

OUR EVOLVING ESG METHODOLOGY

With the ESG landscape having evolved considerably since our systematic ESG fund was created, the time had come to review our screening methodology. Even though our process still includes positive and negative ESG filters, we are adopting a more intentional approach centred on DGAM's priority themes. Our negative filters continue to identify companies involved in harmful activities, whereas our positive filters reward leaders across our themes.

At the end of 2024, we removed 608 companies from the investment universe and deemed 649 companies eligible for investment. The portfolio maintains carbon and water footprints that are significantly lower than those of the benchmark, maintaining its strong sustainability credentials.

ACTIVE OWNERSHIP SPOTLIGHT

TJX Companies, a U.S. off-price retailer, sources from 21,000 suppliers in many countries, including high-risk regions. The company's human rights approach relies on a Supplier Code of Conduct and factory audits, mainly for house-brand suppliers, which are a small part of total sales. TJX audited more than 3,000 factories but did not disclose the proportion of total factories audited. We urged TJX to include other brands' factories in its audits and to disclose results. Furthermore, TJX should implement a human rights due diligence process, because it lags other retailers. We recommend that TJX proactively identify human rights risks in its supply chain, starting with house-brand suppliers. The company plans to implement a forced-labour risk assessment tool for house-brand imports to the United States, which is a positive step, albeit a limited one.

ESG METRICS

Statistic	DGAM	MSCI World
E Carbon emissions (t CO ₂ /(\$B))	4	53
E Carbon intensity (t CO ₂ /(\$ revenue))	7	104
E Water use (m ³ /(\$M revenue))	73	7,846
E Waste-recycling ratio	68%	64%
E Renewable-energy use	47%	44%
E Reported emissions	92%	96%
S Fatalities per 100,000 employees	0.5	0.7
S Access to low-price products	17%	21%
S Women managers	38%	33%
S Salary gap (CEO/average salary)	84	172
G Sustainability compensation incentives	71%	69%
G Independent board members	80%	81%
G CEO and chair separation	67%	48%
G Board gender diversity	36%	34%

Values are calculated only on the invested portion of the portfolio.
Sources: Sustainalytics and LSEG as at December 31, 2024

PRIORITY THEME OVERVIEW

TRANSITIONING TO A LOW-CARBON ECONOMY

The issue at stake

According to the World Economic Forum's 2023 Report, climate change remains the most severe risk that the world will face in the short and long terms. The pace of climate change is accelerating, leading to a chain of harmful repercussions on the environment, ecosystems and human health.

Our objectives

- Implement concrete measures that aim to tackle climate change, reduce the carbon footprint of our investments and make systems more efficient
- Increase the proportion of renewable energy in the global energy mix

Our approach

Invest in companies that offer contributions and/or solutions for the fight against climate change

Contribution:

- Adopt ambitious GHG emission-reduction targets
- Use or plan to use a significant proportion of renewable energy
- Invest in energy-efficiency projects

Solutions:

- Offer solutions that improve energy efficiency
- Produce renewable energy
- Provide reliable energy services at an affordable cost



PRIORITY THEME OVERVIEW

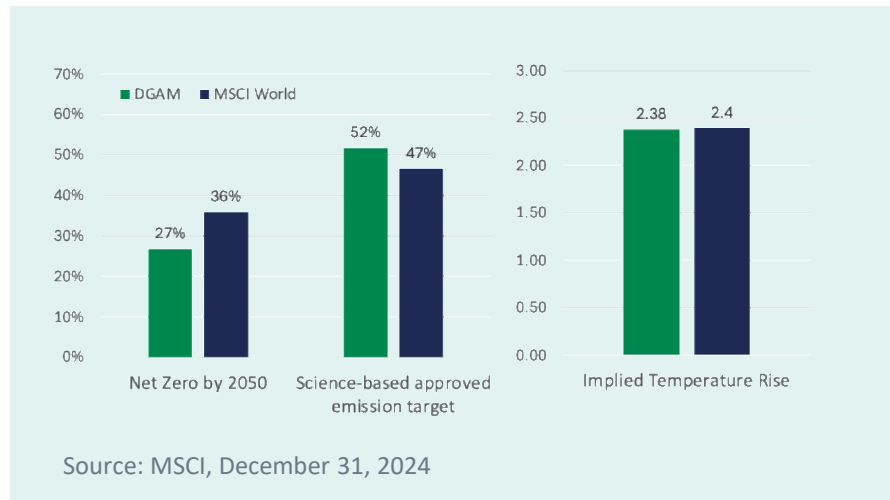
New measures addressing climate transition

To align our portfolio companies with the goal of transitioning to a low-carbon economy, we have incorporated four new metrics: (1) alignment with the 2050 net-zero (NZ) target; (2) SBTi’s assessment of emission-reduction targets; and (3) company alignment with a maximum temperature increase of 2 degrees, or the implied temperature rise (ITR). These metrics assess whether companies’ operations are compatible with the goal of transitioning to a low-carbon economy.

The NZ metric indicates the degree to which a company’s carbon-footprint reduction target is in line with the 2050 net-zero target. The SBTi metric demonstrates that the company has carbon-emission reduction targets approved by the Science Based Targets initiative (SBTi). The ITR metric assesses companies’ temperature alignment, determining whether they meet the goals of the Paris Agreement, notably limiting the increase in the global average temperature to 1.5°C by 2100. We have set the threshold at two degrees.

These indicators are in addition to the share of revenues derived from thematic solutions related to climate change (4), including companies offering solutions based on renewable energy, energy efficiency and green.

The new metrics ensure that companies align their emission-reduction strategies with the goals of the Paris Agreement. By using recognized, science-based methodologies, such as those of the SBTi, we ensure that companies’ commitments are credible and transparent. In short, these metrics help us ensure that portfolio companies adopt rigorous emission-reduction strategies aligned with global climate targets, contributing significantly to the fight against climate change.



Two standout companies

ServiceNow, a U.S. company, offers cloud-based solutions to digitize, optimize and unify workflows using AI and machine learning. About 24% of its revenue comes from products that reduce energy consumption and optimize IT infrastructure. The company’s approved targets include Scope 1 and 2 reduction targets of 70% by 2026, from a 2019 baseline. They also include Scope 3 reduction targets for business travel and employee commuting, namely a 40% reduction in emissions intensity by 2026, from a 2019 baseline. The company is also targeting 65% of its suppliers with commitments to SBTi targets. ServiceNow has an implied temperature rise of 1.3 °.

	ServiceNow	Loblaw
Country	United States	Canada
Sector	IT	Staples
Portfolio weight	0.96%	1.81%
Net Zero by	2030	2050
SBTi approved targets	True	True
Implied Temperature Rise	1.3	1.4
Revenues derived from products / services with positive effect on the environment	24.2%	-

Source: MSCI, December 31, 2024

Loblaw is a food and pharmacy retailer based in Canada. It targets net-zero carbon emissions for Scope 1 and 2 by 2040, and for scope 3 by 2050. Its SBTi target aims to reduce GHG emissions by 50% by 2030, using 2020 as the base year. The company has also committed to having 70% of its suppliers aligned with SBTi by 2027, which will help it achieve its Scope 3 emission-reduction goals. Loblaw has an implied temperature rise of 1.4 °.

Source of all data and information: DGAM as at December 31, 2024, unless otherwise specified.

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