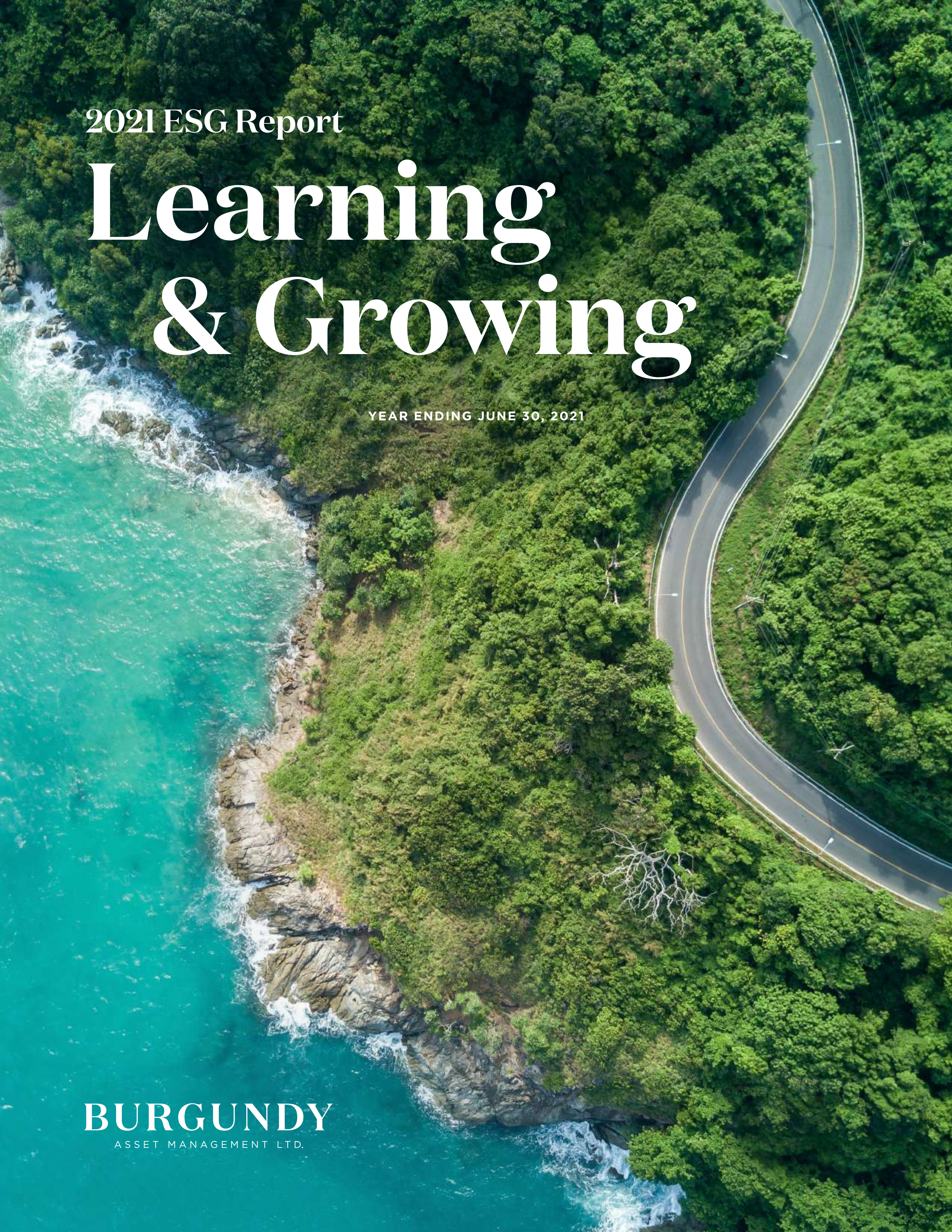


2021 ESG Report

Learning & Growing

YEAR ENDING JUNE 30, 2021

BURGUNDY
ASSET MANAGEMENT LTD.

Contents

ENGAGING THE AMBIGUITY

ESG Today

Nearly a year and a half ago, COVID-19 uprooted our lives, altering how we socialized, how we shopped, how we worked, and how we thought about the future. Environmental, social, and governance (ESG) issues were top of mind as the pandemic accelerated change, exacerbated issues of social injustice and inequality, and gave rise to mounting concerns about climate-related risks. As the world continues to evolve, ESG issues have become increasingly important to society, individuals, and investors globally.

Investors face a lot of ambiguity when considering these ESG factors. We see the prevalence of undefined terms and varying interpretations being taken in this space. With the largest ESG rating houses commonly applying different scores to the same companies, even among experts, considerations around ESG factors can fluctuate greatly.

Environmental Social Governance

A SPECTRUM OF APPROACHES

There is also a spectrum of approaches, with ESG integration on one side and impact investing on the other. Integration attempts to incorporate ESG factors into risk-return analysis, while impact investing attempts to invest in companies for their environmental or social externalities. Socially responsible investing (SRI) sits in the middle and excludes socially sensitive sectors such as tobacco, alcohol, and gambling.

At Burgundy, while we do offer SRI and Foundation funds, which exclude companies involved in sensitive sectors, our primary approach is one of ESG integration. We believe that integrating ESG factors into our investment process improves our ability to manage risk, allows us to make better investment decisions, and ideally enhances our returns over the long term. This framework usually involves identifying ESG risks but will occasionally recognize ESG opportunities as well. Rather than limiting our investment universe based on predetermined criteria or forcing us to exclude certain companies or industries, integration allows us to weigh return potential against risks.

ESG INTEGRATION

Message from our CIO

Anne Mette de Place Filippini

SENIOR VICE PRESIDENT,
CHIEF INVESTMENT OFFICER,
PORTFOLIO MANAGER

Reflecting on our ESG Journey

We have always thought about ESG as part of our investment due diligence; however, as ESG risks have become increasingly prevalent, we have taken steps to ensure these risk factors are more explicit in our research. We are also focused on reporting these risks back to clients through annual reports like this one as well as through our submissions to the United Nations-supported Principles for Responsible Investment (UN PRI). Featuring a network of investors, the UN PRI promotes the incorporation of ESG factors into investment decision-making.

ESG investing continues to evolve. While most of us are familiar with climate risk, other ESG risks, such as cyber security and privacy, are relatively new. Each of our investment teams take ownership for learning about emerging ESG issues and integrating them into their research processes in a way that best suits their strategy. While my Director of Research and I plan the calendar of ESG educational events, ESG integration lives with our regional teams. The approach our regional teams take to integrating ESG aligns with our investment philosophy, which emphasizes holding quality businesses for the long term and establishing a true understanding of how these businesses operate.

The more we know about how a company is run, the better equipped we are to assess these matters, which is why Burgundy places such credence on traveling to the businesses we invest in, walking the factory floors, and attending in-person meetings with the management teams. These meetings are a useful way for us to avoid unscrupulous executives and the unethical cultures they can engender. While COVID-19 has temporarily forced us to conduct these meetings virtually, we are eager to get back on the road once we can meet with management safely. We think about engagement in much the same way. Like any thoughtful business owner, when we see a holding exposed to an ESG risk, we express our concerns to management. Over the last year, our team had over 200 ESG engagements, mostly in meetings but occasionally by letter, email, or proxy vote. Because we approach investing as long-term business owners and spend years cultivating relationships with executives, management teams are willing to listen when we raise ESG concerns.

The Year in Review

I was delighted to see our team make further strides on ESG integration this year. While ESG disclosure continues to be problematic in some areas, particularly in small caps, our teams are beginning to track ESG metrics as they become available.

We have continued to improve our educational offerings to our investment team, adding tools like TruValue Labs, introducing ESG workshops, and inviting guest speakers to host information sessions (nine in the last five years). We also conduct recurring team meetings on ESG, where we share best practices and relevant examples from our investments. During our ESG investment meetings this year, Portfolio Managers shared inventive ways to measure ESG progress across their holdings, including online ratings and reviews, employee turnover rates, diversity ratios, safety incident rates, and carbon emissions levels. Colleagues also ran seminars on decarbonization initiatives, including changes to power grids as well as hydrogen as an alternative fuel source. These sessions helped share learnings across teams, put numbers to energy transition investments needed, and build conviction in companies poised to benefit from the growth in electric vehicles, renewable power projects, and greener buildings. Beneficiaries like ATS Automation Systems (automation solutions) and Stantec (engineering design) are among these names.

Our research team also found opportunities to benefit from sustainability in Simpson Manufacturing, a company whose products reduce builders' reliance on cement, as well as Unicharm, a company that is experimenting with recyclable diapers. Another positive outcome from the sessions was that they helped our team reassess the stranded asset risk associated with some of our holdings, including companies involved in pipelines, gas stations, and auto parts. In many cases, these businesses have investments in clean energy successors, including renewable power projects, electric charging stations, and electric vehicle components.

Our Emerging Markets teams placed a cultural focus on their feature companies this year. In India, we own Tata Consulting, an IT consulting company that has gained a talent and reputational advantage by recruiting more women in the male-dominated IT service industry. In China, property management company Greentown Services differentiates itself by taking special care of its employees, who respond by providing outstanding customer service. The benefits Greentown offers its employees has made it the industry leader, but the company also has narrower margins than its peers. This highlights the reality that ESG can provide insights that financial analysis alone would miss.

ESG is an evolving area, and we will continue to adjust our integration approach through adaptive research and thoughtful communication.

In the healthcare and hospitality sectors, we were happy to see our investments in Philips (healthcare equipment), Chartwell (retirement homes), Henry Schein (medical supplies), and Ten Lifestyle (travel concierge) provide outstanding service while abstaining from profiteering through COVID-19. We believe their approach exemplifies the kind of long-term thinking we look for in our management teams.

We closed the year with our second submission to the UN PRI where we still await our results. Our work here exemplifies Burgundy's continued effort to integrate ESG. And, as always, the balance of this report consists of case studies from our regional teams, which we hope will bring to life how our investment team integrates ESG.

ESG is an evolving area, and we will continue to adjust our integration approach through adaptive research and thoughtful communication. We appreciate the continuous learning required in this space, and we recognize that improved disclosure and constant education will help us fulfill our intention of better protecting and growing your capital.

Anne Mette de Place Filippini

SENIOR VICE PRESIDENT,
CHIEF INVESTMENT OFFICER,
PORTFOLIO MANAGER

Note: All UN PRI signatories were notified in August 2021 that results will be delayed until the summer of 2022. We look forward to sharing our results in next year's ESG Report.

FIXED INCOME CASE STUDY

Chartwell Retirement Residences

COMPANY NAME

Chartwell Retirement Residences

CORE BUSINESS

Seniors' housing provider

ESTABLISHED

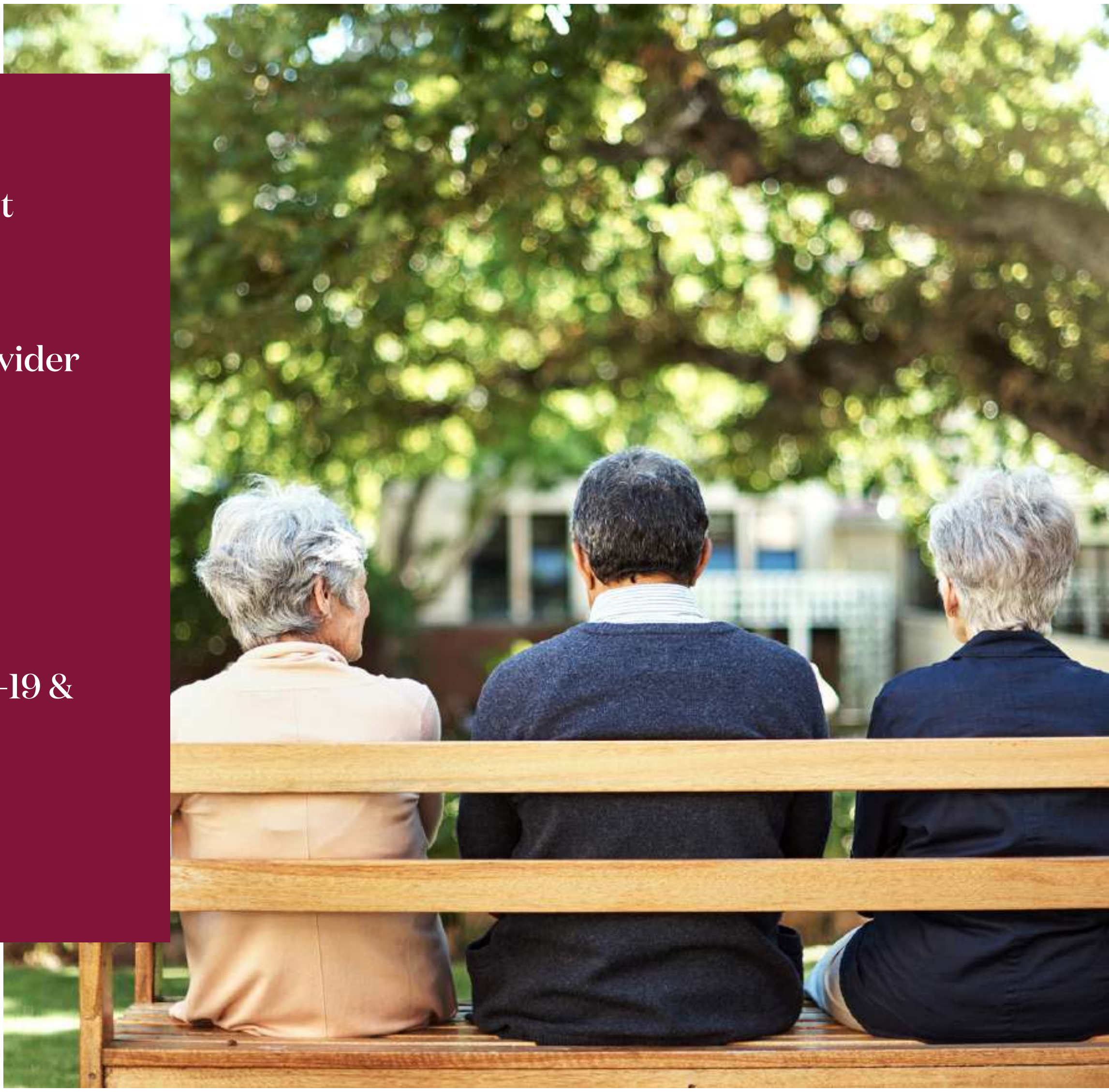
2003

HEADQUARTERS

Mississauga, Canada

ESG CONSIDERATION

Actions amid COVID-19 & gender diversity



Company Overview

Chartwell Retirement Residences owns and operates a range of senior housing communities, including independent supportive living, assisted living, and long-term care. With over 200 retirement communities in four provinces, Chartwell is the largest operator in the Canadian seniors living sector.

Background

Chartwell bonds have been a long-term holding across Burgundy's fixed income strategies. Our original thesis was predicated on Chartwell's leadership position in the retirement home community, which was poised to benefit from the strong secular demand from an aging population. Due to its many mom-and-pop-type operators, the retirement home industry is highly fragmented. We believe that Chartwell's access to a capital and management platform offers a strong competitive advantage relative to its peers, which we believe should allow the company to gain market share and consolidate the industry over time.

COVID-19 has had a dramatic impact on the retirement home business. With rising expenses caused by enhanced cleaning and personal protection equipment (PPE), the past year has been a battle for residents and employees alike. Some residents have moved out and new residents have been hesitant to move in during a pandemic, causing occupancy levels to decline. Overall, we feel Chartwell has done a good job managing the impact of the pandemic, though there were areas the company could have improved on. Going forward, we believe COVID-19 will have a lasting impact on the industry. This evolution will further emphasize the need for retirement homes to be run by well-capitalized operators with strong management expertise.

ESG Consideration

Actions Amid COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Due to the speed at which the virus spread and the acute impact it had on the most vulnerable populations, retirement homes were forced to react quickly. PPE has long been used in these facilities, but the pandemic created an initial surge in demand, which led to shortages in the products that operators require to protect staff and residents. Since the beginning of the pandemic, Chartwell purchased more than 5.7 million pieces of PPE, many of which were acquired prior to public health mandates. While companies in other industries were furloughing workers to cut costs, Chartwell was hiring. The company hired approximately 6,000 employees since the start of the pandemic and increased screening, cleaning, disinfecting, and surveillance of visitors. Despite these efforts, the virus continued to spread, bringing to light one of the structural flaws of the long-term care and retirement home businesses: staffing.

Most homes have about 45% full-time employees and 55% part-time employees on their payroll. There are many reasons for this. One is that it is difficult to get full-time, unionized workers to work night shifts and/or weekend shifts. Therefore, part-time workers must fill the gaps to ensure consistent care. With employees working at multiple homes, the lack of full-time employees at retirement homes had the unfortunate consequence of increasing the spread of COVID-19. Part way through the COVID-19 outbreaks, the government moved

Actions Amid COVID-19:

> 5.7 million

Since the beginning of the pandemic, Chartwell purchased more than 5.7 million pieces of PPE, many of which were acquired prior to public health mandates

≈ 6000

The company hired approximately 6,000 employees since the start of the pandemic

95% to 98%

of residents have received at least one dose of the COVID-19 vaccine as of August 2021.

to limit the ability of employees to work at more than one home. At the time, the leading cause of outbreaks in homes was staff bringing the virus in and unknowingly transmitting it to residents and other staff. Not everyone who works part-time wants to work full-time; however, to the extent that they could, Chartwell tried to increase the number of full-time employees on the payroll.

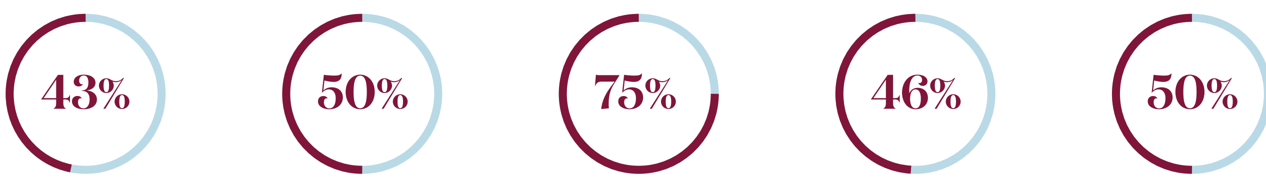
Ultimately, improved staffing policies and a better understanding of how the virus spread allowed retirement-home operators to control outbreaks and wait for vaccines. Chartwell has reported that significant progress has been made in both the vaccination program for their residents and for their employees, with resident vaccination rates ranging from 95% to 98% with at least the first dose and staff vaccination rates continuing to increase, ranging from 79% to 91% with at least the first dose. The number of staff vaccinated in Quebec is slightly lower as access for these essential workers began later than in the other provinces.

Moving forward, we believe Chartwell will learn from the experience and emerge a stronger operator.

Gender Diversity

At Chartwell, we believe the company does well to ensure female representation in leadership positions; however, this has not always been the case. At the time of Chartwell's initial public offering in 2003, all of Chartwell's Directors were men. Since that time, 60% of new Directors elected to the board have been women. As a result, the board is now comprised of 43% female independent Directors. In addition to a gender diverse board, 52% of senior management are women, and 82% of employees overall are women. Chartwell's strong diversity track record was recognized in The Globe and Mail's 2019 comprehensive ranking of Canada's corporate boards when they were named the third-best governed issuer as well as the best-governed real estate company and health-care company in Canada.

Numbers and percentages of women in leadership roles at Chartwell:



(3 of 7) Independent Directors

(2 of 4) Executive Officers

(6 of 8) Senior Vice Presidents

(11 of 24) Vice Presidents

(22 of 44) Total Leadership Roles at Chartwell

Position	Total # of Active Employees	Gender	
		Male	Female
Corporate — Senior Directors and above	58	48%	52%
Corporate — Directors and below	519	41%	59%
Residences — Managers	1,393	26%	74%
Residences — Other staff	13,379	16%	84%
Total	15,349		

Final Thoughts

We continue to believe that Chartwell is among the highest-quality retirement home operators in North America, a belief buoyed by the company's efforts amid the pandemic and its strides in gender diversity. Chartwell's ability to navigate an extremely difficult environment during COVID-19 combined with its governance record gives us confidence that the company will emerge as a stronger, more responsible company going forward. B

Sources: Burgundy research, Chartwell filings

James Arnold, CFA

VICE PRESIDENT, PORTFOLIO MANAGER

In investing, you can never hide from your results. James learned this lesson early on when he was participating in stock market competitions during university. James' appreciation for a long-term, value-based approach to investing was cemented during these competitions as short-term performance was often uncorrelated to the quality or depth of research. For James, one of the most fascinating aspects of fixed income investing is examining the unique risks and characteristics of debt securities alongside company and industry analysis. While company fundamentals, and not macro-events, are the foundation of Burgundy's investment theses, the close link between macroeconomic conditions and bond prices adds a welcome layer of analysis to the fixed income investing process.

Vincent Hunt, CFA

VICE PRESIDENT, PORTFOLIO MANAGER

Vince began his investment career during the 1997-1998 Asian crisis and was immediately intrigued by the interaction of fear, greed and central bank actions on market prices. His interest in credit and interest rate cycles has continued ever since. Vince believes opportunities present themselves only periodically and an astute investor must be ready to act decisively to produce exceptional long-term results. As a fixed income Portfolio Manager at Burgundy, he patiently waits for opportunities where he can apply Burgundy's investment philosophy.

CANADIAN EQUITIES CASE STUDY

Stantec

COMPANY NAME

Stantec Inc.

CORE BUSINESS

Engineering design

ESTABLISHED

1954

HEADQUARTERS

Edmonton, Canada

ESG CONSIDERATION

Environmental and social initiatives

Company Overview

Stantec is an engineering design firm with 22,000 employees and projects around the world serving customers in a variety of end markets. Engineering design is a “fee-for-service” business with an economic model similar to other professional services (e.g., a consulting company or a law firm). As the company's main assets are its people, organic growth does not rely on substantial reinvestment of cash flows. The company was founded in 1954 and has turned a profit every year since.

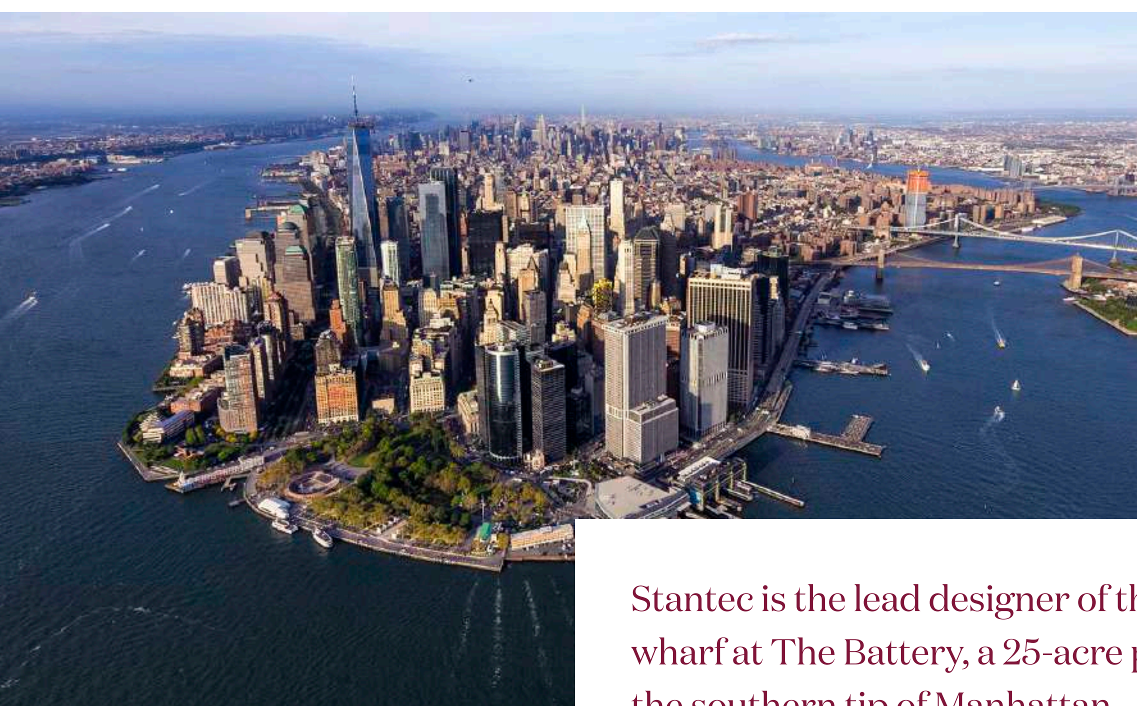
Background

In 2016, in the company's largest acquisition ever, Stantec acquired MWH Global Inc. Although the deal had positive attributes, such as cementing Stantec's position as a leading global design firm in the water industry and creating an international platform for growth, it also introduced a construction component and additional risk to the business. Following the announcement, the shares began trading well below intrinsic value, prompting our initial research into the company. Ultimately, at that time, we shared the market's concern about the shift in the business model. However, two years later in 2018, the company divested the construction segment and returned to its historical pure design business model. Despite this positive change, Stantec's shares were still trading significantly below intrinsic value. This provided the opportunity for us to establish a position. Today, Stantec is focused on driving organic growth and deploying its cash flow on smaller acquisitions, which carry less integration risk.

ESG Consideration

Within its own operations, Stantec has produced strong environmental, social, and governance (ESG) performance. In terms of environmental performance, carbon dioxide emissions per employee have been cut in half since 2013. On the social front, its employee turnover is lower than the industry average, which is especially important given the human capital nature of the industry. Even more impressive than its ESG performance is Stantec's active role in designing sustainable solutions for its customers. Its organic growth priorities are purposely aligned with the United Nations' Sustainable Development Goals. Specifically, management has identified the following four areas as strategic priorities: coastal resilience; ecosystem restoration; smart cities and urban places; and energy transition.

The company's work is best explained through its project examples:
Stantec has identified a potential $1 billion (in Canadian dollars) revenue opportunity over time from its work in coastal resilience. It is the lead designer of the reconstructed wharf at The Battery, a 25-acre public park located at the southern tip of Manhattan. This project will raise the waterfront by five feet and will protect the area from rising sea levels.



Stantec is the lead designer of the reconstructed wharf at The Battery, a 25-acre public park located at the southern tip of Manhattan.

Environmental projects, services and opportunities:

COASTAL RESILIENCE

$ 1 billion CAD

potential revenue opportunity over time

BUILDINGS

650+

LEED-certified projects

35+

net-zero-designed buildings

ENVIRONMENTAL SERVICES

40,000+

acres restored

1,000+

miles of rivers and streams restored

RENEWABLE ENERGY

37 GW+

solar and wind power generation

115 GW+

hydroelectric power generation

In 2019, the United Nations named 2021 to 2030 the “Decade on Ecosystem Restoration,” and the International Union for the Conservation of Nature established the Bonn Challenge, which aims to restore 350 million hectares globally by 2030. In total, 61 countries have signed this pledge, and the total cost is expected to be in the $1 trillion range (of which the design component would represent a small percentage). Stantec’s environmental services division has helped to restore over 40,000 acres and 1,000 miles of rivers and streams. In one specific example following the 2010 Deepwater Horizon catastrophe in the Gulf of Mexico, Stantec was hired to restore submerged aquatic vegetation near New Orleans in the Jean Lafitte National Historical Park.

Stantec has participated in over 650 LEED®-certified (see Definitions) projects (including its own headquarters in Edmonton) and over 35 net-zero-designed buildings. The company is in the process of designing the largest student housing development in the United States at the University of California, Davis. The project will be part of North America’s largest net-zero community.

Finally, Stantec has designed projects that deliver over 37 gigawatts of solar and wind power and over 115 gigawatts of hydroelectric energy. Currently, the company is working on designing Scotland’s largest wind farm. This offshore project is expected to provide energy for close to one million households upon completion.

Numerous third-party sources have recognized Stantec for its leading ESG performance, including Corporate Knights, who at the beginning of the year named it the most sustainable company in North America (and fifth in the world); The Carbon Disclosure Project, which has given the company an A- ranking every year for the last three years; Forbes, who named Stantec as one of the world's best employers and one of America's best employers for women; the Engineering Society, who selected Stantec as a top 50 workplace for Indigenous STEM (science, technology, engineering, and math) professionals; Institutional Shareholder Services (or ISS), who gave the company a top score in all three aspects of ESG performance; Refinitiv, who gave it an A-ranking; and Sustainalytics, who gave the company an A-ranking for Low Risk.

Final Thoughts

In conclusion, Stantec is a strong example of a company that does well by doing good. Not only is the company focused on minimizing its own impact and footprint, but it actively participates in developing sustainable infrastructure solutions globally. As projects and clients increasingly call for sustainable designs, Stantec's leading ESG performance is a source of competitive advantage. We are confident that the company's renewed focus on organic growth and alignment with the United Nations' Sustainable Development Goals will continue to benefit all key stakeholders. B

Sources: Burgundy research, Stantec filings

Definitions:

LEED®: LEED® or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world, available for virtually all building, community, and home-project types. In Canada and around the world, LEED is a proven and holistic path to addressing climate change, and to creating buildings that are more resource-efficient, healthy and resilient. Continuous improvement is a hallmark of LEED, as it constantly improves ahead of evolving government policy.

David Vanderwood, CFA

SENIOR VICE PRESIDENT, PORTFOLIO MANAGER

David bought his first stock in 1979 when he was 11. Although he backed up the truck and "averaged down" three years later, the company went bankrupt. That painful experience inspired David to dedicate his professional life to developing an understanding of how to be a successful investor. The fact that this ambition is a never-ending work in progress is one of the things David loves about investing.

CANADIAN SMALL-CAP EQUITIES CASE STUDY

ATS Automation Tooling Systems

COMPANY NAME
ATS Automation Tooling Systems

CORE BUSINESS
Factory automation

ESTABLISHED
1978

HEADQUARTERS
Cambridge, Canada

ESG CONSIDERATION
Electric vehicles

Company Overview

Founded in 1978, Automation Tooling Systems (ATS) is a provider of innovative custom-designed automated manufacturing solutions to multinational customers. Its global capabilities encompass 50 offices and 20 manufacturing facilities in North America, Europe, Southeast Asia, and China. With successful completion of over 15,000 projects, ATS serves companies in the life sciences, consumer products, chemicals, electronics, transportation, and energy sectors.

Background

Decarbonizing transportation is an important part of meeting global climate change goals. Electric vehicles (EVs) feature prominently in many plans to limit warming to 2 degrees Celsius. EVs are powered by lithium-ion batteries instead of a gasoline or diesel engine and produce less emissions overall, even when considering the pollution created during manufacturing.

With almost every major automaker announcing ambitious EV production targets, battery supply must scale up quickly to meet the growing demand. Bloomberg estimates that demand for lithium-ion batteries will increase tenfold in the next decade, but existing battery manufacturing capacity is insufficient to meet these demands. This is especially true in the U.S., where no supply chain exists for mining or manufacturing batteries and there is a reliance on imported batteries from China. As batteries become a larger part of U.S. energy consumption, building domestic supply chains will be an issue of energy independence. This is already becoming a concern of policymakers. In February 2021, President Biden signed an Executive Order addressing these deficiencies. He described the U.S. as "not a leader in the supply chain associated with electric battery production," and he stated that the country could "better leverage our sizeable lithium reserves and manufacturing know-how to expand domestic battery production."

ESG Consideration

The growing need for EV manufacturing capacity benefits ATS's transportation business, where the company designs and assembles automation systems for EV assembly and battery manufacturing. These activities now account for the majority of ATS's transportation portfolio and encompass a wide range of Electric Motor (or E Motor) Manufacturing and EV Technologies. Some of ATS's capabilities in its E Motor Manufacturing segment include rotor and stator assembly systems, rotor balancing and magnetization, automated conditioning stations, stator epoxy ovens,

The growing need for EV manufacturing capacity benefits ATS's transportation business, where the company designs and assembles automation systems for EV assembly and battery manufacturing.

ATS tracks and publicly discloses emissions results and has made a long-term commitment to curbing carbon emissions.

DIRECT EMISSIONS

10,439 → 6,223

metric tonnes in 2010 → metric tonnes in 2020

Direct emissions have been steadily declining year over year, from 10,439 metric tonnes in 2010 to 6,223 metric tonnes in 2020 overall.

Direct Emissions: emissions stemming from owned or controlled entities

CARBON DIOXIDE EMISSIONS

2,720 → 1,600

metric tonnes in 2010 → metric tonnes in 2020

Carbon dioxide emissions have declined from 2,720 metric tonnes in 2010 to 1,600 metric tonnes in 2020.

CO_2 Emissions: emissions stemming from the burning of fossil fuels

and assembly of permanent magnet and inductive rotors. Within EV Technologies, ATS manufactures and assembles systems to produce batteries, fuel cells, hair pin technologies, transmissions, steering, braking, and other EV components. Furthermore, the company also offers solutions in research and development, prototype equipment, and aftermarket equipment and services.

EV customer case studies demonstrate the success of ATS's innovative work in EV automated manufacturing. In one case, ATS was tasked with the process of assembling different engines, which was complicated due to product size, operator ergonomics, and automation interfaces. ATS successfully minimized repair costs, improved quality, and gave the customer more control over the production rate.

Another example is ATS's creation of realistic test conditions. Here, the client was able to test technology for a hydraulic mechatronic unit using ATS's standard software for test automation.

The growth of the EV market is more than just a business opportunity for ATS. The company sees its work developing and manufacturing cleaner sources of energy production and emission-free vehicles as a key contribution to a more sustainable future. With its best-in-class technology and extensive experience, ATS has positioned itself to benefit from increased interest in EV and is committed to a long-term goal of renewable energy.

> "The growth of the EV market is more than just a business opportunity for ATS. The company sees its work developing and manufacturing cleaner sources of energy production and emission-free vehicles as a key contribution to a more sustainable future.

Final Thoughts

ATS's commitment to sustainability is evident in the strides the company had made over the past few years and management's transparency in publicly disclosing the results of its initiatives.

We are optimistic about the outlook for ATS's EV business and believe that as the world decarbonizes, there will be major investments made in the EV supply chain. This positions ATS nicely, opening the company up to significant business opportunities in this space. The company not only benefits from this business opportunity, but also from its role in helping the world reduce carbon emissions. B

Sources: Burgundy research, ATS filings

Andrew Iu, CFA

VICE PRESIDENT, PORTFOLIO MANAGER, DIRECTOR OF RESEARCH

Having invested in small-cap stocks for years in his personal portfolio, Andrew converted a hobby into a career by joining the Canadian small-cap team at Burgundy. Six years later, the depth and inefficiencies of the small-cap market continue to captivate Andrew. Beyond analyzing small-cap stocks, Andrew builds and develops Burgundy's analyst team in his role as Director of Research. He enjoys working closely with the team and feels that setting analysts up for success is one of the most rewarding parts of his role.

U.S. EQUITIES CASE STUDY

Henry Schein

COMPANY NAME

Henry Schein, Inc.

CORE BUSINESS

Dental and medical products distributor

ESTABLISHED

1932

HEADQUARTERS

Melville, United States

ESG CONSIDERATION

Environmental, humanitarian, and diversity initiatives

Company Overview

Henry Schein is the world's largest distributor of health-care products and services to office-based dental and medical practitioners as well as alternate sites of care. The company operates in 31 countries and serves over one million dental and medical customers worldwide. The company also offers practice management software and other value-added solutions.

Background

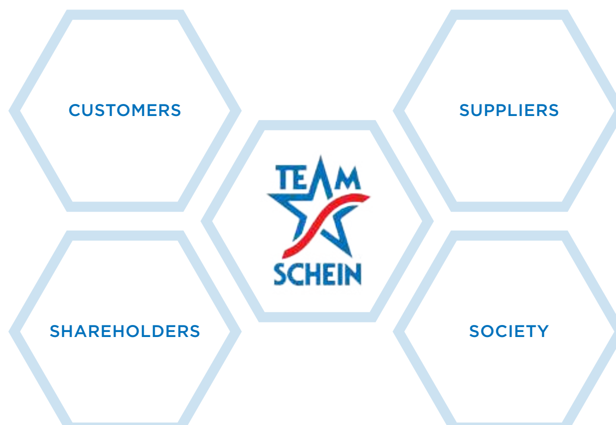
Henry Schein has a distinct culture and a long history of embedding various social and environmental initiatives into its operation. We believe the culture has enabled Henry Schein to be a more dynamic organization and helped the company establish a leadership position.

Over the past few years, the industry has evolved as customers have consolidated and started to use new technologies. Management's focus on long-term value creation and deeper customer relationships positions the company well for the next stage of industry evolution, including more solutions-based selling. We felt that the market did not appreciate the company's strengths in these areas, and we purchased a position in 2020.

ESG Consideration

Stanley Bergman, Henry Schein's current Chief Executive Officer (CEO), is only the third CEO in the company's 89-year history. He was preceded only by Henry Schein himself and his son Jay, who was viewed by many as a visionary that defied convention and cared deeply about humanitarian initiatives. Stanley, who has been the CEO for the past 32 years, has deeply engrained the values of his friend and mentor within the company.

The company's current purpose-driven model is underscored through its management approach, known as the "Mosaic of Success":



The company has engaged in numerous ESG-related initiatives to address a variety of social and environmental issues, including:

- Improving access to health care for underserved and at-risk populations globally through Henry Schein Cares
- Advancing diversity and inclusion in the field of dentistry by co-founding and sponsoring the American Dental Association's (ADA's) Institute for Diversity in Leadership
- Working with partners both upstream and downstream to ensure an ethical, inclusive, and carbon-neutral supply chain
- Supporting a variety of employee resource groups, including Women's Leadership Network, Black Legacy Professionals, Pride and Allies, and Latinx Group

In 2020, when supply chains struggled to meet demand and pricing spiked on basic items like masks and gloves, Henry Schein played a critical role in supplying personal protective equipment (PPE) to customers and the broader front-line community personnel.

Henry Schein has followed the Benjamin Franklin concept of "doing well by doing good." The company has engaged in numerous ESG-related initiatives to address a variety of social and environmental issues, including: Improving access to health care for underserved and at-risk populations globally through Henry Schein Cares; advancing diversity and inclusion in the field of dentistry by co-founding and sponsoring the American Dental Association's (ADA's) Institute for Diversity in Leadership; and working with partners both upstream and downstream to ensure an ethical, inclusive, and carbon-neutral supply chain.

Over many years, Henry Schein has helped pioneer new initiatives to improve diversity in the dentistry industry. The company started this work in the early 1990s through the co-creation of the ADA's Institute for Diversity in Leadership, which works to "enhance the leadership skills of dentists who belong to racial, ethnic and/or gender backgrounds that have been traditionally underrepresented in leadership roles." Today, Henry Schein continues to be a lead sponsor for the institute and has won many awards for the company's work in the space.

The management team believes in the power of intra-preneurship, which involves creating a culture of encouraging and empowering all employees to act as entrepreneurs. Embedded in this mindset is the company's belief that diversity fosters innovation, additional perspectives, and stronger relationships with the communities Henry Schein serves. Internally, the company supports a variety of employee resource groups, including Women's Leadership Network, Black Legacy Professionals, Pride and Allies, and Latinx Group.

In 2020, when supply chains struggled to meet demand and pricing spiked on basic items like masks and gloves, Henry Schein played a critical role in supplying personal protective equipment (PPE) to customers and the broader front-line community personnel. During COVID-19, Henry Schein displayed dedication to both society and its customers by emptying the company's warehouses to hold stock for hospitals (which were not customers of Henry Schein). Additionally, as the company's office-based practitioners started to reopen, Henry Schein absorbed the additional costs required to source PPE products. In September, Henry Schein was named to **Fortune® Magazine's Change the World List** for its role as co-founder and private sector lead of the Pandemic Supply Chain Network, a public partnership aimed at saving lives by strengthening the resilience of the global health supply chain in response to pandemics.

Final Thoughts

Henry Schein demonstrates thoughtful inclusion of environmental and social good into the core of its strategy. The company's actions with PPE during the pandemic – donating to hospitals and absorbing inflated input costs to its office-based customers at a time of scarcity – is the most recent example of this forward thinking. This type of goodwill among customers and the community does not show up on its balance sheet, but it is a valuable asset for the company. B

Sources: CEO Stanley Bergman at the ESG Fireside Chat, hosted by Morgan Stanley, on February 23, 2021, Burgundy research, Henry Schein filings

Doug Winslow, CFA

VICE PRESIDENT, PORTFOLIO MANAGER

Doug stumbled upon value investing during the late 1990s tech boom. Benjamin Graham's investment classics – Security Analysis and The Intelligent Investor – opened his eyes to a rational approach to investing and made an indelible impression on his views of the financial markets. Doug is currently responsible for Burgundy's investments in U.S. large-cap equities. While the value philosophy is the foundation of his approach, he actively studies disruptive business theory to help understand the dynamic business environment in the U.S.

U.S. SMALL-CAP EQUITIES CASE STUDY

Simpson Manufacturing

COMPANY NAME

Simpson Manufacturing Company

CORE BUSINESS

Construction material designer & manufacturer

ESTABLISHED

1956

HEADQUARTERS

Pleasanton, United States

ESG CONSIDERATION

Sustainable timber construction

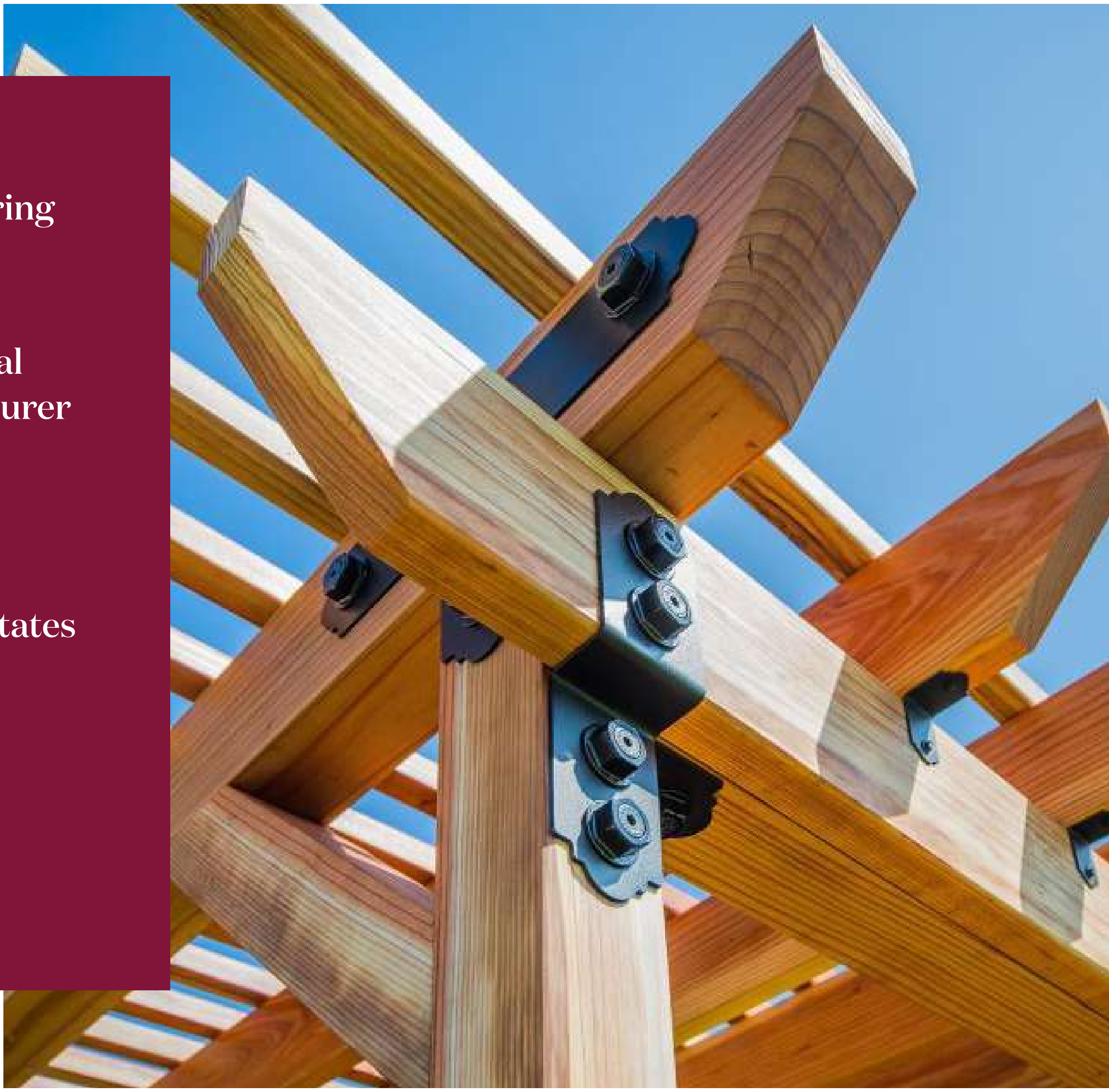


Photo Credit: Simpson Manufacturing

Company Overview

Simpson Manufacturing is the leading designer and manufacturer of structural connectors in the construction industry. They provide structural connectors for single and multi-family home construction or remodelling, decking, commercial construction, etc. Simpson has a 75%-plus market share in wood-to-wood connectors in North America currently, and its "Strong-Tie" brand is synonymous with the company, having the same type of brand recognition that Kleenex does with facial tissue.

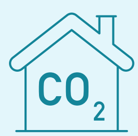
Background

Simpson's brand recognition and market share are the result of the company's long history in the connector market. In 1956, during a large construction boom, Barclay Simpson founded Simpson Manufacturing in California. Shortly after receiving a request for a rudimentary connection product, Simpson launched a series of metal brackets. These brackets could be fastened to construction connection points, resulting in safer buildings (California is in a well-known earthquake zone) and reduced labour effort on the job site. The "Strong-Tie" was a simple, yet ingenious invention that provided a better solution to its wood-to-wood structural connection counterpart, which was considered "sound" after builders hammered in what they felt was a sufficient number of nails. To help gain adoption of his products, Barclay partnered with architects, engineers, and specifiers (the ones responsible for the blueprint instructions of whatever is being built) to develop additional building codes around Simpson's innovative products, effectively creating the structural connector industry. Through his leadership, Barclay helped forge the common building code as we know it. To this day, many specifiers refuse to use anything other than a Simpson Strong-Tie.

ESG Consideration

Leveraging its strong history and brand, one new market we believe Simpson can help create involves cross-laminated timber (CLT) or mass timber structures. These are structures that are constructed out of large structural wooden panels and beams that are glued together under significant pressure in alternating layers. Due to the modular nature of the construction process, the product has some significant benefits over traditional steel and concrete buildings, and many are hopeful that it will play a significant role in our effort to fight climate change.

Naturally, for the leader in wood-to-wood structural connections, mass timber construction could represent a significant opportunity. While this construction method is new to North America, mass timber construction has a two-decade track record in Europe. The increase in popularity for this construction method is partly due to the potential environmental benefits. While more research still needs to be done, there are numerous studies that suggest the adoption of mass timber construction can dramatically reduce the overall carbon footprint of the building industry.



2-5x
lower carbon footprint

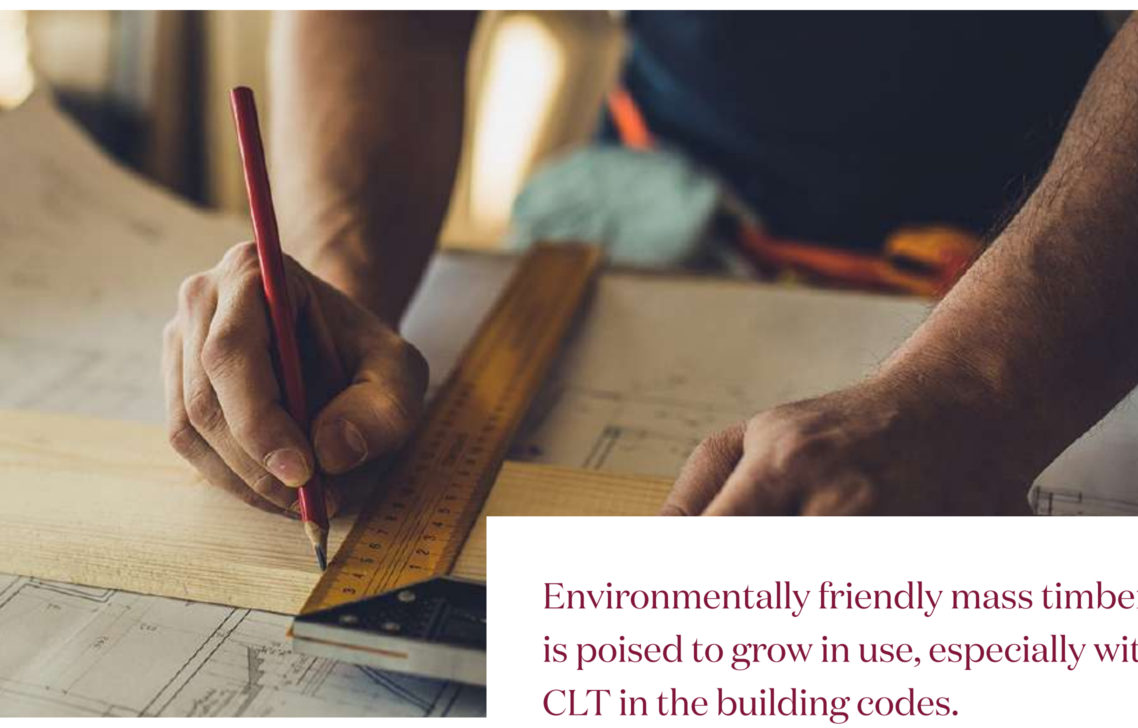
Such studies suggest that over a 100-year period, sustainable harvesting, replanting, and construction using mass timber could reduce the total lifetime carbon footprint of a building two to five times that of traditional construction methods.

> Due to the modular nature of the construction process, cross-laminated timber (CLT) has some significant benefits over traditional steel and concrete buildings, and many are hopeful that it will play a significant role in our effort to fight climate change.

There are two interesting reasons for this. First, mass timber is less energy intensive than current building methods that use steel or cement, lowering the total energy required and the carbon footprint of harvesting, production, and constructing. Second, the carbon sequestering of the construction method and overall carbon reduction resulting from sustainable replanting of this renewable resource provides an interesting benefit.

As trees grow, they remove carbon dioxide from the atmosphere and release oxygen, which helps reduce the overall level of greenhouse gases in the atmosphere. However, since trees eventually die due to natural causes (or an extreme event, like a forest fire), that captured carbon may eventually be released back into the atmosphere. By sustainably harvesting and building with timber, we are sequestering that carbon from ever being released back into the atmosphere, permanently removing it from the equation. The next benefit would come from the required replanting of the harvested trees. Much like humans, trees grow and mature, and they require more energy in their early developmental years. As a result, young trees remove more carbon from the atmosphere than a more mature tree of the same species. Therefore, if older trees are sustainably harvested, sequestered, and replanted with younger trees, we are helping to speed up the removal of carbon from the atmosphere. This could potentially reverse some of the impacts of global warming. If the industry succeeds in developing an economical approach that encourages a sustainable harvesting and planting lifecycle, this has the potential to be a real game changer.

We first learned about the potential for mass timber construction while practicing our bottom-up research approach. We studied the history and potential future of wood construction and reviewed the thought leadership literature on Simpson's website. One of these posts stated that "[t]he future is here. Environmentally friendly mass timber (including CLT) is poised to grow in use, especially with the recognition of CLT in the building codes." We then discussed the potential for mass timber construction with management during one of our meetings. They informed us that while significant adoption will take time, they were working closely with architects, specifiers, and engineers to update the building code and help create the market for sustainable CLT construction. This reminded us of Simpson's origins, echoing the company's involvement in pioneering the structural connector market. While we were not able to quantify the potential business impact at that point in time, we knew it was a nice "free" option on future business, one that the market did not seem to recognize. Most recently, during the company's 2021 Analyst Day, Simpson's



Environmentally friendly mass timber (including CLT) is poised to grow in use, especially with the recognition of CLT in the building codes.

management highlighted mass timber as one of its five core strategic growth pillars going forward, noting a current $200 million addressable market today (in U.S. dollars). While still mostly in Europe, there is potential to grow significantly in the future with increased North American adoption of the greener construction method. They also noted that mass timber currently has strong double-digit growth rates in North America.

Final Thoughts

Many believe that the use of mass timber construction may help to transform the building industry, from the modular build benefits to the potential benefits, in the fight against climate change. While we are still in the early innings of mass timber construction in the United States (as of March 2021, there have only been 1,114 projects that have either been designed or completed since 2013 with the tallest of those under construction planned to reach 25-stories), it is clear mass timber is making its way to the main stage. We believe Simpson is currently positioned as a great benefactor in this innovative industry. Simpson's role in helping to advance this sustainable, renewable, and environmentally friendly type of construction has the potential to not only benefit the environment, but also enrich shareholder value over time. A true win-win. B

Sources: "Carbon Implications of Construction Materials Selection," Presentation by Jim Bowyer, Dovetail Partners, Inc. Minneapolis, MN, Burgundy research, Simpson Manufacturing filings

Steve Boutin, CFA

SENIOR VICE PRESIDENT, PORTFOLIO MANAGER

After reading The Canadian Establishment by Peter C. Newman, Steve became interested in equity markets and bought his first stock when he was 15 years old. Since that time, Steve has developed a passion in Canadian and U.S. small-cap investing, where he has spent most of his career. At Van Berkom & Associates Inc., he was a partner and played a key role in building the U.S. small-cap division from an incubator project to a successful business venture. Steve has an entrepreneurial spirit and before joining Burgundy, he founded Tonus Capital, a money management boutique specializing in focused investing. Steve still reads extensively about business and has the same thirst for learning about companies and potential investments as he had more than 30 years ago when he bought his first shares.

EUROPEAN EQUITIES CASE STUDY

Philips

COMPANY NAME

Koninklijke Philips N.V.

CORE BUSINESS

Healthcare equipment

ESTABLISHED

1891

HEADQUARTERS

Amsterdam, Netherlands

ESG CONSIDERATION

Ventilator contract amid COVID-19

Company Overview

Over the last decade, Philips has transformed from a sprawling conglomerate across a range of electronics to a business focused on healthcare. Today, over 70% of revenue is from healthcare, including the sale of medical imaging equipment such as MRI, CT, ultrasound, and X-ray machines, as well as ventilators, respirators, CPAP machines, hospital monitors, and software. The rest of the business is consumer health products, such as Sonicare toothbrushes and men's electric razors. As a result, Philips is one of the largest producers of healthcare equipment in the world, alongside Siemens and General Electric.

Background

Burgundy initiated an investment in Philips in early-2020 at the onset of the COVID-19 pandemic and related market sell off. Philips had been a Dream Team company (see Definitions) for many years as management began disposing of its low-quality businesses, which lacked strong competitive advantages (such as those in television and lighting) and began focusing on its advantaged position in healthcare.

Frans van Houten joined the company as Chief Executive Officer in 2011 and has led its strategic repositioning since then. We met van Houten on one of our trips to Amsterdam in June 2019, and we came away very impressed with him and the Philips business. We carried out more detailed research on the business through that year. In an effort to expand our knowledge base of the different parts of the Philips' business and be ready for an opportunity to initiate a position (which we did in the first quarter of 2020), we held three subsequent meetings with the Chief Financial Officer, Abhijit Bhattacharya, as well as multiple meetings with investor relations.

ESG Consideration

Philips has a large focus on all facets of environment, social, and governance (ESG) factors and has made impressive strides in recent years to reduce the company's carbon dioxide emissions.

Philips reached net-zero emissions in 2020, transitioning 100% of its facilities to use renewable energy.

The company also purchased carbon offsets to reach its goal of net zero, which was first set out five years ago. On the social side, Philips operates in the highly regulated industry of healthcare and deals regularly with governments across the world. At the onset of the COVID-19 pandemic, hospitals came under strain and demand for ventilators skyrocketed. As the leading producer of hospital-grade ventilators, Philips entered into many contracts with governments to supply ventilators and other pieces of hospital equipment. To service the demand, Philips reoriented its production facilities to step up the manufacturing of these products.

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In April 2020, Philips entered into a contract with the U.S. Department of Health and Human Services (HHS) to sell 43,000 Trilogy EV300 ventilators at a price of $15,000 per unit, for a total of $645 million (in U.S. dollars). This enormous contract required Philips to further reorient its production facilities and took the company all of 2020 to fulfill.

On July 31, 2020, a report was released from the Subcommittee on Economic and Consumer Policy (part of the Committee on Oversight and Reform) accusing Philips of profiteering at the U.S. government's expense and calling the current U.S. administration's handling of the matter incompetent. In the report, Philips was accused of selling the ventilators at above market prices and not honouring a separate older contract, which called for Philips to sell 10,000 ventilators at a much lower price of $3,280 each (in U.S. dollars). One month later, HHS cancelled the remaining portion of the large contract, along with its other outstanding ventilator contracts with other manufacturers. As the largest supplier, Philips was affected the most, with only 12,300 of the 43,000 ventilators delivered (all per the agreed schedule).

We take any suggestion of profiteering at one of our portfolio companies extremely seriously and had three meetings with the company about the matter, one prior to the allegations. The company's position is that Philips was fully transparent with the government about the production ramp-up plans and pricing. The company also said that the report lacked important information in determining market pricing and that the other contract noted in the report was for a lower-quality and older model of ventilator. While both ventilators looked similar, they did not have equal features. The newer, higher-priced ventilator was what HHS decided to order.

Philips was not given a formal reason from HHS for the contract cancellation, but reports had been made in the weeks preceding about the U.S. government's stockpile of ventilators, stating that they were at a sufficient size. The cancellation of contracts with all manufacturers and not just Philips means it was likely related to high stockpiles as well as the declining rates of COVID-19-related hospitalization in the U.S.

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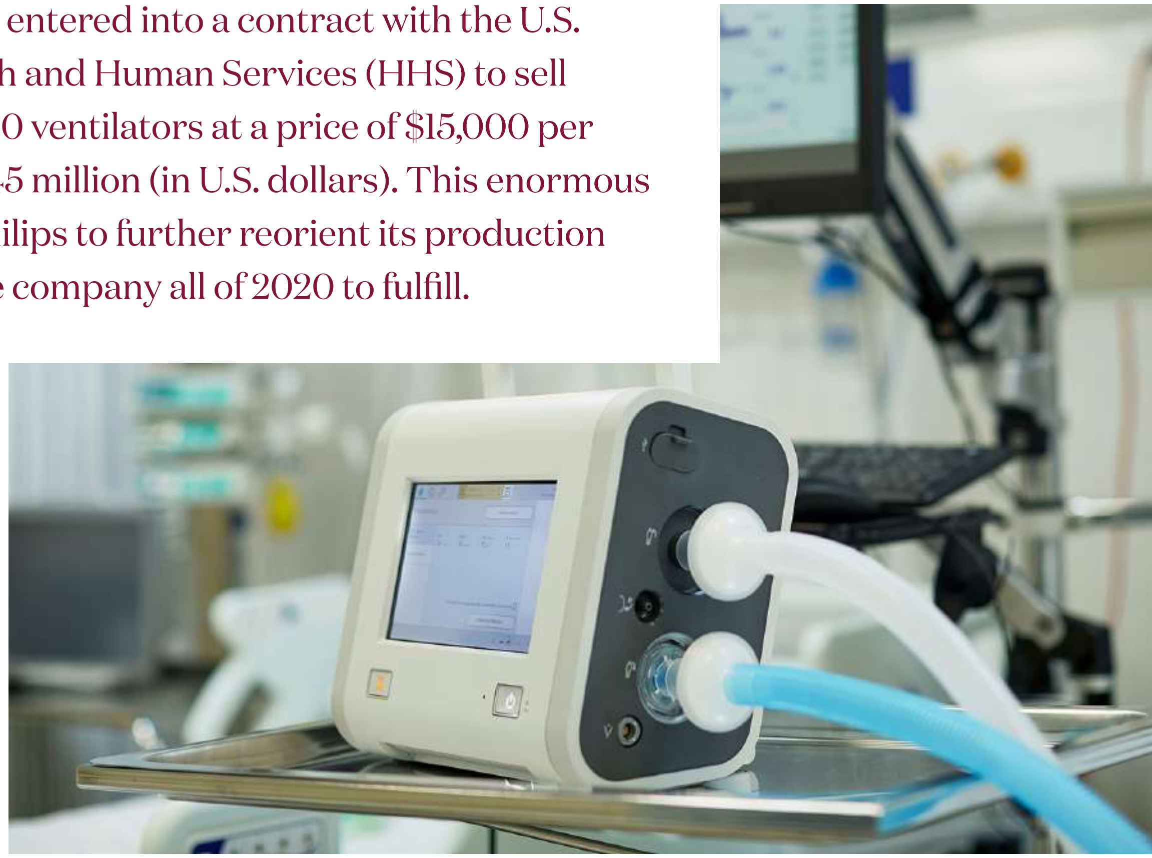


Final Thoughts

We continue to monitor this situation. Entering into large contracts with governments is a delicate matter, particularly at times of severe stress. Philips needed to balance the needs of all stakeholders by doing what was right for humanity. To do so, the company began stepping up the production of its ventilators while ensuring the additional costs would not overburden the company. Overall, there appears to be low legal risk for Philips, which has never been part of the allegations. We think it is most likely that Philips acted properly and that the report was politically influenced as it was written by a Democratic-led subcommittee and placed as much emphasis on its view of incompetent dealing by the Republican administration as on Philips. But it remains a serious matter. In future meetings with management, we will continue to emphasize the importance of handling government contracts with extreme care. B

Sources: Burgundy research, Philips filings

Definitions:

Dream Team Company: To qualify for our "Dream Team List," a company must embody the business, financial and management characteristics that Burgundy deems high quality while also having a current market price that does not offer enough of a margin of safety to warrant investing. Burgundy monitors these companies, waiting for the right purchase price.

Kenneth Broekaert, CFA

SENIOR VICE PRESIDENT, PORTFOLIO MANAGER

Ken's passion for investing grew out of his interest in business. His generalist interests led him to The Boston Consulting Group at the start of his career. A fascination he developed during that period was the study of how businesses can enhance or lose their competitive advantages. Then he discovered the writings of Warren Buffett and Benjamin Graham. One of his favourite Buffett concepts is to challenge yourself to make only 20 investment decisions in your life, which requires good judgement about the durability of the competitive advantages of businesses. Ken continuously challenges himself to own a concentrated portfolio of companies that Burgundy could own "forever" that earn stronger long-term returns for clients.

EUROPEAN SMALL-CAP EQUITIES CASE STUDY

Ten Lifestyle

COMPANY NAME

Ten Lifestyle Group

CORE BUSINESS

Lifestyle concierge services

ESTABLISHED

1998

HEADQUARTERS

London, United Kingdom

ESG CONSIDERATION

Response to COVID-19

Company Overview

Ten Lifestyle is a UK-based provider of concierge services. The company enables private banks and high-end credit card companies to provide its client base with a "virtual concierge." As a concierge, Ten is able to handle a wide variety of personal requests from its client base;

however, clients mostly use the company to book tables at popular restaurants, to plan and book trips, or to score tickets for in-demand shows.

Background

We have been shareholders of Ten since 2018, shortly after its initial public offering (IPO). Our thesis centred around three primary factors. The first factor was Chief Executive Officer and Founder Alex Cheatle's vision of building "the world's most trusted service provider." Beyond being just another concierge service provider, the company aims to be a trusted source of help. The second factor was Ten's differentiated technology platform strategy, which includes internal platforms used to handle customer requests, and external, customer-facing platforms to handle self-serve requests. The third factor was a roster of loyal clients, with plenty of potential for increasing share of wallet within the existing customer base.

The journey has not been without challenges. In an attempt to elevate by expanding into a new product category, Ten needed to continually add and upgrade its capabilities while creating market demand for more premium services. While this was a tall task, we were impressed with the company's ability to deal with the challenges that had been thrown its way. Then COVID-19 hit.

ESG Consideration

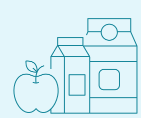
As noted above, Ten Lifestyle's business is driven by dining, travel, and entertainment – three activities that were completely shut down by COVID-19. Furthermore, about 20% of the company's revenue came from commissions earned from hotels. Given these factors, when we went into global lockdown last March, we were bracing for the worst. We did not sell any shares as we believed in the survivability and the long-term sustainability of the business, but we were expecting revenues to collapse and mass furlough to ensue. Instead, the company grew its non-commission revenues in March and April. For the year, total revenues were only down by 30%, mainly driven by declines in commissions. How was this possible? For starters, the company was proactive. The management team noticed the early impact of COVID-19 on its Asian operations and prepared for the worst-case scenario. Ten also completely overhauled its service offering to help its clients adjust to the COVID-19 world: helping clients book their next trip, facilitating mask sourcing, and arranging grocery delivery within a reasonable time frame. The financial institutions that Ten sells to are services that were in much better shape than they were in 2009, which allowed them to invest in customer care services.

While this outcome might seem obvious once you see the explanation (of course Ten's clients still have needs, even under a lockdown), the path was far from clear during last March, and the outcome could have been very different had the company not overhauled its services to remain relevant.

The management team noticed the early impact of COVID-19 on its Asian operations and prepared for the worst-case scenario. Ten also completely overhauled its service offering to help its clients adjust to the COVID-19 world.

Helping clients book their next trip

Facilitating mask sourcing



Arranging grocery delivery within a reasonable time frame.

Final Thoughts

At first glance, Ten's response may look like it has little to do with environmental, social, and governance (ESG) factors and more like a tale of swift adaptation, but the connection becomes much clearer once we focus on the crucial choice the company faced last March. As the world went into lockdown, the company was faced with two drastically different paths: severely retrenching or continuing to generate value for its customers. Choosing the latter and focusing on its overall mission of being a trusted service provider resulted in better outcomes for everyone. End customers were happy to receive help navigating through challenging times. Financial institutions were happy to be able to take care of their customers. Ten's employees were happy to be working. And, as shareholders, we benefitted too. This type of win-win-win-win is rare and deserves applause. B

Sources: Burgundy research, Ten Lifestyle filings

Andrew Choi, CFA

VICE PRESIDENT, PORTFOLIO MANAGER

Andrew was a late bloomer, only discovering investing at a ripe old age of 20. Although Andrew comes from an entrepreneurial family, he spent his youth doing something as far from business as possible: practicing magic. While he was attempting to become a professional magician, he stumbled upon a copy of The Intelligent Investor. A eureka moment ensued and he realized it was time for a career change. The timing was impeccable, as the 2008 financial crisis soon followed. Despite the turbulence, he is happy to have followed his family's lead and pursue a career in business. Excited to be practicing his new passion, Andrew focuses his efforts on European equities.

ASIAN EQUITIES CASE STUDY

Unicharm Corporation

COMPANY NAME

Unicharm Corporation

CORE BUSINESS

Personal care products manufacturer

ESTABLISHED

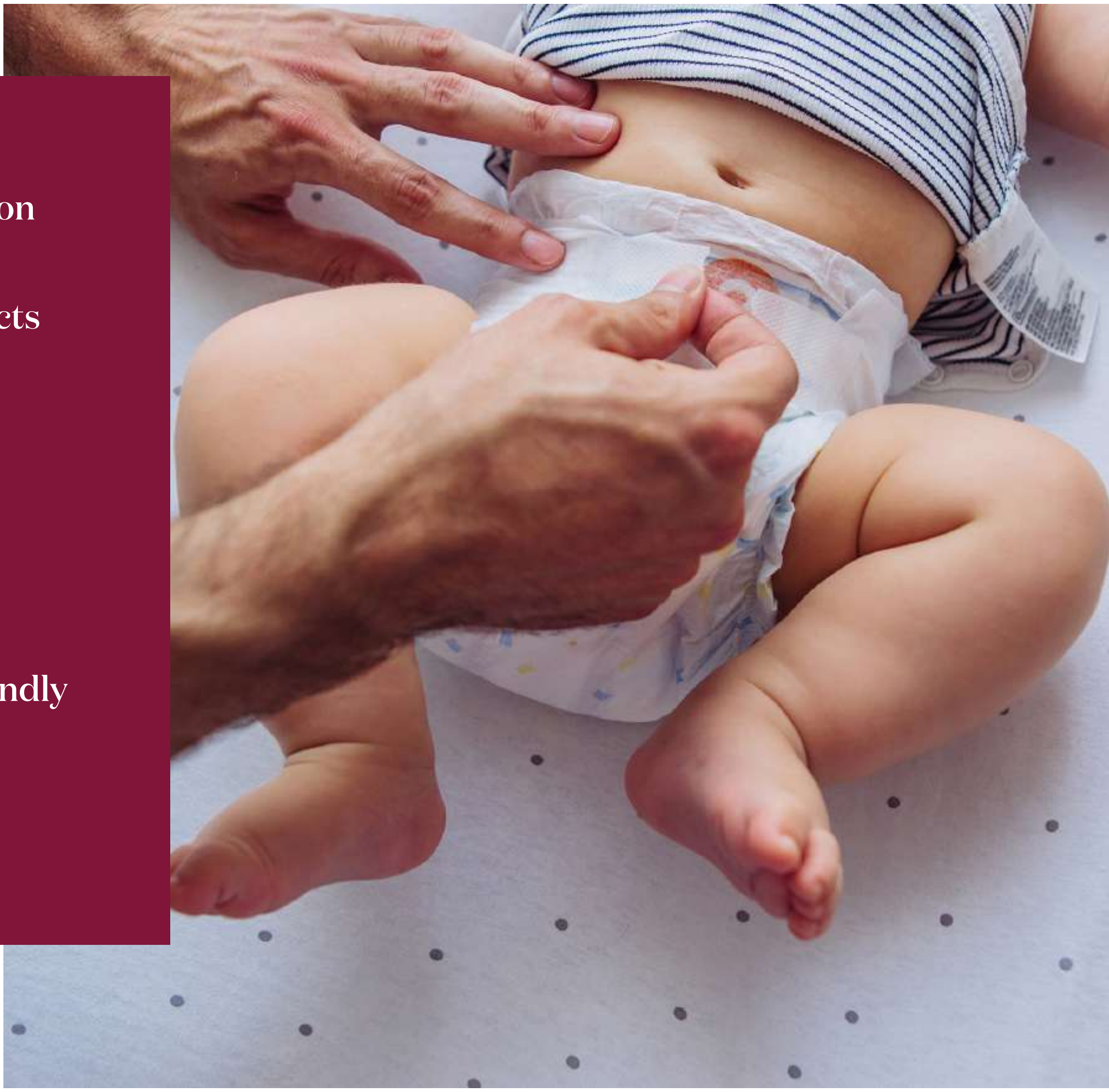
1961

HEADQUARTERS

Tokyo, Japan

ESG CONSIDERATION

Environmentally friendly products



Company Overview

Unicharm is one of the world's leading manufacturers of baby diapers and sanitary napkins, with leading market share in Japan and many fast-growing markets throughout Southeast Asia. Unicharm is also the dominant player in Japan's adult incontinence products and in the pet food markets. Nearly 90% of company sales come from products that are number-one or two in their respective categories. We like Unicharm for its strengths in advanced technology through its manufacturing of non-woven absorbent materials; its significant scale in purchasing raw materials; its marketing and distribution capabilities; and its strong consumer brands. These advantages position Unicharm to continue capturing opportunities created by the demographic and economic trends in Asia and surrounding regions.

Background

Unicharm's high-quality disposable baby diapers and adult incontinence products make childcare and nursing care easier and more convenient for its many customers in Japan and internationally; however, the manufacturing and disposal of these products are closely linked to various environmental issues, including the production of greenhouse gas emissions and forest degradation. In 2018, according to Japan's Ministry of Economy, Trade, and Industry, Japan produced about 23.5 billion disposable diapers (15.1 billion for babies and 8.4 billion for adults), which weighs about 880,000 tonnes. According to the company, disposable diapers account for about one-eighth of total household trash, the majority of which is collected and incinerated as combustible waste. This has the effect of driving up carbon dioxide emissions that contribute to global warming. In addition, disposable diapers are made from paper pulp derived from wood chips, placing increasing demands on forest resources (land, water, and trees).

ESG Consideration

To address these issues, Unicharm launched its disposable diaper recycling program in 2015. The aim of the program was to create a system capable of producing recycled pulp of the same quality as virgin material, at a cost on par with incineration. The recycling system that resulted applies a distinct ionization process to the pulp extracted from used diapers in order to sterilize the material and produce a safe and hygienic end product. In 2019, the company introduced a prototype disposable diaper made from pulp derived from used diapers. This was an important step towards the commercialization of this technology.

In terms of its potential environmental impact, Unicharm's analysis shows that greenhouse gas emissions can be reduced by about 87% when this recycling system is used as a substitute to disposal through incineration. In terms of waste reduction and raw material conservation, according to the company, if adult diapers from 100 users were recycled over a one-year period, the volume of waste generated could be reduced by the equivalent of 23 two-tonne garbage trucks while saving the equivalent of 100 trees. For this process technology to be impactful, it must be implemented at scale. To this end, starting in 2016, Unicharm began collaborating with local government authorities and recycling firms to achieve full-scale separated collection and recycling of used diapers in Shibushi City, Kagoshima Prefecture. The longer-term goal is to build a recycling system that can be adopted widely across Unicharm's domestic and international markets.

Potential environmental impacts of the disposable diaper recycling program:

REDUCTION IN EMISSIONS

87%

reduction in greenhouse gas emissions when this recycling system is used as a substitute to disposal through incineration.

WASTE REDUCTION & RAW MATERIAL CONSERVATION

Adult diapers from **100 users** recycled over a one-year period ≈

× **23**

Could reduce volume of waste generated by the equivalent of 23 two-tonne garbage trucks

× **100**

Could save the equivalent of 100 trees

Unicharm's initiatives around diaper recycling also align with opportunities the company is exploring related to new business models and building a more resilient supply chain. For example, the company is currently working with over 400 daycares and kindergarten schools across Japan on a diaper subscription service. This service provides a greater level of convenience to both parents and staff while delivering a stable stream of revenues to the company and easing the logistical burden associated with collecting used diapers.

The recycling system also enhances the resiliency of the company's supply chain. For example, once the company's diaper recycling technology is operating at scale, the recycled pulp used in the production of new diapers can be sourced locally.

Final Thoughts

As Japan's population continues to age and demand for Unicharm's adult incontinence products increases, developing a circular economy around the production, use, and disposal of these products will be critical for Unicharm to lower the environmental footprint of its products and contribute to Japan's goal of achieving net-zero emissions by 2050. We believe the company's disposable diaper recycling program reflects Unicharm's ability to identify future threats and turn them into opportunities that balance the interests of all stakeholders. This characteristic is common among our portfolio companies and will be critical in the company's efforts to rise to the challenges posed by climate change while continuing to compound its per share intrinsic value over the long term. B

Sources: Japan's Ministry of Economy, Trade and Industry (METI). Yearbook of Current Production Statistics: Paper, Printing, Plastic, and Rubber Products Statistics 2018, Burgundy research, Unicharm Corporation filings.

Craig Pho, CFA

SENIOR VICE PRESIDENT, PORTFOLIO MANAGER

Craig attributes his career success to his upbringing. He was born and raised in the Canadian Prairies where his family instilled in him many personal attributes that have been valuable in his career. After studying in Canada and the U.S., it was a work opportunity that brought him to Asia where he found a passion and an interest in investing. Craig joined Burgundy in 1998 to help build firm expertise in Asian equities and has been building knowledge, experience and judgment in those markets ever since.

CHINA EQUITIES CASE STUDY

Greentown Service

COMPANY NAME

Greentown Service Group Co. Ltd

CORE BUSINESS

Residential property management

ESTABLISHED

2014

HEADQUARTERS

Hangzhou, China

ESG CONSIDERATION

A stakeholder approach to customers and employees

Company Overview

Greentown Services Group is one of the largest residential-focused property management companies in China. The company manages over 250 million square metres of properties and provides services such as security, maintenance, and garbage disposal, as well as more value-added services like maid services, nanny services, and community group buying. The property management industry in China is highly fragmented with the top-100 property managers holding less than 50% market share. This provides a significant opportunity for large property management companies like Greentown to consolidate the industry. Based on its top-notch service, Greentown has a stellar reputation in the industry, which the company has used to create a strong brand. This reputation allows Greentown to have a high win rate on new contract biddings while maintaining a strong renewal rate on existing properties. Its treatment of employees is also key to creating this culture of service. This stakeholder approach results in a symbiotic relationship, where treating employees well results in them treating customers well.

Background

Greentown's corporate vision is to provide quality service to its customers by considering the common progress of employees, the company, and society as a whole. Collaboration with stakeholders is also important, and Greentown believes that considering the concerns of stakeholders is beneficial to the development of the business. Property management is a labour-intensive and service-based business and, therefore, treatment and retention of employees is critical in the operations.

ESG Consideration

Greentown's focus on service has resulted in a stellar reputation and has allowed the company to achieve industry-leading retention rates, collection rates, and tender bidding success rates. For seven straight years, the China Index Association has selected Greentown as the number-one property manager in terms of customer satisfaction. Property management is an operationally intensive and labour-heavy business, and despite having one of the highest monthly fees in the industry, the company's focus on providing high-quality service offers an attractive value proposition to customers. Greentown caters to more premium customers who value service above price. We believe this focus on quality of service will allow Greentown to retain the properties it manages and increase prices over time.

Greentown has built this distinct culture by taking a stakeholder approach to managing its business with a focus on providing customers and employees exceptional value. Given that property management is mostly a people business, Greentown describes the company's first mission as creating a respectful and harmonious working environment for its employees, committing to their career development as well as their physical and mental health. Employee care is the most effective way to embody Greentown's corporate culture. This is evidenced by its comprehensive welfare plan, which seeks to improve the quality of life for employees through benefits such as social insurance, housing fund, child allowance, and holidays. Greentown's meritocratic approach ties compensation to performance, especially around metrics like customer satisfaction and retention rates. Rather than hiring externally, almost all of the company's property managers have been trained within Greentown and have risen up the ranks there. Whatever the experience, a former security guard or a fresh college grad, if the candidate exhibits the values of exceptional customer service, anyone can become a property manager. The company firmly believes that continuous training and development for employees will enhance the

Employee care is the most effective way to embody Greentown's corporate culture. This is evidenced by its comprehensive welfare plan, which seeks to improve the quality of life for employees through benefits such as:

Social insurance	Housing fund	Child allowance	Holidays

value of the team and professional quality of the employees themselves, thus bringing higher productivity to the company. The sustainable development of employees has many benefits. As a result of their training and the focus paid to their wellbeing, these employees provide exceptional service. Often through their own initiative, they go above and beyond to delight customers. During our diligence, we heard numerous stories of thankful customers and stories of employees going beyond the call of duty. Developing this culture is exceptionally difficult, and we believe it offers a competitive advantage to Greentown in a highly service-driven industry.

Taking this stakeholder approach does have its costs, however, and Greentown has the lowest margins of its peer group. Still, we believe that the company is doing the right thing by investing in its employees as well as investing in future growth areas, such as providing nursery care and elderly care in its communities. Through our research, we believe that Greentown's margins are much more sustainable compared to its peers and that, over time, operating margins will converge towards the level that Greentown operates. In order to retain their existing properties, other companies will have to invest more.

Final Thoughts

By taking a stakeholder approach to its operations, Greentown has established a distinct culture, achieved industry-leading renewal and collection rates, and richly rewarded its stakeholders, even as the company has earned lower margins relative to peers. Despite having higher margins, these peers have also underinvested in these areas, and we believe that Greentown's profitability is much more sustainable. Greentown is also looking for ways to provide more value to its customers through investing for future businesses. This long-term approach is something that we look for in the companies we invest in. We believe Greentown's focus on environmental, social, and governance (ESG) factors, along with its stakeholder approach, will not only benefit shareholders over the long run, but all stakeholders. B

Sources: Burgundy research, Greentown filings

Ching Chang , CFA

VICE PRESIDENT, PORTFOLIO MANAGER

Since high school, Ching has been interested in investing because it combines his love for psychology, philosophy, economics and mathematics. Ching believes that Burgundy's quality value approach and long-term orientation matches perfectly with how he approaches investing. As a member of the Emerging Markets team, Ching puts Burgundy's investment philosophy to work in regions where markets are still not efficient. This approach provides opportunities for investors willing to conduct deep fundamental analysis to uncover potentially profitable investment ideas.

EMERGING MARKETS CASE STUDY

Tata Consultancy Services

COMPANY NAME

Tata Consultancy Services Limited

CORE BUSINESS

Information technology services and consulting

ESTABLISHED

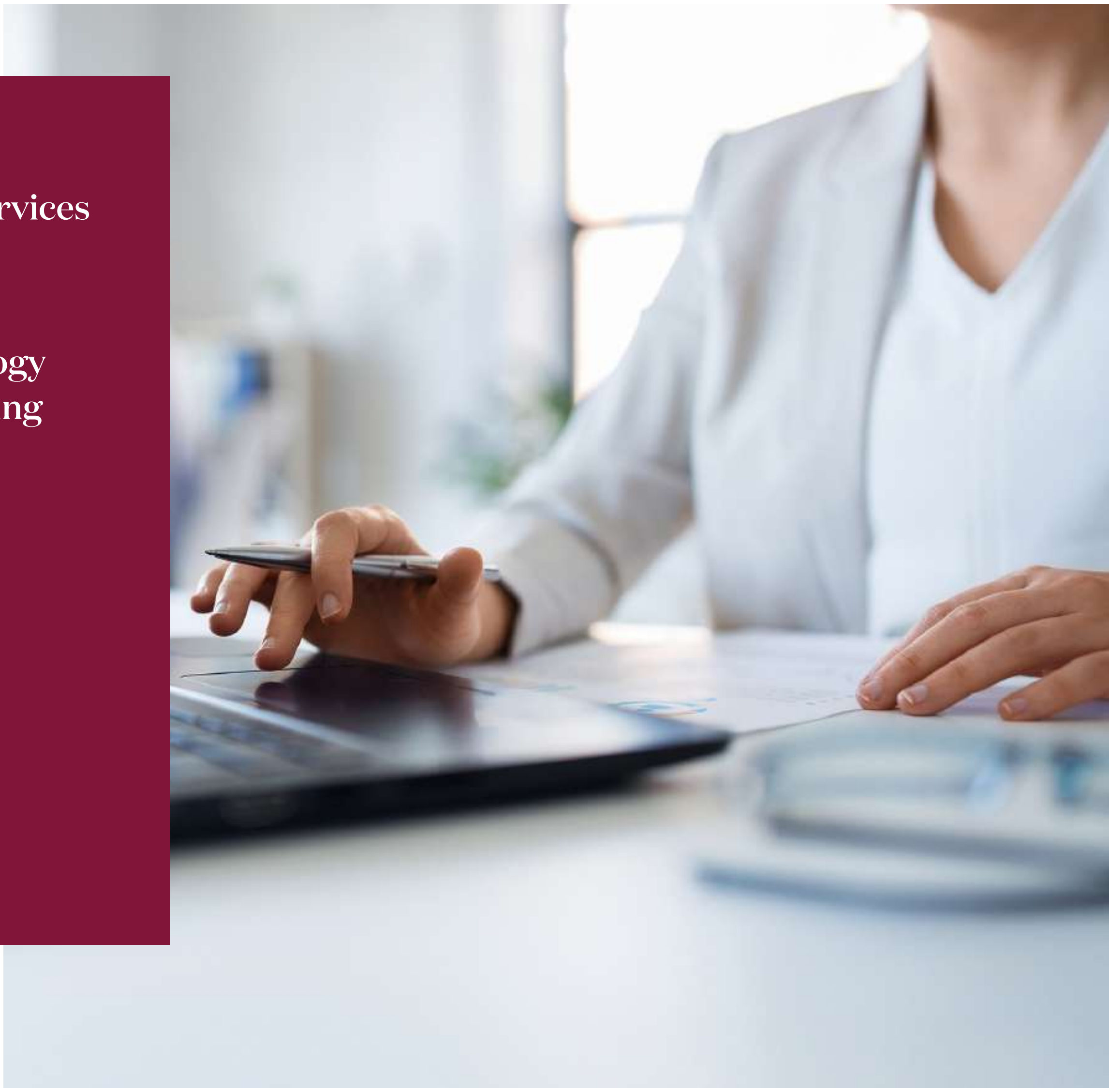
1968

HEADQUARTERS

Mumbai, India

ESG CONSIDERATION

Gender diversity



Company Overview

Tata Consultancy Services Limited (TCS) provides information technology (IT) services, consulting, and business solutions to some of the world's largest businesses. The company is majority owned by the Tata Group, India's largest multinational business group, and has over 488,000 consultants in 46 countries.

TCS is the largest Indian player in the IT outsourcing industry. Historically, it has helped large corporations lower operating costs by offshoring low-level IT jobs. Over the years, TCS moved up the value chain by offering higher value solutions and positioning itself as a strategic digital partner for large enterprises. Today, TCS helps large enterprises on multi-year digital transformational projects with differentiated offerings across digital technologies including cloud, IoT (internet of things), business operations, infrastructure, cybersecurity, data and analytics, quality engineering, and automation.

Background

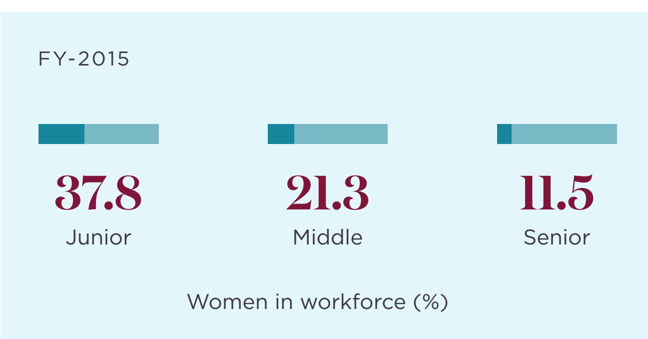
We followed TCS and the broader IT services industry for many years before we became shareholders in 2020. The company's commitment to environmental, social, and governance (ESG) principles started long before it became a focus for most investors. This commitment stems from the over 150-year-old legacy of the Tata Group and its founder's vision that, "in a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence." TCS's proactive stance on climate change and award-winning work with communities across the world has earned it a place in leading sustainability indices such as the Dow Jones Sustainability Index (DJSI), MSCI Global Sustainability Index, and the FTSE4Good Emerging Index.

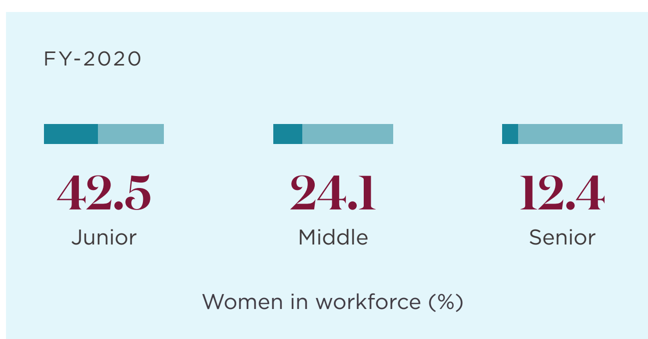
ESG Consideration

TCS's business model and long-term success largely depends on its ability to attract and retain talent in a highly competitive market for software and other technical engineers. Human capital is the most important investment and is TCS's greatest asset.

As part of management's effort to attract and retain talent, the company has made significant progress in fostering gender diversity. Supported by inclusive hiring and heavy investments in mentoring and coaching women at all levels, women currently account for 36% of TCS's workforce, making the company one of the largest employers of female STEM (science, technology, engineering, and math) talent in the world. The company has multiple structured programs for helping women employees realize their full potential at TCS, such as discussion circles to help women through major life stages, re-orientation programs to reconnect employees after long leave, interactions with inspirational women leaders, and special leadership development programs to address the needs and aspirations of women. Although significant progress has been made in terms of women's participation across different levels of the organization – women now account for 24% of middle management and 12% of senior management at TCS – there is still a long way to go.

Management's current focus is on further improving women's representation at middle and senior levels and increasing it to align with the overall level of 36% over the next five-year horizon.





As part of our ESG engagement with TCS, we spoke with the Head of Investor Relations, Kedar Shirali, to learn more about the company's gender diversity and inclusion initiatives. During our discussion, Kedar spoke at length about the company's commitment to diversity and highlighted TCS's focus on addressing the structural issues within the IT industry. He noted that although the recruitment of women for entry-level positions is at a high level, their participation still significantly decreases at higher experience brackets. TCS (and the industry) face a replacement problem: When an individual leaves, the pool of candidates available on the market that share an equal level of experience are still predominately male. The company has acknowledged this issue and implemented structural programs to counteract it. As noted by Kedar: "[The] bulk of [TCS's] efforts are aimed at grooming next-generation women leaders. We have no issue recruiting women, about 44% of our intake are women. [Our objective] is about achieving better progression [for women] into leadership roles." He went on to express how TCS does not want to simply meet a diversity quota by pushing women into higher roles: "… affirmative action does not resolve the gender equity and inequality issues in the industry." Rather, TCS aims to equip women with the skills they need to grow based on merit. Kedar also noted that the company's new 25/25 vision could be a gamechanger for diversity and inclusion. TCS aims to only have 25% of its employees in the office at any given time by 2025. Offering the added flexibility of working from home should allow the company to recruit and retain more women. Women who may have felt forced to choose between caregiving and their career endeavours may now achieve a greater balance. With this increased flexibility, they will be able to maintain their working hours and avoid losing traction for promotions for senior leading roles.

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Management's current focus is on further improving women's representation at middle and senior levels and increasing it to align with the overall level of 36% over the next five-year horizon. To achieve that target, TCS continues to invest behind special leadership programs, such as iExcel, which equips high-potential women in middle and senior levels to become leaders, and Network to Win (nWin), where mentors provide career guidance and leadership development to junior employees. The early results have been very promising. nWin has covered nearly 80% of the company's female staff and over 1,000 women have already benefited from the iExcel program. Around 63% of the iExcel participants have reported role movements thereafter (41% experienced upward progression and 14% had lateral movements). Participants in the programs are also helping develop and advance others. 228 iExcellers are active mentors, having mentored 1,825 associates to date (an average of eight mentees per iExcel mentor). As a result of these initiatives, women also report higher satisfaction levels at work. An internal poll showed that 76% of women were satisfied with their work-life balance (versus 70% among men).

In addition to the company's flagship iExcel program, TCS has also made leaps in gender diversification and participation within its research and development and research and innovation teams. A strong example of this success is the contribution women have had in the company's innovation initiatives. Of the over 2,500 unique inventors responsible for around 1,350 granted patents, 550 (or around 22%) were women. Further, after noticing a significant difference in STEM interest between young women from India and the West (India and Eastern Europe have a higher participation of women in STEM subjects), the company committed to implementing programs outside the firm. TCS developed a platform for the Million Women Mentors program (MWM) that matches female mentees of high-school age and above with a STEM mentor in the industry. The goal is to spark interest and promote confidence in women and young girls, which will increase their likelihood of pursuing STEM careers and leadership opportunities.

Special leadership programs for women:

iExcel

Equips high-potential women in middle and senior levels to become leaders

1000+

women have already benefited from the iExcel program

63%

of the iExcel participants have reported role movements thereafter

nWin (Network to Win)

Mentors provide career guidance and leadership development to junior employees

80%

nWin has covered nearly 80% of the company's female staff

228

iExcellers are active mentors, having mentored 1,825 associates to date

76%

of women were satisfied with their work-life balance (versus 70% among men)

Final Thoughts

Talent is vital to TCS's long-term success. Making diversity and inclusiveness a top priority not only has a positive effect on the world, but also lays the groundwork for superior performance. TCS's progressive and inclusive policies are helping the company attract and retain diverse talent. In fact, TCS has one of the lowest attrition rates in the Indian IT industry, which ultimately helps reduce the company's costs. As shareholders, we believe that TCS's focus on gender diversity and inclusion will pay dividends for years to come in the form of higher employee retention rates and lower costs, as well as through improved creativity and collaboration that could further enhance growth. B

Sources: Burgundy research, Tata Consultancy Services filings

Anne Mette de Place Filippini

SENIOR VICE PRESIDENT, CHIEF INVESTMENT OFFICER, PORTFOLIO MANAGER

A passionate student of business, Anne Mette began her career in strategy consulting in England in 1992. Over almost a decade, she earned valuable business experience from an inside vantage point by working with senior management on business strategy across various industries. Anne Mette moved to Canada in 1994 and then in 2000 left consulting to join the investment management industry to practice value investing the Warren Buffett way. In 2008, she joined Burgundy to launch an emerging markets equity portfolio and build an investment team to support it.

Anne Mette believes excellent educational institutions are the cornerstone of Toronto's long-term success and enjoys volunteering her time in this area. In 2006, she received the Arbor Award from the University of Toronto for outstanding volunteer service.

Engagement

Engagement is a critical aspect of Burgundy's integration approach to ESG. The engagement process involves interacting with management teams, both our holdings as well as prospective companies, and asking them the right questions. Our engagements are supported by our thorough bottom-up research, which involves both quantitative and qualitative analysis.

Sometimes, our bottom-up work uncovers a material ESG risk in companies that we do not have a position in, which may compel us to avoid buying a position altogether. When we discover an ESG issue in one of our holdings, our Portfolio Managers and Investment Analysts conduct research on the ESG issue and then engage with management. Usually, we engage through a meeting with management, but occasionally we engage by voting on shareholder resolutions related to the ESG issue (discussed later in the report) or in writing to the management and/or board.

In 2020, our regional teams conducted 216 engagements with portfolio companies with 97% of all engagements conducted by meeting. As a result, of the approximately 750 one-on-one meetings conducted by the Burgundy investment team, an ESG issue was raised over a quarter of the time. We believe that speaking directly with management is normally the best course of action, and these figures represent a strong level of active engagement.

BY THE NUMBERS

216

The number of portfolio companies we engaged with in 2020

97%

Percentage of total engagements conducted by meeting in 2020

1/4

How often we raised an ESG issue during a management meeting in 2020*

*In 2020, Burgundy conducted nearly 1,100 company meetings. Approximately 750 were considered one-on-one while the others were in a group setting. One-on-one meetings are conducted by a Burgundy Portfolio Manager and/or Investment Analyst with the management team or investor relations of the company.

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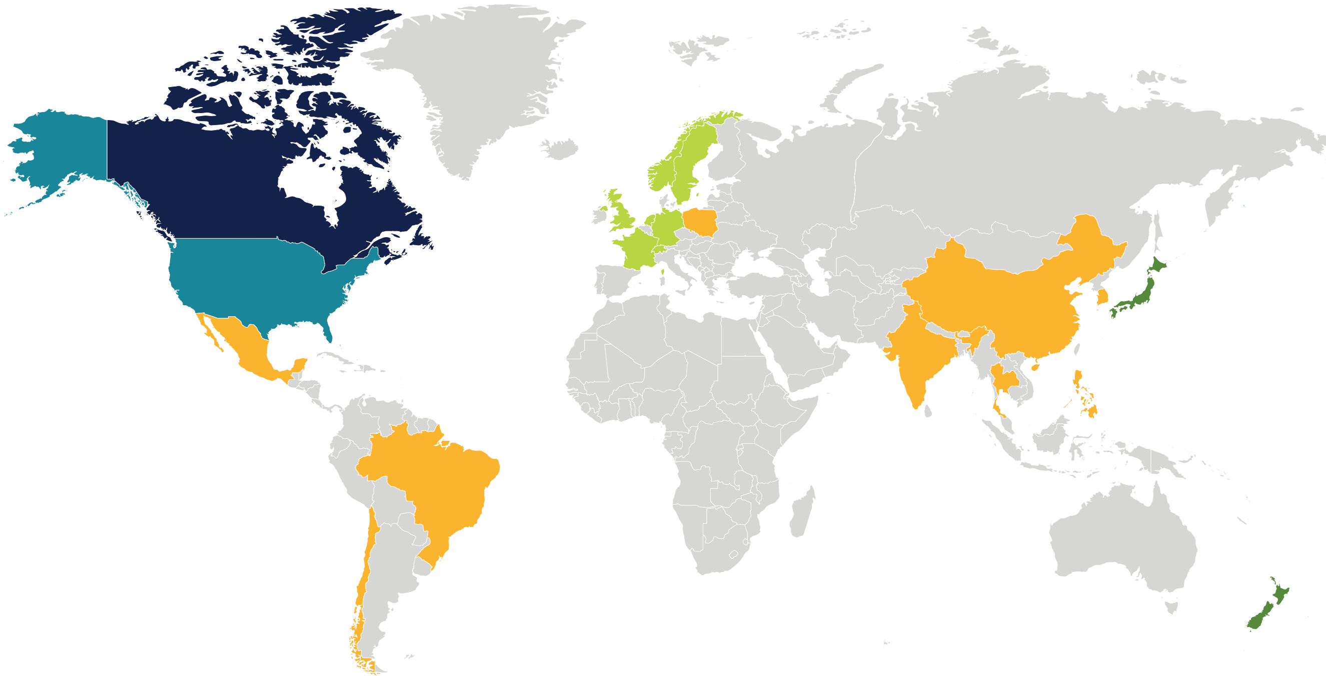
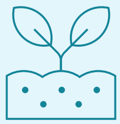


Number of engagements by region in 2020

Region	Total	Environmental	Social	Governance
CANADA	52	30	13	9
U.S.	53	10	15	28
EMERGING MARKETS	69	10	16	43
EUROPE	26	5	13	8
ASIA	16	6	7	3

Environmental Social Governance

ESG engagement highlights in 2020



Environmental Considerations in Canada

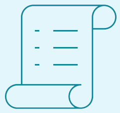
Over the course of the year, environmental factors have been a focus for our Canadian equity team, and they have conducted several discussions with management, including:

- Risks and opportunities related to an energy transition (Enbridge and TC Energy)
- Copper/lithium opportunities related to electric vehicle adoption (Finning International)
- Net-zero greenhouse gas emissions (PrairieSky Royalty)

The Impact of COVID-19 in Europe

Europe was one of the regions hardest hit by the pandemic, and it was a primary focus for our European equity team. Over the course of the year, the team conducted several management meetings and discussed various social issues involving:

- Employee safety in company factories (Brenntag and Henkel)
- Personal protective equipment offerings (Bunzl)
- Ventilator contract status with the U.S. government (Philips)



Governance in the U.S. and Emerging Markets

Governance matters were a major focus for our U.S. equity and Emerging Markets teams. Over the course of the year, these teams conducted discussions with management around:

- Management structure and changes (Facebook and News Corp.)
- Compensation (Henry Schein, Sabre, and Truist Financial)
- Capital allocation decisions (Tingyi, Want Want, and NAVER)

Proxy Voting

As fractional owners of businesses, one of Burgundy's core investment principles is ensuring that corporate decisions are made with the long-term interests of shareholders in mind. We have considered this our duty since we were founded, and proxy voting is part of an ongoing dialogue with the companies in which we invest.

Last year, we updated our **proxy voting policy** to place a greater emphasis on environmental and social shareholder resolutions. Our policy is now to support shareholder resolutions aimed at improved ESG disclosure, so long as the disclosure is not cost prohibitive or unnecessary. This year, we saw our investment team follow through on this directive, supporting several resolutions for increased ESG disclosure. Below are three examples of relevant resolutions, which coincidentally are all from our U.S. equities team:

P&G

Procter & Gamble (P&G) specializes in a wide range of personal/consumer health, personal care, and hygiene products ranging from Tide laundry to Crest dental care. The company has been a Burgundy investment since 2020.

A shareholder put forward a resolution asking P&G to report on its efforts to eliminate deforestation from its supply chains. Although it was suggested that we vote against this resolution, we voted in favour, believing the reputational risk around deforestation to P&G warranted more reporting.

ORACLE®

Oracle is a technology company that primarily focuses on selling database and enterprise software. The company has been a Burgundy investment since 2008.

A shareholder put forward a resolution requesting annual reporting on pay discrimination based on gender and race at Oracle. A request was also put forward for disclosure around the measures being taken to rectify these pay gaps. While some recommended shareholders vote against the resolution, we supported it, believing pay equity disclosure is an important element in greater diversity and inclusion. We are encouraging more oversight around pay inequity across our portfolio companies.

> "As fractional owners of businesses, one of Burgundy's core investment principles is ensuring that corporate decisions are made with the long-term interests of shareholders in mind.

Facebook is a social media conglomerate. In addition to its namesake social service, the parent company owns platforms such as Instagram and WhatsApp. Facebook has been a Burgundy investment since 2018.

A shareholder put forward a resolution asking Facebook to discuss the benefits and drawbacks of the actions Facebook took during the 2020 election cycle to limit false/divisive information. We also voted in favour of this resolution. While the company continues to make improvements, we believe they have a responsibility to show leadership in various social engagement issues and will vote accordingly.

Final Thoughts

At Burgundy, our proxy voting decisions align with our fundamental priorities. Our approach to this space seeks to uphold our values by prioritizing appropriate disclosure and encouraging strong governance. Above all, proxy voting will continue to be an important part of Burgundy's process of enhancing long-term value for our clients. B

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