

Beutel Goodman Responsible Investment Policy Statement

BACKGROUND AND PURPOSE OF POLICY

Established in 1967, Beutel, Goodman & Company Ltd. (Beutel Goodman) 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 to 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.

This Responsible Investment (RI) Policy Statement documents our commitment to integrate environmental, social and governance (ESG) criteria into our investment analysis and selection process for all accounts we manage. It also reinforces our dedication to active ownership through engagement, proxy voting and collaboration. This policy statement applies to all our assets under management, including both equity and fixed income assets.

As a value manager, 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 with strong ESG 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.

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. ESG issues are not only potential areas of concern but may also be opportunities for further investment. Having a longer-term (three- to five-year) investment time horizon and focusing on the sustainability of cash flows have long been central tenets of our investment process. Accordingly, we have been incorporating material ESG risk factors into our investment processes for several years.

COLLABORATIVE INITIATIVES

In 2019, Beutel Goodman signed the United Nations-sponsored Principles for Responsible Investment (PRI). As a signatory, we commit to the 6 guiding principles and to integrating them into our investment process. This involves active incorporation of ESG issues, appropriate disclosure and implementation, as well as an urgency to enhance activities through accurate disclosures.

In 2021, Beutel Goodman joined the Task Force on Climate-related Financial Disclosures (TCFD), which the Financial Stability Board established to address the systemic risk that climate change poses to the global financial system. We thereby encourage all portfolio companies we engage with to disclose climate-related risks following the TCFD framework.

Beutel Goodman participates in several other collaborative initiatives and will continue to advance its involvement and enhance its active ownership practices.

ESG DEFINITION

Our collective experience drives ESG integration, which is applied across our equity and fixed income holdings. We focus our analysis on material ESG issues that may impact on the future value of our investments.

Our rigorous research methodology encompasses a fundamentally driven analysis to identify valuation opportunities in quality companies from a bottom-up perspective. We consider ESG factors to be part of the material risks and opportunities associated with the long-term sustainability of investments. We seek companies with sound governance and strive to avoid businesses with material environmental and social controversies.

While some ESG factors are material across all our investments, our analysis considers differences in the material ESG risk exposure of issuers in different sectors and countries.

Material ESG themes incorporated into our research include the following:

ENVIRONMENT	SOCIAL	GOVERNANCE
Waste	Working Conditions	Corporate Strategy
Pollution	Employee Relations	Executive Compensation
Climate Change & GHG Emissions	Human Rights	Board Efficacy & Diversity
Resource Depletion & Deforestation	Sustainable Supply Chains	Succession Planning

Disclosure, Transparency, Accountability & Oversight of Environmental, Social & Governance Issues

CLIMATE CHANGE

Climate change is emerging as one of the most critical ESG factors globally and across all sectors of the economy. The value of companies may be impacted over the long term by direct or indirect exposure to physical risks from severe weather and changing weather patterns, and transition risks relating to their greenhouse gas (GHG) emissions, including policy and legal risk, technology risk, market risk and reputation risk. We therefore believe that addressing climate-related risk in our investment process is consistent with our fiduciary duty to our clients. For this reason, we have aligned with the TCFD.

In this context, we recognize the importance of achieving the goals of the Paris Agreement, the global climate treaty that aims to limit the rise in global average temperatures to under 2°C above pre-industrial levels, and if possible, to 1.5°C. The scientific consensus is that achieving these goals by the end of the century requires the global economy to effectively become carbon neutral by 2050.

Climate change is a key factor within our ESG integration and active ownership approaches, which includes engagement and proxy voting. While considering the climate-related risks facing companies with high GHG emissions or significant exposure to the physical impacts of climate change, we also consider climate-related opportunities for companies whose business activities and technologies can contribute to the achievement of climate goals.

The ESG responsibilities that have been assigned at each level within Beutel Goodman specifically include the incorporation of climate change as a key ESG factor. We will continue to develop our strategy in this emerging area of ESG practice.

ESG INTEGRATION IN THE INVESTMENT PROCESS

Since 2019, Beutel Goodman has been formalising ESG principles into the entire investment process from the selection phase to monitoring and further engagement with invested assets. This process ensures that the most relevant ESG criteria are continuously and diligently managed by both Beutel Goodman and its invested assets, with respect to the goal of minimizing risk and maximizing value.



DILIGENT RESEARCH

ESG considerations are fully integrated into our process and viewed within the context of factors that can have a material impact on performance. The business value assessment incorporates ESG factors into its analysis. As one of the core tenets of business value is governance, our research process strives to identify companies whose boards and management are aligned with stakeholder interests and the creation of long-term shareholder and bondholder value. We view ourselves as partners of the companies we invest in. As such, we approach ownership as an ongoing collaboration in the creation of long-term sustainable value.

ESG information is gathered from internal research, third-party ESG data providers, and meetings with company management. We do not maintain internal ESG rankings or ratings on companies. External ESG ratings from third party data providers constitute some of the many inputs we use when researching companies and making investment decisions. However, we firmly believe that our clients are best served

by a manager conducting their own internal research on portfolio companies, rather than relying on external data providers. Each individual analyst/portfolio manager is responsible for the ESG assessment on their company and performs all the due diligence, engagement and proxy voting. Using a bottom-up, disciplined, value investing approach, each equity and credit research report we prepare incorporates ESG considerations.

As value investors we are at times contrarian and may occasionally invest in companies with relatively weaker ESG practices where there are tangible signs of potential improvement.

SCREENING AND SELECTION

Given our high investment hurdle rates, we tend to avoid businesses with ESG risks that may have a material impact on valuations

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.

Our team strives 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 do, however, recognize that some of our clients and mandates require an exclusionary approach which we implement on a discrete basis, relying first and foremost on our ESG research and active ownership practices.

ACTIVE OWNERSHIP

Beutel Goodman favours an approach that incorporates diligent stewardship and influences positive change by having a “seat at the table.”

The exercise of our voting rights, ongoing engagement and collaborative activities with respect to the companies held in our portfolios are the pillars of our active ownership practices. These serve as important touchpoints, and insights gained from engagement are continually incorporated into our company analysis and investment decision-making.

In our view, engagement, proxy voting and collaborative initiatives are effective mechanisms to mitigate risk, increase returns and advance shareholder value. We have long advocated for sound corporate governance, which we believe is the foundation of the responsible management of a company’s environmental and social practices. Both our equity and fixed income teams strive to promote change where our analysis indicates an issuer falls short on stated policies or where material, unaddressed ESG issues exist or ESG disclosure is inadequate. We also recognize the value of engagement to address long-term and systemic risks to portfolio value.

Engagement

We believe that we can effect change on ESG issues by engaging with management or members of the board of directors as owners of a company's stock or bonds. Part of our highly disciplined investment research process involves meeting with company management, which can provide important insights into issuers and ESG factors, and how these may impact long-term shareholder value. Our strong preference is to interact with the board of directors and senior management, though we also welcome engagement with other executives, including specialist or RI/CSR/sustainability department heads.

Although we seek to engage with all our investee companies at least once a year, we typically engage multiple times each year. Engagement is both proactive/thematic, as we strive to understand and promote companies' management of key ESG considerations, and reactive, when controversies arise. All engagement activities are logged in a central repository and progress towards any defined goals is tracked. We report our engagement activities to our clients on a quarterly basis and disclose our reports on our website annually.

In prioritising companies for proactive/thematic engagement, we consider the size of our holdings, specific ESG factors that are a focus within our research (e.g., linking executive compensation to ESG metrics, capital allocation strategy or climate change impacts), ESG ratings, ESG disclosure quality, credit quality, and differences in ESG risk exposure in specific markets and sectors.

We regularly monitor our holdings to identify ESG incidents or controversies that may require reactive engagement. If significant ESG-related concerns are identified, we will engage with a company on multiple occasions over a timeframe that allows for positive change. If we are not satisfied with a company's actions, we will not hesitate to manifest our disagreement through proxy voting. Failed engagement and proxy voting can factor into a decision to reduce or divest a holding.

Engagement by our fixed income teams is performed in close coordination with equity team counterparts to develop firmwide best practices. Our proprietary credit research incorporates detailed ESG analysis, including a list of ESG-related engagement themes. The fixed income team actively engages with company management on ESG issues that could affect the sustainability of the company's cash flows and ultimately, the company's ability to repay its debt, or could otherwise adversely affect the value of the bond. These issues are typically addressed in company meetings which are shared between our equity and fixed income analysts or portfolio managers, particularly with Canadian issuers. Recurring engagement themes include capital allocation and strategic planning; governance; environmental policies, including management of climate-related risks; and employee and labour relations, as well as general ESG disclosure, transparency and accountability.

The influence of fixed income investors varies throughout the life cycle of a bond issue. Therefore, as well as engaging during the holding period, we also engage with fixed income issuers at the pre-investment stage and during investor updates related to refinancing. For our Sovereign, Supranational and Agency

(SSA) fixed income holdings, we engage with provincial Ministries of Finance during our periodic review meetings.

Proxy Voting

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

While we subscribe to proxy voting services and take the recommendations and analysis of our service provider into consideration, we form our own views and vote accordingly. Our voting decisions and rationales are publicly disclosed on an ongoing basis.

Details of our proxy voting approach can be found in our [Proxy Voting Guidelines](#).

Collaborative Engagement

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

GOVERNANCE

We believe our clear definition of ESG responsibilities enhances the way we operate and service our clients:

- The **Management Committee** of Beutel Goodman, which is the key decision-making body of our company, provides oversight of our ESG approach.
- ESG research responsibilities are shared among all **investment team** members, as portfolio managers and analysts are charged with the responsibility of considering all material factors that may impact the investments they recommend. The investment teams' responsible investing activities, including engagement and proxy voting, are reported on a quarterly basis to the firm's Management Committee.
- We have assigned responsibility for spearheading the implementation and coordination of our ESG activities to **two senior team members** representing our equity and fixed income teams.
- Our **ESG Working Group**, composed of members of our equity and fixed income teams and representatives of our various client channels, meets regularly to discuss matters pertaining to ESG and responsible investing. This helps to ensure coherence across asset classes and strategies.

- Beutel Goodman’s **Equity, Diversity, and Inclusion Task Force** is assessing our operational practices and working with various departments of the firm to deliver a positive outcome for our workforce.

POLICY OVERSIGHT AND REVIEW

The Management Committee of Beutel Goodman has approved this policy statement.

All portfolio managers will integrate ESG criteria into their research and investment process, and undertake active ownership, including engagement and proxy voting, in accordance with this policy statement. Portfolio managers are required to provide quarterly reporting on the implementation of this Policy Statement to the Management Committee.

Any conflicts of interest that may arise in relation to our ESG-related activities, including engagement and proxy voting, are governed by our [Conflict of Interest Disclosure Statement](#).

This policy statement will be reviewed annually by the Management Committee.

REPORTING AND DISCLOSURE

Since 2021, Beutel Goodman has reported annually on its ESG integration progress and active ownership with a comprehensive Annual Responsible Investment Report posted on our website. Quarterly Responsible Investment reports have been provided to our clients since Q1 2021, detailing our plans.

Our PRI Transparency Reports will be made publicly available on the PRI website and on our website at www.beutelgoodman.com starting in mid-2022. Information on our holdings and our proxy voting records can also be accessed on our website.

INFORMATION ON THE SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)

Sustainability Risk Statement

Beutel Goodman adheres to the definition of sustainability risk as described in Article 2(22) of the Regulation (EU) 2019/2088 (SFDR): “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”. Following Article 3(1) of the SFDR, Beutel Goodman considers sustainability risks in its investment decisions. Please refer to the Sustainability Risk Statement on the Beutel Goodman website for further substantiation on how Beutel Goodman integrates sustainability risks within its investment decisions.

PRINCIPAL ADVERSE IMPACT STATEMENT

Beutel Goodman considers the principal adverse impacts of its investment decisions on sustainability factors in accordance with Article 4(1)(a) of Regulation (EU) 2019/2088 (SFDR.) More information on these principal adverse impacts, Beutel Goodman's policies to identify and prioritise them, and engagement policies to address them can be found in the Principal Adverse Impact Statement located in the 'Sustainability-related disclosures' section of the website. Beutel Goodman will monitor and report on required principal adverse impact indicators at the time and to the extent that financial advisers are required to do so by the relevant regulation. Beutel Goodman will take the necessary preparations to integrate the indicators into the data gathering process.