

# Responsible Investing at Beutel Goodman: What We Achieved in 2021



Source: Adobe Stock

March 8, 2022

Beutel Goodman

Some pundits thought that the COVID-19 pandemic would mean the demise of ESG investing, but in fact the opposite has happened. The pandemic brought social factors into the foreground, including a focus on worker safety and mental health. A series of severe weather events like droughts, forest fires, and extreme temperatures, as well as the COP26 conference in Glasgow, have kept environmental factors a priority. On the governance side, shareholder activism is on the rise as evidenced by some high-profile board proxy fights. Climate-related items have also emerged as proxy issues to be voted on. Meanwhile in fixed income, sustainable finance had another record year of issuance.

At Beutel Goodman, we remain committed to responsible investment and are excited to foster positive change to help create sustainable value. While we are confident in the current state of our ESG integration process, we believe strongly that it is our responsibility to continually improve it. We aim to build on our accomplishments to better incorporate and communicate our responsible investing projects. We are proud of several of our ESG achievements and milestones from 2021:

### 1) Declared official support for the TCFD

With the Task Force on Climate-Related Financial Disclosures (TCFD), Beutel Goodman joined more than 2,500 organizations in committing to building a more resilient financial system, seeking to safeguard against climate risk through better disclosure. The Task Force consists of 32 members from prominent corporations within the G20, representing both preparers and users of financial disclosures. To learn more, visit: [https:// www.fsb-tcf.org/](https://www.fsb-tcf.org/)

### 2) Became a Founding Participant of CEC

Climate Engagement Canada (CEC) fosters collaborative dialogue between the financial community and Canadian issuers to promote a just transition to a net-zero economy. The organization's development was inspired by Canada's Expert Panel on Sustainable Finance, which made a series of recommendations in 2019 to align Canada's financial system with a low-carbon future. For more information, see: [https:// climateengagement.ca/](https://climateengagement.ca/)

### 3) Endorsed the CCGG's Stewardship Principles for Responsible Investment

The Canadian Coalition for Good Governance's (CCGG) principles are designed to help Canadian asset owners and asset managers explain effective stewardship

responsibilities. Effective stewardship is meant to enhance the long-term sustainable creation of value, helping investors prosper while benefitting the market and society as a whole. To learn more about the CCGG and its principles, go to: <https://ccgg.ca/stewardship-principles-endorsers/>

### 4) Became a signatory of the RIA's Canadian Investor Statement on Diversity & Inclusion

By engaging with the Responsible Investment Association (RIA) on its statement, Beutel Goodman pledges to work with portfolio companies to enhance disclosure, adopt policies and targets, and address hindrances to diversity and inclusion and improve our own practices. Additionally, we commit to integrating diversity and inclusion into our investment process and our broader organization. To find out more, please visit: <https://www.riacanada.ca/investor-statement-diversity-inclusion/>

### 5) Completed the new PRI assessment

The UN's Principles for Responsible Investment (PRI) revamped its reporting framework for 2020. We worked collaboratively alongside other asset managers to provide feedback on the process and new framework. We used this updated assessment to report on our ESG and responsible investment activities for 2020<sup>1</sup>.

Figure 1 shows the major ESG-related organizations that Beutel Goodman is a member of and/or endorses.



## 6) Ongoing collaborative efforts with industry groups

In addition to endorsing numerous initiatives, we have been hard at work with our ESG peers and partners. By participating in various efforts, we have been helping to craft industry standards. Some of the collaborations we have taken part in include the ESG Committee of the Canadian Bond Investors' Association (CBIA), the Canadian Responsible Investment Working Group, and the TCFD Working Group for the Buyside, all of which help us to stay up to date and discuss best practices with other asset managers and owners.

## 7) Improved our ESG monitoring process

Our controversies and engagement tracking process has been refined, now documenting all ESG-related engagements conducted by our various teams. We also use this process to track the progress made by our portfolio companies on ESG issues, as well as any current or ongoing controversies. Our equity and fixed income teams are working together to formalize a standardized detailed ESG factsheet as part of our research reports for all current and potential portfolio companies.

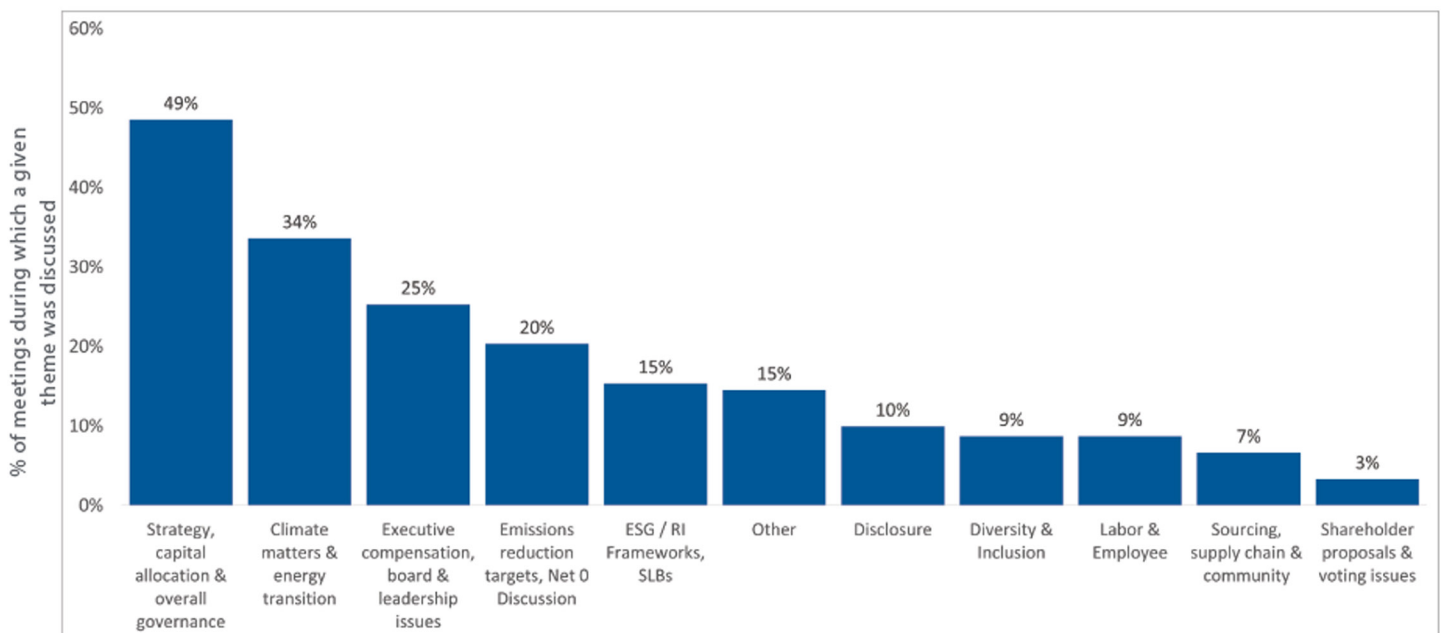
## 8) Selected a new third-party ESG data provider

After completing a review of specialist ESG data providers, we decided to switch to MSCI for its supplementary ESG ratings and research. We decided to choose MSCI for its coverage of a broad number of issuers, particularly on the fixed income side, including sovereigns and provinces. This third-party data is used to complement our own internal research when assessing ESG factors in investment decisions.

## 9) Selected a new proxy voting provider and improved disclosures

We changed our proxy voting provider to Glass, Lewis and Co. We believe their research is more aligned with our philosophy, although we continue to make our own proxy voting decisions. Our proxy voting decisions and rationales (in the event of a vote against management or the provider's recommendation) are now publicly disclosed on our website shortly after each company's AGM.

Figure 2 shows the proportion of the 241 meetings between Beutel Goodman and portfolio company management teams in 2021 where specific ESG-related themes and topics were discussed.



### 10) Laid the groundwork for long-term EDI program

Following the formal launch of our internal Equity, Diversity, and Inclusion (EDI) initiative in late 2020, we completed a staff-wide survey on the subject. We have since formed an EDI taskforce with the mission of expanding these efforts across the company, helping to set goals and execute strategies to foster a more inclusive workplace for the future.

### 11) Enhanced diversity within Beutel Goodman's top leadership groups

We added another female member to our Board of Directors, bringing the total female count to two out of eight members. We also positioned Jackie Corneil to become our first female member of Beutel Goodman's Management Committee, a role which she officially stepped into at the start of 2022.

### 12) Improved ESG communication with our clients

In 2021, we began publishing responsible investment reports for our clients on a quarterly basis. These reports provide information on our ESG engagements with portfolio companies and our proxy voting activities. We also provide case-studies outlining in-depth examples of some of our engagements. Clients who wish to receive these regular reports should speak with their relationship managers.

### 13) Improved ESG communication with the public

As part of our various commitments to explain and promote the value of responsible investing and ESG analysis, we published several thought-leadership pieces in 2021. This content includes both written articles and podcast interviews, spanning a variety of topics including the Beutel Goodman ESG process, an examination of green bonds, and more. To see our ESG content, please visit: <https://www.beutelgoodman.com/insights/#esg>

### 14) Helped our communities by backing important causes


As a firm, we continue to support the Beutel Goodman Charitable Foundation through our corporate donations, as well as volunteers and donations from our

staff. The Foundation provides funding to charities that help improve the lives of youth and the many people who struggle with mental health each year — something especially important in the COVID era. In 2021, we helped the Foundation fund more than a dozen important organizations. To learn more, go to: <https://www.beutelgoodman.com/about-us/beutel-goodman-charitable-foundation/>

## ESG in 2022 and Beyond

Climate change is emerging as one of the most critical ESG factors globally. It is becoming an issue that affects all sectors of the economy, not just the industries focused on natural resources. 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.

In 2022, we will be expanding our climate strategy to better integrate climate risks and opportunities into our investment process. This will include reviewing new tools to carry out climate-scenario analysis on our portfolios to help us better understand the potential impacts of climate change on our investments.

Looking ahead, we are excited about the future and the many developments that will enhance support for our research process, positive outcomes for the world, and our commitment to responsible investing. Engagement, proxy voting, and collaboration remain the cornerstone of our responsible investment activities and we are focused on remaining diligent and thoughtful in these critical areas. We are also committed to continuing expanding our ESG capabilities in the best interests of our clients. 

## Notes

<sup>1</sup>Please note that the PRI signatory assessment reports from 2021 have not yet been published, but are expected to be publicly available around mid-2022.

©2022 Beutel, Goodman & Company Ltd. Do not sell or modify this document without the prior written consent of Beutel, Goodman & Company Ltd. This commentary represents the views of Beutel, Goodman & Company Ltd. as at the date indicated.

*This is not an invitation to purchase or trade any securities. Beutel, Goodman & Company Ltd. does not endorse or recommend any securities referenced in this document.*

*This document is not intended, and should not be relied upon, to provide legal, financial, accounting, tax, investment or other advice. Please note Beutel Goodman's ESG and responsible investment approach may evolve over time. This report refers to progress made during the calendar year 2021 and our approach as at December 31, 2021. Also note that the integration of ESG and responsible investment considerations does not guarantee positive returns. Past performance does not guarantee future results.*

*Certain portions of this report may contain forward-looking statements. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar forward-looking expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action, is also forward-looking statement. Forward-looking statements are based on current expectations and forecasts about future events and are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to be incorrect or to differ materially from those expressed in, or implied by, these forward-looking statements.*

*These risks, uncertainties and assumptions include, but are not limited to, general economic, political and market factors, domestic and international, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. This list of important factors is not exhaustive. Please consider these and other factors carefully before making any investment decisions and avoid placing undue reliance on forward-looking statements. Beutel Goodman has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.*