

ESG METRICS

Statistic	Hexavest	MSCI World
E Carbon emissions (t CO ₂ /\$B)	7	59
E Carbon intensity	8	120
E Water use (m ³ /\$M revenue)	58	11,975
E Waste-recycling ratio	74%	68%
E Renewable-energy use	35%	40%
E Reported emissions	98%	88%
S Employee fatalities per 100,000 employees	0.2	1.0
S Access to low-price products	19%	22%
S Women managers	35%	32%
S Salary gap (CEO / average salary)	177	240
G Sustainability compensation incentives	24%	34%
G Independent board members	76%	79%
G CEO and chairman separation	70%	51%
G Board gender diversity	31%	30%

Values are calculated only on the invested portion of the portfolio.
Sources: Sustainalytics and Refinitiv as at December 31, 2021

STOCKS ADDED OR REMOVED DUE TO ESG

Company	Change	Reason
Ferguson	Removed	Board Gender Diversity
Barclays	Removed	Controversy related to its products and services

QUARTERLY ESG THEME

WOMEN IN MANAGEMENT

Employees are key to a company's operations, and we believe that having a diverse workforce, more specifically, a gender diverse workforce, is necessary for its growth and long-term success. We incorporated data on women in the workforce by looking at the percentage of women managers amongst the total number of managers employed by a specific company.

Companies that employ an above average percentage of women in their management teams relative to their industry group peers are preferred in our ESG filtering methodology. This information is obtained from their sustainability reports. In this regard, our portfolio holds companies with a higher proportion of women in management compared to the MSCI World Index. Note that our negative filtering methodology excludes 221 of these companies, leaving only 111 companies eligible and limiting the impact of the metric in our portfolio. Learn more on the next page.

ESG PORTFOLIO ANALYSIS

At the end of the fourth quarter, the strategy showed carbon and water footprints that were significantly lower than those of the MSCI World Index, mainly due to our ESG methodology's negative filters. By eliminating the top carbon emitters, we achieved a 93% reduction in carbon intensity versus the index. As for the portfolio's water consumption, it was 100% lower after eliminating the largest water consumers. Overall, the portfolio had strong sustainability credentials and outperformed the index across a majority of ESG metrics.

OUR ESG SCREENING 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 excluded. As a result, 898 companies were removed from the investable universe by our ESG screening methodology as at December 31. The positive filters reward leaders across several E, S and G metrics. A total of 378 companies have successfully qualified for investment.

% of women managers amongst total managers

MSCI WORLD Index	32%
Hexavest ESG Filtered MSCI World Equity	35%
Hexavest Systematic ESG World Equity Portfolio	35%

Sources: MSCI and Refinitiv as at December 31, 2021

THE BENEFITS OF GENDER DIVERSITY

Effectively integrating workforce diversity into a systematic equity portfolio

A McKinsey study was done on companies across Canada, the US, UK, and Latin America has demonstrated that those with a higher proportion of gender diversity in their workforce and management teams were 15% more likely to have better returns versus their industry median. A diverse workforce brings a broad set of skills and perspectives to decision making, risk management and innovation. The process of building a more diverse middle and upper management starts with greater diversity across the entire workforce, which in turn, will shape diversity within management.

The chart on the right shows the proportion of women managers across sectors in the MSCI World compared to our portfolio. As the chart illustrates, materials (23%), industrials (24%) and energy (24%) employ the smallest proportion of women managers in the MSCI World Index. Our portfolio outperforms the index across five sectors. One sector worthy of mention is consumer staples, where our portfolio (57%) has a significantly higher proportion versus the MSCI World average of 32%.

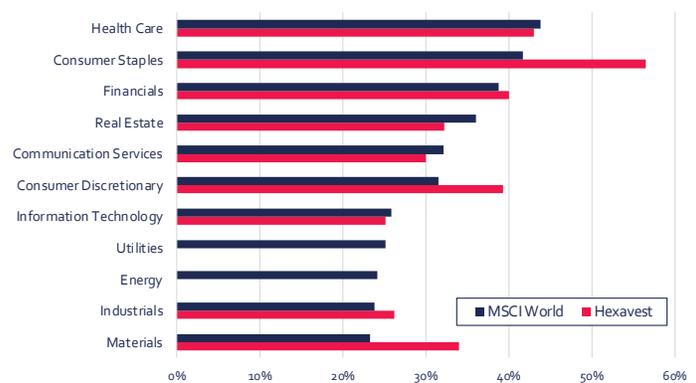
Our positive filter rewarded 332 companies with a higher proportion of women managers compared to their industry group average. We chose to elaborate on two of our portfolio companies that are leaders in this sphere.

Target Corp. and Otis Worldwide lead the way

Target Corp. sells general merchandise and food products online and through its network of stores. The company strives to have a workforce that reflects the communities in which it operates and has had a diversity, Equity & Inclusion strategy for 15 years. Target has a dedicated DEI team that sets goals and implements the firm-wide strategy. Its “Target Forward” sustainability strategy aims to increase the promotional rate of women by 2023 and plans for all their suppliers to have programs in place to promote gender equity by 2025.

Otis Worldwide is involved in the manufacturing, installation and maintenance of elevators and escalators. Otis has committed to achieving gender parity by 2030. To achieve this, it will implement a 5-point plan elaborated by Paradigm for Parity, which includes setting targets and measuring progress and eliminating unconscious bias through training.

Percentage of women managers within companies



Source: MSCI and Refinitiv as at December 31, 2021

	Target	Otis
Country	United States	United States
Sector	Consumer Discretionary	Industrials
Portfolio weight	2.8%	2.3%
% of women managers	56%	34%

Source: Refinitiv as at December 31, 2021



Source of all data and information: Hexavest as at December 31, 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.