

KEY POINTS FROM THE PAST YEAR

- Given the lack of standardization, investors today are facing a complex ESG landscape.
- We are focused on three primary areas: engagement, expert opinions, and proxy voting.
- ESG engagement is integrated alongside our overall investment approach as opposed to being an ESG initiative in and of itself.
- It is our responsibility to incorporate ESG to preserve and grow your capital.





ESG INTEGRATION

Message from our CIO

Focused on Integration and Engagement.



BY: ANNE METTE
DE PLACE FILIPPINI [↗](#)

SENIOR VICE PRESIDENT,
CHIEF INVESTMENT OFFICER,
PORTFOLIO MANAGER

In [last year's report](#) [↗](#), we highlighted the ambiguity investors face when it comes to ESG. Amid a plethora of competing terms, ratings, and approaches, it is no wonder people (ourselves included) are left scratching their heads.

In the [spring 2022 article](#) [↗](#) "An investigation into the murky world of ESG ratings," the Globe and Mail discussed how a lack of standardization and regulation creates confusion for investors. The article points to the distressing reality that since ratings providers employ such a range of measuring tactics, "the same company can be judged as both an ESG leader and a laggard, depending on who's doing the measuring."

The challenges with ESG ratings reinforce why Burgundy favours bottom-up integration, which means our portfolio teams assess ESG factors when analyzing the risks and opportunities of a potential investment.

We do not apply blanket ESG screens, which would preclude our investment team from investing in certain companies and sectors, and while we may review ESG ratings as a sound check, we rely on our own research to guide us. Our regional investment teams' rigorous and fundamental research includes engaging with management teams, fact checking through expert opinions, and messaging through proxy voting to get to our primary goal of achieving risk-adjusted returns.



Engagement

When it comes to our integrated investment approach, a critical aspect is engagement, which involves interacting with the management teams of both our portfolio and prospective companies and asking them ESG questions directly. Last year, our regional teams conducted roughly 260 engagements with portfolio companies.

As we weave ESG factors into our research approach, engagement plays a key role. In this year's report, we review how our investment team engages with companies, gains information, and attempts to use that information to elicit positive change. Discussion topics include the global transition to cleaner energy, diversity among management and employees, and board member selection.

Expert Opinions

While engaging directly with companies and management is vital to our integrated approach, we also use experts to help us assess ESG risks. Talking to people who are at an arm's length to the company, including competitors, customers, ex-executives, and suppliers, helps us remain balanced in our ESG analysis.

These individuals make up a group that we call our expert networks, which is Burgundy's largest annual research expenditure. Last year, we conducted more than 500 one-on-one calls and reviewed more than 1,000 expert call transcripts. In this year's report, we share examples of how expert networks helped us assess social media's impact on society and how carbon offset credits are impacting the consumer products and transportation industries.

Proxy Voting

To ensure that corporate decisions are made with the long-term interests of all stakeholders in mind, and we have considered this our duty since we were founded. Here, Burgundy casts a ballot on behalf of our clients around various shareholder resolutions such as the election of the directors and capital allocation discussions.

Last year, we voted in roughly 430 meetings. Increasingly, we are seeing environmental and social resolutions being put forward by other shareholders. This is another opportunity for us to send a message to the management team. This year's report highlights the significance of proxy voting by sharing how our regional teams consider ESG factors when casting their votes. Examples include reporting on greenhouse gas (GHG) emissions, disclosure and enhanced oversight/risk controls for large-cap technology, as well as formally disagreeing with a proposed acquisition.



Burgundy will continue to reflect and adapt to do what is best for you, our clients."



Looking Ahead

At Burgundy, our primary objective to our clients is to deliver attractive, risk-adjusted long-term returns. To this end, we think it is our responsibility to incorporate all factors, including environmental, social, and governance factors, in our perpetual pursuit of building portfolios of quality companies.

Since 2019, we have been signatories of the United Nations Principles for Responsible Investment (UN PRI), which has helped us further refine our ESG integration and engagement approach. In June 2022, Burgundy reached another milestone in our ESG journey when we formed a dedicated Sustainability team. Led by Jaclyn Moody, Vice President, Head of Sustainability & Institutional Services, and Yasin Salyani, Analyst, Sustainable Investing, the goal of this team is to support Burgundy's ESG integration process by providing a dedicated resource to the

investment team for ESG-specific research and engagement and to serve as a centralized location at the firm for all matters relating to responsible investing and ESG. The newly formed Sustainability Advisory Council will govern the team. The Council is comprised of Burgundy's Chief Executive Officer, Chief Investment Officer, Director of Research, and members of the Sustainability team, formalizing the governance structure and tying the team's efforts back to Burgundy's investment team.

As we consider our learnings from the past 12 months while looking ahead, we share the sentiment that we expressed in last year's message: ESG continues to be an evolving area and, as in all aspects of our approach, Burgundy will continue to reflect and adapt to do what is best for you, our clients. **B**

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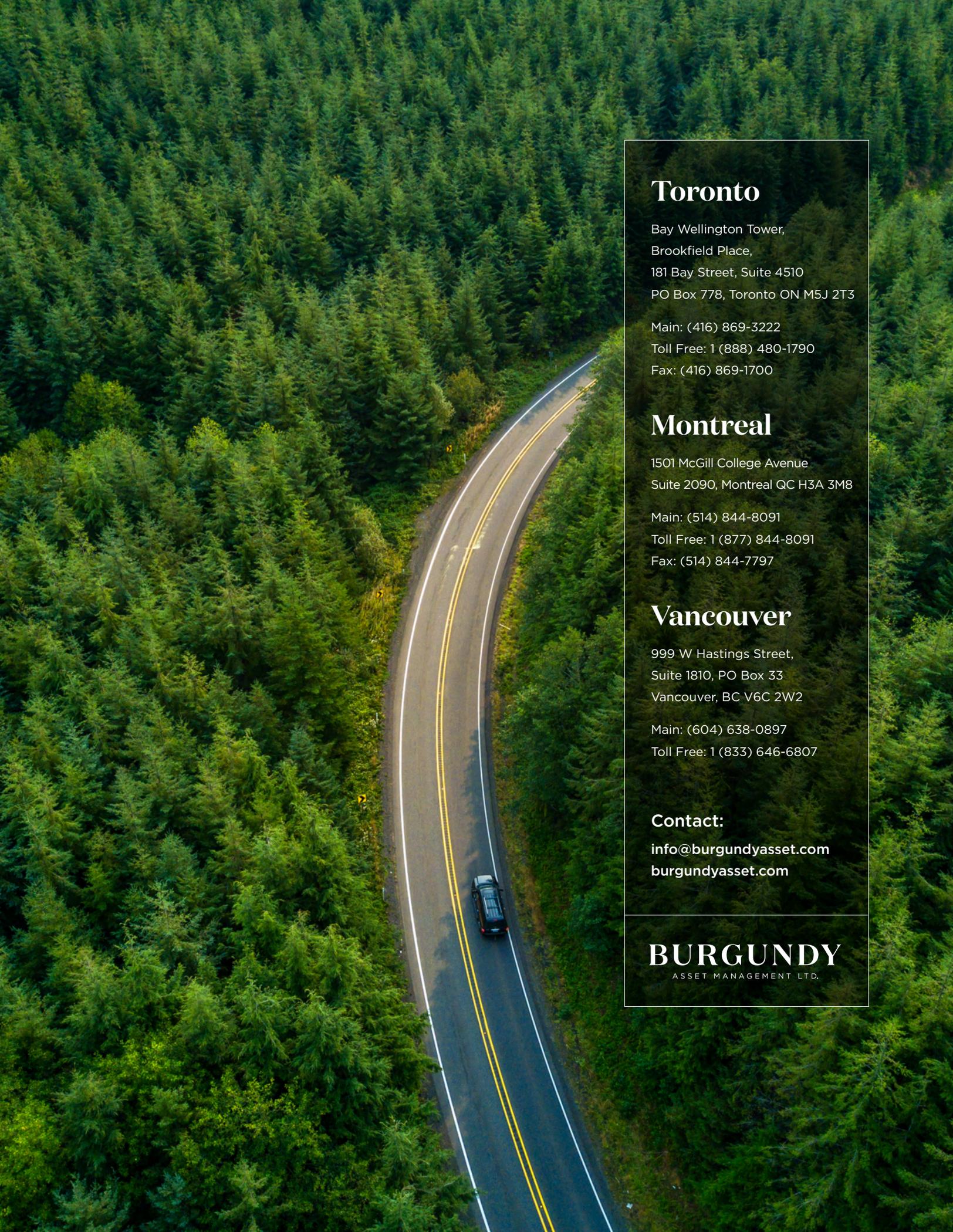
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Toronto

Bay Wellington Tower,
Brookfield Place,
181 Bay Street, Suite 4510
PO Box 778, Toronto ON M5J 2T3

Main: (416) 869-3222
Toll Free: 1 (888) 480-1790
Fax: (416) 869-1700

Montreal

1501 McGill College Avenue
Suite 2090, Montreal QC H3A 3M8

Main: (514) 844-8091
Toll Free: 1 (877) 844-8091
Fax: (514) 844-7797

Vancouver

999 W Hastings Street,
Suite 1810, PO Box 33
Vancouver, BC V6C 2W2

Main: (604) 638-0897
Toll Free: 1 (833) 646-6807

Contact:

info@burgundyasset.com
burgundyasset.com

BURGUNDY
ASSET MANAGEMENT LTD.