.35**
Adjusted earnings per share - diluted	**1.82**	**1.72**	**0.40**	**0.35**

See the Definitions section of this report for our discussion of non-IFRS measures used. Construction Services operations are presented as discontinued operations. This table has been updated to include only continuing operation results.

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. For the quarter ended December 31, 2018, this amount is net of tax of $1.4 (2017 - $1.8). For the year ended December 31, 2018, this amount is net of tax of $10.6 (2017 - $13.6).

note 2: For the quarter and year ended December 31, 2018, this amount is net of tax of $3.4 (2017 - nil).

note 3: For the quarter and year ended December 31, 2018, this amount is net of tax of $1.2 (2017 - nil).

note 4: For the quarter ended December 31, 2018, this amount is net of tax of $1.4 (2017 - nil). For the year ended December 31, 2018, this amount is net of tax of $1.3 (2017 - nil).

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

note 6: For the quarter and year ended December 31, 2018, this amount is net of tax of nil (2017 - $1.6).

note 7: This relates to the sale of Innovyze in 2017.

2018 Fourth Quarter Highlights

(In millions of Canadian dollars, except per share amounts)	Quarter Ended December 31 **2018 $**	2017 $
Gross revenue	**1,083.9**	977.4
Net revenue	**835.6**	749.9
EBITDA from continuing operations *(note)*	**61.2**	73.5
Net income from continuing operations	**21.2**	15.6
Net loss from discontinued operations	**(32.2)**	(4.4)
Net (loss) income	**(11.0)**	11.2
Basic and diluted earnings (loss) per share		
Continuing operations	**0.19**	0.14
Discontinued operations	**(0.29)**	(0.04)
Total basic and diluted earnings (loss) per share (EPS)	**(0.10)**	0.10
Dividends declared per common share	**0.1375**	0.1250
Continuing operations		
Adjusted EBITDA *(note)*	**84.2**	66.8
Adjusted net income *(note)*	**45.5**	39.7
Adjusted EPS – basic *(note)*	**0.40**	0.35
Adjusted EPS – diluted *(note)*	**0.40**	0.35

Construction Services operations are presented as discontinued operations . Prior period amounts have been restated to conform with the current year's presentation. Gross and net revenue were accounted for using IAS 11 in 2017 and IFRS 15 in 2018.
note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted EPS are non-IFRS measures (discussed in the Definitions section of this report).

- Adjusted net income from continuing operations of $45.5 million or $0.40 on a diluted per share basis, a 14.6% and 14.3% increase, respectively, compared to Q4 17. This reflects solid financial performance from our core Consulting Services business.
- Net revenue growth of 11.4% in Q4 18 compared to Q4 17, supported by organic and acquisition growth.
- Organic net revenue growth of 3.5% in Q4 18 compared to Q4 17 with growth in all our regional segments and business operating units, with the exception of Buildings, which was neutral relative to Q4 17.
- Acquisition net revenue growth of 6.0% in Q4 18 compared to Q4 17.
- Administrative and marketing expenses as a percentage of net revenue decreased to 45.8% in Q4 18 (43.7% excluding unusual or non-recurring items) from 46.8% in Q4 17 due to improved utilization, operational efficiencies, and reduced share-based compensation charges.
- Adjusted EBITDA growth from continuing operations of 26.0% compared to Q4 17, representing 10.1% of Q4 18 net revenue compared to 8.9% of net revenue in Q4 17.
- Net loss of $11.0 million or $0.10 on a diluted per share basis, reflecting the impact of losses incurred from Construction Services and several unusual, non-recurring expenses.

Financial Targets

2018 Results Compared to Targets

In the MD&A in our 2017 Annual Report, we established various target ranges of expected performance measures for fiscal year 2018. In Q3 18, we concluded that the budgets established for Construction Services and our consolidation results for 2018 were no longer relevant because of our divestiture of Construction Services. Because budgets are a key assumption in establishing our targets, we withdrew the targets for Construction Services and our consolidated results in Q3 18.

Measure - Consulting Services	2018 Target Range	Results Achieved	
Gross margin as % of net revenue	53% to 55%	54.1%	✓
Administrative and marketing expenses (excluding unusual or non-recurring items) as % of net revenue	41% to 43%	42.3%	✓
Adjusted EBITDA as % of net revenue *(note)*	11% to 13%	11.7%	✓

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

✓ Met or performed better than target.

x Did not meet target.

We met all of the targets listed above. As well, for the year, as a percentage of net income, we achieved 6.2% for adjusted net income from continuing operations and 5.1% for net income from continuing operations. In Q4 18, we revised our EBITDA target to adjusted EBITDA since we believe it is more reflective of our underlying operations.

Our administrative and marketing expenses (excluding unusual or non-recurring items) and adjusted EBITDA for Consulting Services would have been 42.0% and 12.0%, respectively, of net revenue without the reclassification of $10.1 million of costs that would have been allocated to Construction Services in the absence of discontinued operations accounting.

In Q3 18, we changed our guidance on our annual effective tax rate from 27% to 29.5%. For the year ended December 31, 2018, the effective tax rate for our continuing operations was 26.8% and excludes the impact of our Construction Services operations (discussed in the Income Taxes section of this report).

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

Targets for 2019

The following table summarizes our expectations for 2019:

Measure - Consulting Services	2019 Target Range
Gross margin as % of net revenue	53% to 55%
Administrative and marketing expenses as % of net revenue	41% to 43%
EBITDA as % of net revenue *(note)*	11% to 13%
Net income as % of net revenue	At or above 5%

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 to be between 1.25 and 1.30.

Our targets for administrative and marketing expenses and EBITDA will be impacted by our transition to IFRS 16*Leases*. In Q1 19, we will provide an update on our expectations regarding the impact of implementing IFRS 16 on administrative and marketing expenses, as well as on depreciation and amortization.

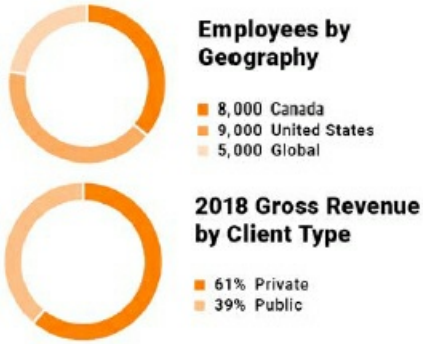
Our 2019 outlook, targets, and guidance are more fully discussed in the Outlook section of this report.

Business Model

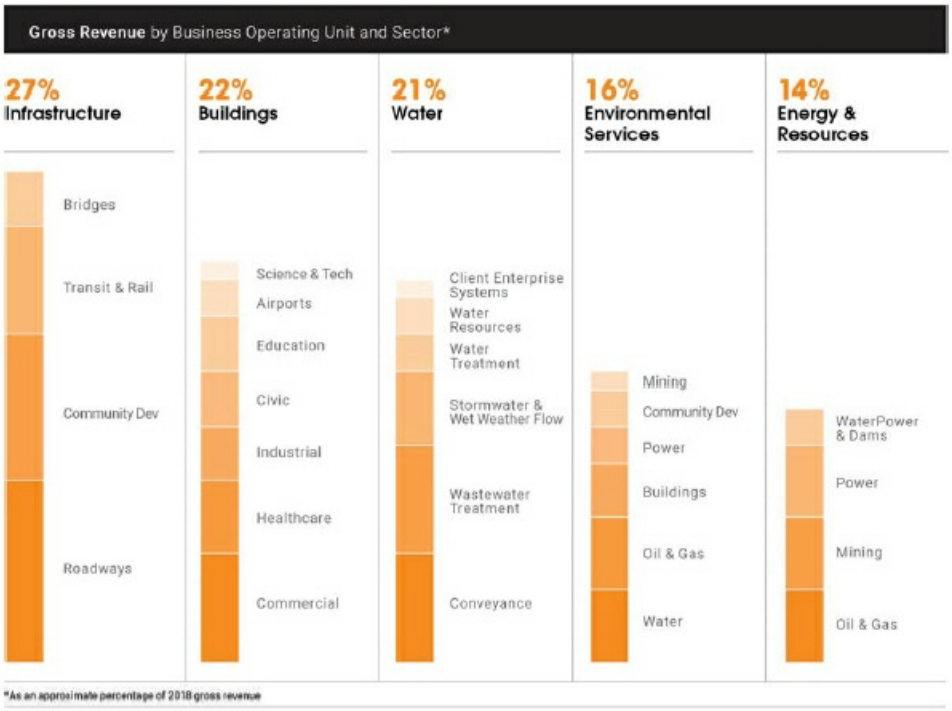
Our diverse business model, a key element of our strategy, allows us to adapt to changes in market conditions by offsetting decreased demand for services in one business operating unit or geographic location with increased demand in another. We believe this balanced portfolio approach helps mitigate risk and allows us to maximize shareholder value. And by working on tens of thousands of projects for thousands of clients in hundreds of locations, we avoid relying on a few large projects for revenue. Our clients benefit from the local relationships we build through our 400 office locations and from our wide and deep pool of global experts. We strive to reach beyond the client–service provider relationship to become trusted advisors to and partners with our clients. We work together to identify and understand the challenges facing our clients' businesses and to offer solutions.

There are three main components of our business model:

- **Geographic Diversification**. We do business in three regional operating units—Canada, United States, and Global—offering similar services across all regions. This diversity allows us to cultivate close client relationships at the local level while offering the expertise of our global team
- **Service Diversification.** We offer services through five business operating units (BOUs). Within each BOU, we respond to the needs of clients from various sectors through our primary service offerings:
    - Buildings – Pre-design, design, and construction administration services in planning, architecture, interior design, buildings engineering, and sustainability and building performance for vertical infrastructure, primarily for private sector and institutional clients



    - Energy & Resources – Industrial engineering services for private sector energy, resource, and power clients
    - Environmental Services – Planning and permitting services for private sector clients, and remediation activities for private and public sector clients
    - Infrastructure – Front-end design and engineering services and some construction management and inspection work for private and public sector clients
    - Water – Traditional planning, engineering, design, and construction management services augmented with financial and enterprise management, program and asset management, and intelligent platforms for public and private sector clients



- **Life-cycle solutions**. We provide professional services in all phases of the project life cycle: planning, design, construction administration, commissioning, maintenance, decommissioning, and remediation.

Strategy

Our business goal is to be a top-tier global design and delivery firm that is recognized for our creative, technology-forward, and collaborative approach.

As we strive to deliver increasing value to our shareholders, we remain committed to achieving long-term average compound net revenue growth of 15% through a combination of organic and acquisition growth.

Strategic Objectives

- **Winning Impactful Work.** We will pursue and win work that transforms communities and inspires employees.
- **Exceptional Project Execution.** We will execute projects exceptionally for our clients.
- **Strategic Acquisitions.** We will grow through strategic acquisitions to meet the needs of our clients and strengthen our ability to improve the communities, sectors, and geographies we serve.

- **Inspired Thought Leadership.** We will combine proven ideas with curiosity, creativity, and technology-forward approaches to find new ways of addressing client challenges and to position Stantec as an iconic firm.
- **Competitive Operational Advantage.** We will embrace and enhance our collaborative business model and integrated platform for competitive and operational advantages.
- **Inspired Culture.** We will continue to build an inspiring, inclusive work environment that attracts, supports, and develops world-class talent.

Strategic Acquisitions Completed in 2018 and 2017

In 2018, we completed seven strategic acquisitions. These acquisitions, along with three completed in 2017, contributed to the revenue growth in our reportable segments and business operating units as follows:

				BUSINESS OPERATING UNITS				
REPORTABLE SEGMENTS	Date Acquired	Primary Location	# of Employees	Buildings	Energy & Resources	Environmental Services	Infrastructure	Water
Consulting Services - Canada								
Norwest Corporation (NWC)	May 2018	Calgary, Alberta	140		●			
Cegertec Experts Conseils Inc. (CEG)	May 2018	Chicoutimi, Quebec	250	●	●		●	
True Grit Engineering Limited (TGE)	October 2018	Thunder Bay, Ontario	55			●		
Consulting Services - United States								
Inventrix Engineering, Inc. (Inventrix)	April 2017	Seattle, Washington	22	●				
RNL Facilities Corporation (RNL)	July 2017	Denver, Colorado	130	●				
North State Resources, Inc. (NSR)	October 2017	Redding, California	60			●		
Occam Engineers Inc. (OEI)	March 2018	Albuquerque, New Mexico	55					●
Norwest Corporation (NWC)	May 2018	Calgary, Alberta	140		●			
Consulting Services - Global								
RNL Facilities Corporation (RNL)	July 2017	Denver, Colorado	130	●				
ESI Limited (ESI)	March 2018	Shrewsbury, England	50			●		
Traffic Design Group Limited (TDG)	April 2018	Wellington, New Zealand	80				●	
Peter Brett Associates LLP (PBA)	September 2018	Reading, England	700	●		●	●	

Outlook

Organic Revenue Growth

We expect organic net revenue growth in 2019 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 net revenue growth rate of 15% through organic and acquisition growth.

Our 2019 outlook was determined based on our expectations, including

- Solid US consumer spending and business investment, slightly increasing interest rates, and continued strong employment; however, we expect some uncertainty due to the ongoing trade dispute between the United States and China.
- Slowing economic growth in Canada because of low and volatile oil prices, rising interest rates, and a slowdown in the housing market resulting from the higher interest rates and increased regulatory restrictions with respect to mortgage qualifications.

- Growth in our Global markets as we expand our global footprint and benefit from healthy GDP growth in the countries where we operate. We also expect less volatility in the commodity prices that impact our Mining and Environmental Services operations. Though we do expect Brexit to create uncertainty in the United Kingdom and Europe, we believe our UK business is largely insulated from these uncertainties because of our long-term contracts providing services for critical infrastructure projects.

Other Targets and Expectations

In addition to the 2019 financial targets set out in our Financial Targets section of this report, our other expectations for 2019 are as follows:

- Capital expenditures for property and equipment will be between $60 million and $65 million, a decrease from consolidated capital expenditures of $130.2 million in 2018. This decrease is primarily due to the one-time expense incurred in 2018 to complete the new Edmonton headquarters building. The majority of 2019 capital expenditures are expected to relate to leasehold improvements and office furniture as we continue consolidating offices in an effort to reduce our ongoing lease expenses.
- Software additions will be between $5 million and $10 million, a decrease from consolidated software additions of $33.2 million in 2018. The decrease in 2019 over 2018 will result primarily because of a large license renewal in 2018. In addition, our vendors are moving toward more cloud-based software solutions, which are subscription in nature; IFRS does not permit capitalization of these as intangible assets. As such, we are required to recognize cloud-based software solutions in administrative and marketing expenses, resulting in higher expenses and lower capitalization and amortization of software in 2019 and onward.
- Amortization expense for intangible assets will be between $65 million and $70 million, which is consistent with amortization expense for continuing operations in 2018.
- Depreciation expense will be between $55 million and $60 million, an increase over consolidated depreciation expense of $50.1 million for continuing operations in 2018. This increase will be mainly due to higher depreciation expense for leasehold improvements.
- An effective income tax rate of approximately 27% is expected in 2019. This rate 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.

Financial Performance

Selected Annual Information

(In millions of Canadian dollars, except per share amounts and percentages)	2018 $	2018 % of Net Revenue	2017 $	2017 % of Net Revenue
Gross revenue	**4,283.8**	127.7%	4,028.7	126.9%
Net revenue	**3,355.2**	100.0%	3,173.8	100.0%
Direct payroll costs	**1,540.0**	45.9%	1,411.9	44.5%
Gross margin	**1,815.2**	54.1%	1,761.9	55.5%
Administrative and marketing expenses	**1,438.2**	42.9%	1,407.7	44.4%
Other expense (income)	**6.9**	0.2%	(60.4)	(2.0%)
EBITDA from continuing operations *(note)*	**370.1**	11.0%	414.6	13.1%
Depreciation of property and equipment	**50.1**	1.5%	52.2	1.6%
Amortization of intangible assets	**65.0**	1.9%	73.0	2.3%
Net interest expense	**28.7**	0.9%	25.9	0.8%
Income before income taxes	**226.3**	6.7%	263.5	8.3%
Income taxes	**55.0**	1.6%	166.5	5.2%
Net income from continuing operations	**171.3**	5.1%	97.0	3.1%
Net (loss) income from discontinued operations	**(123.9)**	(3.7%)	-	0.0%
Net income	**47.4**	1.4%	97.0	3.1%
Basic and diluted earnings (loss) per share				
Continuing operations	**1.51**	n/m	0.85	n/m
Discontinued operations	**(1.09)**	n/m	-	n/m
Total basic earnings per share (EPS)	**0.42**	n/m	0.85	n/m
Adjusted EBITDA from continuing operations *(note)*	**392.5**	11.7%	353.3	11.1%
Adjusted net income from continuing operations *(note)*	**206.6**	6.2%	196.7	6.2%
Adjusted EPS from continuing operations *(note)*				
Basic	**1.82**	n/m	1.73	n/m
Diluted	**1.82**	n/m	1.72	n/m

Gross and net revenue were accounted for using IAS 11 in 2017 and IFRS 15 in 2018. Construction Services operations are presented as discontinued operations. Prior period amounts have been restated to conform with the current year's presentation.
note: EBITDA, adjusted EBITDA, adjusted net income, and adjusted basic and diluted EPS are non-IFRS measures (discussed in the Definitions section of this report).
n/m = not meaningful

Discussion of Continuing Operations

In 2018, Stantec generated adjusted net income from continuing operations of $206.6 million or $1.82 per diluted share, a 5.0% and 5.8% increase, respectively, compared to 2017. These results demonstrate that we are achieving our stated objectives of growing organically and through acquisitions, while maintaining an efficient cost structure. As a percentage of net revenue, adjusted net income was 6.2% for both 2018 and 2017.

Net income from continuing operations was $171.3 million or $1.51 per share, a 76.6% and 77.6% increase, respectively, compared to 2017. 2018 results were reduced by several unusual, non-recurring expenses recorded in the year as further discussed below. 2017 results reflected a substantial increase to income tax expense arising from changes in US tax legislation, partly offset by a gain on the sale of a subsidiary.

Gross and net revenue increased by 6.3% and 5.7%, respectively, in 2018 compared to 2017. We achieved organic net revenue growth of 3.3%, with growth in each geographic reportable segment and business operating unit, except Buildings and Infrastructure.

Gross margin increased by 3.0% in 2018 compared to 2017 but declined as a percentage of net revenue—from 55.5% in 2017 to 54.1% in 2018—largely due to changes in our project mix.

Our focused efforts drove reductions in administrative and marketing expenses as a percentage of net revenue. Results were further strengthened by reduced depreciation of property and equipment, amortization of intangible assets, and income taxes as percentages of net revenue in 2018 compared to 2017. These were partly offset by increases in other expense and net interest expense as a percentage of net revenue.

Adjusted EBITDA increased by 11.1%—from $353.3 million in 2017 to $392.5 million in 2018—and as a percentage of net revenue—from 11.1% in 2017 to 11.7% in 2018. Including the effects of several unusual, non-recurring items—mainly a $12.8 million charge for a lease exit liability related to our Edmonton head office move, a $4.7 million past service cost for our UK defined benefit pensions, and a $4.9 million unrealized loss on investments held for self-insured liabilities—2018 EBITDA amounted to $370.1 million. This is a 10.7% decrease compared to 2017 EBITDA of $414.6 million, which included a $54.6 million gain on the disposition of Innovyze.

Gross and Net Revenue

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.

Consulting Services generates approximately 70% of gross revenue in foreign currencies, primarily in US dollars and GBP. Fluctuations in these currencies had a net $5.3 million negative impact on our net revenue results in 2018 compared to 2017, as further described below:

- The Canadian dollar averaged US$0.77 in both 2017 and 2018, but contributed to the negative impact, mentioned above, due to foreign exchange fluctuations over the course of the year.
- The Canadian dollar averaged GBP0.60 in 2017 and GBP0.58 in 2018—a 3.3% decrease. The weakening Canadian dollar had a positive effect on gross and net revenue in 2018 compared to 2017.

Fluctuations in other foreign currencies did not have a material impact on our gross and net revenue in 2018 compared to 2017.

Revenue earned by acquired companies in the first 12 months following an acquisition is reported as revenue from acquisitions and thereafter as organic revenue.

Revenue by Reportable Segment

(In millions of Canadian dollars, except percentages)	Gross Revenue 2018	Gross Revenue 2017	Net Revenue 2018	Net Revenue 2017	2018 Organic Net Revenue Growth %
Canada	1,275.8	1,191.7	1,087.8	1,027.6	3.7%
United States	2,334.6	2,226.0	1,774.4	1,714.7	2.5%
Global	673.4	611.0	493.0	431.5	5.4%
Total	4,283.8	4,028.7	3,355.2	3,173.8	3.3%

Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Revenue by Business Operating Unit

(In millions of Canadian dollars, except percentages)	Gross Revenue 2018	Gross Revenue 2017	Net Revenue 2018	Net Revenue 2017	2018 Organic Net Revenue Growth (Retraction) %
Buildings	944.5	898.1	724.0	714.8	(2.5%)
Energy & Resources	591.7	479.2	507.5	401.5	22.7%
Environmental Services	682.8	678.1	480.3	454.1	2.2%
Infrastructure	1,157.6	1,090.4	926.0	899.1	(0.1%)
Water	907.2	882.9	717.4	704.3	3.0%
Total	4,283.8	4,028.7	3,355.2	3,173.8	3.3%

Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Gross revenue increased by 6.3% compared to 2017. Net revenue increased by 5.7%, reflecting 3.3% organic growth, 2.6% acquisition growth, and a negative 0.2% impact from fluctuations in foreign exchange.

The gross to net revenue ratio for Consulting Services was 1.28, falling within our targeted range of 1.25 to 1.30.

Consulting Services – Canada

Gross revenue increased 7.1% and net revenue increased 5.9% in 2018 compared to 2017 as a result of organic revenue and acquisition growth.

We achieved organic gross revenue growth of 5.0% and net revenue growth of 3.7%, primarily driven by strong performance in our Power and Oil & Gas sectors. Our Water business also achieved strong growth, driven by projects in western Canada. Further, our Community Development sector experienced organic revenue growth with eastern Canada offsetting a decline in the western provinces.

Although Environmental Services retracted year over year, organic growth was positive in Q4 18 and continues to trend favourably as new opportunities emerge in the midstream oil and gas sector, specifically in support of liquefied natural gas projects. Although we saw organic gross revenue growth in our Buildings business, our growth was impacted by major projects nearing completion and by using more specialized consultants for certain projects, resulting in a retraction year over year. Transportation experienced retraction in western Canada as a result of reduced public spending and fewer significant projects.

Acquisitions completed in 2018 and 2017 contributed to gross revenue growth of 2.0% and net revenue growth of 2.2%, primarily in Buildings and Energy & Resources.

Consulting Services – United States

Gross revenue increased 4.9% and net revenue increased 3.5% in 2018 compared to 2017 as a result of organic revenue and acquisition growth; this growth was partly offset by fluctuations in foreign exchange.

We achieved organic gross revenue growth of 3.6% and net revenue growth of 2.5%, reflecting organic growth in all business operating units and sectors, except Buildings.

We continued to capitalize on our environmental mitigation expertise and build our remediation and recovery expertise in our Environmental Services business, resulting in organic growth across several sectors. In our Energy & Resources business, our Mining, Oil & Gas, and WaterPower & Dams sectors experienced organic growth; markets improved because of increases in certain commodity prices (which were driven by global consumer confidence), and we executed new contracts that had been awarded during the year. Growth in our Water business came from continued expansion in the California and Texas markets. This growth was offset by the impact of the Innovyze sale in Q2 17.

In our Community Development sector, growth in the Southeast and Northeast regions was partly offset by competitive fee pressures in other regions and by work on several new projects that had specific mandates to use certain subconsultants or required specialized external consultants, thereby contributing to higher subconsultant costs. In our Transportation sector, the ramp-up of previously awarded contracts, like the Long Island Rail Road Project, offset retractions from the wrap-up of other large project work. We continue to secure new projects because of our strong and solid strategic market position in transit, bridge inspection, light-rail transit, roadway, and bridge projects.

We experienced organic revenue retraction in our Buildings business because of certain large healthcare projects winding down and Q1 18 project execution issues. However, in the second half of 2018, this trend began to reverse, as retraction was partly offset by growth in the commercial, healthcare, and science and technology sectors, particularly in the Northeast region and Florida. In Q4 18, our Buildings business experienced strong organic growth, offsetting the retraction in the prior three quarters.

Acquisitions completed in 2018 and 2017 contributed to gross revenue growth of 1.6% and net revenue growth of 1.3%, primarily in Buildings, Energy & Resources, and Water.

Consulting Services – Global

Gross and net revenue increased by 10.2% and 14.3%, respectively, in 2018 compared to 2017, representing the region with the most significant growth. Increases during the year resulted from organic revenue and acquisition growth, as well as fluctuations in foreign exchange.

We saw organic gross revenue growth of 1.8% and net revenue growth of 5.4%.

In 2018, net revenue growth in our Water business was driven by new projects in Australia and New Zealand. Continuing strong markets in our Mining sector resulted in an increased volume of work in Latin America. The Mining sector also saw growth resulting from export projects compared to 2017 when capital spending was depressed. Two new projects in Qatar and the United Arab Emirates contributed to growth in our Buildings business.

Organic gross revenue retracted in our Environmental Services business due to decreased volume on a large subcontractor-intensive contract in Europe. Growth in our WaterPower & Dams sector from new projects was partly offset by the winding down of certain large projects in our export business.

Acquisitions completed in 2018 and 2017 contributed to gross revenue growth of 8.0% and net revenue growth of 9.0%, primarily in our Environmental Services and Infrastructure businesses.

Backlog

Backlog by Reportable Segment

(In millions of Canadian dollars, except months)	2018
Canada	1,052.0
United States	2,538.9
Global	588.3
Total	4,179.2

Our contract backlog—$4.2 billion at December 31, 2018—represents approximately 11.7 months of work.

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. Previously, contract backlog was considered a non-IFRS measure. We adopted IFRS 15 on January 1, 2018; it requires that the total value of all secured work be reported as contract backlog. Before adoption, we limited our reported backlog to the first 12 to 18 months of secured work.

Major Project Awards

Major projects awarded in 2018 in Canada include providing engineering and technical support services for the Core Area Wastewater Treatment Program in Victoria, British Columbia. In addition, as part of the Consortium Groupe NouvLR, we were awarded the design engineering work for the Reseau express metropolitan, Montreal’s light rail transit network.

In the United States, we were appointed as lead engineer for the design-build commuter rail expansion for Long Island Rail Road in Nassau County, New York. We were also selected as lead designer for the Red and Purple Modernization Program, a Chicago Transit Authority project.

In Global, major contract awards include delivering the concept design for raising the Warragamba Dam west of Sydney, Australia, and providing project preparation and technical supervision services for the high-voltage transmission and substation activities for a large power project in Nepal. Significant Water projects awarded include a five-year contract extension with Ashghal, Qatar’s public works authority, to implement annual improvement plans. We were also appointed as the sole strategic planning partner for the Yorkshire Water team as part of an AMP7 contract.

Gross Margin

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

Gross Margin by Reportable Segments

	2018		2017	
(In millions of Canadian dollars, except percentages)	$	% of Net Revenue	$	% of Net Revenue
Canada	557.0	51.2%	551.5	53.7%
United States	982.5	55.4%	958.7	55.9%
Global	275.7	55.9%	251.7	58.3%
Total	1,815.2	54.1%	1,761.9	55.5%

Gross Margin by Business Operating Unit

(In millions of Canadian dollars, except percentages)	2018		2017	
	$	**% of Net Revenue**	**$**	**% of Net Revenue**
Buildings	387.5	53.5%	391.2	54.7%
Energy & Resources	254.9	50.2%	209.0	52.0%
Environmental Services	270.5	56.3%	261.0	57.5%
Infrastructure	500.8	54.1%	496.1	55.2%
Water	401.5	56.0%	404.6	57.4%
Total	1,815.2	54.1%	1,761.9	55.5%

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

Gross margin increased $53.3 million as a result of overall revenue increases and decreased 1.4% as a percentage of net revenue in 2018 compared to 2017.

Gross margin in our Canada operations increased $5.5 million and decreased 2.5% as a percentage of net revenue in 2018 compared to 2017. This resulted from a shift in our project mix, driven largely by our Energy & Resources business, which generated substantially higher revenues in 2018 but at lower margins than our other businesses. In addition, reduced capital investment in our Oil & Gas and Mining sectors resulted in lower Energy & Resources and Environmental Services margins relative to net revenues. Our Buildings business had lower margins due to project mix and project execution issues.

Gross margin in our US operations increased $23.8 million and decreased 0.5% as a percentage of net revenue in 2018 compared to 2017 because of project mix and, in part, the Innovyze sale in 2017 (a water software business that operated at higher margins).

Gross margin in our Global operations increased $24.0 million and decreased 2.4% as a percentage of net revenue in 2018 compared to 2017. The decrease was primarily due to project mix, positive estimated cost-to-complete revisions on a major UK Water project in 2017, and positive revenue adjustments from settlements reached on a major Middle East Water project in 2017.

Administrative and Marketing Expenses

Administrative and marketing expenses fluctuate year to year due to the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress during the period, business development activities, and integration activities resulting from acquisitions. In the months after completing an acquisition, staff time charged to administration and marketing is generally higher as a result of integration activities, including orienting newly acquired staff. Our operations also include higher administrative and marketing expenses in the first and fourth quarters as a result of the holiday season and seasonal weather conditions in the northern hemisphere, which, in turn, result in lower staff utilization.

Administrative and marketing expenses increased by $30.5 million in 2018 compared to 2017 to support the growth in our business but also reflect several unusual, non-recurring items discussed further below. Excluding these unusual items, administrative and marketing expenses would have represented 42.3% of net revenue. In spite of these additional expenses, our administrative and marketing expenses as a percentage of net revenue decreased to 42.9% in 2018 from 44.4% in 2017 and is within our expected range of 41% to 43%. The decrease in administrative and marketing expenses as a percentage of net revenue was mainly due to improved utilization, lower integration costs, operational efficiencies, and share-based expense. As we continued monitoring our backlog and making adjustments to align staffing levels with workloads, our utilization improved. Occupancy costs decreased due to our continued efforts to consolidate offices and negotiate lower lease rates. As a consequence of management's continued focus on reducing costs, we realized cost savings in discretionary spending and other areas. Also, we recorded a $5.0 million decrease in the fair value of our cash-settled share-based compensation (deferred share units and preferred share units).

Administrative and marketing expenses were negatively impacted by a lease exit liability charge of $12.8 million related to the move to our new head office in Edmonton and a past service cost of $4.7 million associated with our defined benefit pension plans. We will receive a full reimbursement from our landlord for the Edmonton lease exit liability, which is required to be treated as a lease inducement under IFRS to reduce our lease cost over the life of the new lease term. Past service costs arose from a UK High Court ruling made on October 26, 2018, resulting in an amendment to our pension plans to equalize guaranteed minimum pension (GMP) benefits.

Depreciation of Property and Equipment

Depreciation decreased $2.1 million year over year. As a percentage of net revenue, depreciation of property and equipment was 1.5% in 2018 compared to 1.6% in 2017. 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. Our additions to property and equipment of $130.2 million were $10.2 million higher than our budget of $120.0 million (set at the beginning of 2018). We advanced our spending on certain leasehold improvements and equipment expenditures originally planned for 2019. Although expenditures of $65.3 million for our new head office in Edmonton were lower than our budget of $72 million, certain of these budgeted expenditures have been deferred until 2019.

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.

The following table summarizes the amortization of identifiable intangible assets:

(In millions of Canadian dollars)	**2018**	**2017**
Client relationships	26.9	28.2
Backlog	9.9	22.3
Software	25.7	16.4
Other	3.6	7.9
Lease disadvantage	(1.1)	(1.8)
Total amortization of intangible assets	65.0	73.0

The decrease in intangible asset amortization of $8.0 million in 2018 compared to 2017 was mainly due to a reduction in backlog amortization and the 2017 Innovyze sale. Backlog related to acquisitions made in previous years—such as MWH Global, Inc.; Bury Holdings, Inc.; and VOA Associates, Inc.—was fully amortized in Q2 18.

During 2018, we added $66.2 million to intangible assets: $33.0 million from acquisitions and $33.2 million mainly from renewing various software agreements. Software amortization expense increased $9.3 million in 2018 compared to 2017 mainly because of a change in the licensing structure of certain design software, which reduced the estimated life. The $33.2 million additions to intangible software was consistent with our budgeted expectations set at the beginning of 2018.

Our 2018 intangible asset amortization of $65.0 million was consistent with our adjusted guidance of $70 million included in our Q3 18 Management's Discussion and Analysis. Our guidance was adjusted from our 2017 Annual Report for acquisitions completed in the year and a change in the licensing structure of certain design software, which reduced the software's estimated life and increased amortization.

We review intangible assets at each reporting period to determine whether there is an indication of impairment, and based on this review, there were no material indicators of impairment in 2018 and 2017. Our review considered external sources, such as prevailing economic and market conditions, and internal sources, such as the historical and expected financial performance of intangible assets. (See the Critical Accounting Estimates 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 increased $2.8 million in 2018 compared to 2017. Net interest was higher as a result of a net increase of $194.1 million in our total outstanding debt levels and higher interest rates on our revolving credit facilities and term loans. This increase was partly offset with lower interest rates on our notes payable for acquisitions. The average interest rate for our revolving credit facilities and term loans was 4.53% at December 31, 2018, and 3.20% at December 31, 2017. The weighted average interest rate on our notes payable was 3.16% at December 31, 2018, and 3.46% at December 31, 2017.

Foreign Exchange Losses and Gains

We reported a foreign exchange loss of $2.7 million in 2018 and a gain of $0.2 million in 2017. Foreign exchange gains and losses arise 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 fluctuations in 2018 and 2017 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, 2018, we had no material foreign-currency forward contracts.

Other Expense (Income)

Other expense was $0.1 million in 2018 compared to other income of $10.0 million in 2017. We recorded an unrealized loss of $4.9 million and a realized gain of $0.9 million on our equity securities in our investments held for self-insured liabilities. Other income also includes approximately $4 million from certain joint arrangements. Unrealized losses represent the downturn in the equity markets and are non-cash adjustments that will continue to fluctuate based on changes in fair value. In 2017, a realized gain of $9.6 million was recorded on the sale of certain equity securities. Fair value fluctuations on these investments in 2017 were recorded in other comprehensive income. However, on adoption of IFRS 9 (described in the Accounting Developments section of this report), the impact of fair value changes is now recorded through income.

Income Taxes

Our 2018 effective income tax rate was 24.3% compared to 63.2% in 2017. Our normalized effective tax rate for 2018 would be 26.8% when adjusted for a US tax reform transition tax recovery of $10.0 million offset by $4.4 million of adjustments for previous years' current income tax. The effective tax rate is based on statutory rates in jurisdictions where we operate and on our estimated earnings in each of these jurisdictions.

After eliminating certain unusual transactions, our normalized effective tax rate for 2017 was 24.0%. The increase in this tax rate to 26.8% in 2018 was due to the recognition of tax credits in 2017 against income earned in jurisdictions with higher tax rates and the impact of losses incurred in jurisdictions with lower tax rates. The transactions affecting our 2017 tax rate that we eliminated to arrive at 24.0% are as follows: a $94.5 million net tax expense related to the Innovyze sale, a net $18.6 million US tax reform adjustment, and a $3.2 million corporate reorganization tax charge.

US Tax Reform

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act. This resulted in aone-time transition tax of $31.2 million on deemed mandatory repatriation of earnings and a realized recovery of $12.6 million on remeasurement of deferred tax assets and liabilities using the substantively enacted federal tax rate of 21%.

On August 1, 2018, the U.S. Treasury and Internal Revenue Services (IRS) released proposed regulations under Section 965. These regulations provided guidance relating to the one-time transition tax due on the mandatory repatriation of certain deferred foreign earnings. Based on the proposed regulations, certain tax elections filed after November 2, 2017, were deemed to be disregarded in calculating the transition tax. As such, based on the calculation methods prescribed under the proposed regulations, a tax recovery of $10.0 million was recognized on the federal portion of the tax. We will continue to monitor for new interpretation and guidance issued by the U.S. Treasury Department, the IRS, and state taxing authorities.

Discussion of Discontinued Operations

On November 2, 2018, we completed the sale of our Construction Services operations, including MWH Constructors' UK and US divisions and Slayden Constructors, Inc. (collectively, Construction Services). The results of our Construction Services operations are reported as discontinued operations in our 2018 consolidated financial statements for all periods presented. Our statement of financial position for December 31, 2017, was not adjusted, and our financial position as at December 31, 2018, no longer includes the assets and liabilities of Construction Services.

Construction Services was acquired as part of the MWH acquisition in 2016 and was previously a reportable segment and a group of cash generating units. We assumed the defined benefit pension plan related to Construction Services and the obligations related to an ongoing UK-based waste-to-energy project. These items are included in discontinued operations.

The following table summarizes our Construction Services results:

Net loss from discontinued operations	**For the year ended December 31**	
	2018 $	**2017 $**
Revenue	**884.4**	1,111.4
Expenses	**(953.8)**	(1,111.4)
Impairment of goodwill	**(53.0)**	-
Loss from operating activities before income taxes	**(122.4)**	-
Income taxes on operating activities	**10.8**	-
Loss from operating activities, net of income taxes	**(111.6)**	-
Gain on disposal of discontinued operations before income taxes	**1.5**	-
Income taxes on disposal of discontinued operations	**(13.8)**	-
Loss on disposal of discontinued operations, net of income taxes	**(12.3)**	-
Net loss from discontinued operations	**(123.9)**	-

The table above includes the revenue and expenses for our Construction Services operations, including results up to our sales date of November 2, 2018. Also included are project losses recorded in Q4 18 associated with the

remaining UK waste-to-energy project. Our project losses increased because of continuedEPC-related delays impacting the expected project acceptance, which is now expected to occur in Q1 19. The provisions recorded represent our best estimate of costs expected on the project.

Expenses also include a $5.8 million past service cost recognized in Q4 18 for the Construction Services defined benefit pension plan resulting from a UK High Court ruling regarding equalization benefits.

The sale of Construction Services resulted in a non-cash goodwill impairment charge of $53.0 million recorded in Q3 18 since the carrying amount of the Construction Services disposal group exceeded the estimated net proceeds on sale. Gross proceeds less estimated working capital adjustments, transaction costs, and net assets disposed resulted in a gain on sale of $1.5 million recorded in Q4 18. We are still in the process of reviewing the closing financial statements with the purchaser.

An income tax recovery was recognized on the operating activities because of our loss position from operating activities. A tax charge of $13.8 million was recognized on the sale of Construction Services because the tax basis of our net investment in the US Construction Services business is lower than the carrying amount, which resulted in a taxable gain. As well, the UK tax rate on intangible assets was adjusted downward to reflect the sale.

Fourth Quarter Results

The following table summarizes our key operating results from continuing operations for Q4 18 as a percentage of net revenue and the percentage increase in the dollar amount of these results in Q4 18 compared to Q4 17:

	Quarter Ended Dec 31, 2018		Quarter Ended Dec 31, 2017	
(In millions of Canadian dollars, except per share amounts and percentages)	**$**	**% of Net Revenue**	**$**	**% of Net Revenue**
Gross revenue	**1,083.9**	**129.7%**	977.4	**130.3%**
Net revenue	**835.6**	**100.0%**	749.9	**100.0%**
Direct payroll costs	386.2	46.2%	330.9	44.1%
Gross margin	449.4	53.8%	419.0	55.9%
Administrative and marketing expenses	382.7	45.8%	350.7	46.8%
Other expense (income)	5.5	0.7%	(5.2)	(0.7%)
EBITDA from continuing operations *(note)*	61.2	7.3%	73.5	9.8%
Depreciation of property and equipment	13.0	1.6%	12.7	1.7%
Amortization of intangible assets	15.1	1.8%	16.7	2.2%
Net interest expense	9.3	1.1%	5.5	0.7%
Income before income taxes	**23.8**	**2.8%**	38.6	**5.1%**
Income taxes	2.6	0.3%	23.0	3.0%
Net income from continuing operations	**21.2**	**2.5%**	15.6	**2.1%**
Net loss from discontinued operations	**(32.2)**	**(3.8%)**	(4.4)	**(0.6%)**
Net (loss) income	**(11.0)**	**(1.3%)**	11.2	**1.5%**
Basic and diluted earnings (loss) per share				
Continuing operations	**0.19**	n/m	0.14	n/m
Discontinued operations	**(0.29)**	n/m	(0.04)	n/m
Total earnings per share (EPS)	**(0.10)**	n/m	0.10	n/m
Adjusted EBITDA from continuing operations *(note)*	**84.2**	10.1%	66.8	8.9%
Adjusted net income from continuing operations *(note)*	**45.5**	5.4%	39.7	5.3%
Adjusted basic and diluted EPS from continuing operations *(note)*	**0.40**	n/m	0.35	n/m
Dividends declared per common share	**0.1375**	n/m	0.1250	n/m

Gross and net revenue were accounted for using IFRS 15 in 2018 and IAS 11 in 2017. Construction Services operations are presented as discontinued operations. Prior period amounts have been restated to conform with the current year's presentation.

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

n/m = not meaningful

Discussion of Continuing Operations

In Q4 18, Stantec generated adjusted net income from continuing operations of $45.5 million or $0.40 per share, a 14.6% and 14.3% increase, respectively, in Q4 18 compared to Q4 17. Adjusted net income was positively impacted by revenue growth, a decrease in administrative and marketing expenses as a percentage of net revenue, and a decrease in the amortization of intangible assets. As a percentage of net revenue, adjusted net income increased from 5.3% in Q4 17 to 5.4% in Q4 18.

In Q4 18, net income from continuing operations was $21.2 million or $0.19 per share, a 35.9% and 35.7% increase, respectively, in Q4 18 compared to Q4 17. Our Q4 18 results were reduced by several unusual, non-recurring expenses recorded in the quarter, as further discussed below. Q4 17 results reflected a substantial increase to income tax expense arising from changes in US tax legislation.

Gross and net revenue increased by 10.9% and 11.4%, respectively, in Q4 18 compared to Q4 17. This increase was positively impacted by acquisitions completed in 2017 and 2018 and by 3.5% growth in organic net revenue, reflecting growth in each geographic reportable segment and business operating unit, with the exception of Buildings, which was neutral relative to Q4 17. Revenue also increased due to fluctuations in foreign currencies. The average exchange rate for the Canadian dollar was US$0.76 in Q4 18 compared to US$0.79 in Q4 17, and the British pound sterling was GBP0.59 in both Q4 18 and Q4 17.

Gross margin increased 7.3% in Q4 18 compared to Q4 17 but declined as a percentage of net revenue—from 55.9% in Q4 17 to 53.8% in Q4 18—largely due to changes in our project mix.

Administrative and marketing expenses increased 9.1% in Q4 18 compared to Q4 17, primarily due to several unusual and non-recurring items discussed further below, but declined as a percentage of net revenue—from 46.8% in Q4 17 to 45.8% in Q4 18 (43.7% excluding unusual or non-recurring items). Results also reflect lower depreciation of property and equipment, amortization of intangible assets, and income taxes as a percentage of net revenue in Q4 18 compared to Q4 17. These were partly offset with increases in other expense and net interest expense as a percentage of net revenue.

Adjusted EBITDA increased 26.0%—from $66.8 million in Q4 17 to $84.2 million in Q4 18—and as a percentage of net revenue—from 8.9% to 10.1%. Including the effects of several unusual, non-recurring items—mainly a $12.8 million charge for a lease exit liability related to our Edmonton head office move, a $4.7 million past service cost for our UK defined benefit pensions, and a $5.5 million unrealized loss on investments held for self-insured liabilities—Q4 18 EBITDA amounted to $61.2 million. This is a 16.7% decrease compared to Q4 17 EBITDA of $73.5 million, which was positively impacted by $6.1 million in realized gains on investments held for self-insured liabilities.

Gross and Net Revenue – Q4 18 versus Q4 17

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.

Revenue by Reportable Segment

	Gross Revenue		Net Revenue		
(In millions of Canadian dollars, except percentages)	**Quarter Ended Dec 31, 2018**	**Quarter Ended Dec 31, 2017**	**Quarter Ended Dec 31, 2018**	**Quarter Ended Dec 31, 2017**	**Q4 18 Organic Net Revenue Growth %**
Canada	319.2	300.0	268.9	252.5	1.7%
United States	572.0	521.7	425.5	390.8	4.0%
Global	192.7	155.7	141.2	106.6	5.4%
Total	1,083.9	977.4	835.6	749.9	3.5%

Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Revenue by Business Operating Unit

(In millions of Canadian dollars, except percentages)	Gross Revenue		Net Revenue		
	Quarter Ended Dec 31, 2018	**Quarter Ended Dec 31, 2017**	**Quarter Ended Dec 31, 2018**	**Quarter Ended Dec 31, 2017**	**Q4 18 Organic Net Revenue Growth %**
Buildings	235.0	212.4	174.8	165.0	0.0%
Energy & Resources	157.1	130.5	128.7	106.8	11.7%
Environmental Services	185.3	175.9	125.4	110.8	3.2%
Infrastructure	292.2	251.1	235.4	208.0	1.2%
Water	214.3	207.5	171.3	159.3	4.7%
Total	1,083.9	977.4	835.6	749.9	3.5%

Comparative figures have been reclassified due to a realignment of several business lines and to conform to the presentation adopted for the current period. Gross revenue was accounted for using IAS 11 in 2017 and IFRS 15 in 2018.

Gross revenue increased 10.9% in Q4 18 compared to Q4 17. Net revenue increased 11.4%, reflecting 3.5% organic growth, 6.0% acquisition growth, and a 1.9% change resulting from fluctuations in foreign exchange.

Our Canada operations had organic gross and net revenue growth of 2.0% and 1.7%, respectively, in Q4 18 compared to Q4 17. Organic growth continued in our Energy & Resources and Water businesses, particularly in our Oil & Gas sector. In the quarter, we also saw growth in our Environmental Services business as a result of opportunities emerging from the midstream oil and gas sector. Retraction was seen in Buildings because several major healthcare projects wound down, and retraction was seen in Infrastructure mainly because the housing market softened and certain Transportation projects slowed down.

Our US operations achieved organic gross and net revenue growth of 4.9% and 4.0%, respectively, in Q4 18 compared to Q4 17. All of our businesses grew organically except Energy & Resources. Improvements in the US economy contributed to increased demand for commercial and residential development, both publicly and privately, leading to continued growth in our Buildings, Environmental Services, and Water businesses. The ramp-up of design work on new projects awarded in the year contributed to growth in our Transportation sector. The wind-down of certain large projects contributed to retraction in our Energy & Resources business.

Our Global operations experienced organic gross and net revenue growth of 2.7% and 5.4%, respectively, in Q4 18 compared to Q4 17. Growth was driven by our Water business and increased volume in our Mining, Power, and Transportation sectors. New Water projects and our strengthening Transportation sector contributed to growth in Australia and New Zealand. Growth continued in our Latin America Mining sector and in our Mining export work because of market improvements and increased capital spending by our clients. Growth in our WaterPower & Dams and Power sectors resulted from new export projects in the Asia-Pacific region.

Gross Margin

Gross margin was up $30.4 million or 7.3% in Q4 18 compared to Q4 17. As a percentage of net revenue, gross margin decreased from 55.9% in Q4 17 to 53.8% in Q4 18. Gross margins quarter over quarter in our reportable segments and our business operating units are summarized below:

Gross Margin by Reportable Segments

	Quarter Ended Dec 31, 2018		Quarter Ended Dec 31, 2017	
(In millions of Canadian dollars, except percentages)	**$**	**% of Net Revenue**	**$**	**% of Net Revenue**
Canada	134.0	49.8%	136.6	54.1%
United States	234.7	55.2%	216.8	55.5%
Global	80.7	57.2%	65.6	61.6%
Total	449.4	53.8%	419.0	55.9%

Gross Margin by Business Operating Unit

	Quarter Ended Dec 31, 2018		Quarter Ended Dec 31, 2017	
(In millions of Canadian dollars, except percentages)	**$**	**% of Net Revenue**	**$**	**% of Net Revenue**
Buildings	93.7	53.6%	87.7	53.2%
Energy & Resources	62.3	48.4%	56.4	52.9%
Environmental Services	70.9	56.5%	65.2	58.9%
Infrastructure	127.8	54.3%	117.4	56.4%
Water	94.7	55.3%	92.3	57.9%
Total	449.4	53.8%	419.0	55.9%

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

Gross margins were largely impacted by project mix, downward pressures on fees, and reduced subconsultant markups in response to economic challenges in certain markets throughout our operations. In our Canada operations, margins were also impacted by project execution challenges in our Buildings operations. In our Global operations, Q4 18 margins were more in line with expectations; Q4 17 margins were impacted by incentive fees on major contracts and positive adjustments from a major project in Latin America.

Other

Administrative and marketing expenses increased $32.0 million or 9.1% in Q4 18 compared to Q4 17. As a percentage of net revenue, administrative and marketing expenses decreased from 46.8% in Q4 17 to 45.8% in Q4 18. The decrease in administrative and marketing expenses was mainly from improved utilization, operational efficiencies, and reduced share-based compensation charges. These decreases were partly offset by a lease exit liability charge of $12.8 million because of the move to our new Edmonton head office and a $4.7 million past service cost associated with our UK defined benefit pension plans.

Amortization of intangible assets decreased due to a decrease in backlog amortization. Net interest expense increased because of increases in outstanding debt levels and the average interest rate on our revolving credit facilities and term loans.

Other expense included an unrealized fair value loss of $5.5 million on our equity securities in our investments held for self-insured liabilities. In 2017, under previous accounting standards, unrealized fair value fluctuations were included in other comprehensive income. In Q4 17, we recorded as other income a realized gain of $6.7 million associated with the sale of certain equities in our investments held for self-insured liabilities.

In Q4 18, our reported tax rate was 10.9%. The reduction in our reported tax rate was mainly due to the recognition of additional tax credits, estimated deduction of foreign-derived intangible income introduced with US tax reform, and non-taxable capital gains. Our effective tax rate is based on statutory rates in jurisdictions where we operate. Q4 17 included a US tax reform net tax impact of $18.6 million and was adjusted to normalize our tax rate from 59.6% to 11.4%.

Discussion of Discontinued Operations

In Q4 18, we recorded a net loss from discontinued operations of $32.2 million ($35.8 million on a pre-tax basis). This included results from October 1, 2018, to our sales date of November 2, 2018, for our Construction Services operations and estimated project losses associated with the remaining UK waste-to-energy project.

Quarterly Trends

The following is a summary of our quarterly operating results for the last two fiscal years. Previously reported results for the first three quarters of 2018 and for 2017, excluding gross and net revenue amounts, have been restated for discontinued operations accounting.

Quarterly Unaudited Financial Information

	2018				2017			
(In millions of Canadian dollars, except per share amounts)	**Q4**	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Gross revenue	1,083.9	1,086.6	1,092.0	1,021.3	977.4	1,000.9	1,046.3	1,004.1
Net revenue	835.6	847.5	863.3	808.8	749.9	787.5	831.7	804.7
Net income (loss) from continuing operations	21.2	55.9	57.6	36.6	15.6	43.3	99.1	(61.0)
Net (loss) income from discontinued operations, net of tax	(32.2)	(73.9)	(18.0)	0.2	(4.4)	2.9	(1.5)	3.0
Net (loss) income	(11.0)	(18.0)	39.6	36.8	11.2	46.2	97.6	(58.0)
Basic earnings (loss) per share								
Continuing operations	0.19	0.49	0.51	0.32	0.14	0.38	0.87	(0.54)
Discontinued operations	(0.29)	(0.65)	(0.16)	-	(0.04)	0.03	(0.01)	0.03
Total basic (loss) earnings per share	(0.10)	(0.16)	0.35	0.32	0.10	0.41	0.86	(0.51)
Diluted earnings (loss) per share								
Continuing operations	0.19	0.49	0.51	0.32	0.14	0.37	0.86	(0.54)
Discontinued operations	(0.29)	(0.65)	(0.16)	-	(0.04)	0.03	(0.01)	0.03
Total diluted (loss) earnings per share	(0.10)	(0.16)	0.35	0.32	0.10	0.40	0.85	(0.51)
Continuing operations								
Adjusted net income	45.5	51.2	62.0	47.9	39.7	57.1	58.4	41.5
Adjusted basic and diluted EPS *(note)*	0.40	0.45	0.54	0.42	0.35	0.50	0.51	0.36

Construction Services operations are presented as discontinued operations. Prior period amounts have been restated to conform with the current year's presentation. Gross and net revenue in 2018 were accounted for using IFRS 15 and IAS 11 prior to 2018. Adjusted net income and adjusted EPS are non-IFRS measures and are further discussed in the Definitions section of this report.
Quarterly EPS and 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 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.

Reconciliation of Previously Reported Adjusted Measures

	2018			2017			
(In millions of Canadian dollars, except per share amounts)	Q3	Q2	Q1	**Q4**	Q3	Q2	Q1
Adjusted net income - continuing operations	51.2	62.0	47.9	39.7	57.1	58.4	41.5
Add back (deduct) after-tax:							
Corporate costs	2.8	2.4	3.2	5.9	(0.8)	3.7	2.3
Change in adjusted definition	14.4	1.3	(1.3)	0.3	0.1	-	0.1
Previously disclosed adjusted net income - Consulting Services *(note)*	68.4	65.7	49.8	45.9	56.4	62.1	43.9
Previously disclosed adjusted diluted EPS - Consulting Services *(note)*	0.60	0.58	0.44	0.40	0.50	0.54	0.37

note: The results for Q1 17, Q4 17, and Q1 18, have not previously been disclosed. The change in adjusted definition for Q3 18 included a $10.0 million US tax recovery adjustment.

Our continuing operations now solely comprises our Consulting Services business. Certain corporate costs, which have historically been allocated to Construction Services, are now required to be classified with our continuing operations. As such, the table above reconciles our adjusted net income and adjusted diluted earnings per share presented for our continuing operations to previously disclosed results for Consulting Services.

The following items impact the comparability of our quarterly results:

Gross Revenue

(In millions of Canadian dollars)	**Q4 18 vs. Q4 17**	**Q3 18 vs. Q3 17**	**Q2 18 vs. Q2 17**	**Q1 18 vs. Q1 17**
Increase (decrease) in gross revenue due to				
Net acquisition growth	50.5	27.3	22.2	7.7
Organic growth	35.5	34.1	48.3	32.0
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	20.5	24.3	(24.7)	(22.6)
Total net increase in gross revenue	106.5	85.7	45.8	17.1

Construction Services operations are presented as discontinued operations. This table has been updated to include only continuing operation results.

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. In Q4 17, our results were impacted by net tax expenses of $18.6 million from the US tax reform; excluding this impact, our net income for Q4 17 would have been $29.8 million. In Q3 18, our results were impacted by a goodwill impairment charge of $53.0 million and a deferred tax charge of $8.7 million related to the potential sale of Construction Services; excluding this impact, our net income for Q3 18 would have been $43.7 million.

We experience 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 about operating results 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, 2017, to December 31, 2018. Although the operating results and cash flows of our Construction Services business have been presented as discontinued operations, our statement of financial position comparatives were not adjusted.

Balance Sheet Summary

(In millions of Canadian dollars, except percentages)	Dec 31, 2018	Dec 31, 2017
Total current assets	1,635.5	1,608.2
Property and equipment	289.4	212.6
Goodwill	1,621.2	1,556.6
Intangible assets	247.7	262.4
Net employee defined benefit asset	10.0	12.7
Other assets	175.5	195.5
All other assets	30.6	35.1
Total assets	**4,009.9**	**3,883.1**
Current portion of long-term debt	48.5	198.2
Current portion of provisions	42.4	28.1
All other current liabilities	767.7	929.2
Total current liabilities	858.6	1,155.5
Long-term debt	885.2	541.4
Provisions	78.2	68.1
Net employee defined benefit liability	68.6	44.8
Other liabilities	140.4	101.1
All other liabilities	70.2	72.9
Equity	1,906.9	1,896.3
Non-controlling interests	1.8	3.0
Total liabilities and equity	**4,009.9**	**3,883.1**

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 increased because of the weakening Canadian dollar—from US$0.80 at December 31, 2017, to US$0.73 at December 31, 2018. In addition, the sale of Construction Services reduced our assets and liabilities at December 31, 2018, compared to 2017. Other factors that impacted our long-term assets and liabilities are indicated below.

Property and equipment increased mainly because of $56.4 million in additions for leasehold improvements for our new Edmonton headquarters building. Goodwill and intangible assets were impacted by acquisitions completed in the year, foreign exchange, and the sale of Construction Services (further discussed in the Goodwill section that follows). Intangible assets also decreased as a result of amortization recorded in the year. Other financial assets decreased mainly because of a $10.9 million reduction in holdbacks on long-term contacts resulting from the sale of Construction Services.

Total current and long-term debt increased $194.1 million for the following reasons: increases in our revolving credit facilities and term loan of $169.0 million, notes payable from acquisitions of $16.0 million, and finance lease obligations of $9.1 million. These increases are net of a repayment of $150.0 million of Tranche A of our term loan during Q2 18. Increased drawings on the revolving credit facilities were made to finance acquisitions and working capital needs.

Increases in provisions and other liabilities were due primarily to our move to the new Edmonton head office. Included in provisions is our lease exit liability charge of $12.8 million and in other liabilities is an increase in our total lease inducement benefits of $54.0 million. Lease inducement benefits reimbursed are deferred and amortized over the life of the new lease term and reduce our future lease cost.

The net employee defined benefit liability increased $23.8 million and the net employee defined benefit asset decreased $2.7 million for a combined net increase of $26.5 million. This change is due to the addition of PBA's pension plan of $16.5 million (an acquisition made during the year), a past service cost of $10.5 million related to new legal requirements in the United Kingdom, and a negative return on plan assets of $17.4 million. These increases were offset by contributions of $16.1 million and other adjustments of $1.8 million, which included actuarial losses, payments, and other expenses.

Goodwill

In accordance with our accounting policies (described in note 4 of our 2018 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. Prior to the sale of Construction Services, we had seven CGUs: three were grouped into Consulting Services – Global; two were grouped into Construction Services for the purposes of testing impairment. As a Company, we do not monitor goodwill at or allocate goodwill to our business operating units.

On November 2, 2018, we completed the sale of Construction Services, resulting in a $67.2 million net reduction in goodwill (net of a non-cash goodwill impairment charge). We reviewed the carrying value of the Construction Services disposal group as at September 30, 2018, and determined that the carrying value of the disposal group exceeded the estimated proceeds on sale. As a result, we recognized a goodwill impairment charge of $53.0 million in Q3 18.

On October 1, 2018, and October 1, 2017, we performed our annual goodwill impairment tests. Based on the results, we concluded that the recoverable amount of each CGU or each 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. We use the fair value less costs of disposal approach when estimating the recoverable amount. Within the fair value approach, we apply the income approach as our valuation technique. This 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 and the risk of achieving cash flows. (Note 12 in our 2018 audited consolidated financial statements provides more details about our valuation technique and key assumptions used in our goodwill impairment test and is incorporated by reference in this report.)

For our impairment tests performed on October 1, 2018, and October 1, 2017, we used cash flow projections from financial forecasts approved by senior management, and to discount the cash flows for each CGU or group of CGUs, we used after-tax discount rates ranging from 9.3% to 17.0% (2017 – 8.9% to 15.1%). For our cash flow projections, we considered 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 included 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. 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

For Consulting Services – Canada and Consulting Services – United States, management believes that no reasonably possible change in any of the key assumptions would have caused the carrying amount to exceed its recoverable amount. For our Consulting Services – Global 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 spending in regions linked to these markets. These moderated outlooks were reflected in the Company's budget and projections finalized in late 2018.

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

Key Assumptions	**Consulting Services - Global**
Operating margin rates *(note)*	5.6% to 8.7%
After tax discount rate	11.2%
Terminal growth rate	3.0%
Non-cash working capital rates *(note)*	20.3% to 20.5%
Average annual net revenue growth rate (2019-2023)	3.7%

note: Operating margin rates and non-cash working capital rates are calculated on net revenue.

Liquidity and Capital Resources

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 $400 million subject to approval), our $310 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 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, 2018, compared to December 31, 2017:

(In millions of Canadian dollars, except ratios)	**Dec 31, 2018**	**Dec 31, 2017**	**Change**
Current assets	**1,635.5**	1,608.2	27.3
Current liabilities	**(858.6)**	(1,155.5)	296.9
Working capital *(note)*	**776.9**	452.7	324.2
Current ratio *(note)*	**1.90**	1.39	n/a

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.

Overall, the carrying amounts of current assets and liabilities for our US subsidiaries on our consolidated statements of financial position increased due to the weakening Canadian dollar. In addition, the sale of Construction Services reduced our current assets and liabilities at December 31, 2018, compared to 2017. Other factors that impacted our current assets and liabilities are outlined in the following paragraphs.

Current assets increased primarily because trade and other receivables, unbilled receivables, and contract assets collectively had a net increase of $91.5 million. These increases were partly offset by a decrease in cash and cash equivalents and cash in escrow of $62.2 million (further explained in the Cash Flows section that follows). A net increase in receivables was primarily due to the days aging, leasehold inducement benefits recoverable from our landlords of $44.0 million, and a receivable owing from the sale of Construction Services.

Gross revenue trade receivables increased 3.6%, or $27.3 million, from December 31, 2017, to December 31, 2018. During the year, our gross trade receivables in the over-90-day aging categories increased 17.0%, or $18.6 million, due to new receivables from acquisitions; this was partly offset by the sale of Construction Services. The mix of clients may impact our trade receivables aging categories going forward.

Investment in trade and other receivables, unbilled receivables, and contract assets increased from 84 days at December 31, 2017, to 103 days at December 31, 2018. The increase was due primarily to the sale of our Construction Services operations, which had lower days sales compared to our Consulting Services operations. Construction Services was 47 days at December 31, 2017, and Consulting Services was 94 days at December 31, 2017. The increase in days for Consulting Services occurred mainly in our US operations and more specifically in our Energy & Resources and Water businesses.

The decrease in current liabilities was caused primarily by a decrease in the current portion of long-term debt, trade and other payables, and deferred revenue. Tranche A of the term loan of $150.0 million, previously included as current, was repaid on May 6, 2018. Trade and other payables decreased $137.4 million and deferred revenue decreased $13.0 million compared to December 31, 2017, primarily because of the sale of Construction Services, and was partly offset with increases from acquisitions.

Decreases in current liabilities were partly offset by an increase in provisions. Included in the current portion of the provision is $15.6 million in expected project losses related primarily to an ongoing UK-based waste-to-energy project. In connection with the sale of our Construction Services operations, Stantec assumed the responsibility for the project. As described in the Discussion of Discontinued Operations section of this report, this project includes two components—EPC and O&M service—and the provisions recorded represent our best estimate of costs expected on the project.

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:

	Continuing Operations			Discontinued Operations			Total		
(In millions of Canadian dollars)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Cash flows from (used in) operating activities	**205.2**	254.4	(49.2)	**(32.6)**	9.3	(41.9)	**172.6**	263.7	(91.1)
Cash flows (used in) from investing activities	**(262.9)**	62.6	(325.5)	**(3.2)**	(2.3)	(0.9)	**(266.1)**	60.3	(326.4)
Cash flows from (used in) financing activities	**18.1**	(280.2)	298.3	**(0.1)**	(0.9)	0.8	**18.0**	(281.1)	299.1

Cash flows from (used in) operating activities

Cash flows from operating activities from continuing operations 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 2018 compared to 2017 resulted from an increase in our days sales on investments in trade and other receivables, contract assets, cash paid to suppliers because of acquisition growth and the timing of various payments, and a $14.3 million increase in taxes paid as a result of paying more tax instalments. The decrease in cash flows was partly offset by an increase in cash receipts from clients due to acquisition growth.

Cash flows (used in) from investing activities

Cash flows used in investing activities from continuing operations increased in 2018 compared to 2017. The increase in cash flows used was due primarily to increases in acquisitions and additions made for property and equipment and software purchases. We had cash inflows in 2017 because of $213.1 million in net proceeds received from the sale of Innovyze.

Property and equipment and software purchases totaled $64.1 million in 2017 compared to $134.2 million in 2018. The increase mainly related to $55.7 million spent on leasehold improvements for our new Edmonton headquarters building.

Cash flows from (used in) financing activities

Cash flows from financing activities increased in 2018 compared to 2017 and was due to a net cash inflow of $312.3 million from our revolving credit facility compared to a cash outflow of $203.0 million in 2017. This was partly offset by a $150 million repayment made on Tranche A of our term loan, and we used initial proceeds from the Construction Services sale to reduce a portion of our revolving credit facility. In 2017, we used $221.3 million from the proceeds of the Innovyze sale to reduce our revolving credit facility. As well, shares under our Normal Course Issuer Bid (NCIB) were repurchased for $74.7 million in 2018 compared to $14.4 million in 2017.

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, 2018, our net debt to EBITDA ratio was 2.42, 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.

On June 27, 2018, Stantec amended its syndicated credit facilities (Credit Facility) which, subsequent to the amendment, consists of a senior revolving credit facility of a maximum of $800 million and senior term loans of $310 million in two tranches. Before the amendment, a third tranche (Tranche A) was drawn in Canadian funds of $150 million and was repaid on May 6, 2018.

The amendment changed certain terms and conditions, including making all the facilities unsecured and extending the maturity date of its revolving credit facility by five years and Tranches B and C of its term loans by four years and five years respectively. Additional funds can be accessed subject to approval and under the same terms and conditions. The amendment increased the amount of additional funds the Company can access from $200 million to $400 million.

The revolving credit facility expires on June 27, 2023, may be repaid from time to time at our option, and is available for future acquisitions, working capital needs, and general corporate purposes. Tranches B and C of the term loan were drawn in Canadian funds of $150 million (due June 27, 2022) and $160 million (due June 27, 2023) respectively.

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).

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, 2018, $223.4 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. We were in compliance with all of these covenants as at and throughout the year ended December 31, 2018.

Shareholders' Equity

Shareholders' equity increased from $1,896.3 million at December 31, 2017, to $1,906.9 million at December 31, 2018. Shareholders' equity was impacted by various transactions as explained below.

We recorded a $124.1 million foreign exchange gain in our currency translation adjustments in other comprehensive income in 2018 compared to a $134.1 million loss in 2017. Unrealized gains and losses arise when translating our foreign operations into Canadian dollars. We do not hedge for this foreign exchange translation risk. The gain recorded during 2018 was caused primarily by the weakening of the Canadian dollar compared to the US dollar.

We hold investments for self-insured liabilities consisting of government and corporate bonds and equity securities. On adoption of IFRS 9, bonds held for self-insured liabilities are classified as fair value through other comprehensive income (see the Accounting Developments section of this report) and equity securities held for self-insured liabilities are classified as fair value through profit and loss. Unrecognized fair value gain or loss is recorded in other comprehensive income for corporate bonds and included in income for equity securities. Realized gains and losses on corporate bonds are transferred to income as they arise. The net unrealized gain on the fair value of these investments was $1.1 million in 2018 and $0.5 million in 2017.

The Company is a sponsor of defined benefit pension plans. Remeasurement adjustments are included in other comprehensive income. In 2018, we recorded a remeasurement loss of $10.8 million compared to a remeasurement gain of $11.6 million in 2017. This comprises actuarial gains of $4.6 million in 2018 (losses of $16.1 million in 2017), losses on plan assets of $17.4 million (return on plan assets of $30.1 million in 2017), and a deferred tax recovery of $2.0 million (deferred tax expense of $2.4 million in 2017).

Our Board of Directors grants share options as part of our incentive programs. Our board granted 1,112,779 share options in 2018 (1,229,689 in 2017) 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 $6.9 million in cash in 2018 and $7.9 million in cash in 2017.

During the year, our NCIB with the TSX enabled us to purchase up to 2,278,747 common shares during the period November 14, 2017, to November 13, 2018. On November 11, 2018, we renewed our NCIB with the TSX, which enables us to purchase up to 2,273,879 common shares during the period November 14, 2018, to November 13, 2019. In connection with the NCIB, we have entered into an automatic share purchase plan (ASPP) with a designated broker to allow for the purchase of common shares under our NCIB at times when we normally would not be active in the market due to regulatory restrictions or internal trading black-out periods. Purchases under the ASPP will be determined by the broker in its sole discretion based on parameters that we established prior to any black-out period, in accordance with the terms of the ASPP and applicable TSX rules.

During 2018, 2,470,560 common shares (465,713 common shares in 2017) were repurchased for cancellation pursuant to the NCIB at a cost of $76.7 million ($14.4 million in 2017).

Other

Outstanding Share Data

At December 31, 2018, there were 111,860,105 common shares and 4,987,542 share options outstanding. From January 1, 2019, to February 27, 2019, 195,064 shares were repurchased and cancelled under our NCIB, no share options were granted, 161,374 share options were exercised, and 53,745 share options were forfeited. At February 28, 2019, there were 111,826,415 common shares and 4,772,423 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, 2018:

	Payment Due by Period				
(In millions of Canadian dollars)	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Debt	915.4	39.1	37.1	838.8	0.4
Interest on debt	167.4	39.9	77.2	50.3	-
Operating leases	1,203.6	214.7	352.5	236.4	400.0
Finance lease obligation	19.5	9.7	9.8	-	-
Purchase and service obligations	87.2	37.6	47.3	2.3	-
Other obligations	29.5	4.7	5.8	0.5	18.5
Total contractual obligations	2,422.6	345.7	529.7	1,128.3	418.9

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 from (Used in) Financing Activities section of this report and notes 16 and 20 in our 2018 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 plan. 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 $23.3 million to the pension plans in 2019.

Off-Balance Sheet Arrangements

As at December 31, 2018, we hadoff-balance sheet financial arrangements relating to letters of credit in the amount of $71.8 million that expire at various dates before January 2020, except for $9.1 million that have open-ended terms. 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, 2018, $800.6 million in bonds—expiring at various dates before July 2024—were issued under these surety facilities. These bonds are intended to provide owners with financial security regarding the completion of their construction project in the event of default and relate mainly to our former Construction Services business. The purchaser of the Construction Services business agreed to use reasonable efforts to arrange for Stantec to be released from these obligations as soon as practicable. Although we remain obligated for these instruments, the purchaser has indemnified Stantec should any of these obligations be triggered.

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. Financial assets (except trade and other receivables and unbilled receivables that do not have a significant financing component) are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss (FVPL), for which transaction costs are expensed. Trade and other receivables and unbilled receivables that do not have a significant financing component are initially measured at the transaction price determined in accordance with IFRS 15. Purchases or sales of financial assets are accounted for at trade dates.

Subsequent measurement of financial assets is at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both. Financial assets are reclassified only when the business approach for managing those assets changes.

- Amortized cost: Assets held for collection of contractual cash flows—when they meet the SPPI criterion—are measured at amortized cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. Items in this category include cash and cash equivalents, cash in escrow, receivables, and other financial assets.
- FVOCI: Assets held within a business approach both to collect cash flows and sell the assets—when they meet the SPPI criterion—are measured at FVOCI. Bonds held for self-insured liabilities are included in this category. Movements in the carrying amount are reported in other comprehensive income (except impairments) until disposed of; at this time, the realized gains and losses are recognized in finance income. Interest income from these financial assets is included in finance income using the EIR method. Impairment and foreign exchange gains and losses are reported in income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL with realized and unrealized gains and losses reported in other income (expense). Equity securities held for self-insured liabilities are included in this category.

Financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of attributable transaction costs. Subsequent measurement of financial liabilities is at amortized cost using the EIR method. 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. For trade and other payables and other financial liabilities, realized gains and losses are reported in income. For long-term debts, EIR amortization and realized gains and losses are recognized in net finance expense.

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. Therefore, we are exposed to fluctuations in exchange rates to the extent that
    a. Foreign currency revenues greater than foreign currency expenses in a strengthening Canadian dollar environment will result in a negative impact on our income from operations.
    b. Foreign currency revenues greater than foreign currency expenses in a weakening Canadian dollar environment will result in 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) our US-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.

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, 2018, we estimate that a 0.5% increase in interest rates (with all other variables held constant) would have decreased net income by $3.2 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 $0.3 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 2018, total sales to our joint ventures were $39.8 million, and at December 31, 2018, receivables from our joint ventures were $10.2 million. In 2018, the total sales to our associates were $4.3 million, and at December 31, 2018, receivables from our associates were $1.0 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 note 33 of our 2018 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, CBO, CPO, and executive vice presidents. Total compensation to key management personnel and directors recognized as an expense was $10.7 million in 2018 compared to $16.1 million in 2017.

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 2018 from 2017, except for the change in accounting estimates related to the adoption of IFRS 15 and IFRS 9, described in note 6 of our 2018 audited consolidated financial statements.

Note 5 of our December 31, 2018, 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
- Provision for self-insured liabilities
- Share-based payment transactions
- Fair values on business combinations
- Assessment of impairment of non-financial assets
- Employee benefit plans
- Fair value of financial instruments
- Taxes

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, 2018, we adopted the following standards and amendments (further described in note 6 of our December 31, 2018, consolidated financial statements and incorporated by reference in this report):

- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)
- IFRS 9 *Financial Instruments* (IFRS 9)
- *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions* (*Amendments to* IFRS 2)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (IFRIC 22)
- *Annual Improvements (2014-2016 Cycle)* related to IAS 28 *Investments in Associates and Joint Ventures*

The adoption of these new standards, amendments, interpretations and improvements did not have an impact on our disclosure controls and procedures or our business activities, including debt covenants, key performance indicators, and compensation plans. IFRS 15 and IFRS 9 resulted in updates to certain internal controls over financial reporting.

Adopting the amendments to IFRS 2 and IFRIC 22 and to *Annual Improvements (2014-2016 Cycle)* did not have an impact on our financial position or performance results.

IFRS 15 *Revenue from Contracts with Customers*

The adoption of IFRS 15 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the after-tax cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts*. We also elected to apply IFRS 15 only to contracts not completed at January 1, 2018, and to aggregate the effect of all contract modifications that occurred before January 1, 2018.

a) Change in Accounting Policy and Impact on Financial Results

IFRS 15 sets out a five-step model for revenue recognition. 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 and services.

On adoption of IFRS 15, the after-tax impact on opening retained earnings was as follows:

(In millions of Canadian dollars)	**Retained Earnings**
Change orders and claims	(3.0)
Significant financing component	1.7
Construction Services	(22.6)
Total impact of change in accounting policy, January 1, 2018	(23.9)

Change orders and claims

Change orders and claims against the customer were included in our revenue estimates when it was probable the customer would approve or accept the amount and it could be reliably measured. Under IFRS 15, change orders and claims against the customer are included in estimated revenue when we have an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, we consider the cause of any additional costs incurred, the contractual or legal basis for additional revenue, and the history of favorable negotiations for similar amounts.

Significant financing component

Holdbacks on long-term contracts were previously recognized at their discounted present value. Under IFRS 15, holdbacks do not typically result in a significant financing component because 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, holdbacks on long-term contracts are no longer discounted.

Construction Services

Liquidated damages were previously included in estimated contract costs when it was considered probable that penalties would be incurred and paid. Under IFRS 15, liquidated damages are required to be included as a reduction in estimated revenue and the estimates are based on the weighting of probable outcomes.

b) Impacts in Statement Presentation and Disclosure

Impacts on our financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's financial statements for the year ended December 31, 2018:

	Dec 31, 2018		
(In millions of Canadian dollars)	**As Reported**	**Before IFRS 15**	**Increase (Decrease)**
Current assets			
Unbilled receivables	384.6	444.4	(59.8)
Contract assets	59.7	-	59.7
Other assets	23.2	20.3	2.9
Non-current assets			
Deferred tax assets	21.2	21.8	(0.6)
Other assets	175.5	167.3	8.2
Current liabilities			
Deferred revenue	174.4	165.7	8.7
Shareholders' equity			
Retained earnings	851.2	848.9	2.3
Accumulated other comprehensive income	163.1	163.7	(0.6)

	For the Year Ended Dec 31, 2018		
(In millions of Canadian dollars, except per share amounts)	**As Reported**	**Before IFRS 15**	**Increase (Decrease)**
Net income and other comprehensive income			
Net income for the year from continuing operations	171.3	168.1	3.2
Net loss from discontinued operations, net of tax	(123.9)	(146.9)	23.0
Net income for the year	47.4	21.2	26.2
Other comprehensive income for the year, net of tax	114.5	115.1	(0.6)
Total comprehensive income for the year, net of tax	161.9	136.3	25.6
Earnings per share (basic and diluted)			
Continuing operations	1.51	1.48	0.03
Discontinued operations	(1.09)	(1.29)	0.20
Total basic and diluted earnings per share	0.42	0.19	0.23

Presentation of contract balances

Certain balances in the consolidated statements of financial position were reclassified to comply with IFRS 15. Receivables related to contractual milestones or achievement of performance-based targets were included previously in unbilled receivables and now in contract assets. In addition, contract asset and contract liability balances (deferred revenue) are now presented on a net basis for each contract. This reclassification had no impact on opening retained earnings at January 1, 2018, the date of initial application.

IFRS 9 *Financial Instruments*

The adoption of IFRS 9 resulted in a change in accounting policies. We selected the modified retrospective approach, which resulted in the cumulative effect of adoption being recognized as an adjustment to opening retained earnings at January 1, 2018, the date of initial application. Comparative information was not restated and continues to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities, including derecognition. The new standard includes a single expected credit loss (ECL) impairment model and a reformed approach to hedge accounting. Adopting IFRS 9 did not have a significant effect on our measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 and significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

The impact on equity (after tax) on adoption of IFRS 9 follows:

(In millions of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Loss
Reclassify equity securities from available-for-sale (AFS) to FVPL	0.9	(0.9)
Other	(0.8)	-
Total impact of change in accounting policy, January 1, 2018	0.1	(0.9)

Reclassifications of financial assets

For classifying and measuring financial assets, IFRS 9 criteria is different from IAS 39 criteria. In IFRS 9, financial instruments are classified based on two criteria: (1) a company's business approach for managing financial assets and (2) whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion).

On January 1, 2018, we assessed the business approach that applies to our financial assets and classified our financial assets into appropriate IFRS 9 categories. Certain investments in equity securities were reclassified from assets available for sale to fair value through profit or loss (FVPL) ($49.4 million) at January 1, 2018, because they did not meet the criteria to be classified as fair value through other comprehensive income (FVOCI) as their cash flows did not meet the SPPI criterion. Related unrealized gains of $0.9 million were transferred from other comprehensive income to retained earnings at January 1, 2018.

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 16 Leases*
- *IFRIC 23 Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
- *Long-term Interests 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)*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*
- *Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*

These standards, amendments, and interpretations are described in note 6 of our December 31, 2018, 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, EBITDA, net debt to EBITDA, leverage ratio, adjusted EBITDA, adjusted net income, 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.

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 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.

Adjusted Measures

Adjusted EBITDA, **Adjusted Net Income, and Adjusted EPS**represent the respective financial measures (1) excluding the amortization of intangibles acquired through acquisitions and (2) after the adjustments for specific items that are significant but are not reflective of our underlying operations. Specific items are subjective; however, we use our judgement and informed decision-making when identifying items to be excluded in calculating our adjusted measures. Specific items may include, but are not limited to, discontinued operations, sale of subsidiaries, adjustments arising from legislative or judicial rulings, such as changes to pension or income tax regulations, significant and unusual non-recurring costs associated with lease exit liabilities and restructuring costs, gains or losses on sales of assets, certain fair value adjustments, and asset impairment losses. We currently use EBITDA as a measure of pre-tax operating cash flow and net income as a measure of overall profitability. There is no directly comparable IFRS measure for adjusted EBITDA. The most comparable IFRS measure for adjusted net income and adjusted EPS is net income and EPS, respectively.

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.

Risk Factors

Overview

To deliver on our vision and strategic objectives, we continually identify and manage potential Company-wide risks and uncertainties facing our business. We view each risk in relation to all other risks because the risks considered, and the actions taken to mitigate them may create new risks to the Company.

To effectively manage risks, our Enterprise Risk Management (ERM) program

- Maintains a value-based framework to support our efforts to manage risk effectively, transparently, and consistently
- Reviews our risk profile continuously and iteratively so risks are identified and managed as they evolve
- Aligns and embeds risk management into key processes like strategic planning to reduce the effect of uncertainty on achieving our objectives
- Reports to our executives and Board of Directors to provide assurance on the effectiveness of our risk management process

Board Governance and Risk Oversight

The board provides strategic direction to and guidance on the ERM program and has delegated the responsibility for oversight of the program to the Audit and Risk Committee (ARC).

The ARC supports the development and evolution of

- Appropriate methods to identify, evaluate, mitigate, and report the principal risks Inherent to our business and strategic direction
- Systems, policies, and practices appropriate to address our principal risks
- A risk appetite 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.

In addition to the ARC, the two other board committees have a role in risk management. The Health, Safety, Security, Environmental and Sustainability Committee provides oversight with a focus on relevant operational risk exposures, including the Company’s climate risk tolerance. The Corporate Governance and Compensation Committee guides the deployment of an effective corporate governance system to manage the board’s overall stewardship responsibility, including requiring that appropriate management policies are in place.

Management Oversight

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 (ELT) manages risk from an integrated, Company-wide perspective; risk management, part of our day-to-day operations, is included in our key decision-making processes like projectgo/no-go decisions and strategic planning.

The ELT is supported by numerous teams—Legal; Health, Safety, Security, and Environment (HSSE); Information Technology (IT); Finance; and others—that provide risk management and compliance functions across the organization and work with management to design and monitor appropriate risk mitigation. Our Internal Audit team provides independent assurance regarding the effectiveness and efficiency of our Company-wide risk management.

Principal Risks and Uncertainties

Management remains confident in our ability to successfully achieve our long-term corporate objectives; however, like our competitors, we are exposed to risks and uncertainties. Our risk assessment has identified our most significant risks (see Risks section below). These risks are listed from most to least significant based on their assessed impact on our Company and the probability that they may occur. If any risks occur, individually or in combination, our business, financial condition, results of operations, and prospects could be materially and adversely affected. Given our assessment and mitigation efforts, we do not expect any such material adverse impacts, but we plan for them as part of our ERM processes.

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.

Risks

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 that may be undergoing political, social, and economic problems that could lead to war, civil unrest, criminal activity, acts of terrorism, or public health crises.

Construction sites are inherently dangerous. Though we invest in a strong program that is focused on the health, safety, and security of our employees and controls 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 be held liable for either uninsured damages or damages higher than our insurance coverage.

We may also incur additional costs on projects due to delays arising from health and safety incidents. Failure to maintain a strong safety record may also result in losing client confidence and future projects.

Failure to attract, retain, and mobilize skilled employees could harm our ability to execute our strategy.

Stantec derives revenue almost exclusively from services performed by our employees. Failing 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. This risk may be further increased because of high competition for staff, a result of the record low unemployment levels in the United States.

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 alternative project delivery (APD) methods such as bundled engineering, and procurement; 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—including project management, billing and collecting tools, and an appropriate insurance program—must be managed effectively; otherwise, we may incur additional costs. Projects that are over budget or not on schedule may lead to client dissatisfaction, claims against Stantec, and withheld payments. Delayed billings and customer payments may require Stantec to increase working capital investment.

Stantec may have difficulty achieving organic growth expectations.

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 if we are significantly affected by adverse economic conditions, we may have difficulty increasing our market share and achieving organic growth objectives.

Failure to manage subcontractor performance could lead to significant losses.

Profitably completing some contracts depends on the satisfactory performance of subcontractors and subconsultants. If these third parties do not perform to acceptable standards, Stantec may need to hire others to complete the tasks, which may add costs to a contract, impact profitability, and, in some situations, lead to significant losses and claims.

Due to participation in joint arrangements, we may have limited control and 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, such as partnerships or joint ventures, where control is shared with unaffiliated third parties. For certain projects, we have contractual joint and several liability with these parties. In some cases, these joint arrangements may not be subject to the same internal controls (over financial reporting and otherwise) that we follow. Failure by a joint-arrangement partner to comply with rules, regulations, and client requirements may adversely impact Stantec's reputation, business, and financial condition.

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. As a growing global organization, we are more widely exposed to geopolitical risks and fluctuations in the local economies where we operate. These risks can negatively impact client interest in pursuing new projects.

For example, currency and interest rate fluctuations, inflation, financial market volatility, and credit market disruptions may negatively affect the ability of our clients to deploy capital or to obtain credit to finance their businesses on acceptable terms. This may impact their ability to pay us on time for our services, which, in turn, 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 more favorable contract terms, including lower prices. Increased competition during an economic decline could force us to accept unfavourable contract terms that cause revenue and margin reductions and greater liability.

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

Like other global companies, we rely on computers, large enterprise systems, and information and communication technologies including third-party vendor systems, to conduct our business. Although we devote significant resources to securing Stantec's computer systems and have strong vetting processes for third-party systems we rely on, a breach in cybersecurity is an inherently high risk. 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. Loss of any sensitive and confidential data that our clients entrust us with could harm our clients and others. Other possible adverse impacts 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, adversely affecting 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, we must constantly upgrade our applications, systems, and network infrastructure, as well as attract and retain key IT personnel; otherwise, service delivery and revenues could be interrupted.

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

The U.S. Foreign Corrupt Practices Act, UK's Bribery Act, Canada's Corruption of Foreign Public Officials Act, and similar worldwide anticorruption laws 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. In certain circumstances, strict compliance with anticorruption laws may conflict with local customs and practices.

We train employees to strictly comply with anti-bribery laws, and our policies prohibit employees from offering or accepting bribes. We have built processes to advise our partners, subconsultants, suppliers, and agents who work with us or work on our behalf that they must comply with anti-corruption laws. Despite Stantec's policies, training, and compliance programs, we cannot provide assurance that our internal control policies and procedures will always protect us from inadvertent, reckless, or criminal acts committed by employees or others. Violations or allegations of violations could disrupt our business and materially adversely effect 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 have engaged in misconduct.

Claims and litigation against us 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.

Failure to source suitable acquisition targets could impair our growth.

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

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

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

Force majeure events and climate change 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, telecommunications failures, and acts of war or terrorism. 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. This risk is exacerbated by an increasing number of extreme weather events related to climate change.

Transitioning to a lower-carbon economy may present risks in the form of new environmental regulations, laws, and policies that could result in increased costs or create the potential for litigation, possibly preventing a project from going forward.

Addressing climate change has also created opportunities for Stantec. All of our business lines have programs related to renewable energy, climate change adaptation, resiliency, sustainable buildings and infrastructure, environmental preservation, carbon capture and storage, and more. By partnering with our clients, we help them proactively address business interruption risk and better protect the environment. This results in additional revenue for Stantec.

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

Stantec's business model includes a range of business operating units and jurisdictions, each with its own rules and regulations. As we grow geographically, complying with additional regulations and standards could materially increase our costs; not complying could have a significant impact on our reputation and results.

Relaxed or repealed laws and regulations could also impact the demand for our services.

New trade barriers, changes in duties or border taxes, and changes in laws, policies, or regulations governing the industries and sectors we work in could mean a decreased demand for our services or increased costs. Such changes cannot be predicted, nor can we predict their impact on our business and clients.

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 including 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. Stronger Canadian dollar could result in decreased net income from our non-Canadian dollar business.

Our credit facility carries a floating rate of interest; our interest costs will be impacted by change in interest rates. 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. Our expansion plans may be restricted without continued access to debt or equity capital on acceptable terms. This may negatively affect our competitiveness and results of operations.

As well, these market fluctuations may negatively affect the ability of our clients to deploy capital or to obtain credit to finance their businesses on acceptable terms, which will impact their demand for our services and our 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 are a risk for our organization. Management uses accounting and fiscal principles to determine income tax positions, however, ultimate tax determinations by applicable tax authorities may vary from our estimates, adversely impacting our net income or cash flows.

A change in our effective tax rate could have a material adverse impact on the results of our operations.

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

Stantec has foreign defined benefit pension plans for certain employees. 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.

Managing Our Risks

Global Operations

We manage our business through a combination of centralized and decentralized controls that 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 approach to integrating acquired companies involves implementing Company-wide information technology and financial management systems and providing support services from 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 particular 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 into both large and small contracts with varying 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.

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 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 were incorporated into Stantec's IMS 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. We will begin the review and streamlining of the global ISO certifications in 2019.

We use a Project Management (PM) Framework that confirms and clarifies the expectations Stantec has of its project managers. It includes the critical tasks that 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 construction-related projects. We have a formal improvement process to encourage suggestions for improvement, address nonconformances to 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.

Our comprehensive IT security (cybersecurity) program is designed to predict, prevent, detect, and respond. Key initiatives include detailed security and acceptable use policies, practices, and procedures; awareness campaigns for staff; and a range of security initiatives for enforcing security standards, including regular penetration tests. Our integrated Security Incident Response team is 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 with 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 minimize the risks associated with integrating acquired companies. A senior regional or business leader is appointed for each acquisition. The team 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 fund our acquisition strategy through various sources, including cash generated from operations, short- and long-term borrowing from our syndicated senior credit facilities ($800 million revolver and $310 million term loans), 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, 2018 (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.

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 ESI Limited; Occam Engineers Inc.; Traffic Design Group Limited; Norwest Corporation; Cegertec Experts Conseils Inc.; Peter Brett Associates LLP and PBA International Limited; and True Grit Engineering Limited acquisitions; these are included in the Company's 2018 consolidated financial statements. Aggregate assets acquired were $127.0 million, representing 3.2% of the Company's total assets as at December 31, 2018. Gross revenue earned from the dates of acquisition to December 31, 2018, constituted 2.0% of the Company's gross revenue for the year ended December 31, 2018.

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 2018 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2018, 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's Disclosure Committee consists of a cross-section of management. The committee's mandate is to regularly review Stantec's Disclosure Policy and practices in accordance with applicable legislative and regulatory reporting requirements.

Board of Directors

Stantec's Board of Directors 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 in the best interests of the Company. 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
- Monitoring the Company's policy for communicating 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 those risks
- Overseeing senior management succession planning, including the appointment, development, and monitoring of senior management
- Verifying that management maintains the integrity of the Company's internal controls and management information systems

In 2018, Stantec's board included three committees: the Audit and Risk Committee (ARC), the Corporate Governance and Compensation Committee (CGCC), and the Health, Safety, Security, Environment, and Sustainability (HSSES) Committee. The ARC and CGCC comprises independent directors only; the HSSES Committee is a mix of independent and non-independent directors.

Audit and Risk Committee

The ARC 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 CGCC 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.

Health, Safety, Security, Environment and Sustainability Committee

The HSSES Committee monitors, evaluates, approves, and makes recommendations on matters regarding health, safety, security, and environment risks; sustainability; emergency preparedness; and non-financial risks arising from the Company's integrity management program. The chair provides regular reports at the Company's 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, 2019, 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
- Health, Safety, Security, Environment and Sustainability Committee Terms of Reference
- Code of Business Conduct

The documents listed above are not and should not be deemed to be incorporated by reference. Printed copies of these documents are available to any shareholder requesting them.

Subsequent Events

Normal Course Issuer Bid

From January 1, 2019, to February 28, 2018, pursuant to our NCIB, we repurchased and cancelled 195,064 common shares at an average price of $30.63 per share for an aggregate price of $6.0 million.

Interest Rate Swap

In January 2019, we entered into a $160.0 million interest rate swap agreement maturing on June 27, 2023. The swap agreement has the effect of converting the variable interest rate on $160.0 million of the revolving credit facility into a fixed rate of 2.295%, plus an applicable basis point spread.

Dividends

On February 27, 2019, our Board of Directors declared a dividend of $0.145 per share, payable on April 15, 2019, to shareholders of record on March 29, 2019.

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 2019 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 and Strategy sections including but not limited to ourability 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 expectation that we will achieve our 2019 target ranges and expectations for certain measures that are disclosed in the Targets and Outlook sections of this report*
- *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 expectations on capital expenditures, software additions, amortization expenses for intangible assets, depreciation expense, and effective tax rate for 2019*
- *Our expectations regarding the effects of the divestiture of our Construction Services operations on our Consulting Services business, including adjusted net income and adjusted diluted earnings per share*

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 2019 and their effect on our business. The factors and assumptions we used about the performance of Canadian, US, and Global economies in 2019 in determining our annual targets and our outlook for 2019 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 2019, the World Bank forecasted 2.9% global real GDP growth. The Bank of Canada projected 1.7% GDP growth for Canada, and the Congressional Budget Office projected 2.3% GDP growth for the United States.*
- *Management assumed the Canadian dollar would be relatively stable compared to 2018 and used an average value of US$0.77 in 2019.*
- *In Canada, the overnight interest rate target—currently at 1.75%—is expected to rise over time, but not necessarily in 2019 and the US Federal Reserve is expected to maintain the current federal funds rate in 2019. Therefore, management assumed that the average interest rates will remain consistent in 2019.*
- *To establish our effective income tax rate, management considered the tax rates substantially enacted at December31, 2018, for the countries we operate in.*
- *The Canadian unemployment rate—5.8% in January 2019—is not expected to change significantly in 2019. In the United States, the unemployment rate—4.0% for January 2019 is near the lowest level in over 10 years—is expected to fall further, to 3.5%, in 2019.*
- *In the United States, housing activity is forecasted to remain positive in 2019. The expected seasonally adjusted annual rate of total housing starts for 2019 is 1,272,000, up from the expected 1,2562,000 total housing starts in 2018.*

  In Canada, the Canadian Mortgage and Housing Corporation suggested that the number of total housing starts will decrease in 2019. Expected new housing starts will fall between 193,700 and 204,500 units in 2019, a modest drop from forecasted housing starts in 2018; however, they would still be at historically high levels.
- *For all of 2018, the Architecture Billings Index (ABI) from the American Institute of Architects was above 50.0, suggesting growing demand for design services. We anticipate billings to remain stable throughout 2019.*

- *Prices for most metals, minerals, and precious metals are expected to stay flat or decrease in 2019 compared to 2018, according to the World Bank. According to the US Energy Information Administration, the price of WTI crude oil is expected to average $54.79 in 2019 compared to an average of $65.06 in 2018, and US crude oil production is expected to average 12.4 million barrels a day in 2019 compared to an average of 11.0 million barrels a day in 2018.*
- *Management expects to support our targeted level of growth using a combination of cash flows from operations and borrowings.*

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 28, 2019, 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 2019, 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.

Exhibit 99.3

Consolidated Financial Statements

For the Years Ended December 31, 2018, and 2017

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 four 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 the Report of Independent Registered Public Accounting Firm; 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 Report of Independent Registered Public Accounting Firm 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 28, 2019



Theresa Jang
Executive Vice President & CFO
February 28, 2019

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).

Management has assessed the effectiveness of the Company's internal control over financial reporting, as at December 31, 2018, 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, 2018, 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 ESI Limited, Occam Engineers Inc., Traffic Design Group Limited, Norwest Corporation, Cegertec Experts Conseils Inc., Peter Brett Associates LLP, and True Grit Engineering Limited acquisitions, which are included in the Company's 2018 consolidated financial statements. The aggregate assets acquired were $127.0 million, representing 3.2% of the Company's total assets as at December 31, 2018. The gross revenue earned from their dates of acquisition to December 31, 2018, constituted 2.0% of the Company's gross revenue for the year ended December 31, 2018.



Gord Johnston
President & CEO
February 28, 2019



Theresa Jang
Executive Vice President & CFO
February 28, 2019

Report of Independent 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 statements of financial position of Stantec Inc. (the "Company") as of December 31, 2018, and 2017, the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

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, 2018, based on 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 28, 2019 expressed an unqualified opinion thereon.

Adoption of IFRS 15

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers in 2018 due to the adoption of IFRS 15, Revenue from Contracts with Customers.

Adoption of IFRS 9

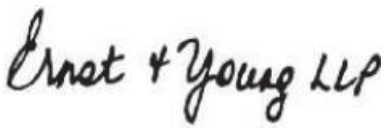
As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for financial instruments in 2018 due to the adoption of IFRS 9, Financial Instruments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company 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 audits in accordance with 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 of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 1993.



Chartered Professional Accountants

Edmonton, Canada
February 28, 2019

Report on Internal Control over Financial Reporting

To the Board of Directors and Shareholders of Stantec Inc.:

Opinion on Internal Control over Financial Reporting
We have audited Stantec Inc.'s (the Company) internal control over financial reporting as of December 31, 2018, 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, 2018, 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 ESI Limited, Occam Engineers Inc., Traffic Design Group Limited, Norwest Corporation, Cegertec Experts Conseils Inc., Peter Brett Associates LLP, and True Grit Engineering Limited (Acquisitions), which are included in the 2018 consolidated financial statements of the Company. The total assets acquired from these specified acquisitions represented 3.2% of Stantec Inc.'s consolidated total assets as at December 31, 2018, and 2.0% 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 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, 2018 and 2017, the consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years ended December 31, 2018 and 2017, and the related notes, and our report dated February 28, 2019 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.

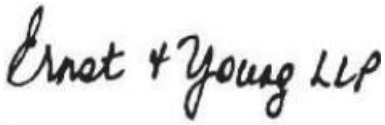
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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 28, 2019

Consolidated Statements of Financial Position

As at December 31 *(In millions of Canadian dollars)*	Notes	**2018** **$**	2017 $
ASSETS			
Current			
Cash and cash equivalents	9	**185.2**	239.5
Cash in escrow	9	**-**	7.9
Trade and other receivables	10	**878.1**	816.1
Unbilled receivables		**384.6**	414.8
Contract assets		**59.7**	-
Income taxes recoverable		**47.9**	61.6
Prepaid expenses		**56.8**	54.3
Other assets	14	**23.2**	14.0
Total current assets		**1,635.5**	1,608.2
Non-current			
Property and equipment	11	**289.4**	212.6
Goodwill	12	**1,621.2**	1,556.6
Intangible assets	13	**247.7**	262.4
Investments in joint ventures and associates		**9.4**	11.9
Net employee defined benefit asset	18	**10.0**	12.7
Deferred tax assets	26	**21.2**	23.2
Other assets	14	**175.5**	195.5
Total assets		**4,009.9**	3,883.1
LIABILITIES AND EQUITY			
Current			
Trade and other payables	15	**567.2**	704.6
Deferred revenue		**174.4**	187.4
Income taxes payable		**2.9**	11.0
Long-term debt	16	**48.5**	198.2
Provisions	17	**42.4**	28.1
Other liabilities	19	**23.2**	26.2
Total current liabilities		**858.6**	1,155.5
Non-current			
Income taxes payable		**15.9**	18.3
Long-term debt	16	**885.2**	541.4
Provisions	17	**78.2**	68.1
Net employee defined benefit liability	18	**68.6**	44.8
Deferred tax liabilities	26	**54.3**	54.6
Other liabilities	19	**140.4**	101.1
Total liabilities		**2,101.2**	1,983.8
Shareholders' equity			
Share capital	22	**867.8**	878.2
Contributed surplus	22	**24.8**	21.5
Retained earnings		**851.2**	947.1
Accumulated other comprehensive income		**163.1**	49.5
Total shareholders' equity		**1,906.9**	1,896.3
Non-controlling interests		**1.8**	3.0
Total liabilities and equity		**4,009.9**	3,883.1

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	**2018 $**	2017 $ (note 2)
Continuing operations			
Gross revenue		**4,283.8**	4,028.7
Less subconsultant and other direct expenses		**928.6**	854.9
Net revenue		**3,355.2**	3,173.8
Direct payroll costs	29	**1,540.0**	1,411.9
Gross margin		**1,815.2**	1,761.9
Administrative and marketing expenses	7,22,29,35	**1,438.2**	1,407.7
Depreciation of property and equipment	11	**50.1**	52.2
Amortization of intangible assets	13	**65.0**	73.0
Net interest expense	27	**28.7**	25.9
Other net finance expense	27	**5.7**	7.1
Share of income from joint ventures and associates		**(1.6)**	(2.7)
Foreign exchange loss (gain)		**2.7**	(0.2)
Gain on disposition of a subsidiary	8	**-**	(54.6)
Other expense (income)	30	**0.1**	(10.0)
Income before income taxes and discontinued operations		**226.3**	263.5
Income taxes			
Current	26	**54.5**	192.9
Deferred	26	**0.5**	(26.4)
Total income taxes		**55.0**	166.5
Net income for the year from continuing operations		**171.3**	97.0
Discontinued operations			
Net loss from discontinued operations, net of tax	8	**(123.9)**	-
Net income for the year		**47.4**	97.0
Earnings (Loss) per share, basic and diluted			
Continuing operations	31	**1.51**	0.85
Discontinued operations	31	**(1.09)**	-
Total basic and diluted earnings per share		**0.42**	0.85

See accompanying notes

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31

(In millions of Canadian dollars)	Notes	**2018 $**	2017 $
Net income for the year		**47.4**	97.0
Other comprehensive income (loss)			
Items that may be reclassified to net income in subsequent periods:			
Exchange differences on translation of foreign operations		**124.1**	(134.1)
Realized exchange difference on disposition of a subsidiary	8	**0.1**	13.8
Net unrealized loss on FVOCI financial assets		**1.1**	0.5
Net realized gain on FVOCI financial assets transferred to income	30	**-**	(9.6)
		125.3	(129.4)
Items not to be reclassified to net income:			
Remeasurement (loss) gain on net employee defined benefit liability net of deferred tax recovery of $2.0 (2017 - tax expense of $2.4)	18	**(10.8)**	11.6
Other comprehensive income (loss) for the year, net of tax		**114.5**	(117.8)
Total comprehensive income (loss) for the year, net of tax		**161.9**	(20.8)

See accompanying notes

Consolidated Statements of Shareholders' Equity

(In millions of Canadian dollars, except shares)	Shares Outstanding (note 22) #	Share Capital (note 22) $	Contributed Surplus (note 22) $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Total $
Balance, January 1, 2017	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	(465,713)	(3.6)		(10.8)		(14.4)
Reclassification of fair value of share options previously expensed		2.1	(2.1)			-
Dividends declared				(57.0)		(57.0)
Balance, December 31, 2017	113,991,676	878.2	21.5	947.1	49.5	1,896.3
Impact of change in accounting policy (notes 6a, 6b)		-	-	(23.8)	(0.9)	(24.7)
Adjusted balance, January 1, 2018	113,991,676	878.2	21.5	923.3	48.6	1,871.6
Net income				47.4		47.4
Other comprehensive income					114.5	114.5
Total comprehensive income				47.4	114.5	161.9
Share options exercised for cash	338,989	6.9				6.9
Share-based compensation expense			5.6			5.6
Shares repurchased under Normal Course Issuer Bid	(2,470,560)	(19.1)	(0.5)	(57.1)		(76.7)
Reclassification of fair value of share options previously expensed		1.8	(1.8)			-
Dividends declared				(62.4)		(62.4)
Balance, December 31, 2018	**111,860,105**	**867.8**	**24.8**	**851.2**	**163.1**	**1,906.9**

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31

(In millions of Canadian dollars)	Notes	**2018 $**	2017 $
			(note 2)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients		**4,367.6**	4,036.4
Cash paid to suppliers		**(1,706.3)**	(1,470.7)
Cash paid to employees		**(2,375.3)**	(2,253.0)
Interest received		**2.7**	2.9
Interest paid		**(30.5)**	(28.1)
Finance costs paid		**(5.5)**	(6.7)
Income taxes paid		**(59.0)**	(44.7)
Income taxes recovered		**11.5**	18.3
Cash flows from operating activities from continuing operations		**205.2**	254.4
Cash flows (used in) from operating activities from discontinued operations		**(32.6)**	9.3
Net cash flows from operating activities		**172.6**	263.7
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	7	**(122.2)**	(85.1)
Proceeds from lease inducements		**10.1**	4.4
Proceeds on disposition of a subsidiary	8	**28.8**	337.2
Cash sold on disposition of subsidiary	8	**(49.1)**	(0.6)
Income taxes paid on disposition of subsidiary	8	**-**	(124.1)
Purchase of intangible assets		**(9.4)**	(5.2)
Purchase of property and equipment		**(124.8)**	(58.9)
Proceeds (purchase) from other investing activities		**3.7**	(5.1)
Cash flows (used in) from investing activities from continuing operations		**(262.9)**	62.6
Cash flows (used in) investing activities from discontinued operations, net of taxes paid	8	**(3.2)**	(2.3)
Net cash flows (used in) from investing activities		**(266.1)**	60.3
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net proceeds (repayment) from revolving credit facility	8	**312.3**	(203.0)
Repayment of term loan	16	**(150.0)**	-
Repayment of other long-term debt		**(0.3)**	(2.5)
Payment of finance lease obligations		**(14.8)**	(12.7)
Repurchase of shares for cancellation	22	**(74.7)**	(14.4)
Proceeds from issue of share capital		**6.9**	7.9
Payment of dividends to shareholders	22	**(61.3)**	(55.5)
Cash flows from (used in) financing activities from continuing operations		**18.1**	(280.2)
Cash flows (used in) financing activities from discontinued operations		**(0.1)**	(0.9)
Net cash flows from (used in) financing activities	32	**18.0**	(281.1)
Foreign exchange gain (loss) on cash held in foreign currency		**21.2**	(14.3)
Net (decrease) increase in cash and cash equivalents		**(54.3)**	28.6
Cash and cash equivalents, beginning of the year		**239.5**	210.9
Cash and cash equivalents, end of the year	9	**185.2**	239.5

See accompanying notes

Index to the Notes to the Consolidated Financial Statements

Note		Page
1	Corporate Information	F-12
2	Basis of Preparation	F-12
3	Basis of Consolidation	F-12
4	Summary of Significant Accounting Policies	F-12
5	Significant Accounting Judgments, Estimates, and Assumptions	F-22
6	Recent Accounting Pronouncements and Changes to Accounting Policies	F-24
7	Business Acquisitions	F-29
8	Discontinued Operations and Disposition of Subsidiaries	F-32
9	Cash and Cash Equivalents	F-33
10	Trade and Other Receivables	F-33
11	Property and Equipment	F-34
12	Goodwill	F-35
13	Intangible Assets	F-38
14	Other Assets	F-39
15	Trade and Other Payables	F-40
16	Long-Term Debt	F-40
17	Provisions	F-42
18	Employee Defined Benefit Obligations	F-43
19	Other Liabilities	F-47
20	Commitments	F-47
21	Contingencies and Guarantees	F-47
22	Share Capital	F-48
23	Fair Value Measurements	F-50
24	Financial Instruments	F-51
25	Capital Management	F-53
26	Income Taxes	F-54
27	Net Interest Expense and Other Net Finance Expense	F-57
28	Revenue	F-57
29	Employee Costs from Continuing Operations	F-58
30	Other Expense (Income)	F-59
31	Weighted Average Shares Outstanding	F-59
32	Cash Flow Information	F-59
33	Related-Party Disclosures	F-59
34	Segmented Information	F-61
35	Investment Tax Credits	F-63
36	Events after the Reporting Period	F-63
37	Comparative Figures	F-63

1. Corporate Information

The consolidated financial statements of Stantec Inc. (the Company) for the year ended December 31, 2018, were authorized for issuance in accordance with a resolution of the Company's board of directors on February 27, 2019. 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 Suite 400, 10220 - 103 Avenue, 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, project management, and project economics, from initial project concept and planning through to design, construction administration, 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, 2018.

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.

In November 2018, the Company sold its Construction Services business, which was reported as discontinued operations. Prior period amounts were restated to conform to current period's presentation, as prescribed by IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

3. Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and its structured entities as at December 31, 2018.

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, 2018, and December 31, 2017. 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.

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 those parts as individual assets with specific useful lives. 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 and disadvantageous 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.

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, the right to use an asset for an agreed period of time in return for a payment or series of payments.

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 has finance leases for certain office and automotive equipment that are depreciated on a straight-line basis. The Company also has finance leases for software that 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 premise 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 premise 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.

The Company's share of the after tax net income or loss of associates or joint ventures is recorded in the consolidated statements of income. 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) 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.

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.

g) 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. The Company is mainly exposed to fluctuations in the US dollar and GBP.

Transactions and balances
Transactions in foreign currencies (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 dateNon-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, however, unrealized foreign exchange gains and losses on non-monetary investments (equity investments) are classified as fair value through other comprehensive income (loss).

- 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).

h) Financial instruments
Initial recognition and subsequent measurement
Financial assets (except trade and other receivables and unbilled receivables that do not have a significant financing component) are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss (FVPL), for which transaction costs are expensed. Trade and other receivables and unbilled receivables that do not have a significant financing component are initially measured at the transaction price determined in accordance with IFRS 15. Purchases or sales of financial assets are accounted for at trade dates.

Subsequent measurement of financial assets is at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both. The Company reclassifies financial assets only when its business approach for managing those assets changes.

- Amortized cost: Assets held for collection of contractual cash flows—when they meet the SPPI criterion—are measured at amortized cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. Items in this category include cash and cash equivalents, cash in escrow, receivables, and certain other financial assets.

- FVOCI: Assets held in a business approach to both collect cash flows and sell the assets—when they meet the SPPI criterion—are measured at FVOCI. Bonds held for self-insured liabilities are included in this category. Changes in the carrying amount are reported in other comprehensive income (except impairments) until disposed of. At this time, the realized gains and losses are recognized in finance income. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment and foreign exchange gains and losses are reported in income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL with realized and unrealized gains and losses reported in other income (expense). Equity securities held for self-insured liabilities and indemnifications are included in this category.

Financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Subsequent measurement of financial liabilities is at amortized cost using the EIR method. 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. For trade and other payables and other financial liabilities, realized gains and losses are reported in income. For long-term debts, EIR amortization and realized gains and losses are recognized in net finance expense.

Fair value
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 the Company's derivatives are based on third-party indicators and forecasts. 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 rates are 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.

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. For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the hierarchy by reassessing categorizations at the end of each reporting period.

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.

i) 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 objective evidence of impairment exists because 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.

Financial assets and contract assets
The Company recognizes an allowance for expected credit losses (ECLs) on financial assets and contract assets based on a 12-month ECL or lifetime ECL. Financial assets and contract assets considered to have low credit risk have an impairment provision recognized during the period limited to 12-month ECLs. However, when credit risk has increased significantly since origination, the allowance is based on the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

When the carrying amount of financial assets or contract assets is reduced through an ECL 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. When 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 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 group of CGUs to its carrying value which includes 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.

j) Revenue recognition
The Company generates revenue from contracts in which goods or services are typically provided over time. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for providing goods and services, excluding discounts, duty, and taxes collected from clients that are reimbursable to government authorities.

While providing services, the Company incurs certain direct costs for subconsultants, subcontractors, and other expenses that are recoverable directly from clients. The recoverable amounts of 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. The Company assesses its revenue arrangements against specific criteria to determine whether it is acting as a principal or an agent. In general, the Company acts as a principal in its revenue arrangements because it obtains control of the goods or services before they are provided to the customer.

Most of the Company's contracts include a single performance obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct. The Company's contracts may include multiple goods or services that are accounted for 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 it. If a contract has multiple performance obligations, the consideration in the contract is allocated to each performance obligation based on the estimated stand-alone selling price.

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. Revenue from fixed-fee and variable-fee-with-ceiling contracts, including contracts in which the Company participates through joint arrangements, is recognized based on the percentage of completion method where the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract, and the percentage of completion is applied to total estimated revenue. When 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 based on the amount that the Company has a right to invoice.

The timing of revenue recognition, billings, and cash collections results in trade and other receivables, holdbacks, unbilled receivables, contract assets, and deferred revenue (contract liabilities) in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual milestones are achieved. Receivables represent amounts due from customers: trade and other receivables and holdbacks consist of invoiced amounts, and unbilled receivables consist of work in progress that has not yet been invoiced. Contract assets represent unbilled amounts where the right to payment is subject to more than the passage of time and includes performance-based incentives and services provided ahead of agreed contractual milestones. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Deferred revenue (contract liabilities) represents amounts that have been invoiced but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when (or as) the Company performs under the contract.

Revenue is adjusted for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Advance payments and holdbacks typically do not result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract.

Deferred contract costs
Contract costs are typically expensed as incurred. Contract costs are deferred if the costs are expected to be recoverable and if either of the following criteria is met:

- The costs of obtaining the contract are incremental or explicitly chargeable to the customer
- The fulfillment costs relate directly to the contract or an anticipated contract and generate or enhance the Company's resources that will be used in satisfying performance obligations in the future

Deferred contract costs are included in other assets in the consolidated statements of financial position and amortized over the period of expected benefit using the percentage of completion applied to estimated revenue. Amortization of deferred contract costs is included in other direct expenses in the consolidated statements of income.

k) Employee benefit plans

Defined benefit plans

The Company sponsors defined benefit pension plans covering certain full-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 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 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 of 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: 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 employee contribution amounts and subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period the contributions are made.

l) Taxes

Current income tax

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. Tax rates and tax laws used to compute the amounts are those 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 when applicable tax regulations are subject to interpretation and then establishes an uncertain tax liability if appropriate.

Income taxes payable are typically expected to be settled within twelve months of theyear-end date. However, there may be instances where taxes are payable over a longer period. Portions due after 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, subsidiaries, and interests in

joint arrangements 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 used. 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 outside income is also recognized outside income. 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 when 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.

m) 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), each of which is equal to one common share. Under the Company's long-term incentive plan, certain members of the senior leadership teams are granted performance share units (PSUs) that vest and are settled after a three-year period. 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. For DSUs, this fair value is expensed on issue with the recognition of a corresponding liability. For PSUs, the fair value is expensed over the vesting period. These liabilities are 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.

n) 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 when computing diluted earnings per share.

o) Business combinations and goodwill
Business combinations are accounted for using the acquisition method, and the results of operations after the respective dates of acquisition are included in the consolidated statements of income. Acquisition-related costs are expensed when incurred in administrative and marketing expenses.

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.

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 but are expensed as compensation when services are provided by the employees.

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.

p) 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.

q) Non-current assets held for sale and discontinued operations
The Company classifies non-current assets and disposal groups as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and when a sale is considered highly probable. These non-current assets and disposal groups are remeasured at the lower of their carrying amount and fair value less costs to sell, and these assets are no longer depreciated. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Impairment losses on initial classification and subsequent gains or losses on remeasurement are recognized in the consolidated statements of income as discontinued operations. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and (a) represents a separate major line of business or geographic area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Discontinued operations are presented separately from continuing operations in the consolidated statements of income and consolidated statements of cash flows for all periods presented.

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 fromfixed-fee and variable-fee-with-ceiling contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues.

Contract costs include direct labor and direct costs for subconsultants, and other expenditures that are recoverable directly from clients. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract cost estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another. Assumptions are made about labor productivity, the complexity of the work to be performed, the performance of subconsultants, and the accuracy of original bid estimates. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

On an ongoing basis, estimated revenue is updated to reflect the amount of consideration the Company expects to be entitled to in exchange for providing goods and services. Revenue estimates are affected by various uncertainties that depend on the outcome of future events, including change orders, claims, variable consideration, and contract provisions for performance-based incentives or penalties.

Change orders are included in estimated revenue when management believes the Company has an enforceable right to the change order, the amount can be estimated reliably, and realization is highly probable. Claims against other parties, including subconsultants, are recognized as a reduction in costs using the same criteria. To evaluate these criteria, management considers the contractual or legal basis for the change order, the cause of any additional costs incurred, and the history of favorable negotiations for similar amounts. As change orders are not recognized until highly probable, it is possible for the Company to have substantial contract costs recognized in one accounting period and associated revenue or reductions in cost recognized in a later period.

The Company's contracts may include variable consideration such as revenue based on costs incurred and performance-based incentives or penalties. Variable consideration is estimated by determining the most likely amount the Company expects to be entitled to, unless the contract includes a range of possible outcomes for performance-based amounts. In that case, the expected value is determined using a probability weighting of the range of possible outcomes. Variable consideration, including change orders approved as to scope but unapproved as to price, is included in estimated revenue to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based on historical experience, anticipated performance, and management's best judgment based on the information available at the time.

Consideration in contracts with multiple performance obligations is allocated to the separate performance obligations based on estimates of stand-alone selling prices. The primary method used to estimate the stand-alone selling price is expected cost plus an appropriate margin. To determine the appropriate margin, management considers margins for comparable services under similar contracts in similar markets.

Deferred contract costs are amortized over the period of expected benefit, which may include anticipated contracts. Estimating the costs to be deferred and the period of expected benefit is subjective and requires the use of management's best judgments based on information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known and affect the Company's revenue, unbilled receivables, contract assets, and deferred revenue.

b) 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. An increase in loss is recognized in the period that the loss is determined and increases the Company's self-insured liabilities and reported expenses.

c) 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 depends 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. Changes to estimates are recorded in the period they are made and affect the Company's administrative and marketing expenses, contributed surplus, and other liabilities.

d) 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, client retention rates, expected operating income, and discount rates.

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. 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 acquired and liabilities assumed. The Company will revise comparative information if these measurement period adjustments are material. After the measurement period, a revision to fair value may impact the Company's net income.

e) Impairment of goodwill
Impairment exists when the carrying amount of an asset or CGU or group of CGUs 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 arms-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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 or group of CGUs being tested. To arrive at the estimated recoverable amount, the Company uses estimates of economic and market information, including arms-length transactions for similar assets, growth rates in revenues, estimates of future expected changes in operating margins, cash expenditures, and estimates of capital expenditures.

f) 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.

g) 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; otherwise a degree of judgment is required including 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.

h) 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, United States, and the United Kingdom. The Company's effective tax rate can change from year to year based on the mix of income among 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. Management regularly 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.

6. Recent Accounting Pronouncements and Changes to Accounting Policies

a) Revenue from contracts with customers
Effective January 1, 2018, the Company has adopted IFRS 15*Revenue from Contracts with Customers*(IFRS 15) using the modified retrospective approach. As a result, the after-tax cumulative effect of initially applying IFRS 15 was recognized as an adjustment to the opening retained earnings at January 1, 2018. Comparative information has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts.*

The Company used the practical expedient to apply IFRS 15 only to contracts not completed at January 1, 2018. In addition, the Company used the 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.

Quantitative impact of significant changes
On the adoption of IFRS 15, the after-tax impact on retained earnings is as follows:

	Retained Earnings $
Change orders and claims	(3.0)
Significant financing component	1.7
Construction services - discontinued operations	(22.6)
Total impact of change in accounting policy, January 1, 2018	**(23.9)**

Change orders and claims
The Company previously included change orders and claims against the customer in estimated revenue at completion when it was probable the customer would approve or accept the amount and it could be reliably measured. Under IFRS 15, change orders and claims against the customer are included in estimated revenue at completion when management believes the Company has an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, management considers the cause of any additional costs incurred, the contractual or legal basis for additional revenue, and the history of favorable negotiations for similar amounts.

Significant financing component
The Company previously recognized holdbacks on long-term contracts at their discounted present value. Under IFRS 15, holdbacks do not typically result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all obligations under the contract. As a result, holdbacks on long-term contracts are no longer discounted.

Construction services
Liquidated damages were previously included in estimated contract costs when it was considered probable that penalties would be incurred and paid. Under IFRS 15, liquidated damages are required to be included as a reduction in estimated revenue and the estimates are based on the weighting of probable outcomes.

Presentation of contract balances
The Company reclassified certain amounts in the consolidated statements of financial position to comply with IFRS 15. Amounts that will be billed based on contractual milestones or on achievement of performance-based targets that were previously presented as unbilled receivables are now included in contract assets. In addition, contract asset and deferred revenue balances are now presented on a net basis for each contract. This reclassification had no impact on shareholders' equity as of January 1, 2018.

Impacts on financial statements
The following tables summarize the impacts of adopting IFRS 15 in the Company's consolidated financial statements as of December 31, 2018.

Consolidated statement of financial position

	December 31, 2018		
	As Reported $	Before IFRS 15 $	Increase (Decrease) $
Current assets			
Unbilled receivables	**384.6**	**444.4**	**(59.8)**
Contract assets	**59.7**	**-**	**59.7**
Other assets	**23.2**	**20.3**	**2.9**
Non-current assets			
Deferred tax assets	**21.2**	**21.8**	**(0.6)**
Other assets	**175.5**	**167.3**	**8.2**
Current liabilities			
Deferred revenue	**174.4**	**165.7**	**8.7**
Shareholders' equity			
Retained earnings	**851.2**	**848.9**	**2.3**
Accumulated other comprehensive income	**163.1**	**163.7**	**(0.6)**

Consolidated statements of income and comprehensive income (loss)

	For the year ended December 31, 2018		
	As Reported $	Before IFRS 15 $	Increase (Decrease) $
Net income			
Gross revenue	**4,283.8**	**4,287.9**	**(4.1)**
Subconsultant/subcontractor and other direct expenses	**928.6**	**937.1**	**(8.5)**
Total income taxes	**55.0**	**53.8**	**1.2**
Net income for the year from continuing operations	**171.3**	**168.1**	**3.2**
Net loss from discontinued operation, net of tax	**(123.9)**	**(146.9)**	**23.0**
Net income for the year	**47.4**	**21.2**	**26.2**
Comprehensive income			
Exchange differences on translation of foreign operations	**124.1**	**124.7**	**(0.6)**
Other comprehensive income for the year, net of tax	**114.5**	**115.1**	**(0.6)**
Total comprehensive income for the year, net of tax	**161.9**	**136.3**	**25.6**
Earnings per share, basic and diluted			
Continuing operations	**1.51**	**1.48**	**0.03**
Discontinued operations	**(1.09)**	**(1.29)**	**0.20**
Total basic and diluted earnings per share	**0.42**	**0.19**	**0.23**

b) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* (IFRS 9), resulting in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with its transitional provision, IFRS 9 was adopted on a modified retrospective basis. Comparative figures were not restated and continue to be reported under IAS 39 *Financial Instruments: Recognition and Measurement (IAS 39)*.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, including derecognition. The new standard includes a single expected-loss impairment model and a reformed approach to hedge accounting. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 and significantly amends other standards dealing with financial instruments, such as IFRS 7 *Financial Instruments: Disclosures.*

Quantitative impact of significant changes
On the adoption of IFRS 9, the impact on equity(after-tax) is as follows:

	Retained Earnings $	Accumulated Other Comprehensive Loss $
Reclassify equity securities from available-for-sale (AFS) to FVPL	**0.9**	**(0.9)**
Other	**(0.8)**	**-**
Total impact of changes in accounting policy, January 1, 2018	**0.1**	**(0.9)**

On January 1, 2018, the Company assessed the business approach that applies to its financial assets and has classified its financial instruments into appropriate IFRS 9 categories. Certain investments in equity securities were reclassified from AFS to FVPL ($49.4) at January 1, 2018, since they do not meet the criteria to be classified at FVOCI because their cash flows do not meet the SPPI criterion. Related unrealized gains of $0.9 were transferred from other comprehensive income to retained earnings at January 1, 2018.

Total impact on financial assets
On the date of initial application, financial assets of the Company were as follows, with any reclassifications noted:

	Measurement Category	
	2018	**2017**
Current financial assets		
Cash and cash deposits and cash in escrow	Amortized cost	FVPL
Receivables and other current financial assets	Amortized cost	Amortized cost
Non-current financial assets		
Investments held for self-insured liabilities (equity securities)	Mandatorily at FVPL	FVOCI
Investments held for self-insured liabilities (bonds)	FVOCI	FVOCI
Holdbacks on long-term contracts	Amortized cost	Amortized cost
Indemnifications	FVPL	FVPL
Other financial assets	Amortized cost	Amortized cost

The reclassifications of financial instruments on adoption of IFRS 9 did not result in any measurement changes.

c) Other recent adoptions
The following amendments and interpretations have been adopted by the Company effective January 1, 2018. The adoption of these amendments did not have an impact on the financial position or performance of the Company.

- 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.

- 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).

- In December 2016, the International Financial Reporting Interpretations Committee (IFRIC) issued an interpretation: IFRIC 22 *Foreign Currency Transactions and Advanced Consideration*. 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.

d) 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.

Leases

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) which replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC-15 *Operating Leases-Incentives,* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The mandatory effective date of IFRS 16 is January 1, 2019 and the standard may be adopted using a full retrospective or modified retrospective approach. The Company intends to elect the modified retrospective approach which will result in the cumulative effect of adoption being recognized as an adjustment to the opening retained earnings at January 1, 2019. The Company will elect to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. This election will exclude contracts not previously identified as containing a lease under IAS 17 and IFRIC 4. In addition, the Company will elect a practical expedient of using the exemptions on lease contracts with lease terms ending within 12 months as of the date of initial application and lease contracts when the underlying asset is of low value.

The Company established an IFRS 16 Implementation team and 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 a preliminary impact assessment of IFRS 16 and educated stakeholders. The Company is in the final process of amending lease policies and practices, updating internal controls, finalizing the completeness and accuracy of lease data, implementing a new lease accounting software, and quantifying the impact of IFRS 16 adoption as at January 1, 2019. 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, mainly related to real estate leases.

Other future adoptions

- In June 2017, IFRIC issued IFRIC 23 *Uncertainty over Income Tax Treatments.* 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 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, retrospectively, 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, retrospectively, 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.

- In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits*, which requires entities to use updated actuarial assumptions to determine current service cost and net interest when plan amendments, curtailments, or settlements occur during an annual reporting period. The amendments are effective January 1, 2019, with earlier application permitted.

- In March 2018, the IASB issued the revised *Conceptual Framework for Financial Reporting*, which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation, and disclosure. The amendments have an effective date of January 1, 2020, for companies that use the framework to develop accounting policies when no IFRS applies to a transaction.

- In October 2018, the IASB issued the revised *Definition of a Business (Amendments to IFRS 3).* The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

- In October 2018, the IASB issued the *Definition of Material (Amendments to IAS 1 and IAS 8).* The amendments clarify the definition of material to align the definition used in the Conceptual Framework and the IFRS standards. The amendments are effective for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

7. Business Acquisitions

Acquisitions in 2017

During 2017, the Company acquired all the shares and business of RNL Facilities Corporation (RNL) and acquired certain assets and liabilities of Inventrix Engineering, Inc. (Inventrix) and North State Resources, Inc. (NSR).

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. During 2018, management finalized the fair value assessments of assets and liabilities acquired from RNL, Inventrix, and NSR. There were no material measurement period adjustments.

Acquisitions in 2018

On March 23, 2018, the Company acquired all the shares and business of ESI Limited (ESI) for cash consideration and notes payable. ESI, based in Shrewsbury, England, enhances the Company's Consulting Services-Global group of cash generating units (CGUs) and has capabilities in groundwater, land, and sustainable development.

On March 30, 2018, the Company acquired certain assets and liabilities of Occam Engineers Inc. (OEI) for cash consideration and notes payable. OEI, based in Albuquerque, New Mexico, enhances the Company's Consulting Services-United States CGU, and provides expertise in civil engineering, public works, transportation, development engineering, planning and feasibility, program management, water resources, and value analysis.

On April 1, 2018, the Company acquired all the shares and business of Traffic Design Group Limited (TDG) for cash consideration and notes payable. TDG, a transportation planning and traffic engineering design firm based in Wellington, New Zealand, enhances the Company's Consulting Services-Global group of CGUs.

On May 18, 2018, the Company acquired all the shares and business of Norwest Corporation (NWC) for cash consideration and notes payable. NWC, based in Calgary, Alberta, enhances the Company's Consulting Services-Canada CGU, and provides expertise in geotechnical, geological, and mining fields.

On May 25, 2018, the Company acquired all the shares and business of Cegertec Experts Conseils Inc. (Cegertec) for cash consideration and notes payable. Cegertec, based in Chicoutimi, Quebec, enhances the Company's Consulting Services-Canada CGU, and provides expertise in engineering, project management, risk management, construction supervision, and structural inspections and inventory.

On September 7, 2018, the Company acquired all the partnership interests and business of Peter Brett Associates LLP and all the shares and business of PBA International Limited (collectively, PBA). PBA is a partnership practice of engineers, planners, scientists, and economists delivering projects in various sectors. PBA, based in Reading, England, enhances the Company's Consulting Services-Global group of CGUs.

On October 15, 2018, the Company acquired certain assets and liabilities of True Grit Engineering Limited (TGE) for cash consideration and notes payable. TGE, based in Thunder Bay, Ontario, enhances the Company's Consulting Services-Canada CGU, and has expertise in infrastructure engineering, project management and planning, and environmental services.

During 2018, management finalized the fair value assessments of assets and liabilities acquired from ESI, OEI, and TDG. As at February 28, 2019, management received vendor approval of the adjustments to the closing financial statements for PBA, NWC, and Cegertec. Management was also reviewing the vendors' closing financial statements for TGE. Once these financial statement reviews are complete and approvals are obtained, the valuation of acquired intangibles and goodwill will be finalized. No significant measurement period adjustments were recorded during the year ended December 31, 2018.

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 2018	Note	**Total $**
Cash consideration		**88.0**
Notes payable		**55.6**
Consideration		**143.6**
Assets and liabilities acquired		
Cash acquired		**7.8**
Non-cash working capital		
Trade receivables		**34.7**
Unbilled receivables		**6.4**
Accounts payable		**(19.8)**
Other non-cash working capital		**(0.6)**
Property and equipment	11	**4.4**
Intangible assets	13	**33.0**
Deferred tax assets	26	**1.9**
Net employee defined benefit liability	18	**(16.5)**
Provisions	17	**(1.4)**
Deferred tax liabilities	26	**(2.6)**
Total identifiable net assets at fair value		**47.3**
Goodwill arising on acquisitions	12	**96.3**
Consideration		**143.6**

Trade receivables and unbilled receivables assumed from acquired companies are recognized at fair value at the time of acquisition, and their fair value approximated their net carrying value.

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 2018 added to our Consulting Services – Canada, Consulting Services – United States, and Consulting Services – Global cash generating units (CGUs). For acquisitions completed in 2018, $3.6 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 the acquisitions completed in 2018, the Company assumed $0.8 in provisions for claims. At December 31, 2018, provisions for claims outstanding relating to all prior acquisitions were $11.1, based on their expected probable outcome. Certain of these claims are indemnified by the acquiree (note 14).

For business combinations that occurred in 2018, gross revenue earned in 2018 since the acquired entities' acquisition dates is approximately $86. 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. It is also impracticable to disclose what the Company's gross revenue and profit from continuing operations would have been had the business combinations, that occurred in 2018, taken place at the beginning of the year.

In 2018, directly attributable acquisition-related costs of $0.7 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 in 2018 for current and past acquisitions are as follows:

	December 31 2018 $
Cash consideration (net of cash acquired)	**80.2**
Payments on notes payable from previous acquisitions	**42.0**
Total net cash paid	**122.2**

Total notes payable and adjustments to these obligations are as follows:

	December 31 2018 $
Balance, beginning of the year	**58.8**
Additions for acquisitions in the year	**55.6**
Other adjustments	**(0.2)**
Payments	**(42.0)**
Interest	**0.9**
Impact of foreign exchange	**3.0**
Total notes payable	**76.1**

8. Discontinued Operations and Disposition of Subsidiaries

Construction Services - Discontinued Operations

Construction Services was acquired as part of the MWH acquisition in 2016 and was previously a reportable segment (note 34) and group of cash generating units (note 12). On November 2, 2018, the Company completed the sale of its Construction Services reportable segment, reported as discontinued operations in these consolidated financial statements for all periods presented as prescribed by IFRS 5. The Company assumed the defined benefit pension plan related to Construction Services and the obligations related to an ongoing UK-based waste-to-energy project. These items are included in the Company's discontinued operations.

The Company reviewed the carrying value of the Construction Services disposal group at September 30, 2018, and determined that the carrying value of the disposal group exceeded the estimated fair value less costs to sell indicating an impairment of assets. As a result, a goodwill impairment charge of $53.0 was recognized in the third quarter of 2018 against the goodwill allocated to the Construction Services (note 12).

Construction Services was sold for gross proceeds of $104.2 (US$79.5), less estimated working capital adjustments and transaction costs, resulting in initial cash proceeds of $28.8 (US$22.0). In accordance with the Credit Facilities agreement (note 16), the Company used the net proceeds on sale, less taxes payable and certain transaction costs (all as defined in the relevant agreements), to repay a portion of its long-term debt. As at February 28, 2019, management and the purchaser have not completed their review of the closing financial statements. Any adjustments will be recognized in discontinued operations in 2019.

As a result of the sale, the Company recognized a net loss from the discontinued operations as follows:

	Notes	**December 31 2018 $**	December 31 2017 $
Revenue		**884.4**	1,111.4
Expenses		**(953.8)**	(1,111.4)
Impairment of goodwill	12	**(53.0)**	-
Loss from operating activities, before income taxes		**(122.4)**	**-**
Income taxes on operating activities		**10.8**	**-**
Loss from operating activities, net of income taxes		**(111.6)**	**-**
Gain on disposal of discontinued operations before income taxes		**1.5**	**-**
Income taxes on disposal of discontinued operations		**(13.8)**	**-**
Loss on disposal of discontinued operations, net of income taxes		**(12.3)**	**-**
Net loss from discontinued operations		**(123.9)**	**-**

Innovyze, Inc. - Disposition of Subsidiaries
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.

As a result of the sale, the Company recognized the following gain on disposition in the consolidated statements of income for the year ended December 31, 2017.

	$
Gross proceeds	369.1
Working capital adjustments	(15.3)
Transaction costs	(16.9)
Net proceeds from sale, net of cash sold	336.9
Net assets disposed	(268.5)
Cumulative exchange loss on translating foreign operations reclassified from equity	(13.8)
Gain on disposal of a subsidiary	54.6

In addition, current tax expense of $124.1 and deferred taxes of $29.5 were recognized in the consolidated statements of income.

In accordance with the Credit Facilities agreement (note 16), 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.

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 2018 $	December 31 2017 $
Cash	**176.5**	234.7
Unrestricted investments	**8.7**	4.8
Cash and cash equivalents	**185.2**	239.5

Unrestricted investments consist of short-term bank deposits with initial maturities of three months or less.

At December 31, 2018, no funds were held in escrow accounts (2017 – $7.9 (US$6.2)). In 2017, these escrow funds covered potential indemnification claims from acquisitions and were settled in accordance with an escrow agreement.

10. Trade and Other Receivables

	December 31 2018 $	December 31 2017 $
Trade receivables, net of ECL of $1.5 (2017 – $2.1)	**774.5**	746.6
Holdbacks, current	**18.7**	43.8
Lease inducements receivable	**44.0**	-
Other	**40.9**	25.7
Trade and other receivables	**878.1**	816.1

The aging analysis of gross trade receivables is as follows:

	Total $	1–30 $	31–60 $	61–90 $	91–120 $	121+ $
December 31, 2018	**776.0**	**355.6**	**228.7**	**63.8**	**43.2**	**84.7**
December 31, 2017	748.7	403.1	182.4	53.9	29.1	80.2

Information about the Company's exposure to credit risks and impairment losses for trade and other receivables is included in note 24, and changes due to IFRS 9 are included in note 6.

11. Property and Equipment

	Engineering Equipment $	Office Equipment $	Leasehold Improvements $	Other $	Total $
Cost					
December 31, 2016	131.9	82.0	166.9	34.0	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)	(3.8)	(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	33.9	387.7
Additions	23.2	19.4	79.5	8.1	130.2
Additions arising on acquisitions	1.6	0.7	1.7	0.4	4.4
Disposals	(12.2)	(2.2)	(31.4)	(4.7)	(50.5)
Discontinued operations (note 8)	(11.5)	(0.4)	(1.7)	(2.0)	(15.6)
Transfers	(0.4)	(0.1)	(0.2)	0.7	-
Impact of foreign exchange	4.9	3.0	7.8	1.4	17.1
December 31, 2018	**122.3**	**82.0**	**231.2**	**37.8**	**473.3**
Accumulated depreciation					
December 31, 2016	73.1	45.6	64.9	17.3	200.9
Depreciation - continuing operations	16.3	7.5	26.7	1.7	52.2
Depreciation - discontinued operations	1.9	0.1	-	0.4	2.4
Disposals	(32.7)	(25.4)	(15.9)	(2.7)	(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
Depreciation - continuing operations	15.3	6.7	25.9	2.2	50.1
Depreciation - discontinued operations	1.5	-	0.2	0.3	2.0
Disposals	(10.6)	(1.9)	(31.1)	(1.9)	(45.5)
Discontinued operations (note 8)	(3.3)	(0.3)	(0.3)	(0.7)	(4.6)
Transfers	(0.4)	(0.1)	(0.2)	0.7	-
Impact of foreign exchange	2.3	1.2	2.9	0.4	6.8
December 31, 2018	**62.2**	**33.2**	**71.5**	**17.0**	**183.9**
Net book value					
December 31, 2017	59.3	34.0	101.4	17.9	212.6
December 31, 2018	**60.1**	**48.8**	**159.7**	**20.8**	**289.4**

Leasehold improvements includes construction work in progress of $8.9 (2017 – $3.5) on which depreciation has not started.

Included in the Other category is automotive equipment, buildings, land, financial assets, and an ownership interest in an aircraft.

12. Goodwill

	Note	**December 31 2018 $**	December 31 2017 $
Gross goodwill, beginning of the year		**1,734.6**	2,006.1
Acquisitions		**96.3**	16.3
Disposals	8	**(120.2)**	(194.4)
Impact of foreign exchange		**88.5**	(93.4)
Gross goodwill, end of the year		**1,799.2**	1,734.6
Accumulated impairment losses, beginning of the year		**(178.0)**	(178.0)
Impairment of goodwill	8	**(53.0)**	-
Disposals	8	**53.0**	-
Accumulated impairment losses, end of the year		**(178.0)**	(178.0)
Net goodwill, end of the year		**1,621.2**	1,556.6

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. Prior to the sale of Construction Services, the Company had seven CGUs. Three of these were grouped into Consulting Services – Global and two were 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.

On November 2, 2018, the Company completed the sale of its Construction Services business (note 8). In connection with the sale, the Company reviewed the carrying value of the Construction Services disposal group as at September 30, 2018. The carrying value of the disposal group exceeded the estimated fair value less cost to sell at that time. As a result, the Company recognized a goodwill impairment charge of $53.0 in the quarter ended September 30, 2018. The fair value measurement of the Construction Services group of CGUs was categorized as Level 3 in the fair value hierarchy based on unobservable market inputs.

During 2017, the Company completed the sale 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, 2018, and October 1, 2017, the Company performed its annual goodwill impairment test in accordance with its policy described in note 4. Based on the results of the 2018 and 2017 tests, the Company concluded that the recoverable amount of each CGU or group of CGUs approximated or exceeded its carrying amount and, therefore, goodwill was not impaired.

Goodwill was allocated to each CGU or group of CGUs as follows:

	December 31 2018 $	December 31 2017 $
Consulting Services		
Canada	**358.2**	337.8
United States	**1,003.7**	917.7
Global	**259.3**	183.2
Construction Services	**-**	117.9
Allocated	**1,621.2**	1,556.6

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 group 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, 2018, and October 1, 2017, impairment tests, the Company discounted the cash flows for each CGU or group of CGUs using an after-tax discount rate ranging from 9.3% to 17.0% (2017 – 8.9% to 15.1%) . 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 whether 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 CGUs 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 level 3 in the fair value hierarchy based on the significant inputs in the valuation technique used (note 4h).

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 analysis, and management's long-term projections.
- Net revenue growth rate based on management's best estimates of cash flow projections over a five year period.

Sensitivity to changes in assumptions
As at October 1, 2018, 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 the Consulting Services – Global 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. These moderated outlooks were reflected in the Company's budget and projections.

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

Key Assumptions	Consulting Services – Global
Operating margin rates	5.6% to 8.7%
After tax discount rate	11.2%
Terminal growth rate	3.0%
Non-cash working capital rates	20.3% to 20.5%
Average annual net revenue growth rate (2019-2023)	3.7%

Key assumptions for operating margin rates and non-cash working capital rates are calculated on net revenue.

13. Intangible Assets

	Client Relationships $	Contract Backlog $	Software $	Other $	Total $	Total Lease Disadvantage (note 19) $
Cost						
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)
Additions	-	-	33.2	-	33.2	-
Additions arising on acquisitions	25.1	5.7	0.2	2.0	33.0	-
Discontinued operations (note 8)	(19.7)	-	(5.3)	(4.4)	(29.4)	-
Removal of fully amortized assets	(3.9)	(46.2)	(18.8)	(10.8)	(79.7)	3.1
Impact of foreign exchange	16.3	1.1	0.3	0.7	18.4	(0.3)
December 31, 2018	**307.3**	**8.5**	**75.2**	**15.0**	**406.0**	**(4.4)**
Accumulated amortization						
December 31, 2016	85.0	19.2	28.2	8.6	141.0	(5.5)
Amortization - continuing operations	28.2	22.3	16.4	7.9	74.8	(1.8)
Amortization - discontinued operations	2.0	4.1	0.8	0.4	7.3	(0.1)
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)
Amortization - continuing operations	26.9	9.9	25.7	3.6	66.1	(1.1)
Amortization - discontinued operations	1.8	1.4	0.7	1.8	5.7	(0.1)
Discontinued operations (note 8)	(4.9)	-	(1.9)	(2.4)	(9.2)	-
Removal of fully amortized assets	(3.9)	(46.2)	(18.8)	(10.8)	(79.7)	3.1
Impact of foreign exchange	5.9	0.9	0.1	0.4	7.3	(0.3)
December 31, 2018	**116.2**	**3.6**	**32.7**	**5.8**	**158.3**	**(2.9)**
Net book value						
December 31, 2017	199.1	10.3	38.7	14.3	262.4	(2.7)
December 31, 2018	**191.1**	**4.9**	**42.5**	**9.2**	**247.7**	**(1.5)**

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 $19.1 (2017 – $16.5). The non-cash portion of additions was $15.1 for 2018 (2017 – nil), and was excluded from the statement of cash flows.

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 method. 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 2018, the Company concluded that there were no indicators of impairment related to intangible assets.

14. Other Assets

	December 31 2018 $	December 31 2017 $
Financial assets		
Investments held for self-insured liabilities	**144.2**	147.1
Holdbacks on long-term contracts	**28.7**	39.6
Indemnifications	**0.8**	2.4
Other	**6.5**	6.3
Other non-financial assets		
Investment tax credits	**6.1**	9.2
Transaction costs on long-term debt	**3.6**	4.9
Deferred contract costs	**8.8**	-
	198.7	209.5
Less current portion - financial	**18.1**	14.0
Less current portion - non-financial	**5.1**	-
Long-term portion	**175.5**	195.5

Investments held for self-insured liabilities

Investments held for self-insured liabilities include government and corporate bonds that are classified as FVOCI with unrealized gains (losses) recorded in other comprehensive income (loss). Investments also include equity securities that are classified at FVPL with gains (losses) recorded in net income.

Their fair value and amortized cost are as follows:

	December 31 2018 $		December 31 2017 $	
	Fair Value	**Amortized Cost/Cost**	Fair Value	Amortized Cost/Cost
Bonds	**103.0**	**103.8**	97.7	98.6
Equity securities	**41.2**	**45.0**	49.4	48.3
Total	**144.2**	**148.8**	147.1	146.9

The bonds bear interest at rates ranging from 0.75% to 5.15% per annum (2017 – 0.75% to 5.15%). The terms to maturity of the bond portfolio, stated at fair value, are as follows:

	December 31 2018 $	December 31 2017 $
Within one year	**14.0**	5.6
After one year but not more than five years	**85.2**	73.5
More than five years	**3.8**	18.6
Total	**103.0**	97.7

Indemnifications
The Company's indemnifications relate to certain legal claims (note 17). During 2018, the Company decreased provisions and indemnification assets relating to prior acquisitions by $1.8 (2017 – increased by $0.2).

15. Trade and Other Payables

	December 31 2018 $	December 31 2017 $
Trade accounts payable	**222.6**	367.1
Employee and payroll liabilities	**263.3**	248.8
Accrued liabilities	**87.2**	88.7
Trade and other payables	**573.1**	704.6

16. Long-Term Debt

	December 31 2018 $	December 31 2017 $
Notes payable	**76.8**	60.8
Revolving credit facilities	**528.6**	209.9
Term loan	**308.8**	458.5
Finance lease obligations	**19.5**	10.4
	933.7	739.6
Less current portion	**48.5**	198.2
Long-term portion	**885.2**	541.4

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, 2018, was 3.16% (2017 – 3.46%). Notes payable may be supported by promissory notes and are due at various times from 2019 to 2021. The aggregate maturity value of the notes at December 31, 2018, was $78.2 (2017 – $61.9). At December 31, 2018, $23.2 (US$17.0) (2017 – $57.4 (US$45.7)) of the notes' carrying amount was payable in US funds and $32.9 was payable in other foreign currencies.

Revolving credit facilities and term loan
On June 27, 2018, the Company amended its syndicated senior credit facilities (Credit Facilities) which, subsequent to the amendment, consist of a senior revolving credit facility in the maximum amount of $800.0 and senior term loans of $310.0 in two tranches. The amendment changed certain terms and conditions, including making all the facilities unsecured and extending the maturity date of its revolving credit facility by five years and Tranches B and C of its term loans by four years and five years respectively. Additional funds can be accessed subject to approval and under the same terms and conditions. As a result of the amendment, access to these additional funds increased from $200.0 to $400.0. The amendment was accounted for as a debt modification and a gain of $1.4 was recognized. The revolving credit facility expires on June 27, 2023. The revolving credit facility and the term loans 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 B and C of the term loan were drawn in Canadian funds of $150.0 (due on June 27, 2022) and $160.0 (due on June 27, 2023), respectively. Before the amendment, a third tranche (Tranche A) was drawn in Canadian funds for $150.0 and repaid on May 6, 2018.

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). The Credit Facilities contain restrictive covenants (note 25).

At December 31, 2018, $13.6 (US$10.0) of the revolving credit facility was payable in US funds and $515.0 was payable in Canadian funds. 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, 2018 and 2017, the entire term loan was payable in Canadian funds. The average interest rate applicable at December 31, 2018, for the Credit Facilities was 4.53% (2017 – 3.20%).

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, 2018, the Company had issued outstanding letters of credit that expire at various dates before January 2020, are payable in various currencies, and total $48.0 (2017 – $51.8). These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2018, $223.4 (2017 – $538.3) was available in the revolving credit facility for future activities.

At December 31, 2018, $23.8 (2017 – $4.3) in additional letters of credit outside of the Company's revolving credit facility was issued and outstanding. These were issued in various currencies. Of these letters of credit, $14.7 (2017 – $4.3) expire at various dates before January 2020, and $9.1 (2017 – nil) have open ended terms.

Surety facilities
As part of the normal course of operations, the Company has surety facilities, primarily related to Construction Services, to accommodate the issuance of bonds for certain types of project work. At December 31, 2018, the Company issued bonds under these surety facilities: $3.5 (2017 – $0.2) in Canadian funds, $791.4 (US$580.2) (2017 – $587.1(US$467.0)) in US funds, and $4.7 (2017 – $1.0) in other foreign currencies. These bonds expire at various dates before July 2024. In accordance with the sale agreement for Construction Services, the purchaser will make reasonable efforts to arrange for the Company's release from bonds related to construction services as soon as practicable. The purchaser has indemnified the Company for any obligations that may arise from these bonds.

Finance lease obligations
The Company has finance leases for software and for automotive and office equipment. At December 31, 2018, finance lease obligations included finance leases bearing interest at rates ranging from 1.40% to 5.25% (2017 – 1.4% to 5.25%). These finance leases expire at various dates before October 2021.

Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	December 31 2018 $	December 31 2017 $
Within one year	**10.0**	7.4
After one year but not more than five years	**9.8**	3.1
Total minimum lease payments	**19.8**	10.5
Less amounts representing finance charges	**0.3**	0.1
Present value of minimum lease payments	**19.5**	10.4

17. Provisions

	December 31, 2018				
	Provision for self-insured liabilities $	**Provision for claims $**	**Onerous contracts $**	**Expected project losses $**	**Total $**
Provision, beginning of the year	**72.5**	**18.9**	**4.8**	**-**	**96.2**
Current year provisions	**25.1**	**4.0**	**13.3**	**15.6**	**58.0**
Acquisitions	**-**	**0.8**	**0.6**	**-**	**1.4**
Paid or otherwise settled	**(24.9)**	**(9.8)**	**(5.8)**	**-**	**(40.5)**
Impact of foreign exchange	**4.3**	**0.9**	**0.3**	**-**	**5.5**
	77.0	**14.8**	**13.2**	**15.6**	**120.6**
Less current portion	**3.8**	**11.3**	**11.7**	**15.6**	**42.4**
Long-term portion	**73.2**	**3.5**	**1.5**	**-**	**78.2**

	December 31, 2017			
	Provision for self-insured liabilities $	Provision for claims $	Onerous contracts $	Total $
Provision, beginning of the year	69.4	25.2	10.8	105.4
Current year provisions	23.9	2.3	0.7	26.9
Acquisitions	-	0.2	-	0.2
Paid or otherwise settled	(17.5)	(6.8)	(6.4)	(30.7)
Impact of foreign exchange	(3.3)	(2.0)	(0.3)	(5.6)
	72.5	18.9	4.8	96.2
Less current portion	6.6	18.8	2.7	28.1
Long-term portion	65.9	0.1	2.1	68.1

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 its 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 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.

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 net cash flows.

Provision for self-insured liabilities is determined based on an actuarial estimate.

Provision 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 14).

Onerous contracts consist of lease exit liabilities and sublease losses. Payments for these onerous contracts will occur until 2024. The Company recorded a lease exit expense in relation to its corporate office move of approximately $12.8 in the fourth quarter of 2018.

18. Employee Defined Benefit Obligations

	December 31 2018 $	December 31 2017 $
Net defined benefit pension asset	**(10.0)**	(12.7)
Net defined benefit pension liability	**55.5**	31.2
End of employment benefit plans	**13.1**	13.6
	68.6	44.8

Defined benefit pension plans
The Company sponsors defined benefit pension plans (the Plans) covering certain full-time and past employees, primarily in the United Kingdom. The benefits for the Plans are based on final compensation and years of service. The Plans are closed to new participants and have 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 and 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 were completed as at March 31, 2017 and February 1, 2016. The Plans required that contributions be made to separately administered funds, which are maintained independently by custodians. The Company expects to contribute $23.3 to the Plans in 2019.

The Plans expose the Company to a number of risks, including changes to long-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 Plans' 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 liability-driven investment (LDI) strategy has been implemented to hedge a portion of the Plans' long-term interest rate and inflation risks by investing in assets that have similar interest rate and inflation characteristics as the Plans' liabilities. The LDI strategy relates to only a portion of the Plans' investments; therefore, the Plans remain exposed to significant interest rate and inflation 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:

	2018			**2017**		
	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	**397.7**	**(379.2)**	**18.5**	374.6	(324.1)	50.5
Acquisition of PBA	**80.9**	**(64.4)**	**16.5**	**-**	-	-
Included in pre-tax profit or loss						
Interest expense (income)	**10.8**	**(10.2)**	**0.6**	10.4	(8.9)	1.5
Past service cost	**10.5**	**-**	**10.5**	-	-	-
Administrative expenses paid by the Plans	**-**	**1.7**	**1.7**	-	1.0	1.0
	21.3	**(8.5)**	**12.8**	10.4	(7.9)	2.5
Included in other comprehensive income						
Return on the plan assets (excluding interest income)	**-**	**17.4**	**17.4**	-	(30.1)	(30.1)
Actuarial (gains) losses arising from:						
Changes in demographic assumptions	**(0.8)**	**-**	**(0.8)**	(8.1)	-	(8.1)
Changes in financial assumptions	**(9.3)**	**-**	**(9.3)**	29.5	-	29.5
Experience adjustments	**5.5**	**-**	**5.5**	(5.3)	-	(5.3)
Effect of movement in exchange rates	**11.5**	**(10.3)**	**1.2**	10.2	(9.4)	0.8
	6.9	**7.1**	**14.0**	26.3	(39.5)	(13.2)
Other						
Benefits paid	**(12.5)**	**12.3**	**(0.2)**	(13.6)	13.6	-
Contributions by employer	**-**	**(16.1)**	**(16.1)**	-	(21.3)	(21.3)
	(12.5)	**(3.8)**	**(16.3)**	(13.6)	(7.7)	(21.3)
Balance, end of the year	**494.3**	**(448.8)**	**45.5**	397.7	(379.2)	18.5

	December 31 2018 $	December 31 2017 $
Included in the statement of financial position as:		
Net defined benefit asset	**(10.0)**	(12.7)
Net defined benefit liability	**55.5**	31.2
	45.5	18.5

The Company has an unconditional right to derive economic benefit from the above surplus and has therefore recognized a net defined benefit asset.

	Note	December 31 2018 $	December 31 2017 $
Included in the statement of income as:			
Continuing operations - administrative and marketing expenses		**6.6**	1.5
Discontinued operations	8	**6.2**	1.0
		12.8	2.5

On October 26, 2018, the United Kingdom high court issued a ruling that resulted in an amendment to the Plans to equalize guaranteed minimum pension benefits between genders and increased the Company's defined benefit obligation by $10.5. Corresponding past service costs were recognized in the consolidated statements of income of which $4.7 was recognized in continuing operations and $5.8 in discontinued operations.

Major categories of plan assets, measured at fair value, are as follows:

	December 31 2018 $	December 31 2017 $
Cash and cash equivalents	**3.3**	2.9
Investments quoted in active markets (mutual, exchange-traded, and pooled funds):		
Equities	**138.1**	110.1
Corporate bonds and fixed income	**57.5**	45.0
Pooled fund liability-driven investments	**15.5**	-
Property funds	**10.6**	6.6
Unquoted investments:		
Annuity policies	**110.8**	102.9
Insurance contract:		
Equities and property	**80.2**	69.5
Corporate bonds	**19.2**	22.7
Cash and cash equivalents	**13.6**	19.5
Fair value of the plan assets	**448.8**	379.2

The investment policy for the Plans is to balance risk and return. Approximately 50% of plan assets are invested in mutual, exchange-traded, and pooled funds (fair valued using quoted market prices) or held in cash. Approximately 25% of plan assets are held in annuity policies that 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, that 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 2018	December 31 2017
Discount rate	**2.77%**	2.47%
Rate of increase in salaries	**4.47%**	3.51%
Rate of inflation, pre-retirement	**2.55%**	2.40%
Rate of increase in future pensions payment	**3.51%**	3.53%
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 or 45:		
Male	**23 years**	23 years
Female	**25 years**	26 years

At December 31, 2018, the weighted average duration of the defined benefit obligation was 16 years (2017 – 15 years).

Quantitative sensitivity analyses showing the impact on the defined benefit obligation for significant assumptions are as follows:

	December 31 2018		December 31 2017	
	Increase $	**Decrease $**	Increase $	Decrease $
Change in discount rate by 0.25%	**(15.6)**	**17.0**	(11.2)	11.8
Change in pre-retirement inflation rate by 0.25%	**5.0**	**(4.8)**	3.9	(3.8)
Change in salary growth by 0.25%	**0.9**	**(0.8)**	0.5	(0.5)
Change in pension increase assumption by 0.25%	**8.4**	**(8.1)**	6.4	(6.1)
Increase of one year in the life expectancy	**9.4**	**n/a**	6.0	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 year. The sensitivity analyses were based on changing 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.

End of employment benefit plans

The liability for end of employment benefit plans represents the Company's estimated obligations for long service leave and annual leave that is legislated in some countries in which the Company operates.

19. Other Liabilities

	Note	December 31 2018 $	December 31 2017 $
Lease inducement benefits		**111.2**	57.2
Deferred share units payable	22	**9.0**	15.5
Other cash-settled share-based compensation	22	**3.8**	7.0
Liability for uncertain tax positions		**35.0**	31.3
Other		**4.6**	16.3
		163.6	127.3
Less current portion		**23.2**	26.2
Long-term portion		**140.4**	101.1

20. Commitments

The Company has various operating lease commitments, including commitments for annual basic premises rent under long-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.

The Company's commitments including future minimum lease payments payable under noncancellable operating leases as at December 31, 2018, are as follows:

	$
Within one year	**252.3**
After one year but not more than five years	**638.5**
More than five years	**400.0**
Total commitments	**1,290.8**
Variable payments and non-lease elements	**(320.3)**
Purchase obligations	**(68.0)**
Total minimum lease payments	**902.5**

The premises rental expense for the year ended December 31, 2018, was $181.7 (2017 – $178.1).

Sublease rental income for the year ended December 31, 2018, was $7.2 (2017 – $7.4). Future minimum sublease payments expected to be received under noncancellable sublease agreements as at December 31, 2018, are $19.2 (2017 – $16.8).

21. Contingencies and Guarantees

The nature of the Company's legal claims and the provisions recorded for these claims are described in note 17. 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 service 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.

22. 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

The Company had a Normal Course Issuer Bid (NCIB) enabling it to purchase up to 2,278,747 common shares during the period November 14, 2017, to November 13, 2018. On November 11, 2018, the Company renewed its NCIB, enabling it to purchase up to 2,273,879 common shares during the period November 14, 2018, to November 13, 2019. In addition, the Company entered into an Automatic Share Purchase Plan (ASPP) with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. Such purchases are determined by the broker in its sole discretion based on parameters established by the Company under the ASPP. As at December 31, 2018, no liability was recorded in the Company's consolidated statements of financial position in connection with the ASPP.

During 2018, 2,470,560 (2017 – 465,713) common shares were repurchased for cancellation pursuant to the NCIB at a cost of $76.7 (2017 – $14.4). Of this amount, $19.1 (2017 – $3.6), and $0.5 (2017 – nil) reduced the share capital and contributed surplus, and $57.1 (2017 – $10.8) was charged to retained earnings.

During 2018, the Company recognized a share-based compensation expense of $5.3 (2017 – $9.5) in administrative and marketing expenses in the consolidated statements of income. Of the amount expensed, $5.6 (2017 – $4.9) related to the amortization of the fair value of options granted and was decreased by $0.3 (2017 – $4.6) related to the cash-settled share-based compensation (DSUs and 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 2018.

			Dividend per Share	Paid
Date Declared	**Record Date**	**Payment Date**	**$**	**$**
February 21, 2018	March 29, 2018	April 12, 2018	0.1375	15.7
May 9, 2018	June 29, 2018	July 12, 2018	0.1375	15.6
August 7, 2018	September 28, 2018	October 11, 2018	0.1375	15.7
November 7, 2018	December 28, 2018	January 10, 2019	0.1375	-

At December 31, 2018, trade and other payables included $15.4 (2017 – $14.3) related to the dividends declared on November 7, 2018.

Share-based payment transactions
The Company has a long-term incentive program that uses 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 4,987,542 shares at prices from $14.88 to $32.98 per share. These options expire on dates between February 28, 2019, and May 15, 2023.

	For the year ended December 31 2018		For the year ended December 31 2017	
	Shares #	Weighted Average Exercise Price per Share $	Shares #	Weighted Average Exercise Price per Share $
Share options, beginning of the year	**4,426,237**	**29.84**	3,655,020	28.33
Granted	**1,112,779**	**32.98**	1,229,689	31.75
Exercised	**(338,989)**	**20.40**	(376,160)	21.09
Forfeited	**(212,485)**	**31.49**	(82,312)	31.57
Share options, end of the year	**4,987,542**	**31.11**	4,426,237	29.84

The options held by officers and employees at December 31, 2018, 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 $
14.88	**142,540**	**0.16**	**14.88**	**142,540**	**0.16**	**14.88**
20.88	**364,526**	**1.16**	**20.88**	**364,526**	**1.16**	**20.88**
31.75 – 32.98	**4,480,476**	**3.21**	**32.46**	**2,401,323**	**2.75**	**32.40**
14.88 – 32.98	**4,987,542**	**2.98**	**31.11**	**2,908,389**	**2.43**	**30.10**

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 2018, the Company granted 1,112,779 (2017 – 1,229,689) share options. The estimated fair value of options granted at the share market price on the grant date was $5.73 per share (2017 – $5.03) and was determined using the weighted average assumptions indicated below:

	2018	2017
Volatility in the price of the Company's shares (%)	**24.12**	24.13
Risk-free interest rate (%)	**2.10**	0.81
Expected hold period to exercise (years)	**3.50**	3.50
Dividend yield (%)	**1.668**	1.575
Exercise price ($)	**32.98**	31.75

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, 2018, and of changes in the year 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	**2,139,320**	**5.28**
Granted	**1,112,779**	**5.73**
Vested	**(1,000,441)**	**5.24**
Forfeited	**(172,505)**	**5.40**
Non-vested share options, end of the year	**2,079,153**	**5.53**

At December 31, 2018, a total compensation cost of $5.2 (2017 – $4.8) 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 (2017 – 1.06 years).

b) Performance share units
Under the Company's long-term incentive program, certain members of the senior leadership team 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 2018 onward, the cash payment is based on the weighted-by -volume average of the closing market price of the Company's common shares for the last five trading days preceding the anniversary date of issue. The fair value of these units is expensed over their three-year vesting period.

During 2018, 193,385 PSUs were paid at a value of $3.2 and 280,884 PSUs were issued (2017 – 284,777). Also, 29,668 PSUs were forfeited (2017 – 19,617). At December 31, 2018, 744,081 PSUs were outstanding at a fair value of $6.0 (2017 – 686,250 PSUs were outstanding at a fair value of $14.3).

c) Deferred share units
The directors of the board receive DSUs and annually 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. These units vest on their grant date and are paid in cash to the directors of the board on their death or retirement. 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 or retirement. 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 2018, 46,356 DSUs (2017 – 38,625) were issued and 178,866 DSUs (2017 – 66,021) were paid at a value of $6.2 (2017 – $2.1). At December 31, 2018, 306,459 DSUs were outstanding at a fair value of $9.0 (2017 – 438,969 DSUs were outstanding at a fair value of $15.5).

23. Fair Value Measurements
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 2018, 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 2018, no transfers were made between levels 1 and 2 of the fair value measurements.

The following table summarizes the Company's fair value hierarchy (note 4h) for those assets and liabilities measured and adjusted to fair value on a recurring basis at December 31, 2018:

	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	14	**144.2**	**-**	**144.2**	**-**

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, 2018:

	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	16	**76.9**	**-**	**76.9**	**-**

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.

24. Financial Instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligation. Assets that subject the Company to credit risk consist primarily of cash and cash equivalents, cash in escrow, trade and other receivables, unbilled receivables, contract assets, 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 assets, which, at December 31, 2018, was $1,681.3 (2017 – $1,667.4).

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, unbilled receivables, contract assets, 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, 2018, was 66 days (2017 – 55 days).

The Company applies the simplified approach to trade and other receivables, unbilled receivables, contract assets, and holdbacks and recognizes a loss allowance provision based on lifetime expected credit losses (ECLs). The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

	Total $	1–30 $	31–60 $	61–90 $	91–120 $	121+ $
Expected loss rate		**0.07%**	**0.10%**	**0.22%**	**0.43%**	**0.75%**
Gross carrying amount	**1,356.9**	**936.5**	**228.7**	**63.8**	**43.2**	**84.7**
Loss allowance provision, end of the year	**1.9**	**0.7**	**0.2**	**0.1**	**0.2**	**0.7**

During 2018, $0.8 of trade receivables were written off and the Company had no recoveries from the collection of cash flows previously written off.

Bonds carried at FVOCI are considered to be low risk; therefore, the impairment provision is determined to be the12-month ECL. To the extent that the credit risk for any instruments significantly increases since initial acquisition, the impairment provision is determined using the lifetime ECL.

Substantially all bonds held by the Company are investment grade, and none are past due. The Company monitors changes in credit risk by tracking published external credit ratings. At December 31, 2018, the ECL on trade and other receivables was $1.5 and $0.4 related to unbilled receivables, contract assets, and holdbacks.

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 various 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, 2018, was $223.4 (2017 – $538.3). 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 (defined in note 25).

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, 2018				
Trade and other payables	**567.2**	**567.2**	**-**	**-**
Long-term debt	**935.4**	**49.1**	**196.7**	**689.6**
Other financial liabilities	**3.1**	**1.1**	**0.3**	**1.7**
Total contractual obligations	**1,505.7**	**617.4**	**197.0**	**691.3**
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

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 16.

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, 2018, was 0.5% higher, with all other variables held constant, net income would decrease by $3.2. If it was 0.5% lower, an equal and opposite impact on net income would occur.

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.

Foreign exchange fluctuations may also arise on the translation of the Company'sUS-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 appropriately diversified.

A 1.0% increase in equity prices at December 31, 2018, would increase the Company's income by $0.3.
A 1.0% decrease would have an equal and opposite impact on income.

25. 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 NCIBs, 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 2017.

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, 2018, was 2.42 (2017 – 1.16), 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, 2018.

26. Income Taxes

The effective income tax rate for continuing operations in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	For the year ended December 31	
	2018 %	2017 %
Income tax expense at statutory Canadian rates	**27.1**	27.0
Increase (decrease) resulting from:		
Transition tax related to US tax reform	**(4.4)**	11.8
Rate differential on foreign income	**(3.1)**	4.0
Research and development and other tax credits	**(0.7)**	(2.7)
Unrecognized tax losses and temporary differences	**2.0**	(0.5)
Adjustments in respect of prior years and other	**2.6**	0.4
Non-deductible expenses and non-taxable income	**0.8**	(3.5)
Reorganization of corporate structure	**-**	1.2
Disposition of a subsidiary	**-**	30.3
Statutory rate change on deferred tax balances	**-**	(4.8)
	24.3	63.2

Major components of current income tax expense from continuing operations are as follows:

	For the year ended December 31	
	2018 $	2017 $
Ongoing operations	**64.5**	34.4
Transition tax related to US tax reform	**(10.0)**	31.2
Disposition of subsidiary	**-**	124.1
Reorganization of corporate structure	**-**	3.2
Total current income tax expense	**54.5**	192.9

Major components of deferred income tax expense (recovery) from continuing operations are as follows:

	For the year ended December 31	
	2018	2017
	$	$
Unrecognized tax losses and temporary differences	**2.7**	0.4
Origination and reversal of timing differences	**(1.9)**	16.3
Recovery arising from previously unrecognized tax assets	**(0.2)**	(1.6)
Change of tax rates	**(0.1)**	0.6
Revaluation due to US tax reform	**-**	(12.6)
Disposition of a subsidiary	**-**	(29.5)
Total deferred income tax expense (recovery)	**0.5**	(26.4)

Significant components of net deferred income tax assets (liabilities) are as follows:

	December 31 2018	December 31 2017
	$	$
Deferred income tax assets (liabilities)		
Carrying value of intangible assets in excess of tax cost	**(86.1)**	(78.8)
Carrying value of property and equipment in excess of tax cost	**(7.3)**	(3.6)
Cash to accrual adjustment on acquisition of US subsidiaries	**(1.2)**	(2.5)
Differences in timing of taxability of revenue and deductibility of expenses	**33.4**	36.1
Loss and tax credit carryforwards	**16.7**	9.6
Employee defined benefit plan	**7.7**	3.3
Other	**3.7**	4.5
	(33.1)	(31.4)

The following is a reconciliation of net deferred tax assets (liabilities):

	December 31 2018	December 31 2017
	$	$
Balance, beginning of the year	**(31.4)**	(53.4)
Discontinued operations	**(8.6)**	-
Impact of foreign exchange	**(2.3)**	1.8
Adoption of IFRS 15 and IFRS 9	**6.7**	-
Tax effect on other comprehensive income	**2.0**	(2.4)
Tax recovery during the year recognized in net income	**1.3**	26.4
Deferred taxes acquired through business combinations	**(0.7)**	(0.8)
Other	**(0.1)**	(3.0)
Balance, end of the year	**(33.1)**	(31.4)

At December 31, 2018, 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, except as noted below:

	December 31 2018 $	December 31 2017 $
Deductible temporary differences	**13.0**	12.8
Non-capital tax losses:		
Expire (2019 to 2038)	**27.4**	16.3
Never expire	**73.4**	72.2
	100.8	88.5
Capital tax losses:		
Never expire	**9.3**	5.5
	123.1	106.8

United States tax reform
The United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). In response to the US tax reform, at December 31, 2017, the Company recorded a $31.2 one-time transition tax on deemed mandatory repatriation of earnings and realized a recovery of $12.6 on remeasurement of deferred tax assets and liabilities using the substantively enacted federal tax rate of 21.0%.

On August 1, 2018, the U.S. Treasury Department and Internal Revenue Service (IRS) released proposed regulations under Section 965. These regulations provided guidance relating to the one-time transition tax due upon the mandatory repatriation of certain deferred foreign earnings. Based on the proposed regulations, certain tax elections filed after November 2, 2017, were deemed to be disregarded in calculating the transition tax. As such, based on the calculation methods prescribed under the proposed regulations, a tax recovery of $10.0 was recognized on the federal portion of the transition tax. The Company will continue to monitor for new interpretation and guidance issued by the U.S. Treasury Department, the IRS, and state taxing authorities.

Although the Company is subject to the 21.0% federal tax rate, effective January 1, 2018, the Company also continues to assess other areas of the Tax Act for significant impacts on its estimated average annual effective tax rate and accounting policies, such as the base erosion anti-abuse tax, limitations on interest expense deductions, foreign-derived intangible income deduction, and tax on global intangible low-taxed income. At December 31, 2018, the Company has incorporated the relevant Tax Act items into its provision calculation.

27. Net Interest Expense and Other Net Finance Expense

Net interest expense

	For the year ended December 31	
	2018 $	2017 $
Interest on notes payable	**2.1**	2.9
Interest on revolving credit facilities	**28.4**	24.4
Interest on finance leases	**0.5**	0.1
Other	**0.6**	1.7
Total interest expense	**31.6**	29.1
Interest income on FVOCI investment debt securities	**(2.5)**	(2.4)
Other	**(0.4)**	(0.8)
Total interest income	**(2.9)**	(3.2)
Net interest expense	**28.7**	25.9

Other net finance expense

	For the year ended December 31	
	2018 $	2017 $
Realized loss on sale of FVOCI investment debt securities	**0.3**	-
Amortization on FVOCI investment debt securities	**0.5**	0.6
Bank charges	**5.6**	8.6
Total other finance expense	**6.4**	9.2
Realized gain on sale of FVOCI investment debt securities	**-**	(1.4)
Derecognition of notes payable	**(0.7)**	(0.7)
Other net finance expense	**5.7**	7.1

28. Revenue

Disaggregation of revenue

The Company provides professional consulting services in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics throughout North America and globally. The Company has five specialized business operating units within Consulting Services: Buildings, Energy & Resources, Environmental Services, Infrastructure, and Water. Consulting Services revenue is derived principally under fee-for-service agreements with clients. Disaggregation of revenue by geographic area and service is included in note 34.

The Company's Construction Services operations were disposed of during the year and reported as discontinued operations (note 8).

Contract balances
The following table provides information about receivables, contract assets, and deferred revenue (contract liabilities) from contracts with customers:

	December 31 2018 $	January 1 2018 $
Receivables		
Trade receivables and holdbacks	**821.9**	816.1
Unbilled receivables	**384.6**	315.6
Contract assets	**59.7**	69.2
Deferred revenue	**(174.4)**	(196.4)
Total Consulting Services	**1,091.8**	1,004.5

Significant increases (decreases) in contract assets and deferred revenue in the year are as follows:

		For the year ended December 31, 2018	
	Note	**Contract Assets $**	**Deferred Revenue $**
Acquisitions		**0.7**	**7.2**
Discontinued operations and disposition of subsidiaries	8	**(15.3)**	**(59.3)**

Revenue recognized in 2018 and included in deferred revenue at January 1, 2018 was $196.4. Revenue recognized in 2018 from performance obligations satisfied (or partially satisfied) in prior years was less than 5% of the Company's gross revenue from continuing operations.

Remaining performance obligations (backlog)
The aggregate amount of estimated revenue (note 5) related to performance obligations that are unsatisfied (or partially unsatisfied) as at December 31, 2018, was $4,179. This amount includes all contracts with customers but excludes variable consideration that is not highly probable. The Company expects to recognize approximately 23% of this revenue as contracts are completed over the next 18 months, with the remainder recognized thereafter.

29. Employee Costs from Continuing Operations

		For the year ended December 31	
	Note	**2018 $**	2017 $
Wages, salaries, and benefits		**2,358.8**	2,220.8
Pension costs		**83.3**	67.7
Share-based compensation	22	**5.3**	9.5
Total employee costs		**2,447.4**	2,298.0
Direct labor		**1,540.0**	1,411.9
Indirect labor		**907.4**	886.1
Total employee costs		**2,447.4**	2,298.0

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 $70.5 (2017 – $65.1) related to defined contribution plans.

30. Other Expense (Income)

	For the year ended December 31	
	2018 $	2017 $
Loss on sale of property and equipment	**1.7**	0.2
Unrealized loss on equity securities	**4.9**	-
Net realized gain on equity securities	**(0.9)**	(9.6)
Other	**(5.6)**	(0.6)
Total other expense (income)	**0.1**	(10.0)

31. Weighted Average Shares Outstanding

The number of basic shares outstanding and diluted common shares, calculated on a weighted average basis, is as follows:

	December 31 2018 #	December 31 2017 #
Basic shares outstanding	**113,733,118**	113,991,507
Share options (dilutive effect of 507,066 options; 2017 – 4,426,237 options)	**89,200**	361,413
Diluted shares	**113,822,318**	114,352,920

At December 31, 2018, 4,480,476 options were antidilutive. At December 31, 2017, no options were antidilutive.

32. Cash Flow Information

A reconciliation of liabilities arising from financing activities for the year ended December 31, 2018, is as follows:

		Statement of Cash Flows		**Non-Cash Changes**		
	January 1 2018 $	**Proceeds $**	**Repayments or Payments $**	**Foreign Exchange $**	**Other $**	**December 31 2018 $**
Revolving credit facilities	**209.9**	**432.3**	**(120.0)**	**6.4**	**-**	**528.6**
Term loan	**458.5**	**-**	**(150.0)**	**-**	**0.3**	**308.8**
Finance lease obligations	**10.4**	**-**	**(14.8)**	**1.4**	**22.5**	**19.5**
Dividends to shareholders	**14.3**	**-**	**(61.3)**	**-**	**62.4**	**15.4**
Total liabilities from financing activities	**693.1**	**432.3**	**(346.1)**	**7.8**	**85.2**	**872.3**

33. Related-Party Disclosures

At December 31, 2018, 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, associates, and joint operations. These transactions involve providing or receiving services entered into in the normal course of business.

The following lists the most significant entities where the Company owns 100% of the voting and restricted securities.

Name	Jurisdiction of Incorporation
3221969 Nova Scotia Company	Nova Scotia, Canada
International Insurance Group Inc.	Barbados
Mustang Acquisition Holdings Inc.	Delaware, United States
MWH International, Inc.	Delaware, United States
Stantec Australia Pty Ltd	Australia
Stantec Consulting Caribbean Ltd.	Barbados
Stantec Consulting International LLC	Arizona, United States
Stantec Consulting International Ltd.	Canada
Stantec Consulting Ltd./Stantec Experts-conseils ltée	Canada
Stantec Consulting Michigan Inc.	Michigan, United States
Stantec Consulting Services Inc.	New York, United States
Stantec Delaware II LLC	Delaware, United States
Stantec Holdings (2017) Limited	United Kingdom
Stantec Holdings II Ltd.	Alberta, Canada
Stantec New Zealand	New Zealand
Stantec Technology International Inc.	Delaware, United States
Stantec UK Limited	United Kingdom

There are no significant restrictions on the Company's ability to access or use assets or to settle liabilities of its subsidiaries. Financial statements of all subsidiaries are prepared as at the same reporting date as the Company's.

Structured entities

At December 31, 2018, 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 lists the most significant structured entities that are consolidated in the Company's financial statements.

Name	Jurisdiction of Incorporation
Stantec Architecture Inc.	North Carolina, United States
Stantec Architecture Ltd.	Canada
Stantec Geomatics Ltd.	Alberta, Canada
Stantec International Inc.	Pennsylvania, United States

Joint operations

The Company also conducted its business through the following significant joint operations.

Name	Ownership Interests	Jurisdiction
Stantec/SG Joint Venture	65%	United States
Starr II, a Joint Venture	48%	United States

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, 2018			For the year ended December 31, 2017		
	Sales to Related Parties $	**Distributions Paid $**	**Amounts Owed by Related Parties $**	Sales to Related Parties $	Distributions Paid $	Amounts Owed by Related Parties $
Joint ventures	**39.8**	**0.3**	**10.2**	40.6	1.3	11.1
Associates	**4.3**	**0.2**	**1.0**	10.2	0.7	0.8

Compensation of key management personnel and directors of the Company

		For the year ended December 31	
	Note	**2018 $**	2017 $
Salaries and other short-term employment benefits		**9.0**	11.3
Directors' fees		**0.8**	0.8
Share-based compensation	22	**0.9**	4.0
Total compensation		**10.7**	16.1

The Company's key management personnel include its CEO, chief operating officer, chief business officer, chief financial officer, chief practice and project 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 year. Share-based compensation includes the fair value adjustment for the year.

34. 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, 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 regional geographic areas.

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.

Reportable segments from continuing operations

Comparative figures in the table below were reclassified due to a realignment between the Consulting Services – United States and Consulting Services – Global reportable segments.

	For the year ended December 31, 2018					
	Consulting Services					
	Canada $	United States $	Global $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	**1,311.0**	**2,365.9**	**742.7**	**4,419.6**	**(135.8)**	**4,283.8**
Less inter-segment revenue	**35.2**	**31.3**	**69.3**	**135.8**	**(135.8)**	**-**
Gross revenue from external customers	**1,275.8**	**2,334.6**	**673.4**	**4,283.8**	**-**	**4,283.8**
Less subconsultants and other direct expenses	**188.0**	**560.2**	**180.4**	**928.6**	**-**	**928.6**
Total net revenue	**1,087.8**	**1,774.4**	**493.0**	**3,355.2**	**-**	**3,355.2**
Gross margin	**557.0**	**982.5**	**275.7**	**1,815.2**	**-**	**1,815.2**

	For the year ended December 31, 2017					
	Consulting Services					
	Canada $	United States $	Global $	Total Segments $	Adjustments and Eliminations $	Consolidated $
Total gross revenue	1,221.9	2,254.0	664.7	4,140.6	(111.9)	4,028.7
Less inter-segment revenue	30.2	28.0	53.7	111.9	(111.9)	-
Gross revenue from external customers	1,191.7	2,226.0	611.0	4,028.7	-	4,028.7
Less subconsultants and other direct expenses	164.1	511.3	179.5	854.9	-	854.9
Total net revenue	1,027.6	1,714.7	431.5	3,173.8	-	3,173.8
Gross margin	551.5	958.7	251.7	1,761.9	-	1,761.9

Geographic information

	Non-Current assets		Gross Revenue	
	December 31 2018 $	December 31 2017 $	For the year ended December 31 **2018 $**	2017 $
Canada	**535.2**	452.4	**1,275.8**	1,191.7
United States	**1,342.3**	1,311.2	**2,334.6**	2,226.0
United Kingdom	**140.5**	119.3	**184.9**	129.4
Other countries	**140.3**	148.7	**488.5**	481.6
	2,158.3	2,031.6	**4,283.8**	4,028.7

Non-current assets consist of property and equipment, goodwill, and intangible assets. Geographic information is attributed to countries based on the location of the assets. Gross revenue is attributed to countries based on the location of the project.

Gross revenue by services

	For the year ended December 31	
	2018	2017
	$	$
Consulting Services		
Buildings	**944.5**	898.1
Energy & Resources	**591.7**	479.2
Environmental Services	**682.8**	678.1
Infrastructure	**1,157.6**	1,090.4
Water	**907.2**	882.9
Total gross revenue from external customers	**4,283.8**	4,028.7

The allocation of gross revenue to each business operating unit has been reclassified for comparative figures due to a realignment of certain services between business operating units.

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.

35. 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 administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2018, investment tax credits of $7.3 (2017 – $9.6) were recorded.

36. Events after the Reporting Period
Normal Course Issuer Bid
From January 1, 2019, to February 28, 2019, pursuant to the NCIB, the Company repurchased and cancelled 195,064 common shares at an average price of $30.63 per share for an aggregate price of $6.0.

Interest Rate Swap
In January 2019, the Company entered into a $160.0 interest rate swap agreement maturing on June 27, 2023. The swap agreement has the effect of converting the variable interest rate on $160.0 of the Company's revolving credit facility into a fixed rate of 2.295%, plus an applicable basis points spread.

Dividend
On February 27, 2019, the Company declared a dividend of $0.145 per share, payable on April 15, 2019, to shareholders of record on March 29, 2019.

37. Comparative Figures
Certain comparative figures have been reclassified to conform to the presentation adopted for the current period, including a $13.6 reclassification for end of employment benefit plans from provisions to net employee defined benefit liability.

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 28, 2019, with respect to the consolidated financial statements 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, 2018.

We also consent to the use of our reports dated February 28, 2019, 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, 2018, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP
Chartered Professional Accountants

Edmonton, Canada
February 28, 2019

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 28, 2019

/s/ Gordon A. Johnston
GORDON A. JOHNSTON, M. ENG, P. ENG
President and 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, 2018 (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 28, 2019

/s/ Gordon A. Johnston
GORDON A. JOHNSTON, M. ENG., P. ENG
President and 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, **THERESA B. Y. JANG**, 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 28, 2019

/s/ Theresa B. Y. Jang
THERESA B. Y. JANG
Executive Vice President and 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, 2018 (the "Report") with the United States Securities and Exchange Commission.

I, Theresa B. Y. Jang, 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 28, 2019

/s/ Theresa B. Y. Jang
THERESA B. Y. JANG
Executive Vice President and Chief Financial Officer

Stantec

Code of Business Conduct

February 27, 2019

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 $1,000 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: Ø Argentina (ALA Spanish): 0-800-288-5288 Ø Argentina (Argentina Telecom): 0-800-555-4288 Ø 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

Country	Phone Number	Languages Spoken
Bahrain	*Direct Access:* From an outside line, dial the direct access number for your location: Ø Bahrain (US military bases): 800-000-00 Ø Bahrain: 800-00-001 Ø 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. Ø Request a reverse charge or collect call to be placed to the United States: 503-444-4000 Ø 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
Chile	*Direct Access:* From an outside line, dial the direct access number for your location: Ø Chile (AT&T): 800-225-288 Ø Chile (Telefonica): 800-800-288 Ø Chile (ENTEL): 800-360-311 Ø Chile (ENTEL – Spanish Operator): 800-360-312 Ø Chile (Easter Island): 800-800-311 Ø 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: Ø China (Southern – Mandarin Operator): 108-10 Ø China (Southern): 10-811 Ø China (Northern – Mandarin Operator): 108-710 Ø 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. Ø Request a reverse charge or collect call to be placed to the United States: 971-371-7833 Ø All reverse charge or collect calls will be accepted by the Contact Center using an automated *English* message.	Amharic (Ethiopian), English

Country	Phone Number	Languages Spoken
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 Ø Not available from cellular phones At the *English* prompt, dial 855-389-9170.	Punjabi, Urdu, English
Panama	*Direct Access:* From an outside line, dial the direct access number for your location: 800-0109 Ø (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: Ø Peru (Telefónica) – Spanish Operator): 0-800-50-000 Ø 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. Ø Request a reverse charge or collect call to be placed to the United States: 503-444-4000 Ø 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

Country	Phone Number	Languages Spoken
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: Ø United Arab Emirates: 8000-555-66 Ø United Arab Emirates: 8000-021 Ø United Arab Emirates (US military bases): 8000-051 Ø 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
  #400, 10220 – 103 Avenue N.W.
  Edmonton, AB T5J 0K4

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.