

Beutel Goodman Responsible Investing 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 Investing (RI) Policy Statement documents our commitment to integrating consideration of environmental, social and governance (ESG) criteria in our investment analysis as part of the process of evaluating the financial results and prospects for investments. It also reinforces our dedication to active ownership through engagement, proxy voting and collaboration as part of our diligence and ongoing monitoring of investments, and as support for the financial performance and long-term value of investments. This policy statement applies to all our assets under management, including equity and fixed income.

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 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. ESG factors have the potential to materially affect the long-term financial sustainability of a business, which is an important focus of our analytical process. We integrate ESG factors in our analysis of a company to pursue financial performance, although they are not given greater weight than other factors we evaluate.

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. As such, we view ESG issues not only as potential areas of concern but also as potential opportunities, when considered as part of evaluating the long-term financial sustainability of investments. 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

Beutel Goodman participates in several collaborative initiatives, including but not limited to the United Nations-supported Principles for Responsible Investing (PRI). We will continue to advance our

collaborative initiatives and enhance our active ownership practices in support of the financial performance and long-term value of each investment.

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 note that effective October 2023, the TCFD has been disbanded and the responsibility for advocating for, monitoring and guiding climate-related disclosures has been taken over by the International Financial Reporting Standards (IFRS) Foundation. Our annual Climate Report is structured around TCFD's recommended four thematic areas of governance, strategy, risk management, and metrics and targets. We encourage all portfolio companies we engage with to disclose climate-related risks following the TCFD framework.

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 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 financial sustainability of investments. We seek companies with sound governance and carefully consider any environmental and social controversies that could materially impact the valuation of the company as part of our research process.

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 and valuation process 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 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 is part of the process of evaluating the financial results and prospects of an investment and is consistent with our fiduciary duty to our clients.

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.

The ESG responsibilities that have been assigned at each level at Beutel Goodman specifically include the incorporation of climate change as a key ESG consideration in our research and valuation process. It also extends to our active ownership approach of engagement and proxy voting, which is part of our diligence and ongoing monitoring of investments in support of their financial performance and long-term value. Within this framework, we evaluate both climate-related risks facing companies with high GHG emissions or significant exposure to the physical impacts of climate change, as well as climate-related opportunities for companies whose business activities and technologies can contribute to achieving climate goals while supporting their long-term financial sustainability and value.

We will continue to develop our strategy in this area of ESG practice.

ESG INTEGRATION IN THE INVESTMENT PROCESS

Beutel Goodman formally integrates ESG principles into our entire investment process, from the selection phase through to monitoring and further engagement with invested assets. This aligns with our disciplined value investment process to ensure that the most relevant ESG criteria are continuously and diligently considered by both Beutel Goodman, with respect to the goals of minimizing risk and maximizing value.



DILIGENT RESEARCH

ESG considerations are fully integrated into our process and business value assessment, and viewed within the context of factors that can have a material impact on financial performance. 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 financially 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 are an example 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 that conducts its 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 the companies they cover, and they perform 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 part of the research and valuation process. ESG considerations are not given greater weight than other factors we evaluate in our research, although if the financial risk to a company from its ESG practices is high enough, it could be a reason for us not to invest in that company.

As value investors, we are at times contrarian and may 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.

Where relevant to a company's long-term value, if our analysis indicates a company falls short on stated policies or where material, unaddressed ESG issues exist or ESG disclosure is inadequate, we will seek to promote positive change through corporate engagement. We do, however, recognize that some of our clients and mandates require an exclusionary approach, which we implement on a discretionary 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 in the long-term value of our holdings by having a "seat at the table."

Ongoing engagement, participation in collaborative activities and thoughtful exercising of our voting rights represent the three pillars of our active ownership practices, which support our goal of seeking the long-term financial sustainability of our holdings. These serve as important touchpoints, and insights gained from engagement are continually incorporated into our company analysis, valuation 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. We recognize the value of engagement to address long-term and systemic risks to portfolio value.

Engagement

Where relevant to a company's long-term value, 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, as well as how these may impact long-term shareholder value. Our strong preference is to interact with the board of directors and senior management, although we also welcome engagement with other executives, including specialist or RI/CSR/sustainability department heads.

We seek to engage with all our investee companies at least annually; however, we are typically able to engage multiple times each year. Engagement is both proactive/thematic (i.e., we strive to understand companies' management of ESG considerations that are relevant to their long-term value) and reactive (i.e., we engage *ad hoc* with companies 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.

When prioritising companies for proactive/thematic engagement, we consider:

- The size of our holdings;
- Specific ESG factors that are a focus within our research and valuation process (e.g., linking executive compensation to ESG metrics, capital allocation strategy or climate-change impacts);
- External ESG ratings;
- ESG disclosure quality;
- Credit quality;
- Carbon footprint;
- Severe controversies; and
- Differences in ESG risk exposure in specific markets and sectors.

Consideration of the ESG factors of a company is for the pursuit of financial performance and these factors are not given greater weight than other factors that we look at to evaluate the company.

We regularly monitor our holdings to identify ESG incidents or controversies that may impact shareholder value and require reactive engagement. If significant ESG-related concerns are identified that may impact long-term shareholder value, 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 for all companies on the Approved List, and where there is overlap, in close coordination with equity team counterparts to develop firm-wide 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 that could otherwise adversely affect the value of the bond. These issues are typically addressed in company meetings that 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;
- Employee and labour relations;
- 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 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, which makes the process essential to advancing 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, as well as rationales on ESG matters and where we vote against management and/or our proxy voting service, 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 financial outcomes for our clients. We aspire to participate in appropriate collaborative engagement initiatives that are aligned with our active ownership philosophy and ESG engagement priorities in support of long-term shareholder value creation.

Just Transition

An important factor in risk reduction and the transition to a low-carbon economy is seeking a just transition. A just transition is broadly defined as ensuring that no one is left behind or pushed behind in the transition to low-carbon and environmentally sustainable economies. This includes ensuring social issues such as workers' health and safety is not compromised in the pursuit of climate-related targets. For Canada, this includes the interests of Indigenous communities. On its path to net zero by 2050, Canada needs to consider how to obtain a social licence from Indigenous communities whose lands may be impacted by project development. The United Nations Declaration on the Rights of Indigenous Peoples adopted by the Government of Canada in 2021 spells out a set of rules for business engagement anchored in Free, Prior and Informed Consent, ensuring that there is effective and meaningful participation of Indigenous Peoples in proposed projects and decisions that impact their communities and territories. We support an inclusive agenda that will engage affected Indigenous communities to seek a just transition.

GOVERNANCE

We believe our clear definition of ESG responsibilities enhances the way we operate and service our clients as part of our overall investment approach:

- The **Management Committee** of Beutel Goodman, a key decision-making body of our company, oversees our ESG approach, including review and approval of our responsible investing policies, responsible investing reports, PRI reporting and climate reporting.
- The **Head of Responsible Investing** is accountable for Beutel Goodman's responsible investing governance and the consistent application of our responsible investing approach firm-wide. The Head of Responsible Investing reports directly to the Management Committee.
- At the firm level, ESG risks are monitored by our **VP, Enterprise Risk Management (ERM)**. This encompasses oversight of our ESG approach, commitments and reporting requirements, as well as providing periodic reporting to the Management Committee.
- Beutel Goodman's **Chief Compliance Officer (CCO)** provides leadership for monitoring, assessing and communicating ESG regulatory compliance requirements, while overseeing overall firm compliance. The CCO reports directly to the Management Committee.
- The **Portfolio Managers/Analysts** are responsible for all security-level decisions and using the Beutel Goodman ESG framework in their analytical processes and corporate engagement activities, as applicable. PMs/analysts consider all material factors that may impact investment recommendations. The investment teams' responsible investing activities,

including engagement and proxy voting, are reported on a quarterly basis to the firm's Management Committee.

- **ESG Leads, Equity and Fixed Income** have the responsibility for defining ESG policy and procedures and spearheading the implementation and coordination of our ESG investment activities, in addition to considering future responsible investing initiatives.
- **ESG Analysts** are responsible for producing reporting and managing our data sources, and providing general support for our ESG and climate-related activities.
- Our **ESG Working Group**, composed of members of our equity and fixed income investment teams and representatives of our various client channels, meets regularly to discuss matters pertaining to ESG and responsible investing.

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 Investing Report posted on our website. Quarterly Responsible Investing reports have been provided to our clients since Q1/2021, detailing our plans.

Information on our holdings and our proxy voting records can also be accessed on our [website](#). Our PRI Transparency Reports are available on the [PRI 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 advisors 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.