

ESG METRICS

Statistic	Portfolio	MSCI World
E Carbon emissions (t CO ₂ /\$B)	14	74
E Carbon intensity	11	124
E Water use (m ³ /\$M revenue)	99	18,172
E Waste-recycling ratio	71%	66%
E Renewable-energy use	35%	33%
E Reported emissions	96%	91%
S Employee fatalities per 100,000 employees	0.2	0.8
S Access to low-price products	22%	24%
S Women managers	32%	33%
S Salary gap (CEO / average salary)	91	259
G Sustainability compensation incentives	45%	45%
G Independent board members	76%	80%
G CEO and chairman separation	79%	48%
G Board gender diversity	33%	32%

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

STOCKS ADDED OR REMOVED DUE TO ESG

Company	Change	Reason
BorgWarner	Added	No employee mortality
Vivendi	Removed	Higher carbon intensity vs. peers

ESG PORTFOLIO ANALYSIS

At the end of the third 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 METHODOLOGY IN PRACTICE

Our 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, 926 companies were removed from the investable universe by our ESG screening methodology as at September 30. The positive filters reward leaders across several E, S and G metrics. A total of 363 companies have successfully qualified for investment.

QUARTERLY ESG THEME

RECYCLING WASTE

Recycling waste is a great way to help companies reduce their emissions and can also decrease their need for raw materials. Our positive screening methodology incorporates this factor by looking at the proportion of recycled waste versus the total waste generated by a company. Included in recycled waste are composting and waste to energy activities.

Companies that recycle a significant proportion of the waste they generate 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 recycled waste compared to the MSCI World Index. Note that our negative filtering methodology excludes 247 companies, leaving 122 eligible but our portfolio is still able to outperform the index with its higher recycling rate. Learn more on the next page.

% of waste recycled	
MSCI World Index	66%
ESG Filtered MSCI World Index	70%
Systematic ESG World Equity Portfolio	71%

Sources: MSCI and Refinitiv as at September 30, 2022

THE IMPORTANCE OF RECYCLING

Effectively applying the United Nations 12th SDG to a systematic equity portfolio

According to the [UN](#), unsustainable consumption and production habits are the main reason for biodiversity loss and pollution as well as unprecedented warming of the climate. Recycling is, therefore, an essential part of business, with [economic benefits](#) for companies and a positive effect on the environment.

Some countries, such as the United Kingdom, have introduced a [landfill tax](#) to encourage waste reduction and recycling. As for businesses, they are increasingly embracing a zero-waste-to-landfill approach as they seek to minimize their environmental footprint.

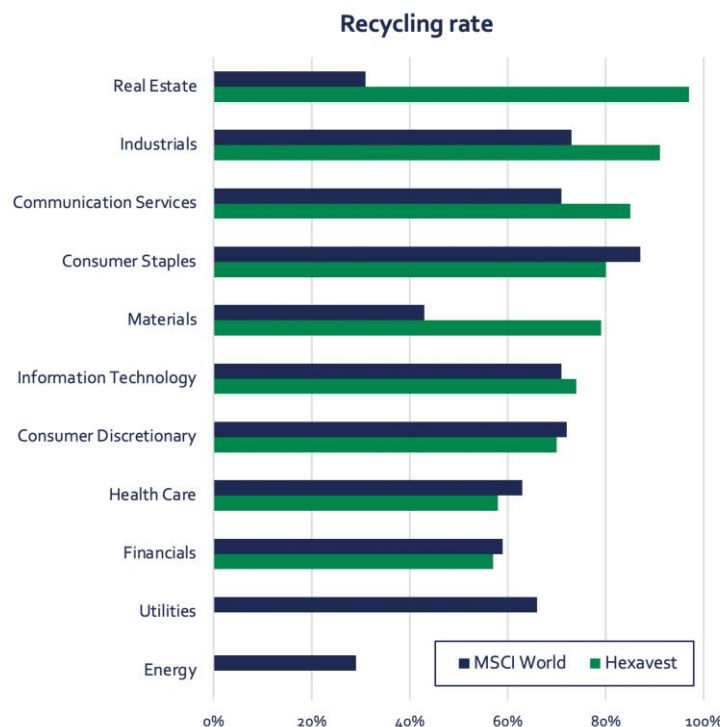
The chart on the right shows the proportion of waste recycled across the sectors in the MSCI World Index versus our portfolio. As the chart shows, our portfolio outperforms the index across five sectors: industrials (91%), information technology (74%), real estate (97%), materials (79%), and communication services (85%).

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

Novo Nordisk and WW Grainger lead the way

Novo Nordisk develops, produces and markets pharmaceutical products. It is aiming for zero environmental impact by 2045 with its Circular for Zero program. The goal is to achieve zero waste in its operations, but the company is also hoping to include its plastic insulin pens, which currently cannot be recycled, unlike other plastic products. Novo Nordisk is looking to expand its zero-waste goal to the pens and has pilot projects to transform them into chairs and other products. It is also starting a take-back project in some countries to recover used pens.

WW Grainger is a business-to-business distributor of maintenance, repair and operating supplies to commercial and industrial customers, for products such as motors, HVAC equipment and power tools. The company has received Zero Waste Certification for three of its distribution centres, having achieved a recycling rate of at least 90% at those locations. The company is also carrying out a pilot project using new technology to help streamline its recycling operations. Furthermore, the annual performance goals of the distribution centre managers include recycling metrics.



Source: MSCI and Refinitiv as at September 30, 2022

	Novo Nordisk	WW Grainger
Country	Denmark	United States
Sector	Health Care	Industrials
Portfolio weight	0.9%	1.9%
% recycled waste	96%	89%

Source: Refinitiv as at September 30, 2022

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

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