2024 ESG Report

BURGUNDY
ASSET MANAGEMENT LTD.

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Year in Review

We are pleased to report that we continue to refine our approach to applying environmental, social, and governance (ESG) considerations in our investment process.

This year, the Sustainability Team, in conjunction with the Investment Team increased and improved the ESG-specific engagements we have with companies. These engagements help us explore and better understand specific ESG issues and how these may present both risks and opportunities for long-term value creation in our portfolio companies. They also provide us with an opportunity to assess how our companies are responding and, through ongoing dialogue, share our perspective and offer feedback. Highlights from these engagements are the focus of this year's report.

In addition, the report captures highlights from our Investment Team training session on the sources of greenhouse gas (GHG) emissions for companies and the mechanisms and costs associated with reducing them. The session was hosted by Michael Mehling, Deputy Director of the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology (MIT).

Finally, the report provides an update on the progress we have made on several of the items discussed in last year's report. This includes the carbon intensity of our investment portfolios, where we continue to observe that carbon emissions are well below (ranging from one-seventh to one-third) the emissions of their respective benchmarks. We also provide an update on proxy voting and how we, at Burgundy, continue to live our values.

Burgundy has always taken a thoughtful approach to all aspects of investing. Our ESG strategy is guided by our goal of protecting and growing clients' capital over the long term. ESG is an ever-evolving area, and we will continue learning and growing, with a focus on doing what is best for our clients.

Company Engagements

This report features highlights from our engagements with:

- Mondelez International, Inc.
- Dollar Tree, Inc.
- Badger Infrastructure Solutions Ltd.

Engagement is a critical aspect of Burgundy's investment philosophy and process. Engaging with companies helps us better understand key issues and, in certain instances, allows us to influence outcomes, including those related to material ESG factors.

We engage with companies on ESG topics because these issues can have a material impact on their underlying fundamental value (what we call intrinsic value). Given the materiality, frequency, and complexity of ESG issues, Burgundy created an in-house Sustainability Team to assist our Investment Team with ESG integration and engagement.

The Sustainability Team works closely with our Investment Team to enhance our ESG-specific engagements with companies. This year, we researched key ESG issues for several companies within Burgundy's portfolios and selected engagement targets based on those with the most pressing concerns. Our process identified a diverse range of ESG issues this year, including climate change, employee health and safety, sanitation, labour relations, water stewardship, and regulatory risks.

Mondelez International, Inc.

Core Business:
Snack Food

Established:
2012 (Predecessor, 1824)

Headquarters:
Chicago, Illinois, United States

Mondelez is one of the world's largest snack companies, with a dominant position in chocolates and biscuits globally. The company was formed through the merger of Kraft's confectionary business and Cadbury. With iconic brands that include Oreo, Cadbury, Ritz, Chips Ahoy, and Milka, Mondelez has a strong worldwide presence, including in emerging markets, and a mix of leading local and global brands.

In our research, we identified key ESG issues that are important to our investment thesis. These include Mondelez's sourcing of cocoa, climate change, and the EU Deforestation Regulation. To address these issues, members of Burgundy's U.S. Equities and Sustainability teams met with Mondelez's Chief Impact & Sustainability Officer.

Sourcing of Cocoa

Cocoa is a key ingredient in many of Mondelez's products, accounting for roughly 10% of the company's cost of goods sold. Cocoa is a soft commodity, and historically, its price has fluctuated widely as production is concentrated in a few countries and impacted by weather, disease, and poor environmental and social practices. However, recent price volatility is unprecedented, with prices quadrupling over the past two years. We sought to understand how Mondelez is managing both this price volatility and its longer-term measures toward responsible cocoa sourcing.

We learned that the recent price increases have been driven primarily by environmental factors that have disrupted supply, while demand has held steady. The cocoa-growing region of West Africa, which contributes 60% of the world's cocoa supply, experienced extreme wet conditions followed by intense heatwaves and drought. This led to crop diseases, resulting in reduced yields and a significant drop in supply. Mondelez uses hedging instruments to mitigate the risk of short-term price volatility.

Cocoa production faces long-term structural challenges related to unsustainable environmental and social practices. In West Africa, the commodity is grown by smallholder farmers who cannot afford sustainable farming practices such as pruning, new tree varieties, and replanting, which can help fight diseases. Farmers have tended to abandon old farms and start anew in fresh forests, leading to deforestation. There have also been concerns about child labour and farmers not making a living wage. Mondelez has addressed these concerns by seeking to build a more resilient and sustainable cocoa supply through its Cocoa Life Program, launched in 2012. The program tackles the root causes of the complex, systemic issues in cocoa farming, including poverty, farm productivity, farmer incomes, child labour, and deforestation. It does so through initiatives like training farmers in sustainable agricultural practices, distributing cocoa seedlings, offering premiums for sustainably sourced cocoa, empowering women, promoting education, and offering financial incentives for forest protection.

In 2019, Mondelez set a target to source 100% of the cocoa it purchases through the Cocoa Life program by 2025. In 2023, the program had reached over 240,000 cocoa farmers and accounted for approximately 85% of the cocoa Mondelez purchased that year. The company's progress here is promising.

The cocoa supply challenge is complex and affects the entire industry. Through the leadership of its Cocoa Life program, we believe Mondelez is helping the industry transition to a more sustainable production model. We believe this will strengthen the cocoa supply chain, making it more resilient.

Climate Change

In addition to supply chain risks, climate change creates regulatory, taxation, and reputational risks for Mondelez. In our discussion with the company, we learned that Mondelez has four strategies for mitigating climate risk: (1) a net-zero target, (2) a no-deforestation target, (3) increasing regenerative agricultural practices, and (4) enhancing social sustainability and human rights. These strategies aim to mitigate the aforementioned risks, reduce Mondelez's climate impact, and build a more resilient, sustainable business.

A central focus of Mondelez's strategy is reducing emissions, which is designed to mitigate risks associated with climate regulations, carbon taxes, and the company's reputation with consumers and stakeholders. To guide its emissions reduction efforts, Mondelez has set an interim goal of cutting emissions across its value chain by 35% by 2030 (compared to 2018 levels) and achieving net-zero emissions by 2050.

We believe Mondelez has taken steps in the right direction to address the risks posed to the company by climate change. However, the company is still in the early stages of its climate action plan, and we will continue monitoring the company's progress toward its climate goals.

EU Deforestation Regulation

The EU Deforestation Regulation requires companies trading in commodities like cocoa, coffee, palm oil, soy, and their derived products to trace these commodities back to the farm to ensure they have not been produced as a result of recent deforestation. This regulation has the potential to increase costs for Mondelez, given its use of cocoa and palm oil in its products. The regulation was initially set to take effect at the end of December 2024, but the European Commission has recently proposed a 12-month delay.

From our conversation, we learned that Mondelez was well prepared for this regulation, largely because of its long-time focus on sustainably sourcing its commodities. Mondelez has been mapping its cocoa farms online since 2016 and uses satellite imagery to monitor the forests on Cocoa Life farms. For palm oil, Mondelez has been certified by the Roundtable on Sustainable Palm Oil (RSPO) since 2013 and published its Palm Oil Action Plan in 2014. By 2023, 99% of the palm oil sourced by the company was traceable to the mill, and 90% to the plantation.

We believe Mondelez is well-positioned for when the regulation comes into effect. We will continue to monitor this and other regulations that could affect the company.

Conclusion

Our conversation with Mondelez's Chief Impact & Sustainability Officer supported the company's claims of having diligent oversight of its ESG risks. We were particularly impressed that Mondelez is leading the industry in sustainably sourcing cocoa—an important consideration for the company. We are encouraged by the progress Mondelez is making on this front and across various other aspects of its operations. B

Dollar Tree, Inc.

Core Business:
Discount variety store operator

Established:
1986

Headquarters:
Chesapeake, Virginia, United States

Dollar Tree operates discount stores across the United States and Canada. It has over 16,000 stores under its Dollar Tree and Family Dollar banners and employs over 200,000 associates. Dollar Tree stores offer merchandise over a wide variety of categories, ranging from everyday items like beverages and cleaning supplies to smaller discretionary items such as seasonal goods, and party supplies. The customer proposition is based on a balance of convenience and value. In particular, the Dollar Tree banner is a unique retail concept with a strong track record that is currently being reinvigorated under new management.

In our research, we identified important ESG issues that are potentially material to our investment in the company. These include concerns about how Dollar Tree handles product recalls, distribution centre sanitation practices, employee health and safety, and labour relations. To address these issues, members of Burgundy's U.S. Equities and Sustainability teams met with Dollar Tree's new sustainability leaders, the Chief Sustainability Officer and Chief Ethics & Compliance Officer.

Product Recalls

Dollar Tree has had challenges with implementing product recalls at the store level in the past. Leaving recalled products on store shelves exposes the company to the risk of regulatory fines, consumer litigation, and reputational damage, all of which can be financially material. We sought to understand how Dollar Tree is seeking to improve its recall process.

We learned that Dollar Tree has taken the following steps to improve its execution of recalls:

IMPLEMENTED A STRIKE FORCE

- A designated group now convenes the morning after a recall notice to quickly assign roles in de-stocking the recalled product. This is an improvement from the previous process, where roles and responsibilities were unclear, and stakeholders were not responding quickly enough.

ENHANCED REPORTING AND ANALYTICS

- Recalling products from 16,000 stores is challenging. To address this, Dollar Tree has improved its inventory tracking system and instituted a post-recall analysis to identify gaps.

INTRODUCED THIRD-PARTY VERIFICATION FOR HIGH-RISK RECALLS

- For high-risk recalls, Dollar Tree has engaged external parties to visit stores and verify that recalled products are not present on store shelves or in backrooms.

We are pleased with the steps Dollar Tree's new management team is taking to improve the execution of its recall process, and we will continue to monitor its progress in this area.

Distribution Centre Sanitation

Dollar Tree has previously encountered issues with sanitation in its distribution centres, notably a rodent infestation at its Arkansas distribution centre in 2022, which led to its shutdown. Sanitation issues in distribution centres expose the company to regulatory fines, costs associated with recalling impacted products, consumer litigation, operational disruptions, and reputational damage. Dollar Tree agreed to pay a $42 million penalty to the U.S Food and Drug Administration (FDA) for the rodent infestation at its Arkansas distribution centre, for instance.

The company has acknowledged past shortcomings in safety and sanitation standards but is now taking steps to address these issues. One key initiative is the creation of the VP of Food Safety, Quality & Sanitation role, filled by an industry veteran with over 35 years of experience. This position leads a dedicated team focused on ensuring compliance with food safety, quality, and sanitation standards. Additionally, Dollar Tree has partnered with an independent, accredited certification body to conduct thorough audits of its U.S. distribution centres, all of which have passed the audit. Dollar Tree has also consolidated its pest management services with a single vendor to improve coverage and communication.

Like many retailers with a broad footprint, safety and sanitation standards are a significant challenge for Dollar Tree yet critical to its success. We believe that the significant investments in both personnel and process made by the new management should lead to improvements in Dollar Tree's distribution centre sanitation standards.

Employee Health & Safety

Dollar Tree has faced several Occupational Safety and Health Administration (OSHA) violations in its stores. Past violations, including blocked exits, obstructed access to fire extinguishers, and unstable stacks, have posed safety risks to employees and customers. Poor health and safety practices expose the company to regulatory, legal, reputational, and employee morale risks.

In recent years, Dollar Tree has taken significant steps to improve its safety performance by investing in the training and technology required to enhance the overall safety in its stores. The company launched its Comprehensive Approach to Store Safety (CASS) program in 2022, which follows established policies and standards to ensure compliance with OSHA regulations. Dollar Tree has also developed industry-leading data analytics to proactively identify stores that may require additional safety support and has put in place administrative controls to provide that support.

In response to the specific concerns identified by OSHA, Dollar Tree has set an expectation that all stores must comply with its S.P.E.E.D. guidelines—"S"- Stacking height no higher than eight feet and stable; "P" - Pathway clearance to all exit doors; "E"- Extinguishers unblocked; "E"- Electrical panels unblocked; "D" - Doors unblocked, unlocked and clear. In 2023, over 23,000 store audits were conducted, either through in-person visits or backroom cameras. The results revealed a more than 150% improvement in the company's S.P.E.E.D. compliance.

We are reassured by the new management team's focus on improving employee safety and its investments in this area. Store associates play a critical role in the overall store experience and ensuring their health and safety is essential to the success of the business. We believe initiatives like the CASS program and the S.P.E.E.D. message should help improve safety practices and reduce OSHA violations.

Labour Relations

Dollar Tree has experienced past challenges with labour relations, including issues related to wages, work hours, and rest periods. Poor labour relations raise the risks of employee litigation, operational disruptions, reputational damage, and high employee turnover.

Dollar Tree has acknowledged the need to improve labour relations and to ensure better compliance with wage and hour regulations. The company has shifted to a more proactive approach, focusing on prevention rather than reacting to issues. This includes establishing clear standards, policies, and procedures, providing training for both leaders and employees, and using data to monitor compliance. Additionally, Dollar Tree has increased wages, recognizing the link between wage levels, employee turnover, vacancies, and overall performance.

As with many other large retailers, Dollar Tree has encountered labour relation challenges. Nevertheless, we are encouraged by the steps the new management team has taken to address these issues. While this is a complex area, we think the company's more proactive approach should help it improve its labour relations.

Conclusion

Dollar Tree has faced challenges in areas such as product recalls, sanitation, employee safety, and labour relations in the past due to underinvestment and mismanagement. We raised these concerns because they are critical to the long-term position of the retail concept, its brand and reputation, and are material to Dollar Tree's intrinsic value. We are encouraged by the new management team's serious commitment to addressing these issues, as evidenced by their significant investments in people and processes. We will continue to track progress in these key areas. B

Badger Infrastructure Solutions Ltd.

Core Business:
Hydro vac trucks

Established:
1992

Headquarters:
Calgary, Alberta, Canada

Badger Infrastructure Solutions is a Canadian company specializing in hydro vacs—trucks with powerful vacuums that remove dirt and enable construction crews to quickly dig trenches and bury pipes and wires. Badger is the largest provider of non-destructive excavating and related services in North America. This service is crucial for sectors such as construction, energy, and utilities, where precise and safe excavation is required.

In our research, we identified key ESG issues that could materially affect our investment in the company. These include Badger's use of water resources, waste management, carbon emissions, and employee health and safety.

To address these issues, members of Burgundy's Canadian Small-Cap Equities and Sustainability teams met with Badger's CEO, CFO, and Chief Sustainability Officer.

Water Stewardship

Water is a critical resource for Badger, as its hydro vacs rely on water to safely excavate soil surrounding critical underground infrastructure. Given that some of areas in which Badger operates, such as parts of California, are already experiencing high levels of water stress, the sustainable use of water resources is an important consideration. Excessive water usage exposes the company to risks such as conflicts with local communities, regulatory fines, increasing costs due to water scarcity, and reputational risk.

Badger's management team acknowledged this issue and is addressing it in two ways:

1. ESTABLISHING A WATER USAGE BASELINE

- This entails tracking water usage across its fleet, manufacturing facilities, and offices. Badger has engaged a third-party provider to conduct an analysis of its water usage and assist senior leadership in developing strategic recommendations for improving water stewardship.

2. EXPLORING THE USE OF AIR AS A SUBSTITUTE FOR WATER IN ITS EXCAVATION PROCESS

- The company has made significant investments in developing Airvac technologies, which eliminate the need for water during operations while offering the same non-destructive benefits as regular hydro vacs.

We believe Badger's management is taking meaningful steps to address the risks associated with its reliance on water resources. By establishing a baseline for its water usage, the company is laying the foundation for informed water reduction actions. We think the development of Airvacs could contribute to reducing Badger's water footprint over time as well. We will continue to monitor the development of this technology and track the company's progress in managing its water usage.

Waste Management

During soil excavation, the Badger Hydrovac produces slurries—a mixture of soil, water, and debris—that require careful handling and disposal. Improper disposal of these slurries can lead to regulatory fines, conflicts with local communities, and reputational damage, all of which can be financially material.

Badger's management has recognized this risk and taken steps to ensure slurries are recycled, treated, and stabilized appropriately based on their composition and in adherence with materials management regulations. To support these efforts, Badger has developed a system that evaluates client and third-party disposal sites for compliance with local regulations. The company also recently introduced an electronic bill of lading tool, which generates detailed reports outlining the composition, volume, location, and individuals responsible for the disposal of customer materials.

The use of Airvacs is also beneficial to Badger's waste management efforts since Airvacs extract dry soil, which can be used to refill the same hole or deposited on the same site, thereby eliminating the need for special treatment of excavation waste.

We are reassured by the initiatives and controls Badger has put in place to ensure that slurries produced by its Hydrovacs are safely disposed of. The combination of its risk management system, electronic reporting tools, and innovative Airvac technology demonstrates the company's commitment to improving its waste management practices.

Carbon Emissions

Badger's heavy-duty excavation fleet runs primarily on diesel, which is a significant emitter of carbon. High levels of emissions not only damage the environment but also expose the company to the transition risks of climate change, such as carbon taxes.

Badger is in the early stages of measuring its carbon emissions and developing strategies to reduce emissions. The company has engaged a third-party provider to improve its baseline reporting of Scope 1 and Scope 2 emissions, benchmark its current performance against peers, and develop recommendations to advance its decarbonization efforts.

Some of Badger's initiatives to reduce water usage and efficiently dispose of waste have also had a positive impact on reducing its carbon emissions. The use of Airvacs reduces the number of trips taken between client locations and regulated disposition sites, as the dry soil extracted by Airvacs can be recycled on the client site. Additionally, Badger's electronic bill of lading tool helps improve the routing and dispatching of its excavation fleet, resulting in lower overall emissions. Badger has also integrated hybrid pickup trucks into its light-duty fleet and is developing heavy-duty excavation vehicles that run on alternative fuels to reduce its emissions.

Despite these positive developments, we are disappointed by Badger's emissions reduction plan. We will continue to monitor Badger's progress in this area and assess the impact of its ongoing initiatives.

Employee Health & Safety

Employee health and safety is an important consideration for Badger, given the nature of the work and equipment used by operators. Poor health and safety practices not only put employees in harm's way but can also cause safety incidents, which can lead to operational disruptions, regulatory fines, employee lawsuits, and increased employee turnover.

Badger is the largest player in the industry, with a fleet that is more than 10 times the size of the next largest firm. Badger's scale enables it to run Badger University, a comprehensive training program that all its operators participate in. Through this training program, Badger operators are taught best-in-class safety behaviours and practices, instilling a culture of safety in the organization.

In addition, Badger has invested in the Lytx DriveCam system used in its vehicles. This system uses artificial intelligence and machine vision to identify and notify drivers of risky road behaviours in real-time. These instances of risky behaviour are recorded and used by managers to coach drivers on road safety best practices.

To reinforce its commitment to safety, Badger has linked part of each executive officer's bonus to three measures of employee safety: (1) recordable incident rate, (2) vehicle incident rate, and (3) behaviour-based observations. Badger's CEO reinforces the importance of safety by starting every investor earnings call with a discussion on employee safety.

We believe that Badger is taking the right approach to employee health and safety by being proactive. The company has demonstrated its commitment to this issue by linking health and safety metrics to executive compensation.

Conclusion

During our call with Badger's CEO and CFO, we were encouraged by their depth of knowledge and the emphasis they placed on ESG topics. We believe Badger has shown a strong commitment to addressing the ESG issues we identified in our research, and we will continue to monitor the company's progress on these and other ESG matters. B

INVESTMENT TEAM TRAINING

Carbon Emissions & Climate Change Policy

For this year's annual ESG training session, we virtually hosted Dr. Michael Mehling, Deputy Director of the Center for Energy and Environmental Policy Research at MIT. An energy and environmental policy expert with over two decades of experience, Michael spoke to our Investment Team about GHG emissions and climate change regulation.

Several of our portfolio companies have set interim and long-term targets to reduce their GHG emissions in accordance with the Paris Agreement. The cost of reaching these targets can materially impact profitability, and failure to meet them can have significant reputational and regulatory implications. As a result, it is important for our Investment Team to understand the typical sources of emissions for companies, how they can be reduced, and the cost of reducing them. Climate change regulation is evolving rapidly and can have significant financial, operational, and reputational impact on our portfolio companies. It is important for our Investment Team to understand the current landscape for climate change regulation and how it is likely to evolve going forward. Below are key takeaways from the training session.

ABOUT THE SPEAKER

Dr. Michael Mehling is the Deputy Director of the Center for Energy and Environmental Policy Research at MIT and a Professor at the University of Strathclyde Law School. He also serves as a non-executive director with Ecologic Institute in Berlin, a Manager of the Konrad-von-Moltke Fund, and a founding board member of Ecologic Institute in Washington, DC, the Blockchain & Climate Institute in London, and the European Roundtable on Climate Change and Sustainable Transition in Brussels. With over 20 years of experience in energy and environmental policy, Michael has worked with government agencies, private companies, and civil society organizations across North America, Europe, and the developing world. His work focuses on instruments of energy and environmental policy, and his research interests include carbon pricing, international climate negotiations, comparative energy and climate policy, and the drivers and conditions of energy transitions.

Sources of Emissions

GHG emissions are generally categorized into Scope 1, Scope 2, and Scope 3. We evaluate companies within this framework, as it aligns with the nature of emission reduction commitments companies typically make and how they are evaluated by regulators.

SCOPE 1: DIRECT EMISSIONS

Scope 1 emissions are direct emissions generated within a company's facilities and are under its direct control. These emissions mainly result from the combustion of fossil fuels, the use of oil and gas for on-site heating, and refrigeration. Scope 1 emissions tend to be significant for companies in the oil and gas, transportation, mining, and industrial manufacturing sectors, whose operations are energy-intensive or rely heavily on fossil fuels.

SCOPE 2: INDIRECT EMISSIONS

Scope 2 emissions are indirect emissions related to energy use that are not produced on site. These emissions come from the energy procured from outside the company's facilities, such as electricity from the grid. Scope 2 emissions tend to be significant for companies in retail, commercial real estate, technology, and financial services sectors, which rely heavily on purchased electricity for operations.

SCOPE 3: VALUE CHAIN EMISSIONS

Scope 3 emissions are value chain emissions that occur outside a company's direct control and facility boundaries. These emissions are categorized into upstream and downstream emissions. Upstream emissions include those associated with the production and transportation of raw material inputs and staff commutes. Downstream emissions include emissions from the transportation, use, and end-of-life disposal or recycling of products. Scope 3 emissions are typically significant for companies in the consumer goods, food and beverage, and automotive sectors, due to their extensive supply chains and the emissions generated throughout the product lifecycle—from use to disposal. Most companies focus on Scope 1 and Scope 2 commitments because they have direct control over these emissions, making them easier to manage and reduce. In contrast, Scope 3 emissions involve the broader value chain, which is outside the company's direct influence. Measuring Scope 3 emissions is also more complex, requiring data from external sources and collaboration with partners, making it harder to set and achieve actionable targets.

How Companies Can Reduce Emissions

While sources of Scope 1, 2, and 3 emissions vary across companies and industries, Michael outlined certain steps companies can take to reduce their emissions:

SCOPE 1

Companies can reduce Scope 1 emissions by switching to renewable energy sources, using alternative fuels, transitioning to electric vehicles, improving energy efficiency, and upgrading refrigeration systems. The following are examples of the techniques some of our portfolio companies are using to reduce Scope 1 emissions:

- **Badger Infrastructure** is developing heavy-duty excavation vehicles that run on alternative fuels and introducing hybrid pickup trucks into its light-duty fleet to reduce its Scope 1 emissions
- **Canadian National Railway** is investing in more fuel-efficient equipment and is exploring the use of cleaner fuels to run its locomotive fleet.

SCOPE 2

Companies can reduce Scope 2 emissions by switching to renewable electricity, improving energy efficiency in buildings and operations, implementing energy management systems, and generating renewable energy on site. The following are examples of the techniques some of our portfolio companies are using to reduce Scope 2 emissions.

- **Dollar Tree** has equipped 99% of its stores with energy management system technology and LED lighting.
- **Ahold Delhaize** (supermarket chain) is installing solar panels to power its stores.
- **Amazon** (e-commerce and cloud) and **Alphabet** (Google's parent company) are two of the largest purchasers of renewable energy in the world.
- **Carrier Global** (HVAC company) helps its consumer and commercial customers reduce their Scope 2 emissions by providing intelligent energy solutions that control heating, cooling, and lighting based on usage.

SCOPE 3

Companies can reduce upstream emissions by collaborating with suppliers to decarbonize processes, optimize logistics, and minimize waste, such as through more sustainable packaging. Downstream emissions can be reduced by designing low-emission products, optimizing packaging, and ensuring that products are recyclable or have a smaller environmental impact at the end of their lifecycle. The following are examples of some of the techniques our portfolio companies are using to reduce Scope 3 emissions.

- **Nestlé** and **Mondelez** work closely with farmers to promote sustainable agricultural practices and with suppliers to improve energy efficiency, helping to reduce their upstream emissions.
- **Procter & Gamble** (consumer goods company) has invested significantly in reducing downstream emissions through product innovations that use less product per use, reducing packaging, and supporting circular economy initiatives such as recycling and waste reduction.

Cost of Reducing Emissions

Michael explained that the cost to reduce emissions is difficult to forecast and varies greatly by company and industry. For some companies, reducing emissions can actually save the company money, while for others, it can be a substantial cost. For example, switching from incandescent to LED lighting can lower electricity bills over time, while advanced technologies like direct air capture for carbon removal can be expensive. He provided the Investment Team with the following guidelines to consider when evaluating the potential cost for a company to reduce its emissions:

INDUSTRY TYPE

Emission reduction costs vary by industry, depending on the source of emissions. Industries that rely heavily on fossil fuels, such as oil and gas or heavy manufacturing, tend to face higher costs due to the need for more intensive changes to processes, equipment, and energy sourcing.

COMPANY-SPECIFIC FACTORS

Emission reduction costs depend on company-specific factors, such as scale of operations, existing infrastructure, and supply chain complexity. The cost of reducing emissions for companies with widespread operations, outdated infrastructure and complex supply chains, for instance, will be higher.

AVAILABILITY AND AFFORDABILITY OF SOLUTIONS

Innovations in technology have made some emission reduction solutions more accessible and affordable, such as renewable energy. Other solutions, such as carbon capture and storage are still very costly.

REGULATORY REQUIREMENTS AND INCENTIVES

Local climate regulations such as carbon pricing, emissions targets, and environmental standards can drive up costs, while incentives such as subsidies and tax credits can help mitigate higher costs.

The State of Climate Change Regulation

Understanding the state of climate change regulation in the regions in which we invest is important because these regulations can impact companies' operating costs, compliance risks, and brand value, which can all be financially material.

Michael explained that the regulatory landscape is complex and varies widely across regions. Governments are becoming more involved in emissions reporting and accounting standards, resulting in a patchwork of regulations. For instance, the EU and the U.S. have developed distinct frameworks, which can lead to confusion, add complexity, and increase costs for the global companies in which we invest.

In particular, Scope 3 emissions have been contentious. This is due to the complexity of assigning responsibility for these emissions across the value chain, as these emissions are typically the Scope 1 or Scope 2 emissions of multiple other companies. The EU's Corporate Sustainability Reporting Directive is the most comprehensive, mandating the reporting of Scope 1, 2, and 3 emissions. We have engaged with our holdings in Europe, such as **Nestlé, Heineken,** and **Unilever,** on their approaches toward reporting and reducing their Scope 3 emissions. The controversial SEC climate disclosure rule in the U.S., meanwhile, proposes the reporting of only material Scope 1 and 2 emissions.

Burgundy's focus on investing in competitively advantaged, quality companies generally steers us away from upstream commodity-type businesses, which are often large carbon emitters and the target of carbon regulations. As we show in the next section, our portfolios have a much lower carbon footprint than their benchmark indices.

Carbon regulations will continue to evolve, and we will need to assess how they will impact the operating environment of our portfolio companies. Yet, it is not only regulation that drives change; innovation and new technology will be critical to carbon reduction. Adaptable and well-managed companies will be in a better position to navigate this evolution. B

CARBON EMISSIONS UPDATE

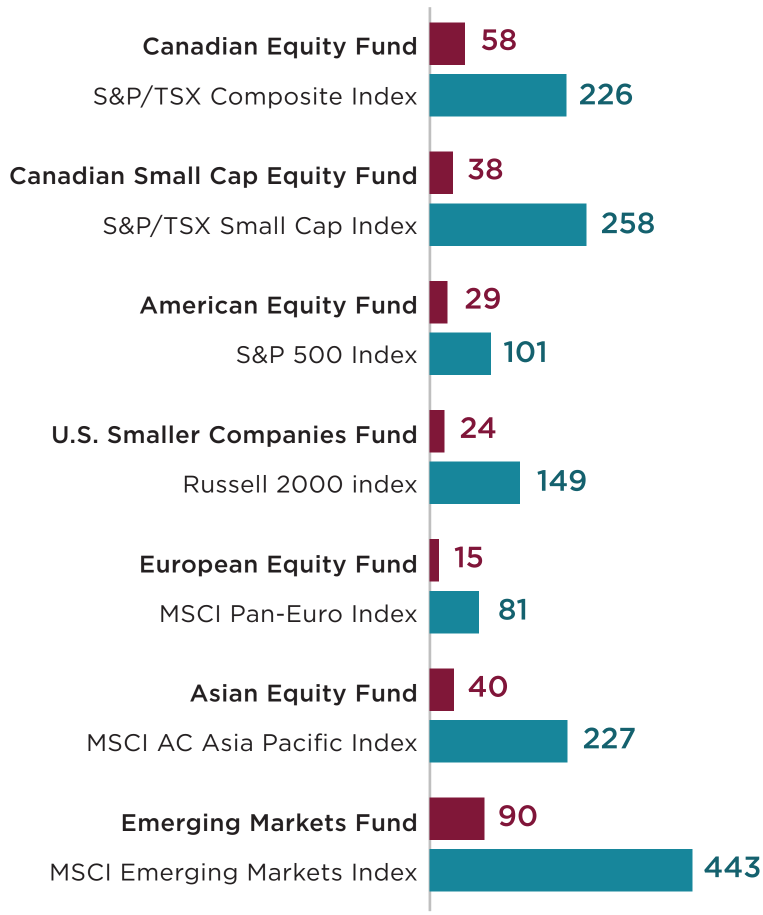
Our Portfolios Compared to the Market

Carbon emission data is generally reported using a metric called the weighted average carbon intensity (WACI). The WACI measures a portfolio's carbon intensity relative to its revenue, expressed in tonnes of carbon dioxide equivalent per million dollars of revenue (tCO2e/$M). This allows for comparisons of carbon footprints across companies of different sizes.

The figure to the right shows the WACI of our portfolios against those of the broader market as represented by their respective benchmark indices.*

The data shows that our portfolios have a much lower carbon footprint than the broader market indices overall, by a factor of over five on average. This is a byproduct of our investment approach, which focuses on investing in high-quality businesses. Our Portfolio Managers do not manage their portfolios with top-down carbon targets in mind. However, by focusing on wealth-creating businesses that have strong economics and competitive advantages, we tend to avoid upstream commodity-type businesses, which are often large carbon emitters. This approach naturally aligns with relatively low carbon intensity.

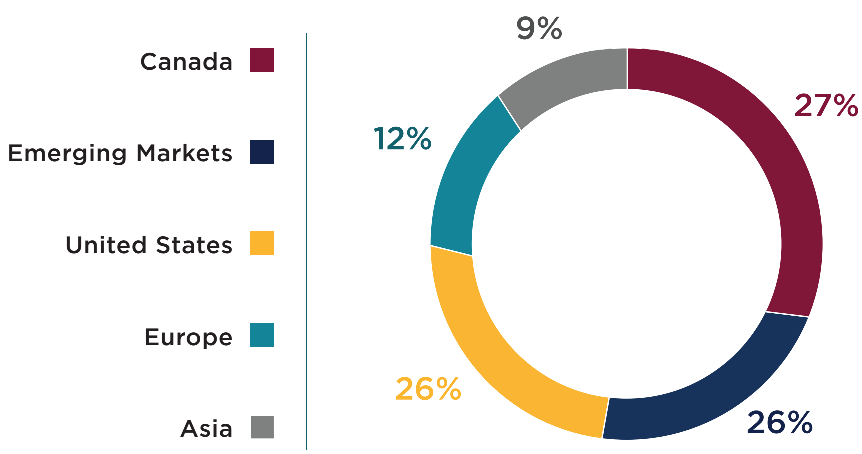
Weighted Average Carbon Intensity (WACI) of Burgundy Portfolios vs. their Benchmarks



*Emissions intensity data as of September 30, 2024, sourced from Sustainalytics.

Proxy Voting

Proposals Voted by Region*



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 view proxy voting as an important stewardship tool and an integral part of our ongoing dialogue with the companies in which we invest. We take this responsibility seriously and vote on all proxies with our clients' best interests in mind.

Our approach to proxy voting is guided by our Proxy Voting and Stewardship Policies. Our Proxy Voting Policy describes how voting is conducted and includes a set of Proxy Voting Guidelines that provide a framework for Portfolio Managers to follow when voting. Our Stewardship Policy offers a framework for Portfolio Managers to apply our stewardship tools, including engagement and proxy voting, to protect and grow our clients' capital over the long term.

For the year ended June 30, 2024, we voted in 345 meetings and on over 3,800 proposals across the regions in which we invest. Of these, 143 were shareholder-initiated proposals. We voted in favour of 23% of these. We also voted on other topics, including management compensation, board appointments, mergers and acquisitions, and capital structure. As has always been the case, our Portfolio Managers decide how to vote on each proposal after carefully assessing whether it would create long-term shareholder value. The figure above shows the regional distribution of our voting activity. B

For the year ended June 30, 2024

Living Our Values

It isn't just about how we invest—it's also about how we operate as an organization. We are pleased to share some of our ongoing initiatives and showcase a few of this year's notable achievements.

Burgundy at a Glance*

147	41	83%	33	4
Number of employees	Average employee age	Shareholder percent	Number of countries of origin (employees)	Employee locations: Toronto, Montreal, Vancouver, and Tokyo

*As at December 31, 2024.

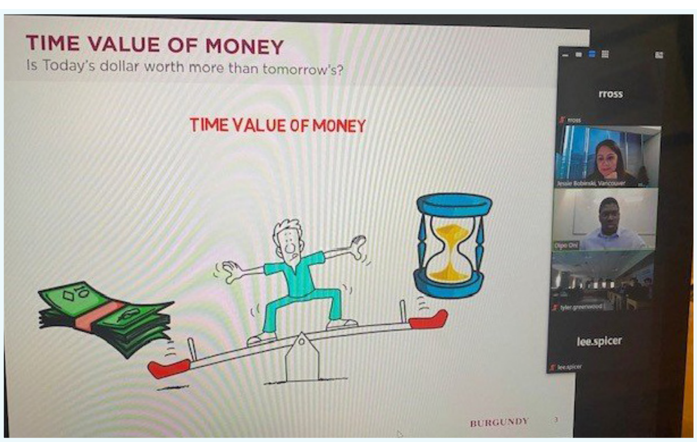
Philanthropy & Community

As highlighted in prior reports, Burgundy's longstanding tradition of giving permeates the culture of the firm. Our employees lend both their time and skills to support causes close to their hearts, volunteering with various charitable organizations and at community events. Burgundy further supports the philanthropic efforts of our people through our employee donation matching program, an initiative that allows Burgundy employees to amplify their personal contributions to the causes that matter most to them. In 2024, 55% of employees participated in Burgundy's Donation Matching Program.

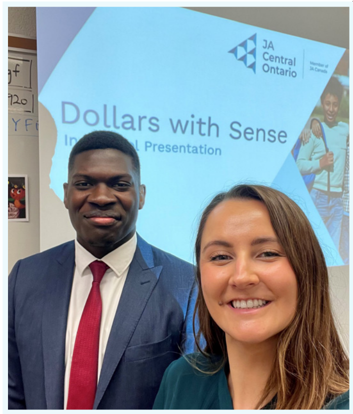
SHARING EXPERTISE AND SHAPING FUTURES

At Burgundy, we believe in sharing our knowledge and expertise to empower communities with opportunities they might not otherwise have, inspiring students to explore careers in business and finance through accessible education. We are working to achieve this through a few important initiatives.

Connected North: Through our partnership with Connected North, a program that connects students in remote areas with global learning opportunities via technology, and TakingITGlobal, which empowers youth with education and skills, Burgundy designed the personal finance course "How to Think Like a Business Owner." This year, Burgundy team members hosted the course at four Indigenous schools across Canada, covering key concepts such as equity, borrowing (good debt vs. bad debt), and entrepreneurship.



Junior Achievement: This past spring, Burgundy employees continued our work with Junior Achievement (JA), an organization dedicated to empowering youth with the skills and confidence they need to succeed. Burgundy team members spent a day in local classrooms teaching Grade 7 students financial basics through JA's "Dollars with Sense" program, reaching 150 students and providing them with essential financial literacy skills.



ADDITIONAL HIGHLIGHTS:

- **Engagement workshops:** Burgundy hosted a Quality/Value Investment workshop with the GEM (Girls Early Mentorship) program, showcasing skills and career opportunities in asset management.
- **Women in Investing:** Burgundy's Women in Investing Club marked its sixth year.
- **Scholarships:** Burgundy awarded monetary scholarships to the Ozija Thiha Education Trust, Onion Lake Education Trust Fund, and the Girls Early Mentorship Program. Additionally, Burgundy contributed to nursing scholarships through the Bethany Care Foundation.
- **Up the Down Stock Competition:** Burgundy participated in this Bay Street fundraiser supporting the Down Syndrome Foundation.
- **Habilitas Foundation:** Burgundy donated $12,000 to the Habilitas Foundation, which works with individuals of all ages living with physical disabilities and sensory impairments.

COMMUNITY ENGAGEMENT HIGHLIGHTS

Throughout the year, numerous Burgundians ventured out into the community to participate in charitable initiatives.

Why We Ride: As in past years, Burgundians took to the streets to participate in the largest cycling fundraiser in Canada. In June, a team of 36 Burgundy employees took part in the 2024 Ride to Conquer Cancer. With their own fundraising, and thanks to support from Burgundy's Co-Founder Richard Rooney, the team raised over $600,000 on behalf of Princess Margaret Cancer Foundation. As Burgundy's Head of People and Talent, highlights, "The Ride to Conquer Cancer is not just an event. It's a transformative experience that redefines team building. It's a secret recipe for creating a cohesive, resilient, and inspired team, ready to face any challenge together."

Tree Canada:
In the spring, a group of Burgundy employees, armed with shovels and buckets of mulch, spent a couple of hours at a sloping planting site in Markham, Ontario, where they helped plant over 100 trees. This event was in collaboration with Tree Canada, a non-profit dedicated to improving the environment by planting trees across Canada.

Burgundians were also involved in several other fundraising and volunteer activities throughout the year. Organizations supported through these efforts included:

- Canadian Cancer Society
- Cystic Fibrosis Canada
- St. Michael's Hospital
- Make-a-Wish Canada

An Update from the BLF—Our Private Giving Program

The Burgundy Legacy Foundation (BLF) was established in 2020 as a platform for philanthropy. The mission of the BLF is to inspire a better world by advancing philanthropy and supporting the generosity of Burgundy's employees, clients, and company. Through this platform, we aim to promote and facilitate philanthropic endeavours that align with the values of Burgundy, rooted in the fundamental principles of responsibility, knowledge, and community.

In 2023, the BLF introduced a Private Giving Program. Comprised of a donor-advised fund (DAF) platform, the Private Giving Program provides a simple and convenient way for Burgundy clients to meet their philanthropic needs and interests. To learn more about the BLF and its Private Giving Program, visit the foundation's website and keep an eye out for the 2024 report coming this spring.

2024 BURGUNDY BALL

This year, we introduced a new initiative at our holiday party in Toronto, where each guest received a token upon check-in to choose a recipient charity, allowing them to participate in the spirit of giving. Through the Burgundy Legacy Foundation, donations were directed to three Canadian charities addressing today's most urgent needs: mental health support through the Canadian Mental Health Association (CMHA), poverty relief through Food Banks of Canada, and support for children through the Breakfast Club of Canada.

Event Spotlight: Minerva Summit

On October 29, 2024, we hosted our second annual Minerva Summit, where the Women of Burgundy community gathered to discuss a topic garnering a lot of attention these days: the healthspan-lifespan gap. This gap, which disproportionately affects women, highlights challenges in managing health and financial needs. During the event, experts in psychology, healthcare, investing, financial planning, long-term care planning, and philanthropy offered their insight into this complex and evolving area.

Stay tuned for the eighth issue of Minerva magazine this spring to explore the insights from this event.

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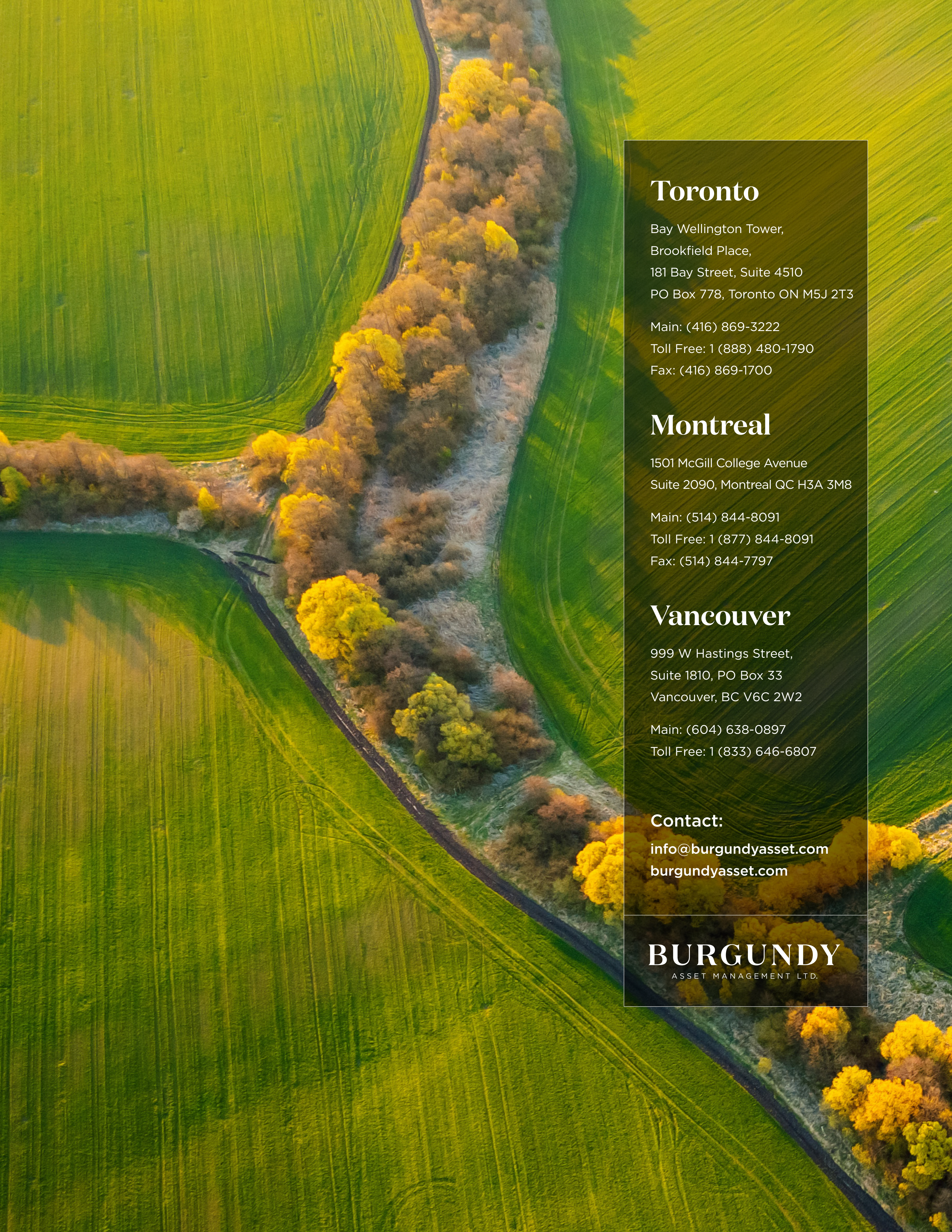

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