

ESG METRICS

Statistic	Hexavest	MSCI World
E Carbon emissions (t CO ₂ /SB)	12	74
E Carbon intensity	10	126
E Water use (m ³ /SM revenue)	142	18,235
E Waste-recycling ratio	74%	66%
E Renewable-energy use	36%	38%
E Reported emissions	93%	89%
S Employee fatalities per 100,000 employees	0.1	0.8
S Access to low-price products	18%	24%
S Women managers	36%	33%
S Salary gap (CEO / average salary)	98	310
G Sustainability compensation incentives	45%	38%
G Independent board members	75%	80%
G CEO and chairman separation	72%	49%
G Board gender diversity	33%	31%

Values are calculated only on the invested portion of the portfolio.
Sources: Sustainalytics and Refinitiv as at June 30, 2022

STOCKS ADDED OR REMOVED DUE TO ESG

Company	Change	Reason
WR Berkley	Added	Access to low-priced products
Vertex Pharmaceutical	Added	Carbon intensity trend improved

QUARTERLY ESG THEME

BOARD GENDER DIVERSITY

At the core of an effective board of directors lies a divergence of thoughts, opinions and backgrounds, and one way to analyze such diversity is through the gender lens. Our screening methodology incorporates this factor by looking at the percentage of women who hold a seat on the board of directors relative to the total board members.

Companies in which women hold an above-average percentage of board seats are preferred in our ESG filtering methodology. This information is readily available on company websites, as every listed company is required by law to have a board of directors. In this regard, our portfolio holds companies with a higher proportion of female board members relative to the MSCI World Index. Interestingly, the MSCI World's board gender diversity has climbed since December 31, 2019, when it was 26%. Note that our negative filtering methodology excludes 166 companies, leaving only 114 eligible and limiting this metric's impact on our portfolio. Learn more on the next page.

ESG PORTFOLIO ANALYSIS

At the end of the second 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 92% 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, 916 companies were removed from the investable universe by our ESG screening methodology as at June 30. The positive filters reward leaders across several E, S and G metrics. A total of 363 companies have successfully qualified for investment.

% of women on the board of directors	
MSCI WORLD Index	31%
Hexavest ESG Filtered MSCI World Equity	31%
Hexavest Systematic ESG World Equity Portfolio	33%

Sources: MSCI and Refinitiv as at June 30, 2022



ACHIEVING GENDER EQUALITY

Effectively applying the UN’s fifth SDG to a systematic equity portfolio

According to the [UN](#), gender parity remains elusive in areas such as national parliaments and, more broadly, managerial positions. The good news is that there has been an uptick of women board members in recent years, with several published reports, such as [McKinsey’s](#), stating that gender-diverse boards outperform their peers that are less gender diverse.

Some countries, such as [Norway](#) and [Italy](#), have already passed legislation to ensure a minimum number of board seats are held by women. Recently, the [European Union](#) announced that a minimum of 40% women on boards will be required by 2026.

The chart on the right shows the proportion of women on boards of directors across the sectors in the MSCI World Index versus our portfolio. As the chart shows, our portfolio outperforms the index across six sectors: financials (34%), information technology (35%), real estate (41%), consumer discretionary (39%), health care (35%) and consumer staples (36%).

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

Best Buy Co. and Carrefour SA lead the way

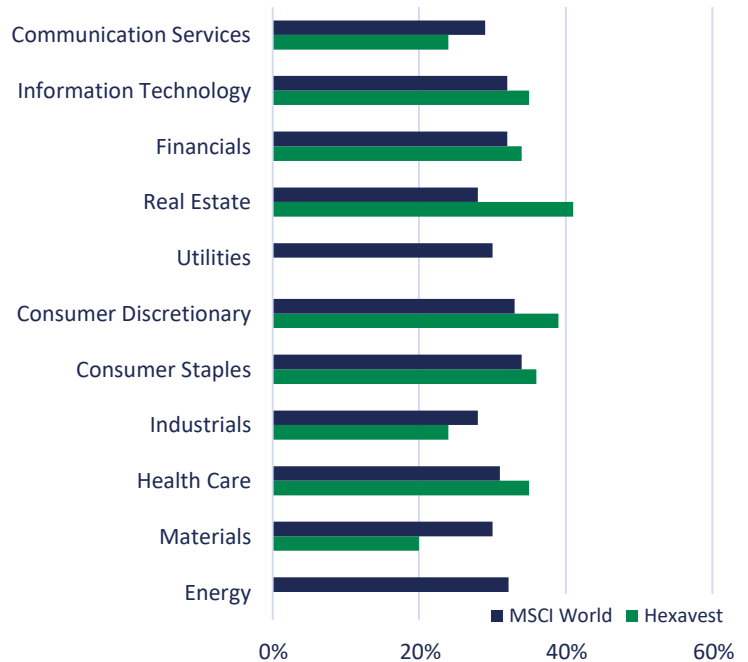
Best Buy Co. offers technology products and services to consumers. In 2012, the incoming CEO made diversity a priority, at a time when there was only one woman on the board. In 2017, the company signed the Parity Pledge whereby it would interview at least one qualified female candidate for every available position, starting at the vice-president level, up to the board level. In 2020, Best Buy committed to a 5-year diversity plan to increase hiring among groups that are underrepresented, such as women, so that its workforce will be as diverse as its board.

Carrefour SA operates supermarkets in Europe, Asia and Latin America. The company has had a gender-diverse board for several years, mainly because in 2011 France passed a law requiring large companies to have at least 40% women on their boards by 2017. Carrefour has received Gender Equality European & International Standard (GEEIS) certification for advocating equality and diversity across the entire organization.

Engaging for the development of an inclusive economy

Our organization is particularly active on diversity issues, as shown by Desjardins Group’s participation in the [30% Club](#) and by Desjardins Global Asset Management’s support of the RIA-initiated [Investor Statement on Diversity](#). In 2021, we also voted against committee member nominations for 841 companies whose boards of directors did not have 30% female representation (30% for the election of directors and committee chairs) and published an [article in Finance et Investissement](#) explaining our gender-diversity integration approach. Finally, we took part in a panel on diversity and inclusion at the Finance Montréal Sustainable Finance Summit.

Board Gender Diversity per Sector



Source: MSCI and Refinitiv as at June 30, 2022

	Best Buy Co.	Carrefour SA
Country	United States	France
Sector	Consumer Discretionary	Consumer Staples
Portfolio weight	1.9%	1.1%
% of board gender diversity	45%	47%

Source: Refinitiv as at June 30, 2022

Source of all data and information: Hexavest as at June 30, 2022, unless otherwise specified.

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