

## **Beutel, Goodman & Company Ltd.**

### **Responsible Investment Policy Statement**

#### **Background and Purpose of the Policy**

Established in 1967, Beutel, Goodman & Company Ltd. is a privately owned, independent Canadian investment manager. We are dedicated to generating superior long-term returns for our institutional, private wealth and retail clients, and helping them achieve their investment objectives. Our fundamental, bottom-up, value-investment philosophy is grounded in a highly disciplined proprietary research process with a focus on capital preservation, absolute risk reduction and downside protection in declining markets.

The purpose of this Responsible Investment Policy Statement is to document our commitment to integrate environmental, social and governance (ESG) criteria into our investment analysis and selection process for all accounts managed by Beutel Goodman. It also reinforces our dedication to active management through corporate engagement and proxy voting.

As value managers, our primary objective is to deliver superior risk-adjusted portfolio performance to our clients over the long term. We pursue this objective through the thoughtful and patient ownership of debt and equity positions in high-quality companies. Companies that gain high marks for their environmental, social and governance practices often share many of the sound fundamentals that are attractive to our value-investing approach, namely a business whose qualities and management practices generate stable, long-term cash flows. ESG factors have the potential to materially affect the long-term sustainability of a business and are thus an important part of our analytical process.

#### **Principles for Responsible Investment**

In June 2019, Beutel Goodman signed the United Nations-sponsored Principles for Responsible Investment (PRI). As a signatory, we commit to following these guiding principles:

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into our investment process and practices;
- Seek appropriate disclosure on ESG issues from the entities in which we invest;
- Promote acceptance and implementation of PRI within the investment industry;
- Work together to enhance our effectiveness in implementing PRI; and
- Report on our activities and progress towards implementing PRI.

We commit to integrating these principles into our investment process to benefit all our clients.

## Integration of ESG into the Investment Process

ESG information is gathered from internal research, our third-party ESG data provider, and meetings with company management. Each analyst builds a financial model, including forecast financial statements, an analysis, and identification of material financial risks, including ESG risks. This information is then used to determine several valuation metrics to substantiate an intrinsic value for the company.

ESG research responsibilities are shared among the entire investment team. All portfolio managers are charged with the responsibility of considering material risks, including ESG issues, to the investments they recommend. ESG Policy oversight and review responsibilities lie with the firm's Management Committee.

Examples of ESG issues include:

- **Environmental:** climate change, resource depletion, waste, pollution, water security, deforestation
- **Social:** human rights, diversity and inclusion, modern slavery, child labour, working conditions, employee relations
- **Governance:** board oversight and effectiveness, bribery and corruption, executive compensation, board diversity, tax strategy

Having a longer term (three- to five-year) investment time horizon and focussing on the sustainability of cash flows has long been a central tenet of our investment process. Accordingly, we have been incorporating material ESG risk factors into our research for a number of years. Signing the PRI is a logical extension of our process.

Beutel Goodman has a fiduciary responsibility to act in the best interests of our clients. We believe in being good stewards of capital and will invest where we think we can generate value. Viewed through this lens, we consider ESG issues not only as potential areas of concern, but also as opportunities for investment.

Consistent with our long-established investment process, Beutel Goodman will not make any investments where ESG or other risk factors make it difficult, if not impossible, to accurately assess the value of a specific business.

## Active Ownership through Engagement

We believe that we can effect change on ESG issues by engaging with management as owners of a company's stock or bonds. Both our equity and fixed income teams strive to promote change where our analysis indicates a company falls short on stated policies or where material, unaddressed ESG issues exist or ESG disclosure is inadequate. We report our engagement activities on a quarterly basis.

## Active Ownership through Proxy Voting

We believe that the voting of proxies can encourage sound corporate governance and improve environmental and social policies, and is essential to the advancement of shareholder value. As part of our portfolio management responsibilities, we review each proxy item for our holdings before casting votes. We assess all motions, including those relating to ESG practices, based on their consistency with long-term shareholder value creation.

Beutel Goodman subscribes to the proxy-voting services of Institutional Shareholder Services (ISS), which provides a detailed analysis and comprehensive report of all proxy-voting issues. While we take their recommendations and analysis into consideration, we form our own views and vote accordingly. We report our proxy voting activities on a quarterly basis.

Proxy voting is less common in fixed income, and typically only occurs when a company is seeking to change its trust indentures. The fixed income team actively engages with company management on ESG issues that we deem will affect the sustainability of the company's cash flows and ultimately, the company's ability to repay its debt or otherwise adversely affect the value of the bond.

### **Active Ownership through Collaborative Engagement**

We aspire to increasingly participate in collaborative engagement initiatives that are aligned with our active ownership philosophy. We recognize that the pooling of resources with other investors may enhance the effectiveness of engagement outcomes.

### **Policy Oversight and Review**

The Management Committee of Beutel Goodman has approved this Policy Statement. All portfolio managers will integrate ESG criteria into their bottom-up research and investment process. This policy statement will be reviewed annually by the Management Committee.

### **Reporting and Disclosure**

Beginning in 2021, Beutel Goodman will report annually on its progress in ESG integration, as outlined in the PRI. Our PRI transparency report will be publicly available on the PRI website and on our website at [www.beutelgoodman.com](http://www.beutelgoodman.com).