# RESPONSIBLE INVESTING REQUEST FOR INFORMATION

Firm Name: Burgundy Asset Management Ltd.

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## PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:
http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslcwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf

**To assist with our due diligence, we request that you respond to the following questions no later than August 21, 2020.**

Note: Responses to this questionnaire will be posted in full on Queen's website.

## GENERAL

**1) Please provide your ESG-related policies.**

Please find Burgundy's EGS Policy Statement under Appendix I.

**2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.**

Burgundy follows a single investment philosophy and investment process across the firm, including a single approach to ESG, which is deeply integrated into our investment process. The manner that we approach ESG matters for each strategy is the same way that they are approached for our firm as a whole.

Our investment process is centered on rigorous due diligence of the companies that we evaluate, including engagement with company management and with the company's customers, competitors and suppliers. As part of the research and diligence process, we will, if appropriate, consider ESG related issues, and how those issues might impact the outlook for the company being evaluated and its intrinsic value. Our focus on ESG has been accentuated over time through investment in training and tools on ESG related issues.

**3) a) Are you a signatory to the UNPRI?**

Yes

**b) If you are signatory to other coalitions, please list them.**

Burgundy is one of the founding members of the Canadian Coalition for Good Governance (CCGG). This group is comprised of several highly respected investment managers and large pension funds with the mandate to hold management accountable for long-term shareholder interests. Burgundy's Chief Administrative Officer & General Counsel is a member of the Board for CCGG.

**c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.**

Although Burgundy has not adopted the UK Stewardship Code (the "Code"), we believe that our approach to investing is generally consistent with the spirit of the Code.

**4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?**

Burgundy does not have a separate ESG team. Our regional investment teams are the sole decision makers, and it is their responsibility to integrate ESG factors into their research. Our regional investment teams conduct rigorous due diligence, which includes engagement with company management and with their customers, competitors and suppliers. Although travel to conduct on-site diligence of company operations has recently halted due to the pandemic, the investment team participates in virtual company meetings and continues to use expert networks which accounts for approximately 90% of our research. This extensive research process allows us to gain a complete view of the company, its risk profile and history, and in particular, its culture. Our regional investment teams uncover and evaluate ESG concerns through this bottom-up research process.

The Director of Research, in conjunction with the Chief Investment Officer, are responsible for Burgundy's overall approach to ESG, including relevant policies, and ensuring that Portfolio Managers and Investment Analysts have the tools and training necessary to effectively implement it.

We also have an ESG working group comprised of ESG champions from all the major departments in the firm. The group meets periodically to discuss ESG matters in the investment process and throughout the firm.

**5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.**

In 2018, Burgundy began publishing an annual ESG report that is distributed to our clients that have an interest in the subject. This report outlines our approach to ESG, discussed our ESG initiatives for the year, and features case studies from each of the regional equity and fixed income teams on the integration of ESG factors into the investment process. We hope to continue to evolve this document of growing importance to provide more high-level ESG commentary as it related to Burgundy's corporate ESG work, beginning in 2020.

Please refer to Appendix II for Burgundy's 2019 ESG Report.

**6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?**

Our fundamental approach to ESG has not changed since the firm was founded but the implementation of it has been refined over time. Burgundy has always relied on a process of rigorous fundamental bottom-up research to identify factors, including ESG factors, which could impact the intrinsic value of the companies that we evaluate.

Additionally, Burgundy has a centralized ESG function coordinated by the Chief Investment Officer and Director of Research. The Director of Research dedicates approximately 5-10% of his time to ESG issues. The tasks of the central function are to create Burgundy's ESG/RI policies in consultation with the Portfolio Managers, identify and arrange research data sources (e.g. TruValue Labs), speak to ESG experts, arrange ESG training, and create ESG documents that share Burgundy's research examples and best practices.

We have, over time, accentuated our focus on ESG factors through investment in training and tools on ESG related issues. Additionally, we regularly invite third party experts to speak to our investment team on various ESG issues, such as climate change, executive compensation, and cyber security. This helps us to identify ESG related issues in the companies that we evaluate and assess the impact of those issues on their intrinsic value. We are also equipped with TruValue Labs to help with the identification of ESG factors that might be relevant to the company being evaluated. This database tool provides great global coverage on ESG news. Finally, Glassdoor is used to inform on the culture of companies that we evaluate and identify situations where the company may be mistreating its employees. We will continue to invest in training and tools on ESG related issues going forward.

Burgundy does not apply blanket ESG screens, which would preclude our regional investment teams from investing in certain companies and sectors. However, some clients prefer us to avoid investments in sensitive sectors like tobacco, cannabis, armament and gaming companies. For these clients, Burgundy offers specialized socially responsible investing (SRI) and foundation funds.

ESG factors are identified and assessed on a bottom-up fundamental basis, consistent with our overall investment process. We do not employ top-down screens on ESG related issues.

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## CLIMATE

**7) Describe how you identify, assess, and manage climate-related risks.**

Our strategy and process to assess and/or manage carbon impact and other related climate risks is encompassed within our overall approach to ESG, which is applied consistently across all our mandates. As noted, our regional investment teams are the sole decision makers, and it is their responsibility to integrate ESG factors into their research. Our regional investment teams conduct rigorous due diligence, which includes engagement with company management and with the company's customers, competitors and suppliers. As part of the research and diligence process, the regional teams will, if appropriate, consider climate related risks, and how those risks might impact the outlook for the company being evaluated and its intrinsic value. The entire investment team underwent a training session on climate related risks.

**8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.**

All environment, social, and governance (ESG) factors, including climate-related risks, are evaluated on a case-by-case basis by our regional investment teams, who have decision-making authority. We have provided training to the entire investment team on climate-related risks.

**9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.**

Burgundy strives to protect and build our clients' wealth over the long term. To achieve this, we follow a value-driven investment approach supported by intensive fundamental research, which enables us to invest in strong, sustainable but undervalued companies around the world. Our main concern in our qualitative assessments of companies is to be assured of the honesty and competence of the managements of the companies in which we invest. We believe that truly outstanding business leaders are acutely aware of the environmental, social and governance (ESG) factors, including climate-related scenarios, which materially impact their businesses. Consideration of these factors is an important part of Burgundy's long-term view.

Burgundy's disciplined and bottom-up approach allows ESG factors to be evaluated at the onset of the investment process. We integrate ESG factors into our investment research and assess whether ESG factors have the potential to impact the value of our investment.

This approach to ESG has been at the core of our investment process since the firm was founded but has become more formalized in recent years and accentuated through the provision of training and tools on ESG related issues and risks.

**10) Do you track the carbon footprint of portfolio holdings?**

No

**If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.**

Not applicable.

**11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?**

With the launch of the Green Team in 2019, Burgundy has committed to becoming a more environmentally conscious and sustainable organization by introducing new 'green office' initiatives and measuring and monitoring our performance. Our dedicated team works to establish environmental targets and sustainability priorities, implement actions to reach our goals and track Burgundy's progress. With our 9 environmental policies put in place, Burgundy has been certified as one of the BOMA BEST Sustainable Workplaces. Some our environmental policies include monitoring and reducing our carbon footprint, reducing paper consumption and fostering a conscious kitchen environment.

## DIVERSITY

**12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?***

We believe it is important for diverse perspectives to exist throughout the firm not just at the senior management level. Expanding the depth and breadth of perspectives at Burgundy is always top of mind and increasing levels of diversity at all levels of the firm is something we aspire to. Having said that, at this time, we have no formal policy around diversity for the investment department or the firm in general. We certainly appreciate the value more diversity could bring to the investment team and at senior levels of the firm and we will continue to pursue opportunities to further diversify. With that, it is important to note that Burgundy believes in hiring and promoting the most qualified candidates, regardless of gender, ethnicity, culture or demographic.

Burgundy endeavours to create industry awareness via educational initiatives such as the Women of Burgundy program. Burgundy's Women of Burgundy initiative was launched in 2014 with the mission of building a community to inspire women to make investing a priority. Since then, the Women of Burgundy community has grown to include more than 880 members. The program includes events such as keynote speaker sessions with respected women business leaders, interviews with Burgundy's own senior women leaders, and educational book clubs, and a Burgundy publication called 'Minerva', a magazine shared to foster curiosity, confidence and continual growth for women as investors.

## PROXY VOTING

**13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?***

During 2019, Burgundy made the following proxy votes against management:

| | |
|---|---|
| - Shareholder Resolutions | 19.47 % |
| - Director Appointments | 1.37 % |
| - Auditor Appointments | 1.47 % |
| - All ESG Issues | 19.23 % |
| - ESG Climate Issues | 0.00 % |
| - ESG Diversity Issues | 44.44 % |
| - Shareholder Remuneration Issues | 15.00 % |

**14) What proportion of all independent ESG shareholder resolutions do you support?***

In 2019, Burgundy supported 25% of ESG shareholder proposals.

**15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?***

In 2019, Burgundy voted against management 15.00% for shareholder remuneration issues, including 1.76% for executive compensation and 24.66% for equity compensation.

In Burgundy's view, the level of executive renumeration depends upon the geography and market cap range. Broadly, executive compensation is excessive in the U.S., however it is not the case for many of our holdings. Conversely, executive compensation is low in Japan. Canada and Europe generally have reasonable executive compensation.

**16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?***

Burgundy does not co-file shareholder resolutions.

**17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?***

During 2019, Burgundy has 19.23% votes against management and, essentially against a director, for ESG-related reasons.

Burgundy has established a set of proxy voting guidelines (managed internally) to ensure that when Burgundy is delegated voting rights by our clients, as fiduciaries, we exercise such ownership rights in order to optimize the long-term value of those investments, regardless of the nature of the proposal. ESG-related shareholder proposals are given the same treatment as other shareholder proposals.

Burgundy believes that the objective of good corporate citizenship is to promote strong, viable and competitive corporations, with the purpose of enhancing shareholder value.

Please see Appendix III for Burgundy's Proxy Voting Policy.

## ENGAGEMENT

**18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?***

Our investment team engaged with 193 unique companies during the 2019 calendar year. Over the same time period, the team met approximately 800 management teams, which suggests ESG issues are raised by our team in almost one quarter of its management meetings.

While Burgundy is not an activist investor, we will make our opinion known to management in situations where we disagree on issues that we think may be material to long-term returns. We usually engage with managers in face-to-face meetings, though we have also written letters and voted against management on ESG-sensitive proxy resolutions from time to time.

As fractional owners of businesses, we believe it is our duty to ensure corporate decisions are made with the long-term interests of shareholders in mind. We therefore consider proxy voting one part of an ongoing dialogue with the companies in which we invest.

**19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?***

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Burgundy believes that the objective of good corporate citizenship is to promote strong, viable and competitive corporations, with the purpose of enhancing shareholder value.

Please refer to Burgundy's Proxy Voting Policy under Appendix III. Burgundy has established a set of proxy voting guidelines (managed internally) to ensure that when Burgundy is delegated voting rights by our clients, as fiduciaries, we exercise such ownership rights in order to optimize the long-term value of those investments, regardless of the nature of the proposal. ESG-related shareholder proposals are given the same treatment as other shareholder proposals.

# BURGUNDY ASSET MANAGEMENT LTD.
## APPENDIX

# APPENDIX I:
## Burgundy's ESG Policy Statement

# ESG Policy Statement

Burgundy strives to protect and build our clients' wealth over the long term. To achieve this, we follow a value-driven investment approach supported by intensive fundamental research, which enables us to invest in strong, sustainable but undervalued companies around the world. Our main concern in our qualitative assessments of companies is to be assured of the honesty and competence of the managements of the companies in which we invest. We believe that truly outstanding business leaders are acutely aware of the environmental, social and governance (ESG) factors which materially impact their businesses. Consideration of these factors is an important part of Burgundy's long-term view. This policy statement sets out our overall approach to integrate ESG factors into our investment research process.

Burgundy's disciplined and bottom-up approach allows ESG factors to be evaluated at the onset of the investment process. We integrate ESG factors into our investment research and assess whether ESG factors have the potential to impact the value of our investment. These include:

## Environmental Factors

We seek companies that are open-minded on the subject of climate change, sparing with their use of resources and horrified by waste. A culture of strict compliance with laws and regulations is essential.

## Social Factors

We seek companies that exhibit a culture of due process, honest dealing and fairness, and display awareness of social obligation and the communities in which they operate. These factors will ensure that social issues that do arise will be dealt with expeditiously.

## Governance Factors

We seek well-managed companies with strong, focused governance processes. Burgundy has long been committed to good governance, as is evidenced through our membership in the Canadian Coalition for Good Governance (CCGG), an organization of which Burgundy was a founding member. We do not engage with companies whose governance practices are deficient, whose compensation policies are excessive and whose management incentives are flawed.

As a general rule, Burgundy will not exclude any particular investment based on ESG factors alone, but our portfolio managers and analysts do consider ESG factors when conducting research. It is the depth of our independent research process that allows us to uncover undesirable ESG factors early on and determine whether ESG factors may have an impact on returns. Our process includes engagement with management of the companies in which we invest and with their customers, competitors and suppliers. This extensive research process allows us to gain a complete view of the company, its risk profile and history and, in particular, its culture.

Burgundy's ESG research is not intended to limit the scope of our investments or to restrict our investment choices. From time to time, ESG discoveries will prevent us from investing in a company. 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.