

ESG METRICS

| Statistic | Hexavest | MSCI World |
|---|----------|------------|
| E Carbon emissions (t CO ₂ /SB) | 10 | 60 |
| E Carbon intensity | 9 | 122 |
| E Water use (m ³ /SM revenue) | 69 | 10,181 |
| E Waste-recycling ratio | 76% | 67% |
| E Renewable-energy use | 35% | 38% |
| E Reported emissions | 97% | 89% |
| S Employee fatalities per 100,000 employees | 0.1 | 1.0 |
| S Access to low-price products | 27% | 23% |
| S Women managers | 35% | 32% |
| S Salary gap (CEO / average salary) | 144 | 269 |
| G Sustainability compensation incentives | 27% | 34% |
| G Independent board members | 75% | 79% |
| G CEO and chairman separation | 71% | 52% |
| G Board gender diversity | 33% | 31% |

Values are calculated only on the invested portion of the portfolio.
Sources: Sustainalytics and Refinitiv as at March 31, 2022

STOCKS ADDED OR REMOVED DUE TO ESG

| Company | Change | Reason |
|--------------------|---------|--------------------------------------|
| Waters Corp | Removed | Lobbying and political expenses |
| Metlife | Added | Carbon intensity within its industry |

ESG PORTFOLIO ANALYSIS

At the end of the first 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 99% 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, 905 companies were removed from the investable universe by our ESG screening methodology as at March 31. The positive filters reward leaders across several E, S and G metrics. A total of 381 companies have successfully qualified for investment.

QUARTERLY ESG THEME

RENEWABLE ENERGY USE

With the transition to a low-carbon economy, it is essential that companies use renewable energy. We incorporate this factor into our positive filtering methodology by looking at the proportion of primary renewable energy use versus total energy use; currently our methodology rewards 113 companies for their use of a high proportion of renewable energy.

Even so, we avoid applying a negative filter for this factor, which explains our portfolio's underperformance versus the index. Our rationale is that only 49% of companies report their use of renewable energy. Moreover, it is necessary to maintain a pool of emitters that is large enough to deploy our quantitative stock selection process efficiently. At this point, we think our other negative filters, such as the carbon-emissions filter, are more applicable to build a sustainable portfolio. Our best course of action on the renewable energy metric is to maintain our positive filter and to include this issue in our dialogues with the companies in which we invest; in other words, we ask them to improve their reporting and business practices. More details are provided on the next page.

| % of renewable energy use | |
|--|-----|
| MSCI WORLD Index | 38% |
| Hexavest ESG Filtered MSCI World Equity | 35% |
| Hexavest Systematic ESG World Equity Portfolio | 35% |

Sources: MSCI and Refinitiv as at March 31, 2022

RENEWABLE ENERGY: THE KEY TO A SUSTAINABLE FUTURE

Effectively aligning a systematic equity portfolio to the Paris Agreement objectives

The case for using renewable energy is well established. Energy needs (electricity and heat) are the leading contributor to greenhouse gases, representing about 60% of the world's emissions. Increasing renewable energy use at the company level can collectively reduce such emissions and help limit the rise in temperature, as set out in the Paris Agreement.

We think that all companies have a role to play in this global effort and that their bottom line can benefit from lower and less volatile energy costs when renewable power is used as a substitute for fossil fuels.

The chart on the right shows the proportion of renewable energy use across sectors in the MSCI World Index versus our portfolio. As the chart shows, the communication services sector is in a league of its own in the Index, with renewable energy use of 68%, and unsurprisingly the energy sector lags with only 4%. Our portfolio outperforms the index across four sectors: financials (63%), consumer discretionary (38%), materials (19%) and consumer staples (31%).

We have chosen to elaborate on two of our portfolio companies that are leaders in this sphere.

Kesko OYJ and Autodesk Inc. lead the way

Kesko OYJ has retail and wholesale operations, mainly in the grocery trade and building and home improvement materials. Since 2017, all Kesko's retail locations and other properties in Finland have used renewable energy exclusively, namely hydroelectricity, wind power and bioenergy. Kesko has also installed several solar power plants at its properties.

The company's future focus will be on increasing renewable energy use in operations outside Finland and on improving energy efficiency.

Autodesk Inc. is a software company offering products and services in such areas as architecture, engineering, manufacturing, and construction. The company's data centres and offices have been powered with renewable energy since 2016. To offset the energy used for remote work during the Covid pandemic, the company has purchased renewable energy credits and will continue to do so.

Renewable energy use



Source: MSCI and Refinitiv as at March 31, 2022

| | Kesko | Autodesk |
|---------------------------|------------------|------------------------|
| Country | Finland | United States |
| Sector | Consumer Staples | Information Technology |
| Portfolio weight | 2.1% | 2.4% |
| % of renewable energy use | 60% | 80% |

Source: Refinitiv as at March 31, 2022



Source of all data and information: Hexavest as at March 31, 2022, unless otherwise specified.

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