Annual Responsible Investment Report 2021

Beutel Goodman Investment Counsel

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LETTER FROM BEUTEL GOODMAN'S ESG LEADS

Despite the pandemic-related challenges in 2021, we have been busy enhancing our ESG initiatives. 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 in a philosophy of continual improvement. We aim to build on our accomplishments to better incorporate and communicate our responsible investing projects. We are proud to highlight several achievements from 2021:

- We officially declared our support for the **Task Force on Climate-related Financial Disclosures** (TCFD), joining more than 2,500 organizations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures.
- We became a Founding Participant of **Climate Engagement Canada** (CEC), a national program inspired by Canada's Expert Panel on Sustainable Finance. CEC fosters collaborative dialogue with Canadian issuers to promote a just transition to a net-zero economy.
- We completed the new **Principles for Responsible Investment (PRI)** Assessment to report on our activities during 2020. The PRI completely revamped its reporting framework for 2020 and we participated collaboratively alongside other asset managers in providing feedback on the process and new framework.
- We endorsed the **Canadian Coalition for Good Governance**'s (CCGG) Stewardship Principles for Responsible Investment. The principles are designed to help Canadian asset owners and asset managers articulate active and effective stewardship responsibilities.
- We became a signatory of the **Responsible Investment Association**'s (RIA) **Canadian Investor Statement on Diversity & Inclusion**, pledging to engage with portfolio companies to enhance disclosure, adopt policies and targets, and address hindrances to diversity and inclusion and improve our own practices.

- We continue to participate in other collaborative efforts, including the ESG Committee of the **Canadian Bond Investors' Association** (CBIA), the Canadian Responsible Investment Working Group and the TCFD Working Group for the Buyside, to stay up to date and discuss best practice with other asset managers and asset owners.
- Following the formal launch of our **Equity, Diversity and Inclusion** (EDI) Initiative in late 2020, we surveyed our staff and formed an EDI task force to expand these efforts across the company and assist with setting goals and execution for the long term.
- We enhanced diversity on our Board of Directors by adding another female member, bringing the total female count to two out of eight members.
- We published quarterly responsible investment reports for our clients detailing our engagements and proxy voting activities.
- We completed our review of specialist third-party ESG data providers and have contracted MSCI for its ESG ratings and research.
- We changed our proxy voting provider to Glass, Lewis and Co. Our proxy voting decisions and rationales (in the event of a vote against management or proxy voting provider) are now publicly disclosed shortly after each company's AGM.
- We refined our controversies and engagement tracking process, which documents all ESG-related engagements conducted by our various teams along with progress made by our portfolio companies, as well as ESG-related controversies.
- We published several thought leadership articles and podcasts focusing on ESG, including explanations of our ESG process, an examination of green bonds, and more.
- We continue, as a firm, to support the **Beutel Goodman Charitable Foundation**, through donations to charities that help improve the lives of youth and the many people who struggle with mental health each year.

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. In 2022, we will be expanding our climate strategy to better integrate climate risks and opportunities into our investment process. This will involve the assessment of further tools to carry out climate-scenario analysis on our portfolios so that we may 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 solidify and support 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.

Eva Grant, CFA
Vice President, Portfolio Analytics & Responsible Investment

Sue McNamara, CFA
Senior Vice President, Fixed Income

2021 RESPONSIBLE INVESTING ACTIVITIES

RESOURCES

In addition to changing proxy voting providers (described in our 2020 Annual Report), we completed our evaluation of specialist **ESG data providers** in Q1 and elected to replace Sustainalytics with MSCI's ESG research and ratings. MSCI's suite of products will enable us to better identify, analyze, measure, and report on ESG-related information including portfolio carbon footprint, controversies and progress made to enhance our investment research and our active engagement activities.

PROCESS ENHANCEMENTS

We continue to formalize and refine our efforts related to ESG data collection. As part of these efforts, we improved our **controversies and engagement tracking process**, documenting all ESG-related engagements conducted by our various teams along with progress made by our portfolio companies, as well as ESG-related controversies.

In order to consistently and better document ESG integration into our investment research, our equity and fixed income teams have been working together to formalize a detailed **standardized ESG factsheet** to be included in our research reports for all companies under coverage.

REPORTING

In addition to our inaugural **2020 Annual Responsible Investment Report** (available on our website), we launched our **Quarterly Responsible Investment Reports** in Q1 2021, compiling firm- and product-level responsible investing and ESG-related updates and activities performed during the quarter. This report is available to clients upon request as part of their regular reporting.

FIRM INITIATIVES

We advanced our **Equity, Diversity and Inclusion (EDI) initiative** throughout 2021. An EDI task force was formed in Q1 to expand our efforts across the company and assist with setting and implementing goals. The task force discussed several initiatives centered around three opportunities identified in our employee survey: career development, recruiting & hiring and fair management. We engaged an external HR firm to review our HR policies and resources, and help us determine how best to implement the recommendations of the task force. We intend to conduct additional surveys to monitor our efforts and keep our goals on track.

In Q2, we completed the new **PRI Assessment** to report on our responsible investment activities during 2020. We were subsequently informed that our Transparency Report would only be made publicly available on the PRI website in June 2022, with the delay in publication due to the implementation of the new PRI framework.

In September, Beutel Goodman officially declared its support for the **Task Force on Climate-Related Financial Disclosures** (TCFD). This declaration aligns Beutel Goodman with more than 2,500 organizations committing to improve the financial system's resiliency through better disclosures related to climate risk.

As of Q3, Beutel Goodman endorses the **Canadian Coalition for Good Governance's** (CCGG) **Stewardship Principles** for responsible investment. The principles are intended to help guide Canadian asset owners and asset managers in their active stewardship responsibilities.

During Q3, Beutel Goodman became a signatory of the **Responsible Investment Association's** (RIA) **Canadian Investor Statement on Diversity & Inclusion**. Signing the statement commits us to engage with our portfolio companies to enhance disclosure, adopt policies and targets, and address obstacles to diversity and inclusion. It is also a pledge to improve our own practices.

During Q4, Beutel Goodman became a founding member of **Climate Engagement Canada** (CEC), joining 27 of our peers in this new initiative. CEC is an investor-led engagement program designed to educate the company boards and senior leaders of Canadian companies on the concerns and expectations of the financial sector as they relate to a timely transition to net-zero greenhouse gas (GHG) emissions by 2050. It further seeks to spur organizational change and to move Canada forward on achieving its commitments to the Paris Accord. The CEC is led by the following non-profits: SHARE, Responsible Investment Association (RIA), Ceres and the PRI. It is based on Climate Action 100+ but is solely focused on Canadian companies. Climate Action 100+ is global and currently covers only 6 companies listed on the TSX.

THOUGHT LEADERSHIP

We published two **thought pieces** related to responsible investing this year. We also posted two **podcasts** featuring our ESG leads in equity and fixed income.

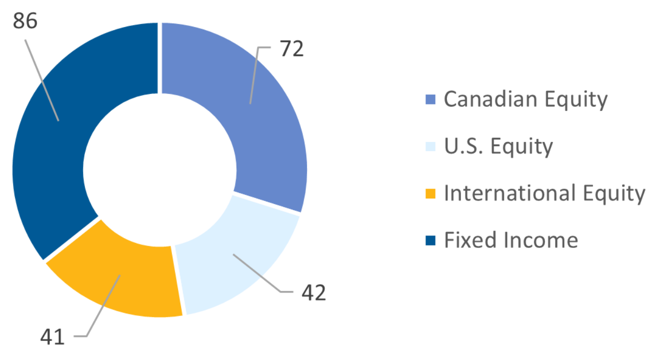
- ESG is a Process and a Promise, Beutel Goodman, April 29, 2021
- What Colour is My Bond?, Beutel Goodman Fixed Income team, May 11, 2021
- Integrating ESG: Fireside Chat with Eva Grant (podcast), May 26, 2021
- How ESG is Evolving in Fixed Income: Fireside Chat with Sue McNamara (podcast), May 31, 2021

2021 ENGAGEMENT AND PROXY VOTING

ENGAGEMENT

We actively engage with company management and boards on ESG issues through direct dialogue. In 2021, our investment teams conducted **241 meetings** that included ESG-related discussions with the management and / or boards of portfolio companies. These meetings were well-balanced across our three investment teams, Canadian Equity, U.S. and International Equity, and Fixed Income, which highlights the commitment of all of our investment professionals to understanding and integrating ESG into our process.

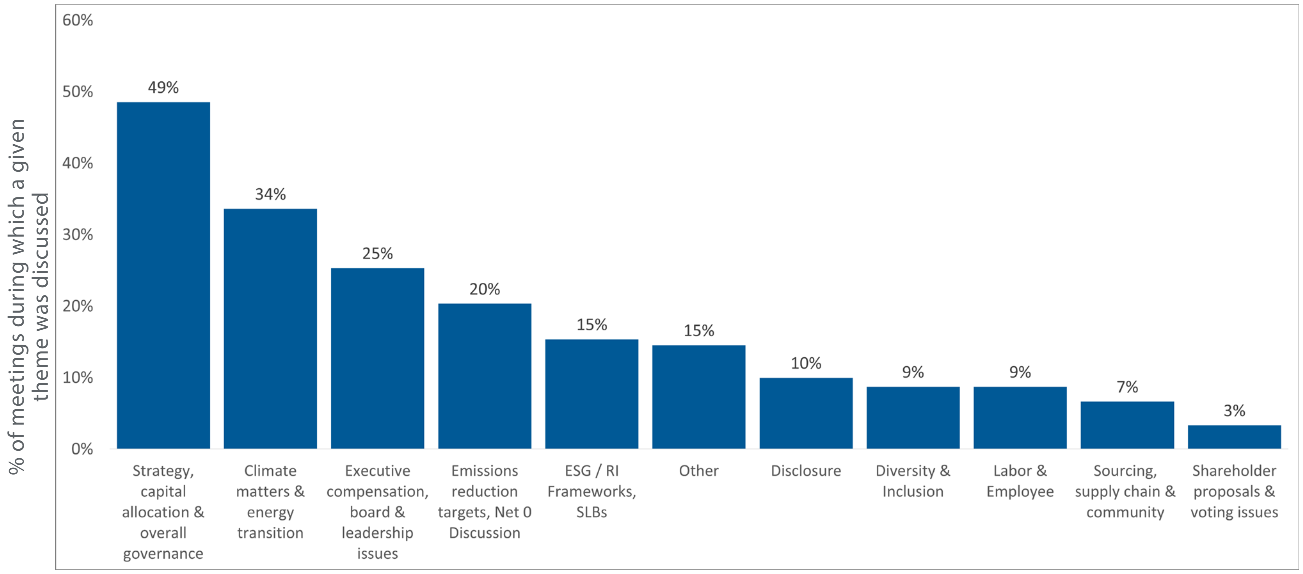
Engagement by Asset Class



An overview of 2021 engagement statistics broken down by asset class is included in Appendices A through D.

Meetings by Theme

Our investment teams focused on several engagement themes in 2021 which are shown in the chart below.



PROXY VOTING

Proxy voting has been aggregated for all firm accounts below. Note that in addition to this, we voted two proxies for our fixed income holdings.

	For	Against	Other	Total
Totals	**2435**	**89**	**47**	**2571**
Board Related	1821	18	29	1868
Audit/Financials	238	0	6	244
Compensation	216	9	4	229
Shareholder Proposals	11	57	2	70
Capital Management	59	1	4	64
Changes to Company Statutes	60	2	2	64
Other	14	0	0	14
M&A	10	0	0	10
Meeting Administration	6	2	0	8

An overview of 2021 proxy voting statistics for our various flagship funds are included in Appendices A through D.

RESPONSIBLE INVESTING CASE STUDIES

CANADIAN EQUITY: FORTIS INC.

In our view, Fortis Inc. is a leading public utility with a diversified portfolio of high-quality North American assets managed within a structure that enables resilient growth with downside stabilizers. The company's current revenue mix is 93% regulated energy distribution and 7% power generation. More than 80% of revenue is associated with electricity (vs ~19% tied to natural gas).

We believe Fortis has a compelling rate base and earnings growth story with upside potential provided by its ESG-related initiatives. Fortis' ESG niche is converting dirtier sources of electricity generation (diesel and coal) to renewable power within its regulated rate base.

We initiated a position in Fortis in the first quarter of 2021 and have increased our position opportunistically.

In our view, Fortis has a very attractive ESG profile. The nature of its business model is conducive to supporting the growth of a sustainable economy. The company's business is anchored to energy delivery and electricity. Fortis has a plan to reduce Scope 1 emissions by 75%, by 2035, including a specific plan to retire coal generation in Arizona. In addition, we believe that the ESG opportunities are quite large – associated with the need for a broad transmission buildout to support renewables (ITC, one of Fortis' acquired companies, to benefit). The key lever for a future ESG ratings upgrade is, in our opinion, the disclosure of a net-zero target and visible plan to achieve it, which the company is not ready to do (yet). We are encouraged by Fortis' leadership in governance (including board diversity) and compensation alignment to sustainability metrics.

Carbon emissions and the implication of a rising carbon tax are a key concern with Fortis, however the company has a lower-risk profile versus its peers whose business models have a majority of fossil fuel generation. As noted above, Fortis's exposure to power generation is only about 7%. The opportunities in renewable energy capacity are therefore also more limited compared to peers due to this small exposure.

Our ESG Assessment includes factors that could impact rate base growth in different ways.

Positive:

- Pace of global renewables development, which is creating a need for additional grid investment
- Grid modernization, including battery storage
- Increased demand for electricity, supporting the need for larger projects
- Liquified Natural Gas (LNG) and renewable gas opportunities in British Columbia

Uncertain:

- More volatile weather patterns, which increases grid stress and peak loads, increasing earnings/rate base potential
- Tucson Electric Power (TEP) transition from coal to renewables
- Evolving regulatory and political backdrop favouring gas infrastructure

Negative:

- Level of customer complaints on service, grid resiliency or cost

Further, we identified four areas that could impact the company's financial forecast and/or valuation in the future on which we will continue to engage with the company.

1. Retiring coal generation facilities in TEP (within UNS Energy).
2. Viability of natural gas assets and the ability to reduce carbon intensity given long-term concerns on the future of natural gas.
3. Caribbean assets' carbon intensity, land rights and climate change risks.
4. ITC's growth prospects given the buildout of the transmission assets to connect renewables. ITC, acquired by Fortis in 2016, is the largest independent electricity transmission company in the U.S.

We have engaged with Fortis' Director of Sustainability to clarify the company's climate strategy. Fortis has set a firm-wide target to reduce Scope 1 carbon emissions (direct emissions from owned or controlled sources) by 75% by 2035 versus 2019 levels. By 2035, the company aims to be focussed almost entirely on energy delivery, with renewable-energy generation that is carbon-free. Fortis aims to have a coal-free generation mix by 2032.

At TEP, the group's largest contributor to Scope 1 emissions, Fortis has set a target to reduce carbon emissions by 80% by 2035. This includes shutting down some of its coal generation next year, the integration of wind farms, solar arrays, and energy storage systems, as well as the possible retirement of the remaining coal-fired plants over the next decade. Further, Fortis advised it is working with regulators and communities to ensure a just transition and hopes to complete this with natural attrition of the workforce. Outside of TEP, which will provide 92% of the reduction in emissions, Fortis has plans to move away from diesel generation in its Caribbean operations and develop new renewable energy projects and distributed solar resources. The entire firm has a role to play in its climate strategy, no matter how large or small the initiative.

Subsidiary FortisBC has also set its own target to reduce customer emissions by 30% by 2030. This will encompass customers using energy-saving programs offered by governments and providing education around emissions and renewable natural gas. Globally, Fortis is looking at ways to produce cleaner fuels for the shipping industry.

Regarding carbon offsets, we were pleased to learn that the 75% reduction target is a pure reduction in emissions. Fortis currently does not use any type of offsets.

In terms of executive compensation, Fortis currently incorporates sustainability performance in safety and reliability metrics into compensation and is actively working on tying environmental targets such as emissions reduction as well. We support this and will continue to monitor it.

Finally, we discussed Fortis's key ESG priorities.

According to Fortis, its ESG priorities are:

Environment

Fortis is an official supporter of the TCFD and is working with its utilities to implement the recommendations including climate scenario analysis and further disclosure.

Social

Fortis is focussed on diversity and inclusion. In 2021, the Board of Directors reached gender parity.

Governance

Fortis initiates shareholder engagements every second year to make sure that shareholders have access to directors. A focus will be on further linking Executive Compensation and ESG specifically by adding a measure for carbon reduction and climate change.

U.S. EQUITY: WABTEC CORP.

We initiated a position in Wabtec Corporation in our U.S. equity portfolio in Q2 2020. Wabtec is a pure-play rail equipment business. The company sells critical systems and consumables used on trains globally to move goods (freight) and people (transit) in an environmentally friendly, safe and cost-effective manner. Many of the locomotives, freight cars, and transit cars around the world today have Wabtec content. Wabtec boasts excellent geographic diversification, a balanced mix between its freight and transit segments, and a greater revenue proportion from selling more profitable after-market supplies than selling original equipment.

By way of background, the freight business has historically been stable. Railways need uptime and efficiency; they are also heavily regulated to maintain their equipment. Meanwhile for transit, most authorities across the world could easily spend multiples of current budgets just to bring service standards up to par with passenger expectations of comfort and on-time arrival. Over 60% of Wabtec's revenue is from recurring, high-margin, after-market parts and service. The competitive environment is also quite attractive, as the company operates in a nearly equal duopoly across many of its products. This leads to a virtuous cycle of strong free cash flows, which have historically been partially reinvested into the business to maintain or enhance Wabtec's competitive edge, with excess funds available to be returned to shareholders.

Importantly, ESG considerations factored positively in our decision to invest in Wabtec. There are many positive environmental and social factors related to both the freight and transit aspects of the business. Relative to alternatives like trucks and cars, freight by rail is safer, more resilient to poor weather, and significantly more fuel efficient. According to the Association of American Railroads, a ton of freight moved by rail rather than truck reduces the associated greenhouse gas emissions by 75%. We do not believe this will render trucking obsolete as rail cannot cover all routes, and truck technology continues to evolve. However, it does further cement rail's position for the foreseeable future, with further incremental market share gains likely with rising emissions costs.

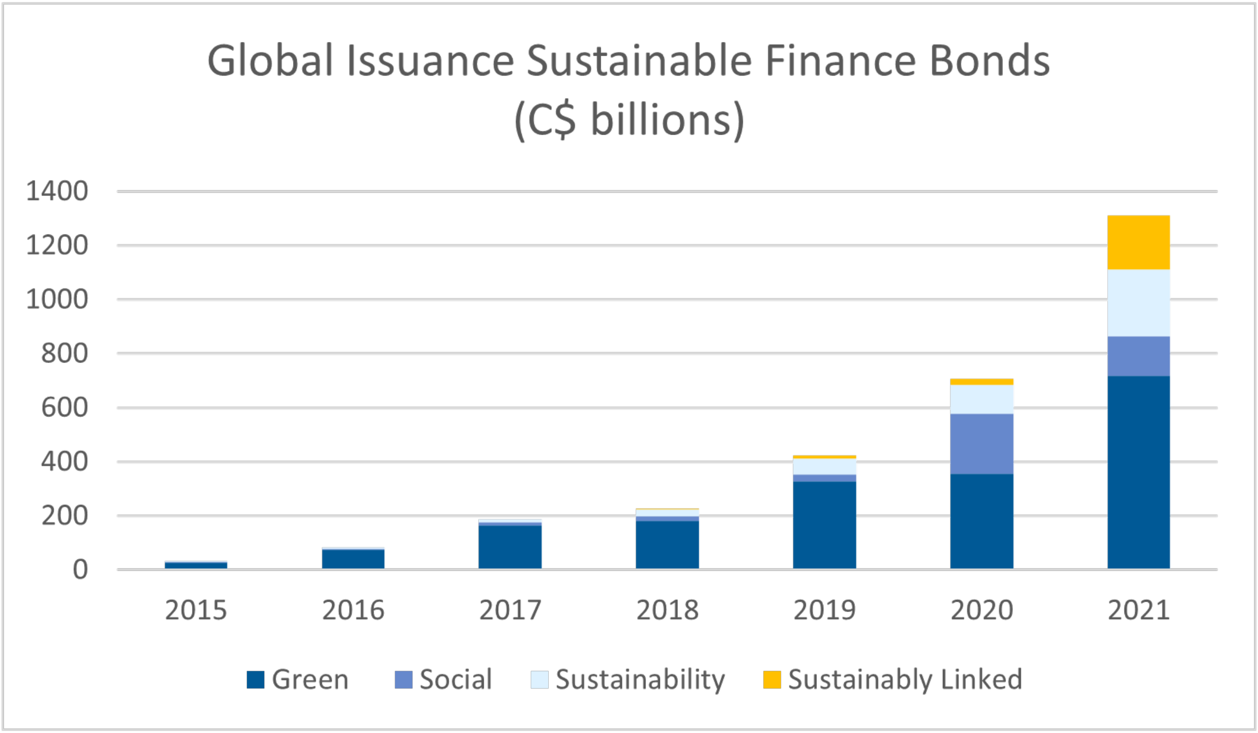
The transit business is also expected to benefit from increasing consumer-driven demand. While an increased appetite for rail in the name of the environment is quite a recent trend, the idea of investing in safe, rapid, and reliable public transit is not a new concept, with many developed and developing countries simultaneously upgrading and expanding their passenger rail infrastructure. Another driver is safety, as rail is traditionally safer for passengers than travelling by car as well as safer for non-passengers (pedestrians, cyclists). Finally, travelling by rail dramatically reduces congestion, even more so when below ground.

Meanwhile, Wabtec is playing its own critical role in decarbonizing freight rail and reducing global emissions related to transportation. The company has been developing the world's first battery-electric locomotive using regenerative braking, a significant step forward for the rail industry. Earlier this year, Wabtec conducted tests in California on this battery-electric locomotive (FLXdrive) optimized through a software overlay, reporting an average 11% reduction in fuel consumption. The company sees exciting developments ahead, with battery improvements and cost efficiencies rendering them viable on a good proportion of track.

The company is also embracing opportunities to improve its investor disclosure. In March 2021, Wabtec released its first Sustainability Report.

In short, our investment in Wabtec was influenced by positive ESG factors such as the emissions and safety of moving goods and people, and Wabtec's unique and critical role in decarbonizing rail transportation.

FIXED INCOME: SUSTAINABLE FINANCE 2021 ROUNDUP



Source: Bloomberg Finance L.P.

It comes as no surprise that 2021 yet again was a record year for the issuance of sustainable-finance bonds. Demand continues to be robust as the number of ESG products has increased and flows into ESG funds have grown strongly. On the supply side, more and more companies are setting ESG targets and committing to net-zero GHG emissions by 2050. The ability to issue sustainable-finance bonds with a "greenium" provides an attractive incentive for issuers. In 2021, C$1.15 trillion of sustainable-finance bonds were issued globally. Green bonds (funds are used for environmental projects) still make up the majority of issuances at 55%, followed by sustainability bonds (funds are used for a broad range of social and environmental projects) at 19%, sustainability-linked bonds (SLB) (bonds with coupons linked to key sustainability performance indicators that if not attained will result in a step-up in the interest rate paid) at 15%, and social bonds (proceeds used to achieve positive social outcomes) at 10%. Corporate issuers made up 55% of the sustainable-finance issues followed by quasi-sovereigns (31%), sovereigns (14%), and securitized (2%).

Sovereign issuance could be a category that increases going forward. In October 2021, the European Commission (EC) issued its first-ever *NextGenerationEU* green bond, raising a total of €12 billion that will be used exclusively to fund green and sustainable investments across the European Union. The Government of Canada is studying issuing green bonds.

In Canada, there were 39 sustainable-finance issues during the year: 67% green bonds, 18% sustainability bonds, 10% social bonds, and 5% SLBs (26 green bonds, seven sustainability bonds, four social bonds, and two SLBs). Green bond issuance continues to be dominated by REITs and renewable power generators on the corporate side, and by supranationals and provinces on the government side. Ontario issued the largest ever green bond in Canada at $2.75 billion. We believe that the SLB market will continue to grow in Canada in 2022 as several companies have put in place sustainability-linked loans with their banking syndicates that could be termed out to the debt market. In our opinion, investors will focus on the structure of SLBs as part of their due diligence.

In the U.S., there were 623 sustainable-finance issues during the quarter totaling C$421 billion, broken out as follows: 57% green bonds, 25% sustainable, 8% social and 16% SLBs. Corporate issuance was dominated by the Financials and Utility sectors. Ford Motor Co. issued the largest corporate green bond, with proceeds of US$2.5 billion to be used exclusively for clean transportation projects and for the design, development, and manufacturing of the company's battery electric-vehicle portfolio.

APPENDIX A.
CANADIAN EQUITY

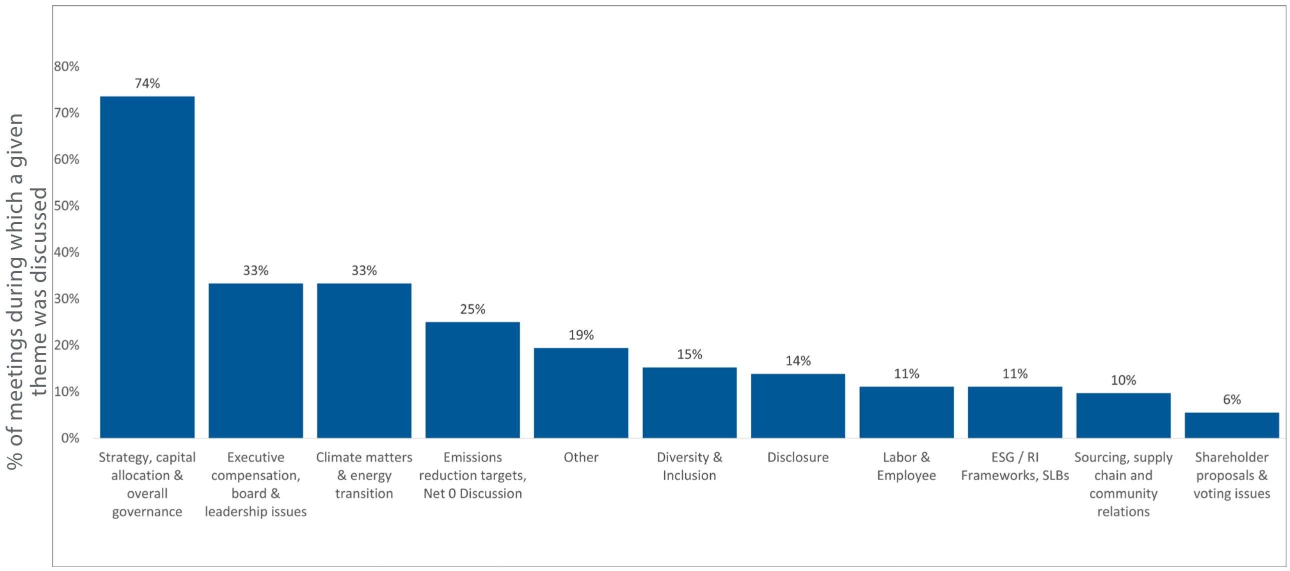
CANADIAN EQUITY

PROXY VOTING STATISTICS

	For	Against	Other	Total
Totals	**811**	**23**	**1**	**835**
Board Related	659	5	0	664
Audit/Financials	66	0	0	66
Compensation	63	2	1	66
Changes to Company Statutes	16	0	0	16
Shareholder Proposals	1	15	0	16
Capital Management	2	0	0	2
M&A	2	0	0	2
Other	2	0	0	2
Meeting Administration	0	1	0	1

ENGAGEMENT STATISTICS

Meetings by Theme



APPENDIX B.
U.S. EQUITY

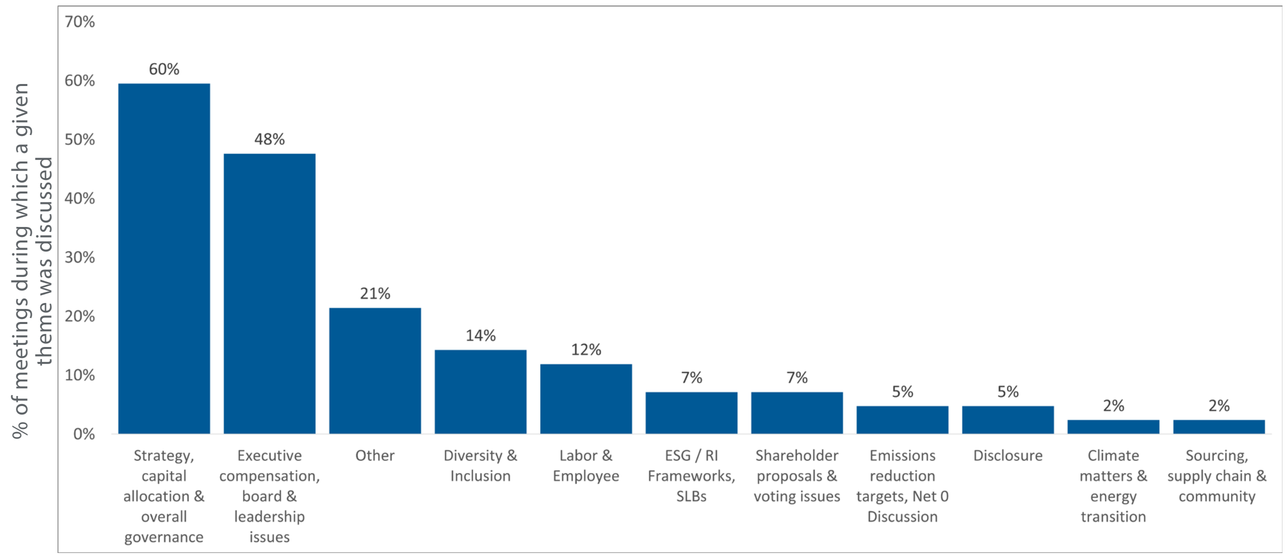
U.S. EQUITY

PROXY VOTING STATISTICS

	For	Against	Other	Total
Totals	**356**	**29**	**5**	**390**
Board Related	267	6	3	276
Audit/Financials	35	0	1	36
Compensation	33	1	1	35
Shareholder Proposals	7	21	0	28
Changes to Company Statutes	9	1	0	10
Meeting Administration	3	0	0	3
Capital Management	1	0	0	1
M&A	1	0	0	1

ENGAGEMENT STATISTICS

Meetings by Theme



APPENDIX C. INTERNATIONAL EQUITY

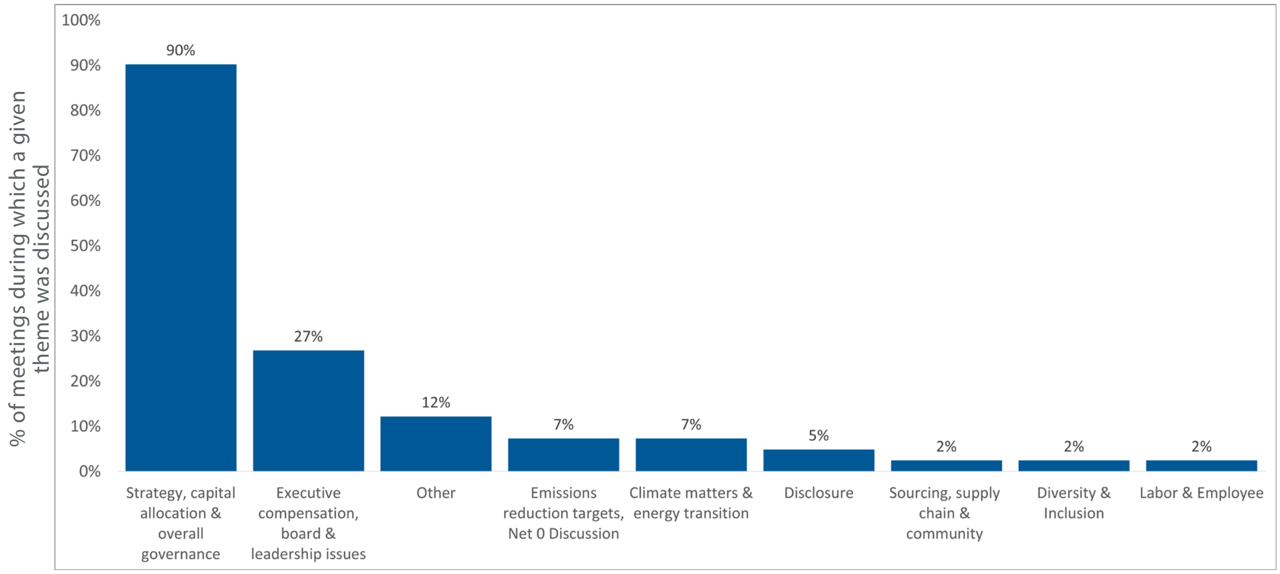
INTERNATIONAL EQUITY

PROXY VOTING STATISTICS

	For	Against	Other	Total
Totals	**380**	**7**	**0**	**387**
Board Related	180	1	0	181
Audit/Financials	64	0	0	64
Compensation	51	3	0	54
Capital Management	50	1	0	51
Changes to Company Statutes	19	1	0	20
Other	7	0	0	7
M&A	5	0	0	5
Meeting Administration	3	0	0	3
Shareholder Proposals	1	1	0	2

ENGAGEMENT STATISTICS

Meetings by Theme



APPENDIX D.
FIXED INCOME

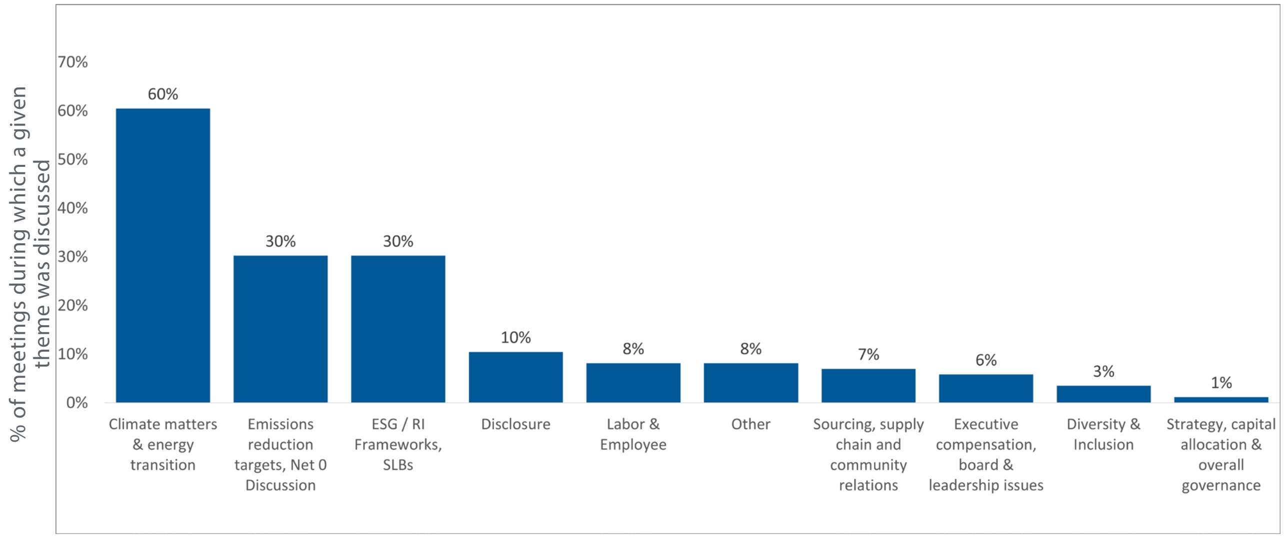
FIXED INCOME

PROXY VOTING STATISTICS

We voted two proxies regarding indenture amendment and temporary covenant relief for our fixed income holdings.

ENGAGEMENT STATISTICS

Meetings by Theme



APPENDIX E.
RESPONSIBLE INVESTMENT POLICY STATEMENT

BACKGROUND AND PURPOSE OF THE 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 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 ownership through engagement and proxy voting. 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. Viewed through this lens, we consider ESG issues not only as potential areas of concern, but also as opportunities for 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 a number of years.

PRINCIPLES FOR RESPONSIBLE INVESTMENT

In June 2019, Beutel Goodman signed the United Nations-sponsored Principles for Responsible Investment. 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 the Principles within the investment industry;
- Work together to enhance our effectiveness in implementing the Principles; and
- Report on our activities and progress towards implementing the Principles.

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

ESG INTEGRATION TO THE INVESTMENT PROCESS

ESG integration is applied across our equity and fixed income holdings, although there are some differences in approach between asset classes.

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.

ESG research responsibilities are shared among the entire investment team. All portfolio managers are charged with the responsibility of considering material risks to the investments they recommend, including ESG risks.

Each equity and credit research report or update we prepare incorporates ESG considerations. ESG information is gathered from internal research, third-party ESG data providers, and meetings with company management.

All our valuations integrate ESG factors. Each analyst builds a financial model comprising forecast financial statements, a SWOT 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.

Material ESG factors incorporated in our research include the following:

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

We consider an issuer's current and historical performance on material ESG factors, and its performance compared to peer companies, to identify trends that may impact future financial performance. Our ESG analysis is consistent with our extended investment time horizon (three to five years). We also consider the implications of long-term and systemic factors such as demographic change, resource scarcity, developments in technology, and climate change.

"In our view, both engagement and proxy voting are effective mechanisms to mitigate risk, increase returns and advance shareholder value."

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.

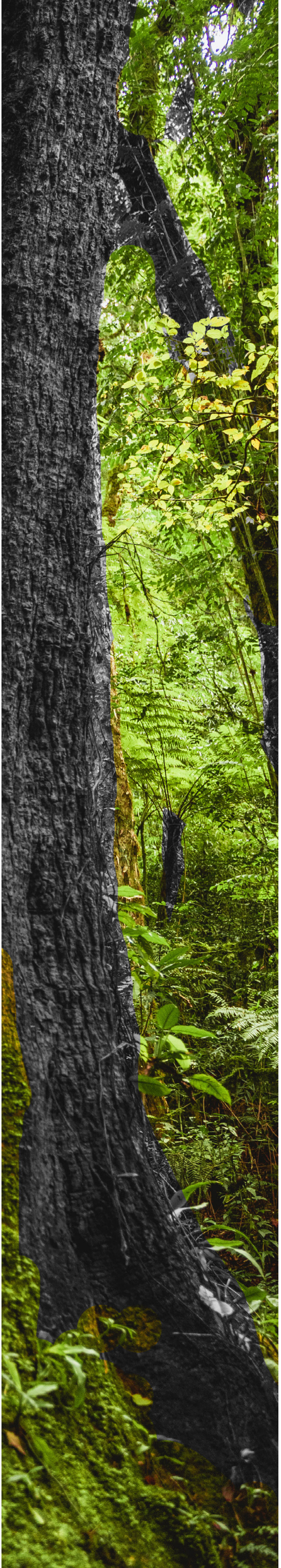
We incorporate ESG data in regular reviews for equity and fixed income holdings, including our annual credit reviews for both corporate and sovereign/subsovereign, supranational and agency (SSA) issuers, monitoring for changes in ESG risk exposure.

ACTIVE OWNERSHIP

Beutel Goodman favours an approach that incorporates diligent stewardship and influences positive change by having a "seat at the table". We recognize that some of our clients require an exclusionary approach, which we implement in the context of segregated mandates.

The exercise of our voting rights and ongoing engagement with 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, both engagement and proxy voting 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, where material, unaddressed ESG issues exist or where 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 Responsible Investment / Corporate Social Responsibility / 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 team is performed in close coordination with equity team counterparts to develop 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 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; 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 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, 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 (in the event of a vote against management or proxy voting provider) are publicly disclosed on an ongoing basis.

Details of our proxy voting approach can be found in our Proxy Voting Guidelines.

Collaborative Engagement

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

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.

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 become effectively carbon-neutral by 2050.

We also support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which was established by the Financial Stability Board to address systemic risk to the global financial system posed by climate change. We encourage all companies in our portfolios to provide disclosure on climate-related risk that is aligned with the TCFD recommendations.

Climate change is a key factor within our ESG integration and active ownership approaches, including engagement and proxy voting. As well as 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.

GOVERNANCE

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 amongst all investment team members, as portfolio managers and analysts are charged with the responsibility of considering all material risks to all investments they recommend. This includes ESG issues, when applicable.

We have assigned responsibility for spearheading the implementation and coordination of our ESG activities to two team members representing our equity and fixed income teams. We have also established an ESG working group composed of members of our equity and fixed income teams and representatives of our Private Client Group and Institutional client channels. The ESG working group meets regularly to discuss matters pertaining to ESG and responsible investing. This helps to ensure coherence across asset classes and strategies.

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, 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

Beginning in 2021, Beutel Goodman will report annually on its progress in ESG integration and active ownership with a comprehensive Annual Responsible Investment Report posted on our website. Our PRI Transparency Report will be publicly available on the PRI website and on our website at www.beutelgoodman.com.

Information on our holdings and our proxy voting records can also be accessed on our website.

APPENDIX F. NOTES

This report has been prepared for informational purposes only and may not be reproduced, distributed or published without the prior written consent of Beutel, Goodman & Company Ltd. ("Beutel Goodman"). This document does not constitute an offer or a solicitation to buy or to sell any security, product or service in any jurisdiction. This document is not intended, and should not be relied upon, to provide legal, financial, accounting, tax, investment or other advice. This document is not available for distribution to people in jurisdictions where such distribution would be prohibited.

The information provided is as of December 31, 2021. Beutel Goodman has taken reasonable steps to provide accurate and reliable information. Beutel Goodman reserves the right, at any time and without notice, to amend or cease publication of the information.

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 of 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.

For more information on our approach to ESG and Responsible Investing, please visit https://www.beutelgoodman.com/about-us/responsible-investing/.

Certain portions of this document 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.

Beutel Goodman
Investment Counsel

20 Eglinton Avenue West, Suite 2000, P.O. Box 2005, Toronto, Canada, M4R 1K8
Toll Free: 1-800-460-4551 | Tel: 416-485-1010 | Fax: 416-485-1799
www.beutelgoodman.com