2023 ESG Report

BURGUNDY
ASSET MANAGEMENT LTD.

OUR APPROACH TO ESG

Contents

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Year in Review

> We are pleased to report that we made good progress in strengthening our knowledge and application of environmental, social, and governance (ESG) considerations in investing in the past year.

In last year's report, we introduced our newly formed Sustainability Team. We created this team to provide specific expertise on ESG and the ability to delve deep into sustainability issues impacting our investments. In this report, we are highlighting some of the initiatives the team has undertaken over the past 12 months, including supporting the Investment Team by providing research and data, training, and participating in company engagement. The team also reviewed and updated our ESG policies (which we have included in this report) and led our submission to the UN PRI.

Many of our clients have been asking us about our portfolios' carbon emissions. Over the past year, we have collected and analyzed emissions data for our portfolios compared to the market. The data shows that our portfolios have much lower carbon footprints than the broader market indices overall. We are highlighting these and other findings from our research in the carbon emissions section of this report.

We are also featuring a summary of our Investment Team's training session on carbon credits. As companies look for ways to achieve their net-zero targets, carbon credits look like a relatively cheap and easy option; however, as we found out, there is more to carbon credits than meets the eye.

We are highlighting key takeaways from our engagement with Nestlé, a company we have held in our European and Global Equity portfolios for many years. This engagement brings to life our investment process and the interaction of our Sustainability and Investment teams. We had an extensive discussion with sustainability leaders at Nestlé on various climate-related considerations which we came across during our research.

We are also sharing observations from our Emerging Markets team, who witnessed opportunities in the rapidly growing electric vehicle (EV) market in China during their visits to the country this year. The team observed firsthand the number of EVs on the roads and met with many of the manufacturers of vehicles and components that go into EVs. They shared their findings with the rest of our Investment Team as the accelerating adoption of electric vehicles has impacts across many industries we invest in in other geographies.

This year, our report also includes how we at Burgundy live our values. We have long embraced the idea that diversity of thought fuels our ability to generate excellent returns for our clients. As highlighted in the section on diversity, equity, and inclusion, we continue to make progress in our initiatives here.

Our section on philanthropy and community speaks to some of Burgundy's ongoing initiatives, including our participation in the Ride to Conquer Cancer and our involvement with Food Banks Canada. This portion also provides an update on the Burgundy Legacy Foundation and its Private Giving Program.

Burgundy has always taken a thoughtful approach towards all aspects of investing. Our approach to ESG 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's best for our clients.

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ESG Oversight & Governance

In 2022, Burgundy implemented an important milestone in our ESG journey with the formation of a dedicated Sustainability Team. We created this team to provide specific expertise on ESG and the ability to delve deep into sustainability issues impacting our investments. This team supports our Investment Team in our ESG integration process and serves as a centralized location at Burgundy for all matters relating to sustainable investing and ESG.

The Sustainability Team is governed by our Sustainability Advisory Council, which is comprised of senior leaders at Burgundy. Members include our Chief Executive Officer, Chief Investment Officer, and Chief Compliance Officer.

The Sustainability Advisory Council is responsible for Burgundy's overall approach to ESG. Our regional investment teams, consisting of Portfolio Managers and Investment Analysts, are responsible for implementing ESG and integrating it into their investment process and decision making. We believe that the investment decision-makers must do their own ESG research for ESG to be genuinely integrated into the investment process. The Sustainability Team supports our regional investment teams in this process.

SUSTAINABILITY ADVISORY COUNCIL

ROBERT SANKEY, CFA
CHIEF EXECUTIVE OFFICER

ANNE METTE DE PLACE FILIPPINI
SVP, CHIEF INVESTMENT OFFICER

KAREN MINTZ
VP, CHIEF COMPLIANCE OFFICER & ASSOCIATE GENERAL COUNSEL

MICHAEL ELKINS, CPA, CA, CFA
VP, INVESTMENT ANALYST & DIRECTOR OF RESEARCH

ANDREW IU, CFA
VP, PORTFOLIO MANAGER

JACLYN MOODY*
VP, HEAD OF SUSTAINABILITY & INSTITUTIONAL SERVICES

YASIN SALYANI,* CFA
ANALYST, SUSTAINABLE INVESTING

*SUSTAINABILITY TEAM

Our dedicated Sustainability Team is already having an impact and has undertaken the following initiatives in the past year:

Investment Team Support

The Sustainability Team has been supporting the Investment Team with ESG-specific research, carbon emissions data, controversy alerts, and by participating in engagement with portfolio companies. We are featuring an engagement with Nestlé in this report.

Training

The Sustainability Team led a training session for the Investment Team on carbon credits. The training covered net-zero commitments made by companies, the use of carbon credits to achieve these targets, issues associated with carbon credits, and the potential reputational damage from greenwashing. We are featuring a summary of this training session in this report.

ESG Tools and Resources

We made investments in new ESG tools and resources to augment our own ESG research and data. We added Sustainalytics to our toolkit because of the depth of research and suitability of data provided. While Sustainalytics also provides ESG risk ratings, we pay more attention to the underlying research they provide rather than take their ratings at face value. We believe it is our responsibility to identify and evaluate ESG factors and come to our own independent judgement. We also use Sustainalytics for carbon emissions benchmarking data, which we illustrate in the next section.

In addition to its work with the Investment Team, the Sustainability Team manages the firm's ESG policies and communications.

> "We believe it is our responsibility to identify and evaluate ESG factors and come to our own independent judgement."

ESG Policies

We reviewed and updated our ESG policies this year. We replaced our ESG Policy Statement with a new Responsible Investment Policy. This policy describes our overall approach to ESG in investing, our ESG guidelines, and ESG oversight at Burgundy. We also published a new Stewardship Policy, which describes our approach to engagement and proxy voting. We have included our new policies in this report.

UN PRI Submission

This year, we made our third submission to the UN-supported Principles for Responsible Investment. Burgundy has been a signatory of the UN PRI since 2019. This year's submission was led by the Sustainability Team, with support and guidance from the Sustainability Advisory Council.

Client Reporting

The Sustainability Team has been meeting directly with clients to inform and answer their questions on Burgundy's approach to ESG, including what issues we are facing, how we are addressing them, and what progress we are making with our investee companies. The team has also been responding to ESG questionnaires and providing ESG and emissions-related data to our clients. Additionally, the team has also led the creation of this report.

Burgundy's ESG Journey

2004 FOUNDING MEMBER OF THE CANADIAN COALITION FOR GOOD GOVERNANCE **(CCGG)**

2016 INVESTMENT TEAM ESG OFFSITE AND CREATED OUR ESG POLICY

2018 PUBLISHED OUR FIRST ANNUAL ESG REPORT

2019 BECAME A SIGNATORY TO THE UN PRI

2020 ENDORSED CCGG STEWARDSHIP PRINCIPLES

2021 PUBLISHED OUR FIRST CORPORATE SUSTAINABILITY REPORT

2022 ESTABLISHED OUR SUSTAINABILITY ADVISORY COUNCIL & SUSTAINABILITY TEAM

CARBON EMISSIONS UPDATE

Our Portfolios Compared to the Market

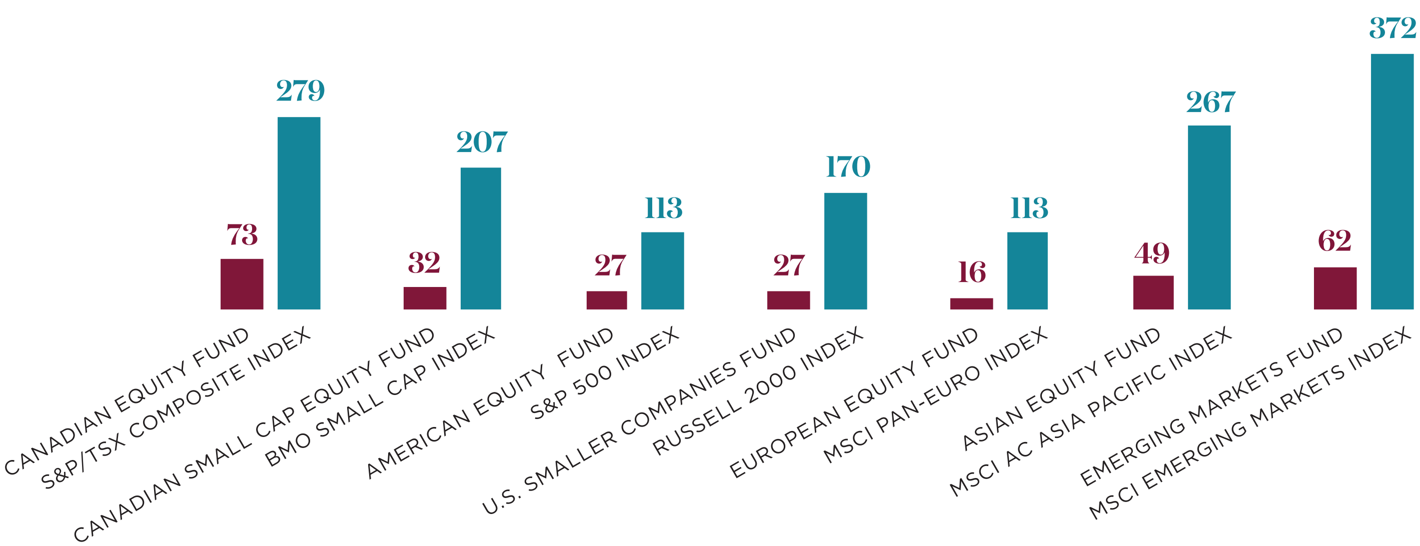
In last year's report, we showed you how some of our regional portfolios stacked up against their respective benchmarks with respect to their carbon footprint. Over the past year, we have been doing more work on collecting and analyzing carbon emissions data for our portfolios, which we would like to share with you.

Carbon emission data is generally reported using a metric called the weighted average carbon intensity (WACI). It measures the portfolio's carbon intensity per unit of revenue and is expressed as tonnes of carbon dioxide equivalent per million dollars of revenue (tCO2e/$M). This allows us to compare carbon footprints across different sized companies.

Figure 1 shows the WACI of our portfolios against those of the broader market as represented by their respective benchmark indices.[1] The chart captures Scope 1 and 2 emissions. Scope 1 emissions are direct emissions that occur from sources that are controlled or owned by the organization. Scope 2 emissions are indirect emissions associated with the purchase and use of electricity, steam, heat, or cooling by the organization.

FIGURE 1

Weighted Average Carbon Intensity of Burgundy Funds Compared to Benchmark Indices



[1]*Emissions intensity data as of September 30, 2023, sourced from Sustainalytics.*

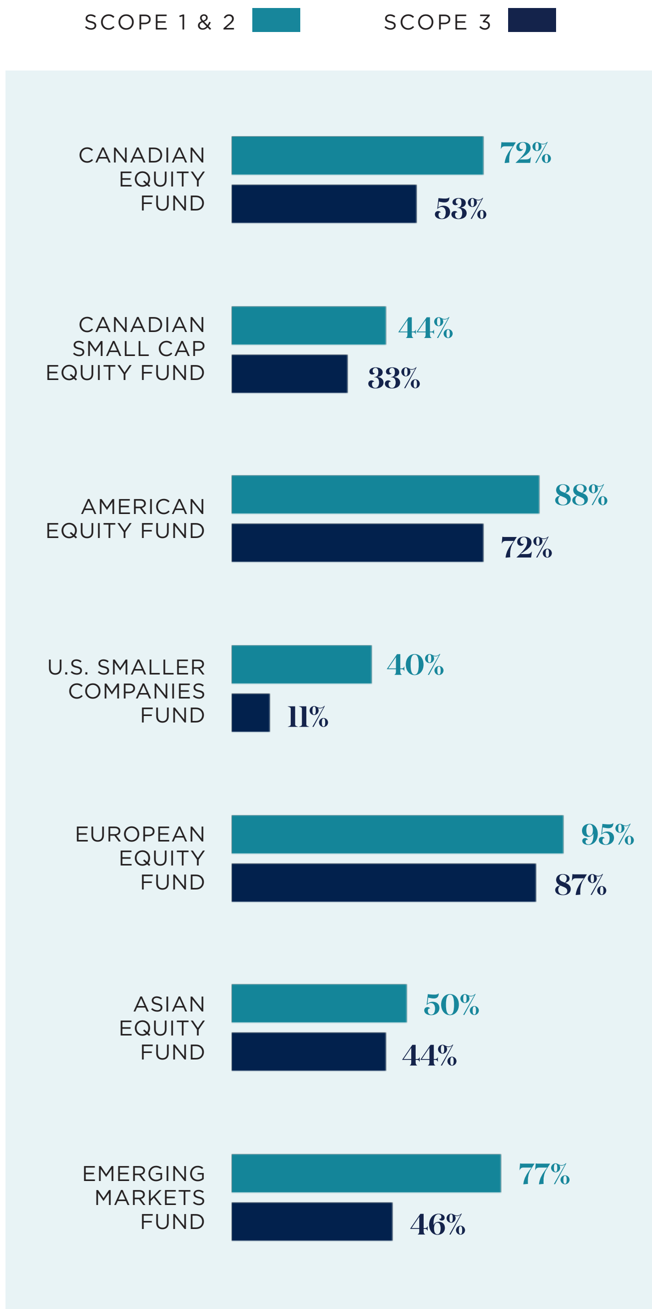
The data shows that our portfolios have much lower carbon intensity than the broad market indices. To generate a dollar of revenue, our companies emit about one-fifth of the carbon as companies in benchmark indices on average. This is a byproduct of our investment approach that focuses on investing in high-quality businesses. Our Portfolio Managers do not manage their portfolios with top-down carbon targets in mind; however, focusing on wealth-creating businesses that have strong economics and competitive advantages generally steers us away from upstream commodity-type businesses, which are often large carbon emitters. This approach aligns with relatively low carbon intensity. As you will see in the next section on carbon credits, reducing carbon emissions is a complex and costly undertaking which creates considerable risks for investors.

Carbon emission data can be broadened out to include emissions from activities and assets not owned or controlled by the organization, but that the organization indirectly impacts in its value chain. These are called Scope 3 emissions. Including Scope 3 data yields similar results to what we found in our analysis of Scope 1 and 2 emissions, with lower emissions in our portfolios compared to benchmark indices. Scope 3 data is, however, complex and costly to collect. As a result, many smaller companies do not measure or disclosure their Scope 3 emissions. Outside of European and U.S. large cap companies, less than half of our portfolio companies reported Scope 3 emissions (as shown in Figure 2).

Regulators and other stakeholders are, however, increasingly expecting companies to not only report on Scope 3, but also reduce their emissions from these sources in line with the 2015 Paris Agreement. We have been engaging with some of our portfolio companies to try to understand how they are approaching Scope 3 and dealing with challenges associated with tracking and reducing these emissions. We feature one such engagement (with Nestlé) in this report.

FIGURE 2

Percent of Companies Reporting Carbon Emissions Across Burgundy Funds

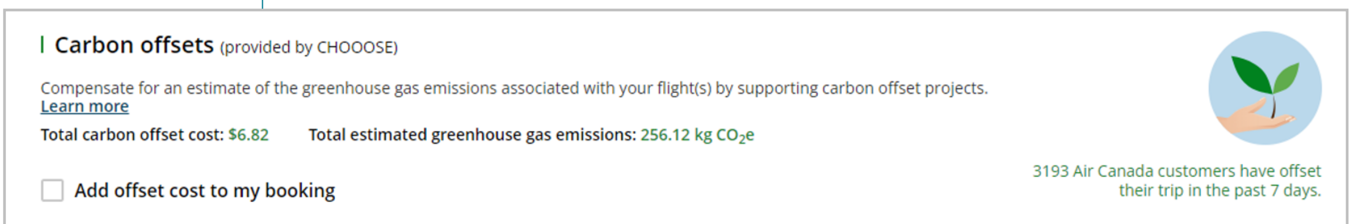


Source: Sustainalytics data, as at September 30, 2023.

INVESTMENT TEAM TRAINING

Carbon Credits

Ever come across this screen when booking your airline tickets?



Offsetting the carbon emissions from your transatlantic flight for just under $7 looks like a good deal. You get to reduce your own carbon footprint and travel guilt-free for the price of a pumpkin spice latte. Can fixing the climate crisis be that cheap and easy?

Carbon credits were the subject of our latest Investment Team training session conducted by our Sustainability Team. Many of our portfolio companies have set carbon reduction targets and carbon credits are one way to achieve these targets. This session aimed to educate our Investment Team on what carbon credits are, how companies use them, and what issues are associated with them.

Following the widespread adoption of the Paris Agreement, countries and companies have made commitments to reduce their greenhouse gas emissions in line with the goal of limiting global temperature increase to 1.5°C above pre-industrial levels. To do this, emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

Companies can meet their decarbonization targets by either reducing emissions in their operations and supply chains or by purchasing carbon credits.

CARBON CREDITS FOR EMISSIONS REDUCTIONS

EMISSION TARGETS

Companies can meet their decarbonization targets by either reducing emissions in their operations and supply chains or by purchasing carbon credits.

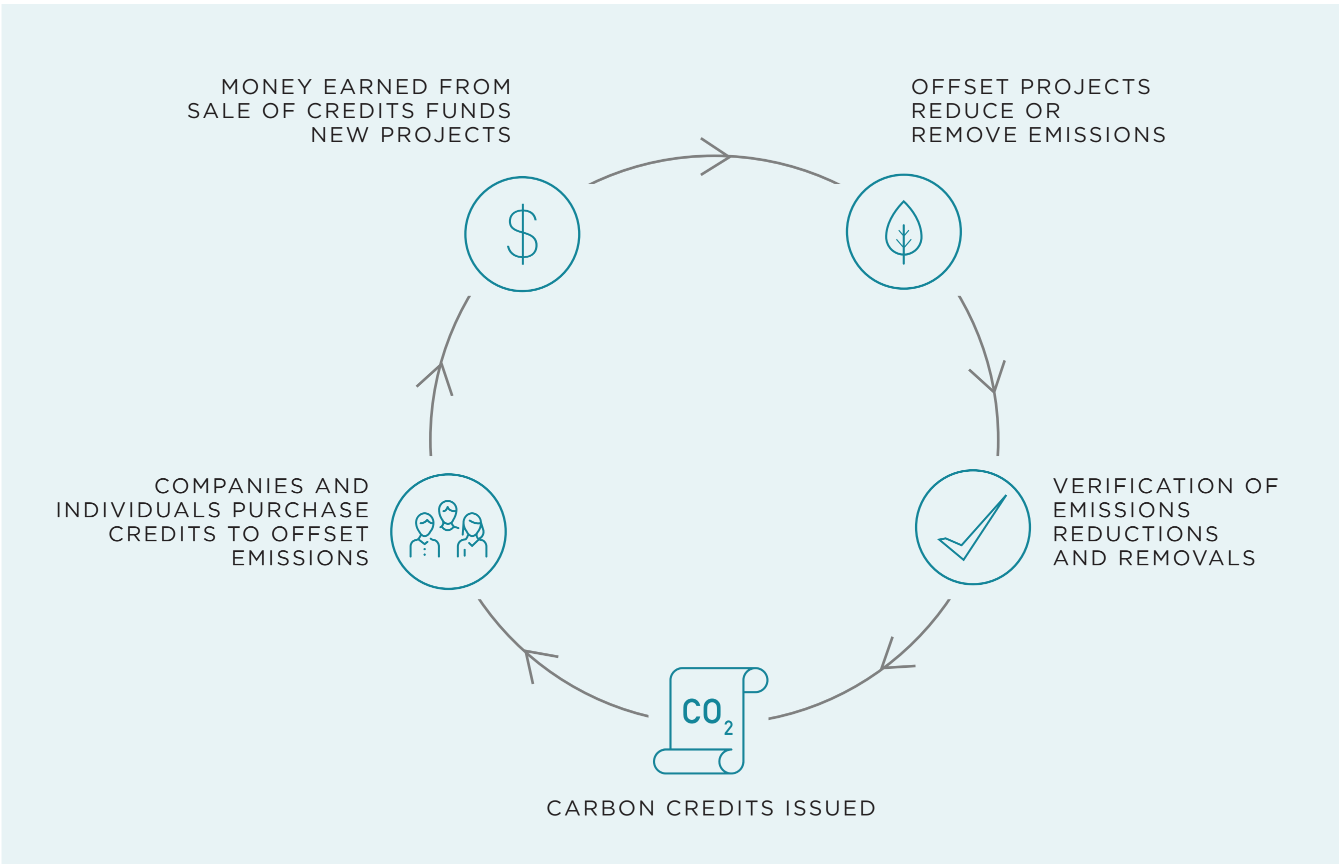
What Are Carbon Credits?

A carbon credit is a tradable instrument that certifies that a tonne of CO2 (or equivalent GHG) has been reduced or removed from the atmosphere.

Carbon offsets are produced by initiatives such as renewable energy projects to replace fossil fuels, reforestation projects, and carbon capture projects. These projects are verified by carbon offset verification agencies such as Verra and Climate Action Reserve. Once verified, the offset producing project can issue carbon credits equivalent to the amount of emissions reduced or removed from the atmosphere. These tradable credits are purchased by companies and individuals to offset their own emissions by funding emissions reductions elsewhere. This is illustrated in Figure 1.

The concept of carbon credits rests on the premise that their use facilitates the flow of capital to the most efficient and least expensive form of emission reduction, which is likely to lower emissions faster than organizations and individuals doing it themselves.

FIGURE 1



Carbon Credit Markets

There are two types of carbon credit markets – Compliance Carbon Markets (also known as cap-and-trade markets) and Voluntary Carbon Markets (See Figure 2).

FIGURE 2

Compliance Carbon Markets (CCM)	Voluntary Carbon Markets (VCM)
These are created by governments and other supranational organizations to regulate and limit carbon emissions in their jurisdictions.	This is a largely unregulated market with credits verified by independent third-party verifiers, such as Verra, Climate Action Reserve, and American Carbon Registry.
The issuing body provides limited emission allowances to companies in the carbon emitting sectors. This pool of allowances is reduced over time.	There is no limit to the number of credits issued, and these can be bought by any company or individual.
Credits are standardized and can be traded on exchanges. Companies emitting less than their allowance can sell credits to higher emitting companies. This provides an incentive for companies to reduce emissions.	Credits are not standardized and can be traded over the counter. Companies and individuals purchase credits voluntarily to offset their emissions.
There are 30 compliance markets globally, valued at $909 billion in 2022. The EU's Emissions Trading System (EU ETS) represents 87% of the market value.	While this smaller market was valued at $2 billion in 2022, it is estimated to grow to more than $500 billion by 2050.[2]
The average price of a credit in the EU ETS was $83 per tonne in 2022.	The average price of REDD+ (forestry) credits is less than $10 per tonne.

[2] *Source: Bloomberg NEF Long-Term Carbon Offset Outlook 2022 Report.*

Issues with Voluntary Carbon Credits

The voluntary credits market has come under criticism over the past year. A 2022 investigation carried out by the Guardian in collaboration with two other investigative journalism organizations revealed that more than 90% of Verra's rainforest credits (among the most commonly used by companies) are largely worthless and do not lead to carbon reductions. Other news organizations and NGOs have published similar findings about carbon credits.

The biggest issue facing credits is a lack of additionality. Additionality in this context means that emissions reductions or removals would not have occurred without the revenue from the sale of carbon credits. Additionality is vital for the credibility of carbon credits.

A majority of voluntary credits take the form of avoided emissions. An example of this is credits issued for protecting forests from being cut down. Such credits would only be additional if there was an imminent threat to the forest. However, in reality, most of these forests are not threatened and therefore there is no additionality. The Guardian investigation found that the threat to forests had been overstated by 400% on average for Verra projects and that 94% of the credits had no benefit to the climate.

A 2022 investigation by Bloomberg into renewable energy carbon credits found that most of the 215,000 offsets it investigated were not credible. These were cheap, low-quality credits that did not avoid or reduce emissions. The issue here was again one of additionality. Many of these credits were produced after solar and wind power were established as the cheapest source of energy in most countries and, therefore, selling credits to fund such projects did not provide additional benefit. The Bloomberg investigation found that these junk renewables credits averaged $2 a tonne and were even cheaper than the (also junk) forestry credits which averaged $6 a tonne.

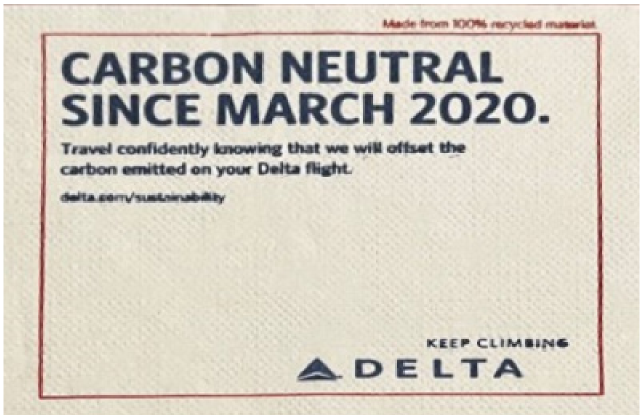
Another issue facing voluntary credits is the lack of transparency. There often isn't enough disclosure on the origination and methodologies of carbon credits. Buyers often cannot verify the impact of the credits they purchase. There is also a lack of disclosure on pricing structure and how much of the money actually goes towards the projects, with concerns about middlemen being the main beneficiaries, as highlighted in this article in the Financial Times.

Other issues include a lack of permanence (e.g., credits for protecting forests that may be cleared by forest fires), lack of standardization, negative social impacts (including human rights issues such as forced relocations), and a lack of regulation.

Implications for Investments

The recent press coverage and controversies surrounding the voluntary carbon credits industry has shone a spotlight on companies that use these credits to achieve carbon neutrality and net-zero targets. Since the adoption of the Paris Agreement, over 70 countries and more than 4,000 companies have set net-zero targets. Companies have set these targets for various reasons, including to get ahead of regulatory compliance, to meet stakeholder expectations, to attract and retain talent, and to mitigate risks. However, according to the Net Zero Tracker, an independent research consortium, over 90% of country targets and 48% of company targets do not specify if offsets will be used in their net-zero plans.

The use of junk carbon credits poses a risk of reputational damage for companies. They could also potentially be on the receiving end of greenwashing lawsuits, which would have a direct financial impact. Earlier this year, Delta Airlines (not a Burgundy portfolio company) was the subject of a class action lawsuit by consumers. The lawsuit alleged that Delta's claim that it is "the world's first carbon-neutral airline" is false and misleading because it heavily relies on junk carbon credits. Among the evidence presented was an in-flight napkin (below) on which Delta made the claim.



Source: Class action complaint document

Following the training session, we have engaged with some of our portfolio companies on their net-zero targets and use of voluntary credits.

Final Thoughts

While the voluntary credits industry is plagued by issues around junk credits, there are some pockets of the market which produce high-quality credits. These are typically in the carbon removal space through technologies such as direct air capture. The average cost of these credits is over $500/tonne (junk credits typically cost less than $10/tonne) and reflects more closely the true cost of carbon reduction. Given the risk of reputational damage from using junk credits, companies that do want to use carbon credits in the future will likely have to pay more for these higher-quality credits. In the world's quest to reduce our carbon emissions, all avenues should be open, and a well-functioning and well-regulated carbon credits industry may yet have a part to play.

You may, however, want to read the fine print before purchasing those airline offsets for the time being.

Engagement with Nestlé

Nestlé has been a Burgundy portfolio company for over 20 years. As part of our research process, we regularly engage with management to make sure our investment thesis is on track and to explore issues that could be material to our assessment of the company's intrinsic value. We have engaged with management on a variety of issues over the years, including on ESG matters.

This year, our newly formed Sustainability Team conducted an ESG-specific engagement with Nestlé in collaboration with our European Equity investment team. The engagement was the culmination of in-depth ESG-specific research conducted by the Sustainability Team. It was led by led by Yasin Salyani (Analyst, Sustainable Investing) and Mike Elkins (Director of Research and Analyst, European Equity). They met (virtually) with several important sustainability leaders at Nestlé, including its Group Head of ESG, Sustainability Strategy and Deployment, Global Head of Climate & Sustainable Sourcing, and Environmental Impact Lead Global Public Affairs.

During the engagement, we discussed a variety of ESG issues. These included Nestlé's use of carbon credits (following our learnings from the training session highlighted in the previous section), its approach to emission reductions (particularly the challenging Scope 3 emissions discussed earlier), how Nestlé's ESG function interacts with its commercial organization, the costs associated with its emission reduction objective, and how regulation impacts operations.

Use of Carbon Credits

Following our training session on carbon credits, we sought to understand whether Nestlé uses credits and whether it is part of its net-zero roadmap.

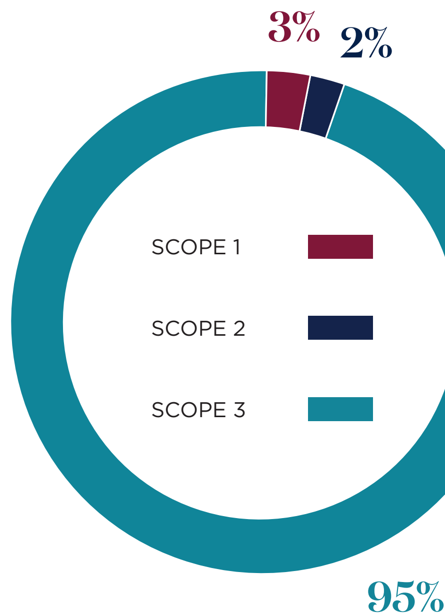
We learned that Nestlé does not use carbon credits. It has previously used high-quality restoration-based credits (as opposed to the controversial forestry and renewable credits) to offset emissions from some of its brands. However, Nestlé stopped using credits and turned its focus on investing in its value chain instead, finding this to be a more effective and efficient method of reducing emissions. Nestlé works with farmers, for instance, to promote regenerative agriculture, which helps make soil healthier by increasing soil organic matter. This improves the soil's ability to sequester carbon and helps to make food supply chains more sustainable.

Nestlé does not intend to use credits to achieve its net-zero targets either. Its focus is on emission reductions in its value chain and on carbon removals, which consists in using natural climate solutions, such as restoring wetlands, enhancing natural habitats, and planting shade trees to increase the storage of carbon in land and soils.

We believe that Nestlé has taken a thoughtful approach by investing in its value chain to achieve some of its emission-reduction targets in lieu of using the high-quality restoration-based credits it employed in the past. While the restoration-based credits were effective, we believe investing in its value chain is more practical, sustainable, and provides Nestlé with better control over the outcome. It is also likely to meaningfully improve the circumstances of the farmers and communities that Nestlé works with in this capacity.

FIGURE 1

Nestlé's Emissions by Scope (2018 Baseline)



Nestlé's Approach to Emission Reduction

Nestlé has set ambitious targets to reduce its emissions by 50% by 2030 from a 2018 baseline and to achieve net-zero emissions by 2050. In its comprehensive net-zero roadmap, Nestlé disclosed that its emissions target will cover all of its Scope 1 and 2 emissions and approximately 80% of its Scope 3 emissions. We sought to understand Nestlé's rationale for its target and how it was going to achieve it.

As a reminder, Scope 1 emissions are direct emissions that occur from sources that are controlled or owned by the organization. Scope 2 emissions are indirect emissions associated with the purchase and use of electricity, steam, heat, or cooling by the organization. Scope 3 emissions are indirect emissions from activities and assets not owned or controlled by the organization, but that the organization indirectly impacts in its value chain.

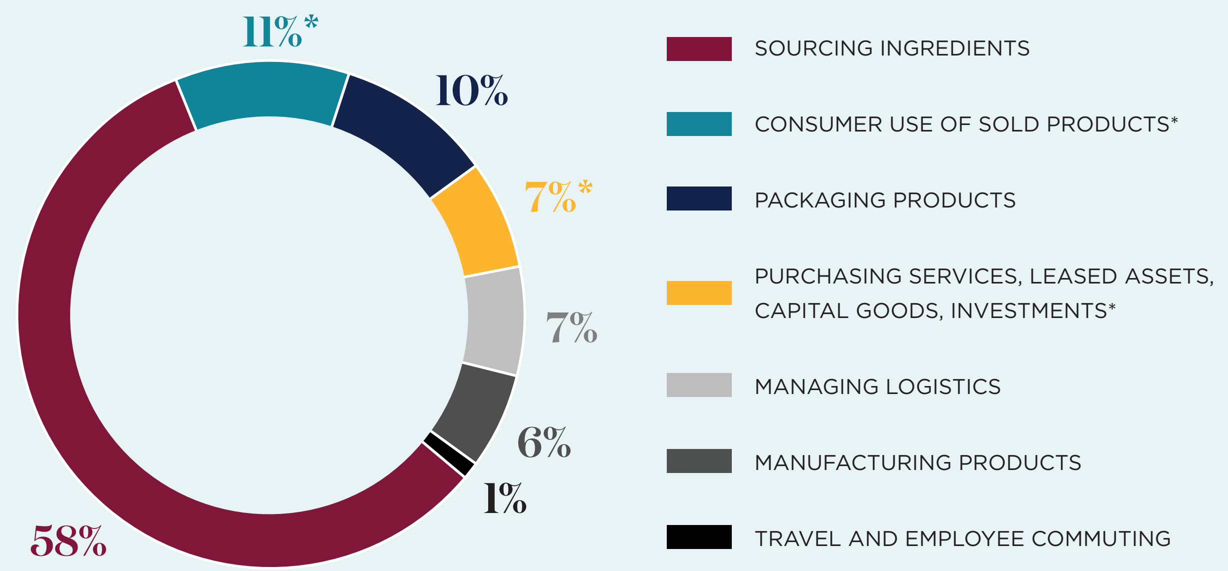
Importantly, Nestlé's emission reduction targets have been validated by the Science Based Targets initiative (SBTi), which is the leading global organization for independent validation of climate targets. Targets are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels. The SBTi requires companies to set their net-zero targets in proportion to their footprint and their impact on nature. Given that Scope 3 emissions make up 95% of Nestlé's total emissions, the company must include the majority of its Scope 3 emissions in its target. Figure 1 shows the distribution of Nestlé's total emissions.

Nestlé included all of its agriculture related emissions in its 2030 and 2050 emission reduction targets but excluded emissions related to consumer use of sold products. We learned that it did so because

Data sourced from Nestlé's Net Zero Roadmap.

FIGURE 2

Nestlé's Emissions by Activity (2018 Baseline)



**Excluded from net-zero target*

working with farmers and suppliers of agricultural raw materials is the most effective and efficient way to reduce emissions. Trying to decarbonize consumer use of sold products would be complex and outside of Nestlé's direct control. For example, emissions from boiling water to make a cup of Nescafe would be categorized as Nestlé's Scope 3 emissions from consumer use of products. The difficulty in decarbonizing these emissions is apparent.

Nestlé works with farmers, suppliers, and communities to source ingredients in ways that protect ecosystems, reduce emissions, and enhance livelihoods. Its focus on regenerative agriculture, reforestation, and training farmers on sustainable ways to increase productivity not only helps Nestlé in meeting its important obligations to society and the environment, but also mitigates the risk of raw material supply disruption.

A majority of Nestlé's emissions come from sourcing dairy and livestock ingredients (as shown in Figure 2). Nestlé's work to reduce emissions here involves helping farmers increase the efficiency of their dairy farms by maximizing output while using minimum energy, training farmers on better herd management, and investing in developing solutions to cut the methane produced by animals. Nestlé is also working to reduce emissions from the sourcing of key agricultural ingredients such as cocoa, coffee, and palm oil. Its work here involves working with farmers and suppliers in preventing deforestation in its supply chains, training farmers on improved agricultural practices like cover cropping, using organic fertilizers and multiple crop rotation, and encouraging them to practice agroforestry on their farms (i.e., planting shade trees among their crops such as cocoa and coffee, which leads to better crop growth and improved water management, protects biodiversity, and absorbs carbon from the atmosphere to drive down emissions).

Data sourced from Nestlé's Net Zero Roadmap.

We believe that Nestlé has taken a thoughtful approach towards achieving its emission-reduction targets. We think that Nestlé's involvement in the value chain and the work it is doing with farmers, suppliers, and communities is practical and is likely to be impactful. It is also likely to yield sustainable benefits to Nestlé in mitigating the risk of disruption of raw material supply, which is a business risk associated with climate change.

Interaction of ESG Function with Nestlé's Commercial Organization

There can, at times, be a natural conflict between an organization's sustainability and commercial objectives. We sought to understand how Nestlé resolves those conflicts when they arise and ensures that its commercial organization is committed to, and successfully executes on, the company's sustainability objectives and that the sustainability group is cognizant of the commercial realities of its sustainability goals.

We learned that Nestlé accomplishes this through its governance and organizational structure. The company's sustainability strategy and objectives are determined by an ESG and Sustainability Council. The council is comprised of senior members of both Nestlé's sustainability and commercial organizations, including all of Nestlé's powerful regional CEOs, its CFO, and several other important executives. This structure is designed to ensure that Nestlé's commercial organization is committed to, and accountable for, executing on the company's sustainability objectives and that the sustainability objectives are crafted in accordance with the company's commercial realities.

We think this approach makes sense and has likely been an important driver behind the success Nestlé has had so far crafting and executing on impactful sustainability objectives while at the same time delivering strong operational performance.

Costs Associated with Emission-Reduction Objectives

In our research, we found that Nestlé has committed to investing CHF 3.2 billion by 2025 into its emission-reduction efforts (for context, Nestlé's revenue in 2022 was CHF 94.4 billion). This is a significant amount, and we sought to understand which of Nestlé's stakeholders is likely to bear the costs associated with it. We were concerned about the potential costs to shareholders in the form of a lower total shareholder return and to consumers in the form of price inflation, which could impact affordability and raise social concerns.

We learned that most stakeholders, including shareholders, are likely to bear some of the cost of reducing emissions, but that Nestlé has been working with a variety of organizations to thoughtfully reduce the cost of doing so for the benefit of those stakeholders. This includes important initiatives with governments, suppliers, and industry coalitions.

Nestlé's emissions reduction goals are closely aligned with those of governments around the world. Nestlé believes that this leads to huge potential for co-financing models to develop emission-reduction projects, which help both the company and governments achieve their emission-reduction objectives. Nestlé is involved in several projects where it works with governments to lower the cost of reducing emissions for the benefit of all stakeholders.

Nestlé also does advocacy work, particularly in high subsidy environments like the EU and the U.S., around making subsidies work in a smarter way when it comes to decarbonizing agriculture and incentivizing farmers. It advocates governments not to incentivize practices which would make it more difficult for Nestlé to convince farmers to shift to better, more environmentally friendly practices.

Nestlé also works with its suppliers and is involved in [coalitions and partnerships] to help advance its emission-reduction efforts. Nestlé worked with one of its largest suppliers, for instance, to help the supplier launch its own program to reduce emissions. Partnerships such as these help Nestlé share its cost of reducing emissions.

On passing costs to consumers, Nestlé believes it has a social obligation to provide affordable food to vulnerable customer segments and is intensely committed to doing so. It is taking steps to ensure that the cost of reducing emissions is not borne by these groups.

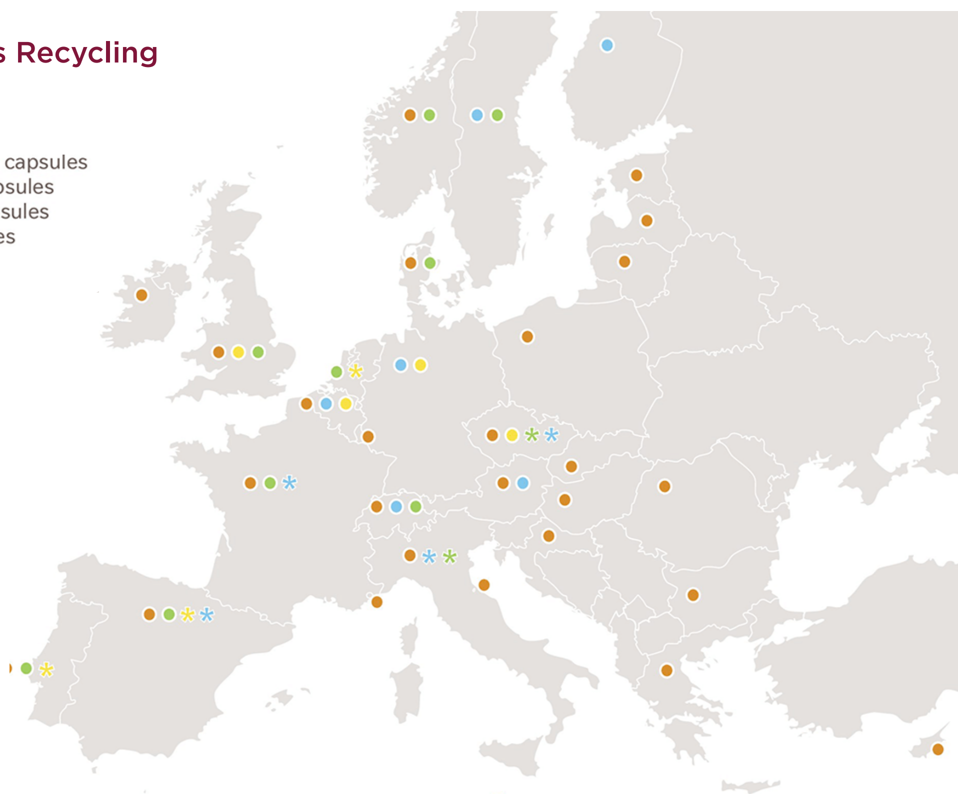
We believe that Nestlé has taken a considerate approach towards achieving its emission-reduction targets. It works with important stakeholders to find increasingly effective ways to reduce emissions and to diminish and share the cost of doing so. It is also important to note that while there are explicit costs to reduce Nestlé's emissions that are partially borne by its shareholders, we believe they are a necessary business expense. Inaction in this area risks falling short of customer expectations and damaging the company's wholesome brand.

Regulation

In our research, we came across a proposed piece of regulation in the EU that would effectively ban the use of some non-compostable food packaging. We were concerned about the impact this would have on Nespresso, Nestlé's coffee business that is sold in aluminum capsules. We were also aware that Nestlé had started rolling out paper-based compostable Nespresso capsules in Switzerland and France as its pilot markets. We sought to understand what impact the proposed regulation would have if passed, how Nestlé's compostable capsules were received in their pilot markets, and what Nestlé's longer-term plan was with the Nespresso capsules.

FIGURE 3

Nestlé's Coffee Capsules Recycling Infrastructure in Europe



Nestlé coffee capsules recycling infrastructure in Europe. Image sourced from [Nestlé's website].

We learned that while there is uncertainty over whether the new regulation will pass (because of concerns about the impact paper-based compostable capsules could have on deforestation), Nestlé, which provides both the aluminum and compostable options to its customers, is prepared. The key for Nestlé is that the packaging does not end up in the environment. Nestlé chose aluminum for its Nespresso capsules because of its unique combination of product-quality protection, lightness, and recyclability. 80% of the aluminum used for home-use capsules is recycled aluminum. Nestlé has an extensive recycling program for its Nespresso aluminum capsules (Figure 3, Page 19), with over 100,000 collection points in 74 countries and an 88% capsule recycling capacity. Nespresso's compostable capsules have also been well-received in its pilot markets.

We believe that Nestlé is well positioned to deal with this change in regulation should it happen. The company has been proactive in developing compostable Nespresso capsules, which not only provides optionality to consumers but also offers protection to Nestlé from regulatory risk. Nestlé's commitment to recycling its aluminum Nespresso capsules and the infrastructure it has put in place to do so is commendable. We will continue monitoring this and other pieces of regulation that can potentially impact Nestlé.

Conclusion

Nestlé is a global leader in sustainability and among the best performers in this area in our portfolios. We believe it has a thoughtful, practical, and cost-effective approach to ESG considerations and our conviction in this perspective was strengthened after speaking with several of the company's sustainability leaders. We were impressed with the depth of their knowledge on a variety of ESG issues and with their determination and progress in finding practical and effectives solutions to them. B

CASE STUDY

The Electric Revolution

Our Emerging Markets team visited China for four months this year. In this piece, David Hao (Investment Analyst, Emerging Markets equities) shares the team's observations on electric vehicles from their stay. Given that the adoption of electric vehicles affects many industries (such as auto dealerships, auto component suppliers, and energy production companies) that we invest in, across many geographies, David also presented these findings to the rest of our Investment Team.

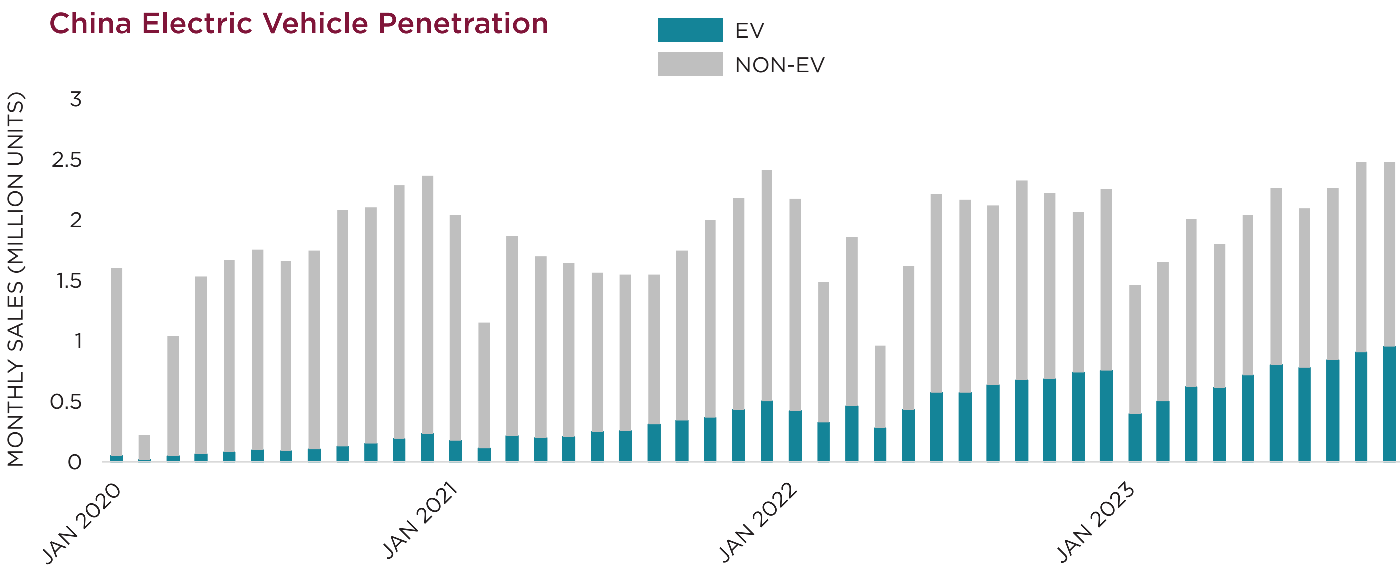
During our team's trips to China in 2023 (March/April and October/November), our first research trips on the ground since the COVID-19 outbreak, we observed a striking number of electric vehicles (EVs) on the streets. In addition to the quantity, the quality of these domestically made Chinese electric vehicles also surprised us. While we have followed the rapid growth of the Chinese electric vehicle market and the emergence of strong domestic brands over the last number of years on our spreadsheets and via Bilibili videos, witnessing the rapid progress firsthand was still a surprise.

China has become the single biggest electric vehicle market in the world. In 2022, over six million battery electric vehicles (BEV) and plug-in hybrid vehicles (PHEV) were sold in the country, accounting for more than half of all electric vehicles sold globally.

Looking at the data (see Figure 1), electric vehicles in China increased from just 2.5% of all passenger vehicles sold in January 2020 to 38% by October 2023. Despite

FIGURE 1

China Electric Vehicle Penetration



Source: China Association of Automotive Manufacturers.

the overall vehicle market slowly recovering from the impact of COVID lockdowns, electric vehicles have maintained strong growth.

The Growth Drivers

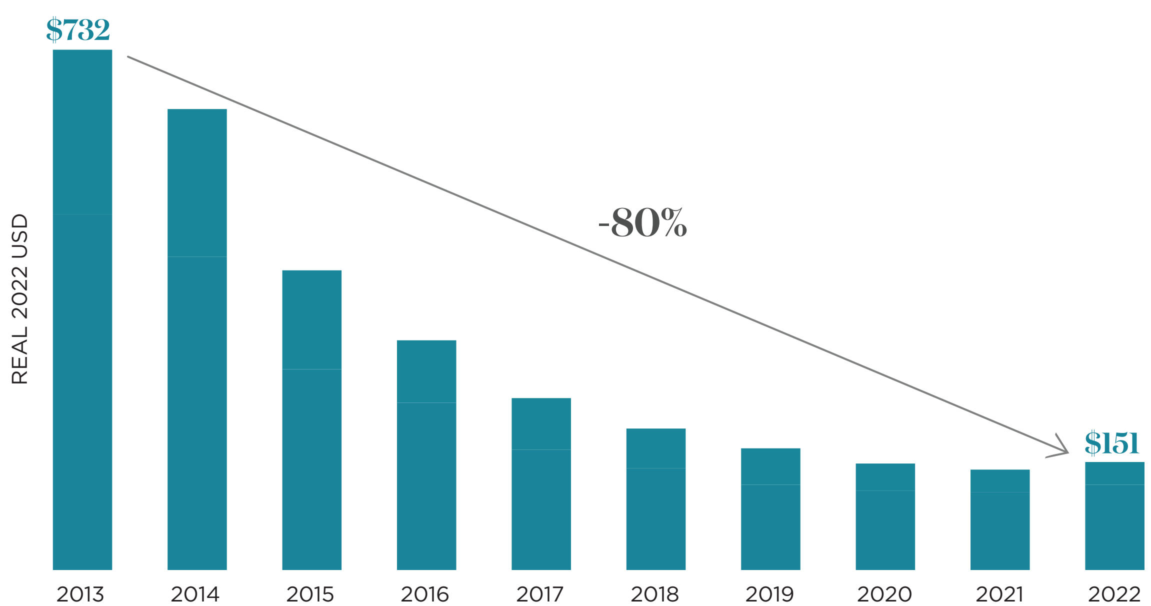
There are several key factors contributing to the rapid rise of EVs in China, including strong government support, declining battery costs, and the rapid pace of new model releases.

Starting in 2009, the Chinese government began playing a crucial role by providing significant subsidies to the industry. Recognizing the challenges of competing with the United States, Germany, and Japan in internal combustion engine innovation, the Chinese government decided to invest in cars powered by batteries. Chinese EVs also addressed issues like severe air pollution and reducing reliance on imported oil. From 2009 to 2022, the government poured over 200 billion RMB (US$29 billion) into subsidies and tax breaks for the electric vehicles industry. While some tax breaks will continue to be in place until 2027, the subsidies have been gradually reduced and will be phased out by the end of this year. This strong government support has accelerated consumer adoption of electric vehicles in China. We are witnessing similar government support for EVs in other countries around the world. China has also built a strong supply chain around critical electric vehicle parts, such as batteries, battery materials, electric motors, gears, and other components.

The second factor contributing to the growth of electric vehicles is the rapid decline in battery costs. Over the last decade, there has been an 80% decrease in the cost per kilowatt hour (see Figure 2). This allowed automakers to either improve the vehicle's range without increasing the cost or reduce the cost while maintaining the same range. The combination of decreased battery costs and government subsidies has had a significant impact on the cost of ownership, to the point where electric vehicles are cheaper than internal combustion engines. While the upfront cost of purchasing an EV remains higher, this difference is likely to shrink as battery efficiencies improve. This should allow automakers to price electric vehicles at a similar cost to their internal-combustion-engine counterparts (excluding subsidies) in the next few years.

FIGURE 2

Battery cost per Kilowatt Hour



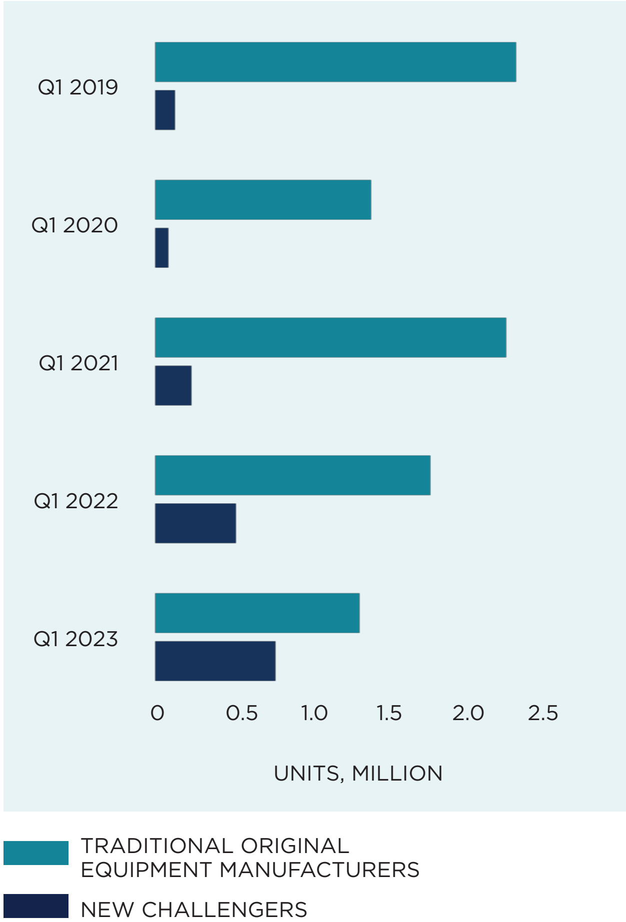
Source: BloombergNEF.
Weighted average survey value includes 178 data points from passenger cars, buses, commercial vehicles and stationary storage.

Despite an increase in battery costs per kilowatt hour in 2022 due to rising raw material prices, the subsequent decline in lithium carbonate prices in 2023 should allow the cost per kilowatt hour to resume its downward trajectory.

The third factor is the rapid pace of new model releases. Stiff competition and the emergence of new EV-focused automakers have led to the release of new models and fast iterations aimed at enhancing features and functionality. The proliferation of these new models serves multiple purposes: it is generating consumer interest, expanding consumer choice, and enabling automakers to rapidly improve the quality of their cars. In 2023 alone, EV automakers are set to release over 100 new models. Speaking with EV automakers, they highlighted that their technology is evolving much faster compared to internal combustion engines. As a result, vehicle platforms need to evolve at an accelerated pace to keep up with advancements. While this puts added pressure on automakers to innovate, it ultimately benefits consumers who gain access to a wide array of choices, feature upgrades, and competitive pricing. Concurrently, the integration of smart vehicle technology, including enhanced safety features and driver assistance features like self-driving capabilities, further increases the consumer appeal of electric vehicles.

FIGURE 3

Challengers Gaining Share



Brand Preference: Changing of the Guard

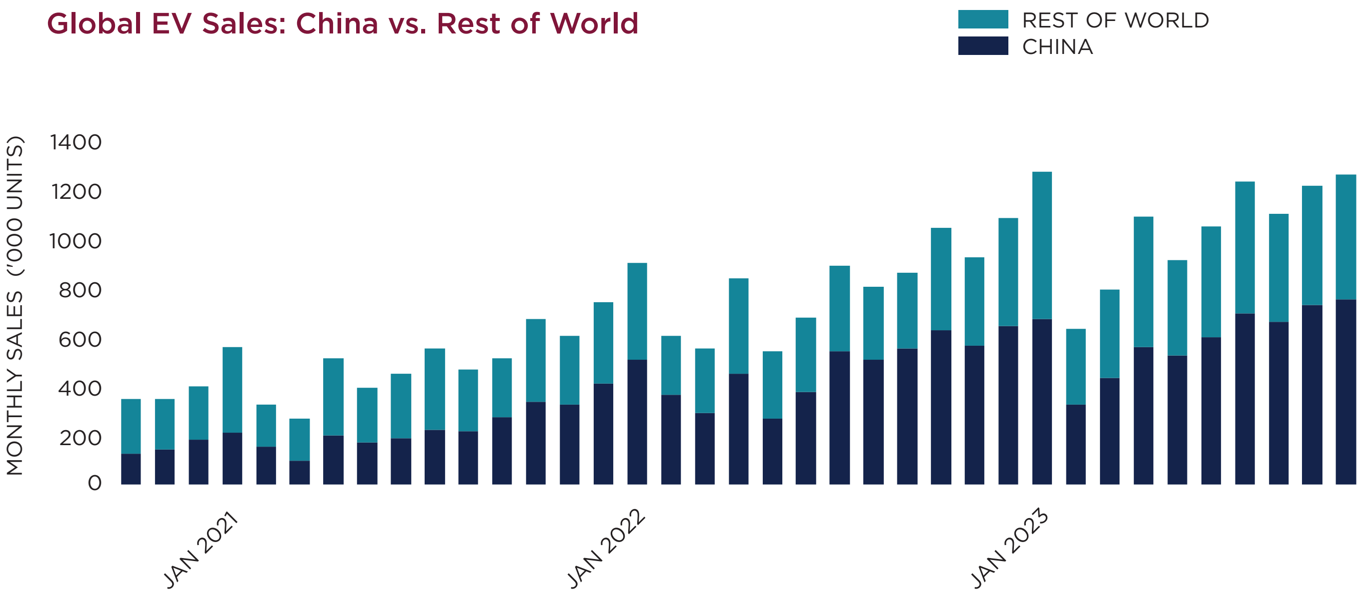
Another important observation in the rapid rise of the EV market in China is the emergence of strong domestic brands. In 2022, Chinese brands accounted for nearly half of the entire passenger vehicle market but represented over 80% of the electric vehicle market. The rise of domestic brands like BYD, Li Auto, Nio, Aion, and others has taken significant market share from established automakers like Volkswagen, Honda, and Buick. This shift in market share is creating new winners and losers in the China auto market (see Figure 3). Almost all the top-selling electric vehicle models in China are made by domestic Chinese brands, with Tesla being the exception. While Chinese brands were technology laggards in internal combustion engines, there is no technology gap when it comes to electric vehicles. As a result, they are far more competitive.

A Window to the Future?

As mentioned earlier (and seen in Figure 4, next page), Chinese EV sales represented over half of total global EV sales. While that sleek BYD Yangwang U8 may not be available in many countries yet, we believe that the development of the industry in China has investment implications abroad.

Source: China Association of Automotive Manufacturers.
As defined by Burgundy, "Traditional OEMs" includes Volkswagen, Toyota, Honda, Nissan, Buick, Hyundai, Kia, Chevrolet, and Ford. "New Challengers," includes BYD, Tesla, Aion, NETA, NIO, Li Auto, and Xpeng.

FIGURE 4
Global EV Sales: China vs. Rest of World



Increasingly competitive, domestic Chinese brands are now seeking opportunities abroad. As a result, China has become a formidable force in the global auto industry, solidifying its position as an auto-export powerhouse. Specifically, the iterative pace of Chinese automakers has sped up the development cycles of cars and incumbent original equipment manufacturers (OEMs) will need to keep up with the staggering pace of iterative innovation. In 2023, we have seen Volkswagen and Stellantis partner with (and invest in) Xpeng and Leapmotor, respectively, to benefit from the know-how of domestic Chinese OEMs.

Projections indicate that China is expected to reach a staggering 4.5 million exports in 2023 alone, showcasing the country's growing influence in the global automotive sector by becoming the world's biggest auto exporter (by volume). Going forward, Chinese brands are poised to be formidable competitors in many areas, such as in Southeast Asia, the Middle East, and Latin America, where domestic Chinese brands already have strong footholds. We are seeing further evidence of this internationalization with the recent announcement that BYD will build its first overseas factories in Thailand and Brazil. As Chinese automakers continue to win share from established Western manufacturers, there will be implications across the global auto supply chain.

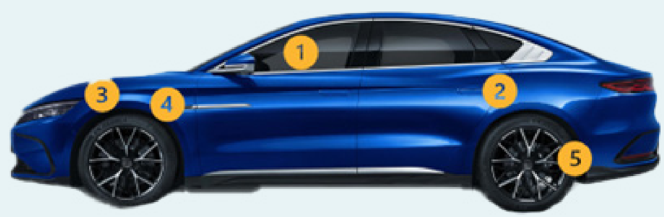
Opportunities for Investors

The rapid growth of EVs presents both risks and opportunities for investors as supply chains experience a significant shift. Previously, internal combustion drivetrains (which are made up of the engine and the gearbox) were mainly manufactured in-house, but now, with the shift to electric drivetrains, (which are made up of a battery pack and electric motors), most of the components are outsourced to large battery makers like China-based CATL and Korea-based LG Energy Solutions. With lower barriers to entry resulting from this change, a rush of new entrants joined the industry. Over time, intense competition will likely lead to a market shake-out, weaker players will exit, and the industry will eventually consolidate.

Source: SNE Research.

FIGURE 5

"Pick & Shovel" Investment Opportunities



1. **Semiconductors** are a crucial component of vehicle production and used to control everything from driver assistance systems to emissions systems. The average EV has upwards of 3,000 chips.
2. Electric door locks use **actuators**, which are the machinery that change the energy and signals entering the system into motion.
3. **Lithium-ion batteries** power the electric motors in electric vehicles. This "battery pack" is typically the most expensive component in EVs.
4. Every EV needs **thermal management** to ensure the battery and power electronics are working at their best. Range and charging times can be increased with careful management.
5. **Transmission** is the mechanism by which power is transmitted from an "engine" to the wheels of a vehicle. EVs do have transmissions, but they work differently than gas-powered vehicles.

At Burgundy, we have more conviction in our understanding of the components of the EVs, such as batteries, thermal management systems, electronics, and parts (see Figure 5). We believe that among these "pick and shovel" companies, we will have opportunities to find compelling investment opportunities.

For instance, we recently added a leading battery equipment manufacturer to the Emerging Markets portfolio. This company produces the key equipment used to make batteries, with significant scale and technological advantages versus its peers. Since the battery manufacturing lines are co-developed between the battery maker and the equipment manufacturer, switching to another equipment vendor comes at a high cost. Although a leader in China, this company is increasingly expanding abroad into Europe and North America, where we believe its advantages are even stronger. With its attractive valuation and competitive advantages, we believe this investment represents an attractive way to take part in the growth of electric vehicles.

Looking Ahead

As technology continues to advance and global demand for EVs increases with a strong push towards decarbonization, the automotive market is expected to undergo significant changes. At Burgundy, we are committed to closely monitoring this evolution, staying on top of the latest developments, and actively participating in areas where we have strong conviction, particularly in the supply chain components for EVs, as highlighted above.

We recognize that due to the rapid evolution of electric vehicles, finding well-positioned companies with sustainable competitive advantages is not an easy task. However, we aim to identify and invest in the companies that possess these characteristics in order to capitalize on the potential growth opportunities that electrification of vehicles bring. While we embrace the exciting prospects in the automotive market, we also remain prudent in our approach, always mindful of the price we pay and that we are balancing both quality and value in the portfolio. B

Source: Burgundy Research.
The BYD Han EV is shown for illustrative purposes. For more information, see www.byd.com/us/car/han.

Proxy Voting

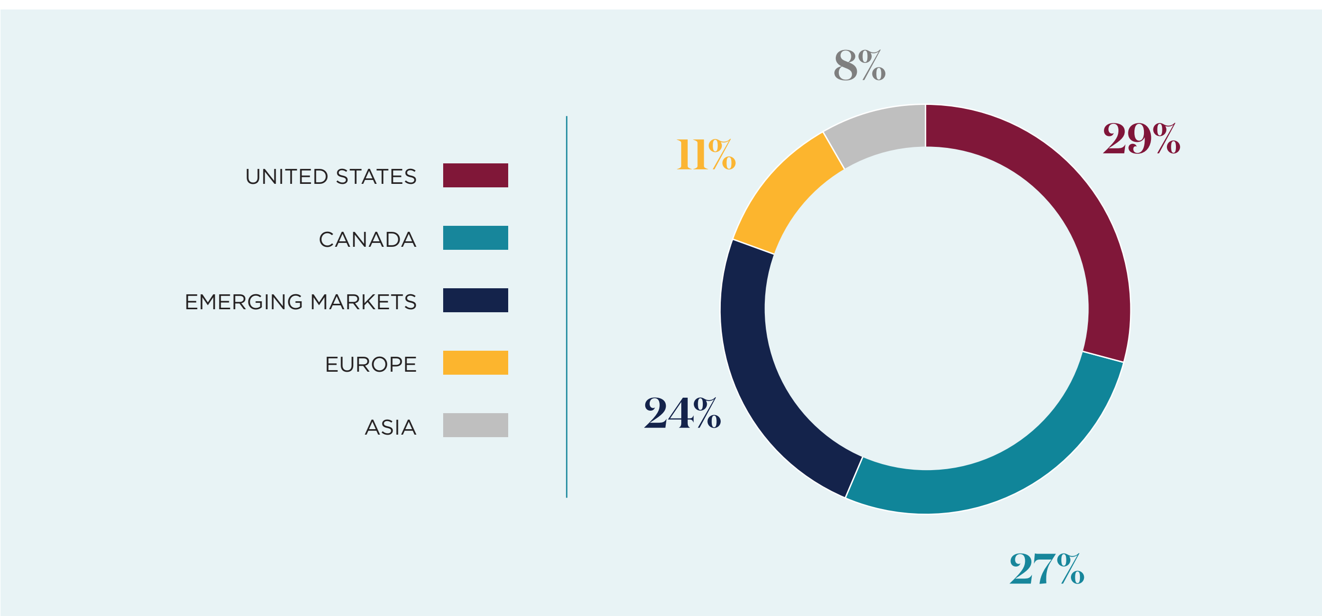
As fractional owners of businesses, one of Burgundy's core investment principles is ensuring that corporate decisions are made with the long-term interests of shareholders in mind. Proxy voting is an important stewardship tool, and we consider it part of the ongoing dialogue we have with the companies in which we invest. We take our proxy voting responsibilities very seriously and vote on all proxies over which we have voting authority in the best interests of our clients.

This year, we created a new Stewardship Policy (see page 34), which describes how we use our stewardship tools, such as engagement and proxy voting, to preserve and grow our clients' capital over the long term. We also have a Proxy Voting Policy, which describes how proxy voting is conducted, and a set of Proxy Voting Guidelines that provide a framework for Portfolio Managers to follow when voting.

For the year ended June 2023, we voted on over 4,000 proposals across the regions in which we invest. Of these, 107 were shareholder-initiated environmental and social proposals. We voted in favour of 24% of these. Other topics we voted on include management compensation, board appointments, mergers and acquisitions, and capital structure. As has always been the case, our Portfolio Managers decide on how to vote on every proposal after carefully assessing whether it would lead to long-term shareholder value creation. Figure 1 shows the regional distribution of our voting activity. B

FIGURE 1

Proposals Voted by Region*



*For the year ended June 30, 2023.

LIVING OUR VALUES

Diversity, Equity & Inclusion

Burgundy has long embraced the idea that having a diversity of thought across the firm enhances our capacity to generate excellent returns for our clients. In 2022, Burgundy established its Diversity, Equity, and Inclusion (DEI) Council. The Council, comprised of senior leaders and employees from across the firm, engages in discussions about developments in the DEI space, sharing employee feedback, generating ideas, and exchanging insights around best practices.

In today's rapidly evolving investment landscape, the importance of prioritizing curiosity and fostering different perspectives continues to grow in relevance. Achieving success here requires an adaptive approach and, as a learning organization, Burgundy's approach to DEI is naturally linked to our continuous education initiatives. Some of these learnings require an inward perspective, with our employees engaging in self-assessments, mentorships, and other personal growth efforts. Other learnings are more outwardly focused. For instance, through our partnerships with organizations like Connected North, Burgundy is seeking to better understand the experience of Indigenous communities in Canada. Burgundy is also concentrating our efforts on how we can make incremental improvements to the finance industry at large, as demonstrated through our work on underrepresentation.

Learning More About One Another

PrinciplesUs, Mentorship, and Employee Wellbeing

This year, Burgundy endeavoured to focus our attention on self-discovery and mutual understanding. After some research, we decided that PrinciplesUs would be an effective tool for this work, finding its PrinciplesYou Assessment cast a wider net than the average personality test. All Burgundy staff participated, receiving insight into their leadership style, interpersonal dynamics, and strategies for overcoming challenges. The real benefit of this tool was that it encouraged mutual understanding. Since the PrinciplesUs platform was accessible to all employees, they were able to compare their results against those of their colleagues. By initiating discussions among participants, this exercise helped to promote greater empathy and understanding. By celebrating our differences, we are reminded that these differences contribute to our collective strength. The PrinciplesUs tool is also used to help develop our managers. It has been a great conversation starter for our mentor program and a useful tool in effectively working through our differences.

PrinciplesUs is one of many efforts Burgundy has undertaken to build strong connections at the firm. Throughout the year, we dedicate time and resources to in-house mentorship programs, monthly lunches, and educational presentations.

Our “Day in the Life” lunch and learns give staff the opportunity to gain insight into various departments, sparking great conversations and shedding light on future opportunities for those considering transitioning to a different department. (All job openings are posted internally, providing staff members the opportunity to apply).

Our panel discussions are another way we invite connections among our people. For International Women’s Day in 2023, we hosted a panel called “In Their Shoes,” which was led by Burgundy’s Anne Mette de Place Filippini, CIO, Jennifer Dunsdon, Head of Client Experience, and Julie Cordeiro, Chief Administrative Officer & General Counsel. This panel gave us insight into the experience of these three women while encouraging others to share their perspectives. We also leverage the power of storytelling by interviewing our people and spotlighting these conversations on our Intranet, deepening our understanding of each other.

Our multicultural potluck lunch brings together dishes from all over the world. Through a shared passion for food and a celebration of our heritage, this event strengthens our connections. We also host monthly lunches, where individuals from different departments can share a meal and build relationships.

Finally, we believe it is important to provide Burgundy employees with access to mental health resources. In June 2023, we hosted an in-person session with guest speaker Dr. Ariel Dalfen, who provided guidance on “Getting the mental healthcare you need.” Dr. Dalfen is the co-founder of BRIA, a virtual care service for women struggling with mental health issues across reproductive life stages.

These various offerings help our people continue to learn about others, while better understanding themselves in the process.

Learning More About Our History and Charting a Course Ahead

Book Club, Scholarships, Partnerships

Reflection and understanding our past helps us move forward. Recently, Burgundy’s staff book club read 21 Things You May Not Know About the Indian Act. This provided a platform for participants to discuss and share insights from this important and relevant text. Additionally, a small group attended a talk at the Rotman School of Management, featuring the book’s author, Bob Joseph.

Following last year’s conversation with Chief Yellow Bird and Terry Munro, Burgundy (through support from the Burgundy Legacy Foundation), funded scholarships to the Onion Lake Trust Fund & The Ozîja Thiha Education Trust. The Onion Lake Education Trust Fund (OLETF) was established by Onion Lake Chief and Council to encourage post-secondary students through incentives, scholarships, and awards now and in the future. The Ozîja Thiha Education Trust (OTET) was established by Bearspaw Chief and Council to assist in the educational development of Bearspaw members with a view for them to complete their education at the trades, college, and university levels as well as obtain a profession, trade, or skill that will benefit them individually and, in turn, benefit the Bearspaw Nation as a whole.

Burgundy continues its partnership with Taking It Global and Connected North. which offer interactive virtual learning experiences to Indigenous students and teachers in remote communities. Through our work with Connected North, Burgundy designed “How to Think Like a Business Owner,” a course covering the concepts of equity, borrowing (good debt vs. bad debt), and starting a business. The course explores the elements that contribute to long-term business success including concepts such as competitive advantages, industry leadership, and understanding the needs of customers. Designed to connect the passion, interests, and unmet needs of students in these communities, this educational session seeks to inspire future career paths and fields of study.

Learning More About Our Industry:

Underrepresentation in Finance

By continuing our work on underrepresentation in our industry, we believe that we are planting seeds for the future and creating opportunities for many high school and university students who may have self-selected out of finance. This year, Burgundy's efforts were manifold, including participating in a resume and interview preparation panel at the ICON Exploration Summit, supporting Junior Achievement World of Choices, and hosting a workshop on quality-value investing for Girls-E-Mentorship (GEM). In addition to having our staff volunteer as mentors, Burgundy continued its support of GEM by donating two scholarships to its students.

After noticing that few women were applying to our investment internship program, we began investigating why. Through our research, we discovered there was a correlation between joining investment clubs and receiving the exposure required to compete for jobs in finance. We found women were not receiving the same opportunities to join these clubs as their male counterparts. To help solve this problem, we formed the Burgundy Women in Investing Club (BWIC), which celebrated its fifth year in 2023.Through the BWIC, we have built a community for women where they can learn, ask questions, grow their confidence, and discover more about quality-value investing. We continue to see our engagement work pay dividends through our highly successful investment internship program. In the seven years of our investment internship program, we have hired five full-time candidates, three women and two men. Most recently, Julie Tanna made the transition from intern to Investment Analyst in November 2023 when she joined Burgundy's Fixed income team.

Helping Our Community

Burgundy provides opportunities for our people to volunteer and give back to others. In March 2023, representatives from Burgundy went to a high school in Toronto and one in Vancouver to teach Junior Achievement's "Dollar and Sense" financial literacy program. In the fall, we had a group volunteer with Conservation Clean Up Toronto, where they collected 145 pounds of litter along the Sherway Trail. Creating a culture where we focus on the needs of others plays a big part in supporting our employees' mental health, widening their perspective, and fostering a sense of community responsibility.

Onward

We remain humble in our journey, acknowledging that transformational progress requires time and constant learning. We also appreciate that the responsibility for this work sits with each of us at Burgundy and requires a commitment at both the corporate level and the individual level. By implementing these education initiatives, we are supporting the wellbeing of our employees, inspiring connection, and promoting for positive change within the organization, the community, as well as across the broader industry. Importantly, we believe our efforts to improve DEI at Burgundy will lead to improved investment results for our clients.

LIVING OUR VALUES

Philanthropy & Community

As many of our clients know, Burgundy has a long-standing tradition of celebrating a culture of giving, and it is with this spirit that we present the philanthropy portion of this report.

Philanthropy at Burgundy

We have spoken before about the inspiration Burgundians draw from one another. Our employees lend their time and skills to causes close to their hearts, volunteering through a variety of charitable causes and community events. Burgundy also seeks to amplify the philanthropy of our people through our employee donation matching program. By contributing to the causes that resonate with them, all Burgundy employees can enhance their giving through this initiative. In 2023, more than 55% of employees participated in Burgundy's Donation Matching Program.

An Update on the Burgundy Legacy Foundation

In last year's Corporate Sustainability Report, we introduced the Burgundy Legacy Foundation (BLF). Established in 2020 as a platform for philanthropy, the BLF inspires a better world by advancing philanthropy and supporting the generosity of Burgundy's employees, clients, and company. Through this focused 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.

Private Giving Program

This year, the BLF introduced a Private Giving Program, which is comprised of a donor-advised fund (DAF) platform. The Private Giving Program provides a simple and convenient platform to support Burgundy's clients' philanthropic needs and interests. Individuals and families may establish a Private Giving Fund with a charitable contribution to the BLF, receive an immediate tax receipt, and then recommend grants from the Fund over time. This has become a popular option for those who may find the set-up, governance, and reporting duties of a private foundation too onerous.

Community Investment

Back on the Bike

In last year's Corporate Sustainability Report, we spoke about Burgundy's participation in the Ride to Conquer Cancer, the largest cycling fundraiser in Canada. We are pleased to share that this year, 28 Burgundy team members showed up to take part in the ride. With donations for our riders, including the help of Burgundy's Co-Founder Richard Rooney, our team raised nearly $450,000 in support of the Princess Margaret Cancer Foundation.

Fighting Food Insecurity

With increasing challenges nationally with the rising cost of food, many Canadians are feeling the strain. To help combat food insecurity, several donations have been made on behalf of Burgundy and its clients in support of Food Banks Canada. and Second Harvest.

Food Banks Canada works "coast to coast to maximize the efforts of more than 4,750 food banks and community organizations, investing in, championing, and supporting their important work." Second Harvest, Canada's largest food rescue organization, seeks to provide direct hunger relief to those in need while also working to reduce food waste.

Apart from donating dollars, members of Burgundy have taken a more hands-on approach to giving back to this worthy cause. In the fall, a group of Burgundians packed food items into Food Bank Care Kits, which were sent to support Youth Without Shelter, an emergency residence and referral agency serving homeless youth. B

ESG Policies

Responsible Investment Policy

Introduction

Burgundy's mission is to protect and build our clients' capital over the long term. We do this by following a quality-value investment approach supported by intensive fundamental research. Our research enables us to invest in outstanding businesses at prices we view as less than their intrinsic value. Taking a long-term view allows us to think like owners of businesses, and, as owners, we endeavour to actively engage with management to help us assess and influence the long-term sustainability of our holdings. Along with many other factors, we believe companies that operate in a sustainable manner can create long-term value for their shareholders. Therefore, wherever possible, we encourage companies to carefully manage the environmental, social, and governance (ESG) impacts of their decisions and to disclose material ESG information. We believe incorporating material ESG risks and opportunities into our analysis can contribute positively to the performance of our strategies.

This Responsible Investment Policy highlights Burgundy's approach to responsible investing. The policy applies to both our equity and fixed income strategies.

Integration & Exclusions

Responsible investing can include various approaches to incorporating ESG considerations into a portfolio. At Burgundy, we utilize two methods of responsible investing: integration and exclusions. These approaches are not mutually exclusive. While all of Burgundy's investment mandates integrate ESG considerations, select Socially Responsible Investing (SRI) Funds and Foundation Funds apply negative screens and exclude a defined set of industries.

Integration at Burgundy involves incorporating material ESG factors into the investment process with the objective of improving the long-term financial outcomes of our clients' portfolios. Burgundy's investment approach is based on rigorous due diligence of the companies we evaluate. This involves identifying and evaluating factors material to the long-term value of those companies, including ESG factors, and incorporating such factors in the process of reaching a final investment decision.

Negative screening used in Burgundy's SRI and Foundation Funds excludes securities in predefined industries – namely, tobacco, cannabis, armament, and gambling.

Additionally, Burgundy adheres to any sanction restrictions imposed by applicable law across all our funds. Burgundy sources and relies on the Government of Canada, the Office of Foreign Assets Control (OFAC), the United Nations Security Council, and the United States Department of State for current sanctions data. As part of our detailed bottom-up analysis when researching companies, before we buy and while we own equity in a company, we ensure that companies in which we invest are not located in or otherwise materially connected with a sanctioned country or person.

ESG Guidelines

Our primary goal is to own companies that will remain appealing to their investors, customers, employees, suppliers, and communities because we believe this maximizes shareholder value over the long term. As a general rule, Burgundy will not exclude any particular investment based on ESG factors alone; however, our Investment Team does consider ESG factors when conducting research. It is the depth of our independent research process that allows us to uncover ESG factors early on and determine whether those factors may have an impact on returns. This process allows us to gain a complete view of the company and its risk profile. From time to time, ESG discoveries will prevent us from investing in a company.

Environmental: We seek companies that (i) recognize the impacts of climate change, (ii) are mindful of their use of resources, and (iii) have a culture of strict compliance with laws and regulations (including environmental ones). We consider risks and opportunities associated with environmental factors when evaluating an investing decision. We support companies' efforts to mitigate and manage potential environmental risks and liabilities. This includes litigation and regulatory risk, physical risks (such as flooding, forest fires, and droughts), and transition risks (such as stranded assets and carbon pricing).

Social: We seek companies that exhibit a culture of due process, honest dealing and fairness, and an awareness of their social obligations in the communities in which they operate. We believe that companies should respect fundamental human rights within their operations and supply chains, and we will oppose exploitative labour practices.

Governance: We look for companies that are well-managed with strong, focused governance structures. We seek companies whose governance practices are sound, whose compensation policies are reasonable, and whose management incentives are aligned with ours as minority shareholders.

Sustainability Outcomes

We recognize that investment choices can have real world impacts, both positive and negative, beyond the impact on our clients' portfolios. We also recognize that where we choose to allocate capital and our stewardship efforts can contribute to meaningful changes at investee companies that can lead to a more sustainable society, economy, environment, and planet.

While our primary ESG integration objective is to compound our clients' capital, our position as engaged shareholders provides us with some influence over our investments. This influence can be used to encourage companies to achieve certain sustainability outcomes. Our Portfolio Managers and Investment Analysts emphasize the sustainability outcomes they believe are practical to the managements of their companies.

We believe companies should disclose measurable environmental and social matters like carbon emissions, waste, workforce diversity, health and safety incidents, data breaches, and so on. Improved disclosure helps investors assess sustainability outcomes.

Conflicts of Interest

In the course of investing responsibly, it is possible for conflicts of interest to arise. Burgundy has a robust Conflicts of Interest Policy that outlines how potential conflicts are identified and managed through avoidance, control, or disclosure. Burgundy also has an Employee Code of Conduct that sets out the principles and policies that employees must uphold in order to protect and build clients' wealth for the long term. Adherence to terms of the Code is a condition of employment, and employees attest to their adherence on an annual basis.

Sustainability Resources and Oversight at Burgundy

Burgundy has an in-house Sustainability Team to support our ESG integration process. The Sustainability Team provides a dedicated resource to the Investment Team for ESG-specific research and engagement and serves as a centralized location at the firm for all matters relating to responsible investing.

Burgundy's Sustainability Advisory Council, comprised of our Chief Executive Officer, Chief Investment Officer, Director of Research, Chief Compliance Officer, and members of the Sustainability Team, is responsible for Burgundy's overall approach to responsible investing. This includes maintaining relevant policies and ensuring that Portfolio Managers and Investment Analysts have the tools and training necessary to effectively implement such policies.

The Council is also responsible for overseeing the implementation of this Responsible Investment Policy and ongoing monitoring. This Responsible Investment Policy will be reviewed annually by the Sustainability Advisory Council and updated as necessary.

The Legal & Compliance Team is responsible for oversight of related policies, including Burgundy's Proxy Voting Policy and Guidelines, Conflict of Interest Policy, and Code of Conduct Policy as well as documentation of investment research.

Stewardship Policy

Introduction

Burgundy's mission is to protect and build our clients' capital over the long term. We do this by following a quality-value investment approach supported by intensive fundamental research. Our research enables us to invest in outstanding businesses at prices we view as less than their intrinsic value. Taking a long-term view allows us to think like owners of businesses, and, as owners, we endeavour to actively engage with management to help us assess and influence the long-term sustainability of our holdings. Along with many other factors, we believe companies that operate in a sustainable manner can create long-term value for their shareholders. Therefore, wherever possible, we encourage companies to carefully manage the environmental, social, and governance (ESG) impacts of their decisions and to disclose material ESG information. We believe incorporating material ESG risks and opportunities into our analysis can contribute positively to the performance of our strategies. This Stewardship Policy highlights Burgundy's approach to stewardship, including our stewardship objectives and approach, prioritization of stewardship activities, and monitoring mechanisms.

Stewardship Objective

Our stewardship objective is to use stewardship tools such as engagement with issuers, proxy voting, escalation, public policy submissions, and collaboration to preserve and grow our clients' capital over the long term.

Stewardship Approach

A. Issuer Engagement

Prior to making an investment decision, our Portfolio Managers and Investment Analysts conduct extensive research. Where possible, they conduct onsite visits with companies to observe the working environment and meet with management teams. Engaging with companies allows our team to discuss, assess, and influence matters of strategy, operations, culture, governance, and material environmental and social factors. Due to Burgundy's long-term investing approach, our Portfolio Managers and Investment Analysts endeavour to maintain consistent interaction over time with the management teams of companies in which we are invested. The team also engages with boards of directors, where accessible and warranted. This helps inform our decision-making on initial or continued investment in an issuer.

We increasingly engage with companies on ESG topics because they are, in many instances, material to the intrinsic value of the companies we evaluate. Given the materiality, frequency, and complexity of ESG issues, Burgundy created an in-house Sustainability Team to support our Investment Team in their ESG integration and engagement process. The Sustainability Team is governed by the Sustainability Advisory Council, comprised of our Chief Executive Officer, Chief Investment Officer, Chief Compliance Officer, Director of Research, and members of the Sustainability Team. The Sustainability Team is available as a dedicated resource to the Investment Team to provide ESG-related data and research to complement their engagement efforts.

The primary way we uncover ESG issues is through our core investment process, which is supplemented by ESG-specific research performed in collaboration with our Sustainability Team. If, through this process, we uncover ESG factors material to the intrinsic value of the company we are evaluating, we may engage with the management or the board of that company on the issue.

Proceedings of meetings are shared between the Investment Team and the Sustainability Team to be used to further inform investment decision-making.

B. Exercising Voting Rights

It is Burgundy's policy to vote on all proxies for accounts where we have voting authority. Our voting decisions reflect what we consider to be in the best interest of our clients. Proxy voting is conducted in a generally unified and consistent manner across all accounts. To accomplish this, Burgundy has established a comprehensive set of Proxy Voting Guidelines. The guidelines provide a framework for Portfolio Managers to follow and set out clear recommendations on various topics, such as Boards of Directors, Management Compensation, Shareholder Rights, and Environmental and Social Issues. Portfolio Managers are, however, still responsible for signing off on every proxy ballot. Burgundy uses Institutional Shareholder Services' (ISS) services to carry out all proxy voting consolidation for the accounts and funds managed by the firm.

C. Escalation

Engagement with companies in which we invest, along with voting proxies, constitute our primary approaches to stewardship. Should such initial efforts not result in favourable outcomes, we may consider escalation techniques, such as formally writing to the management or the board setting out concerns or proposing a change to board membership. We would also consider collaborating with other shareholders in such efforts, where available and permissible (subject always to applicable securities laws). Occasionally, we may speak out publicly against an issuer as a final escalation tactic, typically on matters of poor corporate governance. We also consider divestment as our last resort, only after we have concluded that a particular company is not receptive to engagement approaches.

From time to time, we engage directly with management and the board of directors on proxy matters we deem important, particularly when we disagree with management's recommendations. We also sometimes use proxy voting as an escalation tactic in instances where other forms of engagement are not productive.

We are always open to considering other stewardship approaches as Burgundy does not have any restrictions on the escalation measures we can use.

D. Collaboration & Public Policy Submissions

Collaboration provides the opportunity for investors to come together, pool resources, share information, and add weight to their concerns. Burgundy occasionally collaborates as part of its stewardship efforts, including via the Canadian Coalition for Good Governance (CCGG), of which Burgundy was a founding member. The CCGG engages directly with the boards of public companies in Canada on corporate governance and material ESG issues that are important to its members. Burgundy chooses to support the CCGG in collaborative engagements because, in some instances, collaborative engagement can be more powerful than one investor acting alone.

Prioritization

Given our rigorous bottom-up investment approach, our Investment Team has an in-depth understanding of the company they are evaluating and, therefore, are best positioned to determine the most material ESG issues. As such, stewardship activities are prioritized based on the judgment of the Portfolio Managers and Investment Analysts, taking into account the size of our investment, materiality of potential outcomes, and materiality relative to an individual business. They generally have good access to management and can have direct conversations with them, which we believe is the most effective engagement method.

Conflicts of Interest

Burgundy and its employees are cognizant of their responsibility to always act in the best interests of our clients. When exercising stewardship, it is possible for conflicts of interest to arise. Burgundy has a robust Conflicts of Interest Policy that outlines how potential conflicts are identified and managed through avoidance, control, or disclosure. Burgundy also has an Employee Code of Conduct that sets out the principles and policies that employees must uphold in order to protect and build clients' wealth for the long term. Adherence to terms of the Code is a condition of employment, and employees attest to their adherence on an annual basis.

Monitoring & Implementation

This Stewardship Policy is reviewed annually and implemented by Burgundy's Sustainability Advisory Council across all regional investment teams to ensure portfolio management activities are aligned with our position on sustainable investing. Each regional team is responsible for incorporating this Policy to fit their unique stewardship approach.

The Legal & Compliance Team is responsible for oversight of related policies, including Burgundy's Proxy Voting Policy and Guidelines, Conflict of Interest Policy, and Code of Conduct Policy as well as documentation of investment research.

Disclaimers

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Select securities are used as examples. Any numerical references are approximations only. The list of companies and discussion topics presented is not a comprehensive list and is provided to illustrate Burgundy's investment philosophy and approach to evaluating ESG factors. Any holdings described here do not represent all securities purchased, sold, or recommended for advisory clients or held in an entire Burgundy strategy. Because Burgundy's portfolios make concentrated investments in a limited number of companies, a change in one security's value may have a more significant effect on the portfolio's value. A full list of securities is available upon request.

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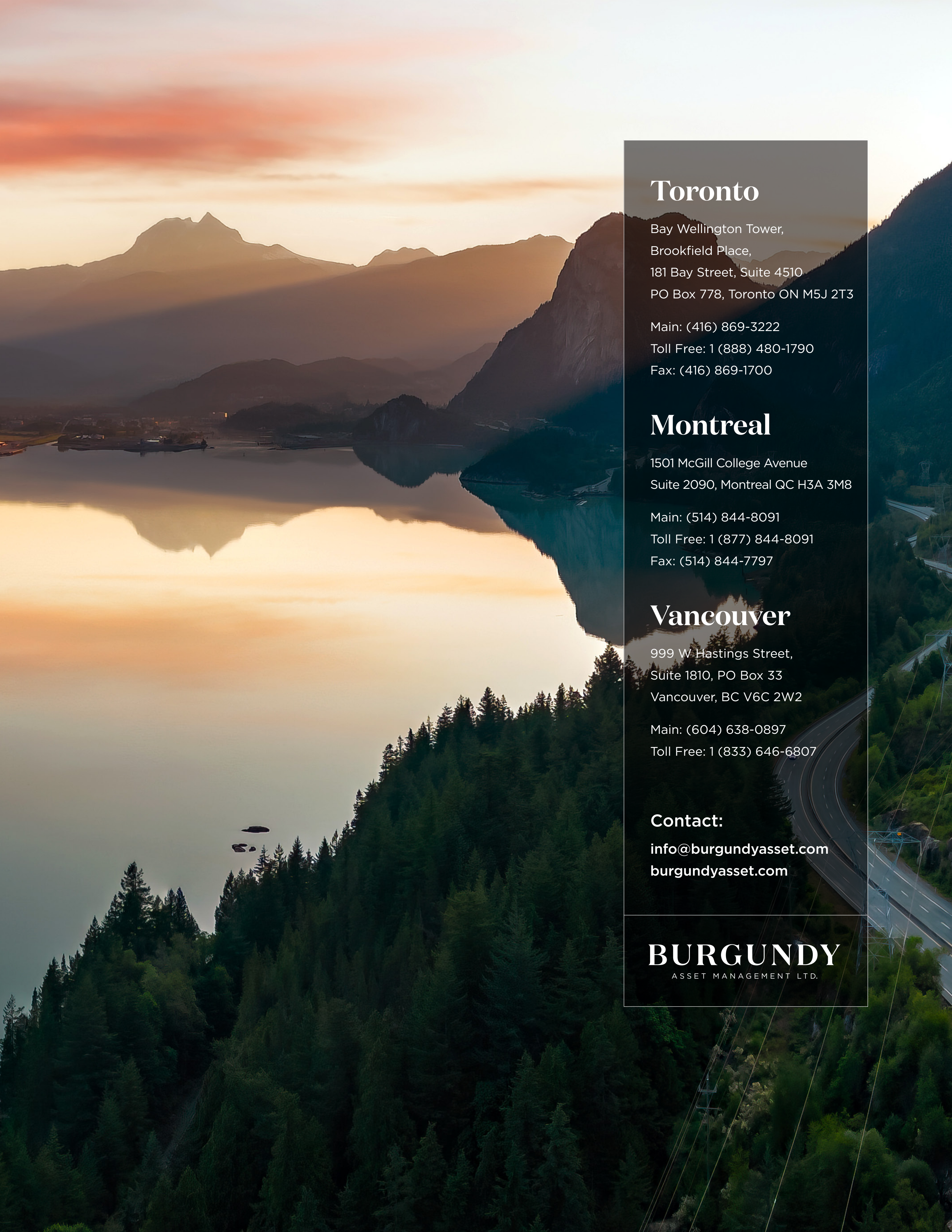

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