ESG REPORT
EMERGING MARKETS EQUITIES
Q2 2024

HEXAVEST BY Desjardins Global Asset Management

ESG METRICS

	Statistics	Portfolio	MSCI EM
E	Carbon emissions (t CO_2/$B)	78	263
E	Carbon intensity (t CO_2/sales)	111	330
E	Water use (m^3/$M of revenue)	2,057	29,021
E	Waste recycling rate	77%	73%
E	CO_2 emissions coverage (disclosure)	96%	93%
E	Use of renewable energy	12%	15%
S	Mortality rate per 100,000 employees	1.2	3.2
S	Gender diversity of management	25%	24%
S	Wage gap (USD)	163	151
S	Access to low-cost products	22%	19%
G	Director independence	53%	51%
G	Sustainability-linked compensation	16%	18%
G	Board diversity	15%	15%

The calculations are based solely on the invested portion of the portfolio. Source: Refinitiv, June 30, 2024

HOLDINGS WITH SEVERE ESG RISK (40+, CCC)

Stock	Country	Sector	Active weight	ESG risk	ESG score
CHINA PETROLEUM & CHEMICAL CORP	China	Energy	0.57%	53.0	BB
CHINA LONGYUAN POWER	China	Utilities	0.04%	40.2	BBB
ADANI PORTS	India	Industrials	0.12%	11.3	CCC
HYUNDAI MOTOR	China	Consumer Discretionary	0.36%	26.1	CCC

Note: Excludes securities held indirectly via ETFs or futures.
Source: Sustainalytics, MSCI, June 30, 2024

The portfolio's carbon footprint remains significantly lower than that of its benchmark in terms of emissions and intensity, with an intensity that is 66% lower than the index.

At the end of the quarter, two securities in the portfolio were rated as presenting a severe ESG risk by Sustainalytics. This quarter, we are adding companies with a very low MSCI score (CCC), thereby adding two securities to the list. These four securities represent 2.4% of the portfolio, while 6.3% of the index is made up of securities presenting a severe ESG risk, according to the two data providers. Reliance Industries had its rating upgraded and is no longer in the severe risk category.

We noted significant differences in the ratings by the two providers. Regarding MSCI, Hyundai Motors is impacted by the penalties it faced for issues with product quality and safety stemming from recalls of faulty engines and airbags. The company could also improve its governance, particularly in relation to shareholders and board composition. Adani Ports was also downgraded for governance issues, as well as for employee health and safety concerns. As for Sustainalytics, the absence of a formal system for identifying China Longyuan Power's communities and stakeholders was noted. This issue is also affecting China Petroleum & Chemical Corp, which is particularly concerning because the company operates in conflict regions, where there are risks of human rights violations. It should further develop and disclose its human rights and Indigenous rights policies.

Shareholder engagement during the quarter

Our partner Sustainalytics is engaging with the Saudi company Aramco, which is involved in exploring, producing, refining, distributing, and shipping oil and natural gas globally. The company is the world's largest producer of hydrocarbons and is estimated to have been responsible for nearly 4% of global greenhouse gas emissions since the early 20th century (source: Carbon Majors). This security is not held in the portfolio.

Participants at the most recent meeting exhibited less transparency and collaboration compared to previous meetings.

Stock	Country	Sector	Current Position
Aramco	Saudi Arabia	Energy	Underweight

AREAS FOR IMPROVEMENT:

- Disclosing the roles and responsibilities of the sustainability/ESG group, as well as those of the board.
- Disclosure under a recognized framework, such as the TCFD.
- Director independence and board independence vis-à-vis the government.
- Disclosure of spills and their impact on the environment, along with efforts and procedures implemented to prevent future damage.

Overview of Saudi Aramco's ESG performance

Following its IPO in 2019, the largest in history, the company sold an additional tranche of shares in June 2024. Its MSCI Emerging Markets Index weighting is currently 0.36%.

Given Saudi Arabia's substantial financing requirements to diversify its economy and its ownership of 81.5% of Saudi Aramco shares (with the country's sovereign wealth fund holding 16%), we anticipate that more shares will be sold in the future. This will likely increase the security's importance in the MSCI Index.

Sustainalytics ESG Risk	42.6	MSCI ESG Score	BB

Sources: Sustainalytics, MSCI

But how does the world's largest hydrocarbon producer behave when it comes to ESG factors?

The company's transparency has been an issue for some years now. In 2021, Bloomberg reported that Saudi Aramco had vastly understated its carbon emissions prior to its IPO, failing to include emissions from its overseas operations and joint ventures. In fact, Carbon Tracker ranked Saudi Aramco last among the largest 25 fossil fuel producers due to its energy transition plan: the company has no plans to reduce production and continues to focus on exploration, particularly for natural gas. It has introduced a net-zero target by 2050, but this is primarily based on carbon capture and only takes Scope-1 and Scope-2 emissions into consideration.

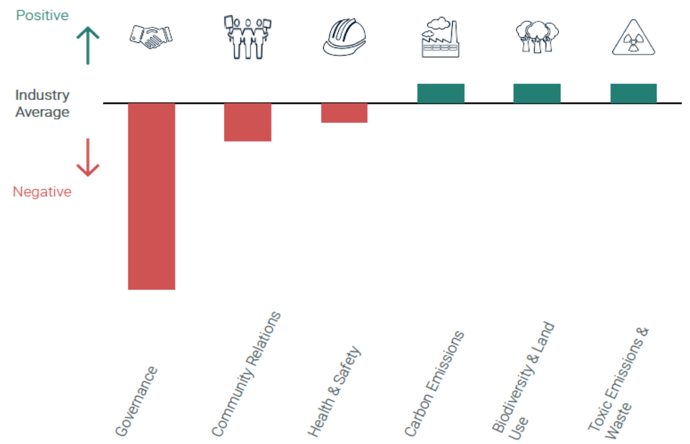
It's worth pointing out that the government remains heavily dependent on oil for its revenues (over 60%). In April, the IMF revised upward the price of a barrel of oil that Saudi Arabia needs to balance its budget to US$96.20.

This raises major social issues, as Saudi Aramco's profits fund the Saudi government's controversial practices, some of which violate human rights. This is the case with the country's military deployment in Yemen. Saudi Aramco's facilities have also come under attack as part of this conflict.

In terms of governance, the situation is not much better, given that Saudi Aramco is a state-owned company with very close financial and governance ties to the government. The board lacks diversity, and several members are not independent; they hold government positions or sit on multiple other boards. The interests of minority shareholders are often overlooked because the government is a majority shareholder in the company.

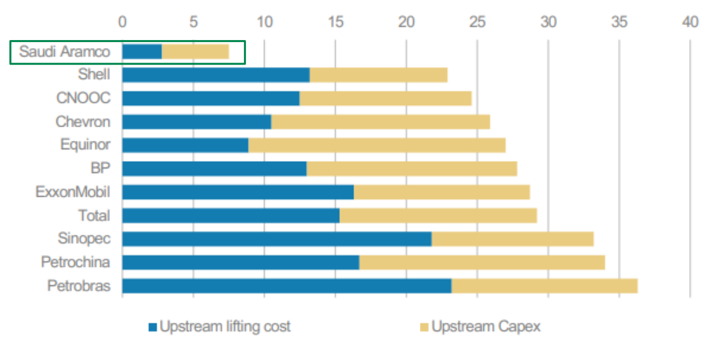
Score attribution by key issue

This chart highlights the company's positioning relative to the industry average for each Key Issue that contributed to its ESG Rating as of April 17, 2024.



Source: Sustainalytics

Upstream costs (lifting and capex, $/boe, 2018)



Sources: Company data, Morgan Stanley Research

As mentioned on the previous page, Saudi Aramco has several areas for improvement. We have never included this security in our portfolio and do not intend to do so for the time being, due to its ESG shortcomings as well as the company's lack of transparency and collaboration when making commitments. That said, we may consider this security at some point if it eventually shows progress on the ESG front given its very low-cost structure, which gives it an undeniable advantage over its peers.

Source of all data and information: DGAM as at June 30, 2024, unless otherwise specified.