



### ESG METRICS

Statistic	Hexavest	MSCI World
E Carbon emissions (t CO <sub>2</sub> /\$B)	6	68
E Carbon intensity	10	147
E Water use (m <sup>3</sup> /\$M revenue)	83	10,102
E Waste-recycling ratio	75%	68%
E Renewable-energy use	38%	39%
E Reported emissions	92%	84%
S Employee fatalities per 100,000 employees	0.3	1.1
S Access to low-price products	20%	22%
S Women managers	34%	32%
S Salary gap (CEO / average salary)	109	342
G Sustainability compensation incentives	30%	33%
G Independent board members	77%	78%
G CEO and chairman separation	56%	50%
G Board gender diversity	31%	29%

Values are calculated only on the invested portion of the portfolio.  
Sources: Sustainalytics and Refinitiv as at June 30, 2021

### STOCKS ADDED OR REMOVED DUE TO ESG

Company	Change	Reason
Idexx Labs	Removed	Lobbying and political expenses
Chipotle	Removed	Lobbying and political expenses
Sonic HealthCare	Added	No longer excluded for being a top industry-group emitter

### QUARTERLY ESG THEME

#### WATER USE

Companies have a central role to play when it comes to water consumption; we believe that they should seek to minimize their withdrawal from municipal sources, wells, or nearby lakes and rivers. Water-consumption data are therefore central to our ESG screening methodology. More specifically, the Water Use metric measures total water withdrawal in cubic metres per US\$1 million of net sales.

Companies can be excluded or rewarded on the basis of this metric, which is obtained from their sustainability reports. Companies that are among the top consumers in the MSCI World Index or the top consumers relative to their industry peers are excluded, while those that consume less water relative to their peers are rewarded. Thus, our portfolio has a significantly lower water footprint than its index. Learn more on the next page.

### ESG PORTFOLIO ANALYSIS

At the end of the second quarter, the strategy shows carbon and water footprints that are significantly lower than those of the MSCI World Index, mainly because of the negative filters applied with our ESG methodology. By eliminating the top carbon emitters, we achieved a 73% reduction in carbon intensity versus the index. As for the portfolio's water consumption, it is 90% lower after the largest water consumers were eliminated. Over all, the portfolio has strong sustainability credentials, outperforming the index across a majority of ESG metrics.

### OUR ESG FILTERING METHODOLOGY IN PRACTICE

Hexavest's ESG screening methodology includes positive and negative filters. Our negative filters are used to identify companies involved in harmful activities in the E, S and G spheres. For example, companies with substantial carbon emissions, severe controversies and high mortality rates are systematically prohibited. As a result, 919 companies were excluded by our ESG screening methodology as at June 30. The positive filters reward leaders across several E, S and G metrics. A total of 361 companies has successfully qualified for investment.

WATER USE	
m <sup>3</sup> /\$M of revenue	
MSCI WORLD Index	10,102
Hexavest ESG Filtered MSCI World Equity	161
Hexavest Systematic ESG World Equity Portfolio	83

Sources: MSCI and Refinitiv as at June 30, 2021

# CLEAN WATER AND SANITATION

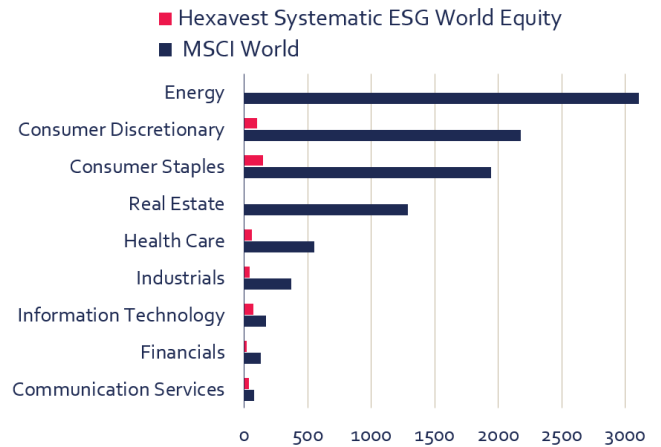
## Effectively integrating the UN’s sixth SDG goal into a systematic equity portfolio

According to the United Nations, 785 million people lack basic drinking water. Unsurprisingly, two economic sectors play a disproportionate role. The Utilities sector is by far the largest consumer of water in the MSCI World Index, followed by Materials. In the Utilities sector, water is often used to generate boiler steam for turbines and for cooling. In the Materials sector, water is used to process minerals and chemicals, with tailings as the result.

The chart on the right shows water consumption for each MSCI World sector compared with our portfolio (Utilities and Materials are excluded for scaling purposes). Water consumption by Utilities is 243,614 cubic metres per US\$1 million of revenues and accounts for 83% of the index’s total consumption (our portfolio holds no names in this sector). As for Materials, the sector with the greatest water use in our portfolio, consumption is 19,718 cubic metres for the index and 362 cubic metres for our portfolio.

Our negative filters, which exclude the top 10% of water consumers in the index and above-average consumers in every industry group, rendered 279 names ineligible for investment. This alone cuts our water footprint by 97% compared with the index (or by 9,800 cubic metres). Our positive filter rewarded 222 companies with a water use significantly below their industry group average. We have chosen to elaborate on two of our portfolio companies that are leaders in water use management.

### WATER USE PER SECTOR



Sources: MSCI and Refinitiv as at June 30, 2021

	Estée Lauder	Sika AG
Country	United States	Switzerland
Industry group	Household & personal products	Materials
Portfolio weight	2.3%	2.0%
Latest water use metric (m³/\$M of revenue)	105	378
Industry group water use (m³/\$M of revenue)	860	19,718

Source: Refinitiv as at June 30, 2021

### Estée Lauder and Sika AG lead the way in water use

As Estée Lauder operates in the personal care product business, water is an essential ingredient for its operating activities. It is used in R&D and also to cool and clean manufacturing equipment. Recent efforts to minimize water use include the upgrade of a water-softener system and the implementation of stricter water standards at office buildings seeking LEED certification. A study is also under way at the main manufacturing site in New York state to identify further water-saving opportunities. As for Sika AG, it manufactures concrete mixtures, sealants and other construction materials. It collects rainwater at some production sites, treats wastewater and reuses it in its processes and uses lower-grade water in geographic locations experiencing water scarcity. It is targeting a 15% reduction in water consumption by 2023.



Source of all data and information: Hexavest as at June 30, 2021, unless otherwise specified. This material is presented for informational and illustrative purposes only. It is meant to provide an example of Hexavest’s investment management capabilities and should not be construed as investment advice or as a recommendation to purchase or sell securities or to adopt any particular investment strategy. Any investment views and market opinions expressed are subject to change at any time without notice. This document should not be construed or used as a solicitation or offering of units of any fund or other security in any jurisdiction. The opinions expressed in this document represent the current, good-faith views of Hexavest at the time of publication and are provided for limited purposes, are not definitive investment advice, and should not be relied on as such. The information presented herein has been developed internally and/or obtained from sources believed to be reliable; however, Hexavest does not guarantee the accuracy, adequacy, or completeness of such information. Not all of Hexavest’s recommendations have been or will be profitable. This material is for the benefit of persons whom Hexavest reasonably believes it is permitted to communicate to and should not be reproduced, distributed or forwarded to any other person without the written consent of Hexavest. MSCI data presented may not be reproduced or used for any other purposes. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.