

REPORT ON ESG FACTORS EMERGING MARKET EQUITIES Q3 2024

HEXAVEST

BY  **Desjardins**
Global Asset Management

ESG METRICS

Statistic	Portfolio	MSCI EM
E Carbon emissions (t CO ₂ /\$B)	65	238
E Carbon intensity (t CO ₂ /sales)	98	297
E Water use (m ³ /\$M of revenue)	2,607	29,867
E Waste-recycling rate	69%	70%
E CO ₂ emissions coverage (disclosure)	97%	94%
E Use of renewable energy	14%	15%
S Fatality rate per 100,000 employees	1.0	1.7
S Senior management gender diversity	28%	25%
S Wage gap (USD)	148	137
S Access to low-cost products	25%	20%
G Director independence	54%	52%
G Sustainability-linked compensation	21%	20%
G Board diversity	18%	17%

The calculations are based on the invested portion of the portfolio only. Source: LSEG, 30 September 2024

INVESTMENTS WITH HIGH ESG RISK (40+, CCC)

Company	Country	Sector	Active position	ESG risk	ESG rating
CHINA PETROLEUM & CHEMICAL	China	Energy	0.16%	52.0	BB
ADANI PORTS	India	Industrials	0.34%	11.3	CCC
HYUNDAI MOTOR	China	Consumer discretionary	-0.14%	25.5	CCC

Note: Excludes securities held indirectly via exchange-traded funds (ETFs) or futures.

Source: Sustainalytics, MSCI, September 30, 2024

Shareholder engagement during the quarter

Since the start of our shareholder engagement efforts, the materials sector has been a priority in light of its significant deficiencies. The fact that companies with coal-related operations are excluded from our strategy has prompted us to press the companies in which we can invest to improve their practices.

During the quarter, our partner Aequo carried out initiatives with Grupo México and Vale, two companies in the portfolio.

Company	Country	Sector	Current position
Grupo México	Mexico	Materials	Overweight
Vale	Brazil	Materials	Overweight

The portfolio's carbon footprint remains significantly lower than its benchmark index in terms of emissions and intensity, with an intensity that is 67% lower than that of the index.

At the end of the quarter, one stock in the portfolio had a severe ESG risk according to Sustainalytics. This quarter, we are adding companies with a high score according to MSCI (CCC), with two companies added to the list. The three stocks represent 1.1% of our portfolio; in contrast, 5.9% of the index is composed of stocks with a severe ESG risk according to the two data providers.

China Longyuan Power saw its rating improve enough to move out of the severe-risk category. The company is now disclosing more ESG information about its operations. It has also implemented policies to manage environmental risks, and has enhanced its employee health and safety management system, which now includes annual safety training, emergency response plans and regular exercises.

Notable differences in ratings between the two providers remain this quarter. Hyundai Motor, Adani Ports and China Petroleum & Chemical Corp remain our high-ESG-risk investments. The positions in Hyundai Motor (more challenging global automotive environment) and China Petroleum & Chemical Corporation (decrease in Chinese holdings) were reduced during the third quarter.

POINTS TO BE IMPROVED:

Grupo México – Water management

- Adopt more ambitious water management targets;
- Improve the board's oversight of water management by including a director with relevant expertise.

Vale – Ecological impact

- Have mining facilities certified to the Initiative for Responsible Mining Assurance (IRMA);
- Accelerate the securing of tailings storage facilities in Brazil and elsewhere to ensure completion before the 2035 target.

Update on China's energy mix

The country aims to cap its carbon dioxide emissions by 2030 and to become net-zero by 2060.

To that end, the government has set a target of obtaining 25% of energy from renewable sources by 2030. The vast projects of recent years, aimed at both the manufacture and installation of solar panels and wind turbines, are bearing fruit. The share of renewables in the country's energy mix has almost doubled in the past decade, reaching 16.1% in 2023. Gas and nuclear energy sources also increased during the period. The big loser is coal, although it is still the country's main source of energy.

These advances have helped slow the rate of increase in carbon dioxide emissions to about 2.8% annually for the past six years. The slowdown in the country's economic growth has probably also helped.

That said, China's absolute coal-fired power generation capacity has continued to increase in recent years. The construction of new coal-fired power plants and announcements of future projects continue. The authorities also continue to invest in coal mining, with the intention of modernizing the extraction methods to transform mines into so-called smart mines. Such mines require fewer employees to extract the ore and are safer.

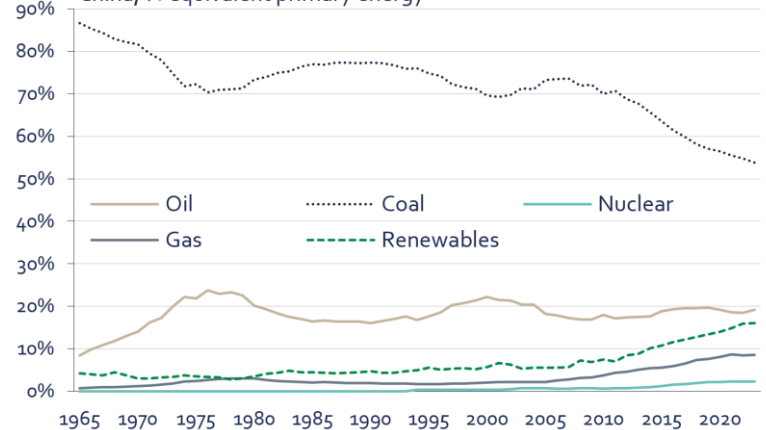
Thus, the government is not about to abandon coal. The major heat waves of 2022 most likely reinforced the relevance of coal-fired power plants in the eyes of the authorities. Coal-fired plants were needed to compensate for the lack of hydroelectric production from dams during this episode.

The addition to coal-fired power generation capacity in China has more than offset declines in the rest of the world since 2017. More than half of the world's installed capacity is now in China.

Even though China's progress has to be acknowledged, the fact remains that the direction of the country's coal-fired power generation is not compatible with limiting global warming to 1.5°C.

Energy Consumption by Source

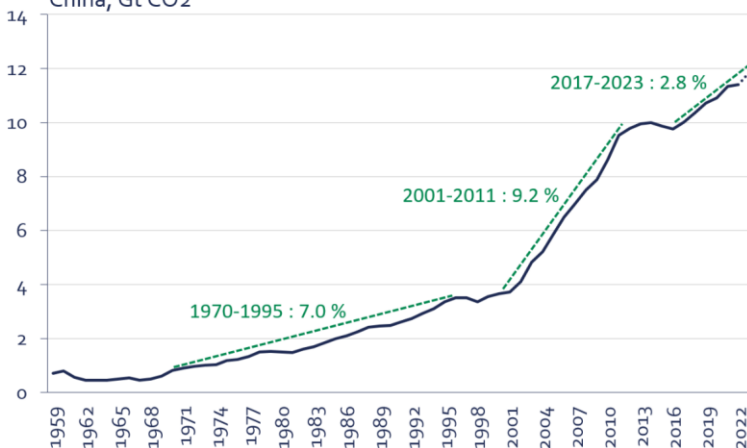
China, % equivalent primary energy



Sources: DGAM, Energy Institute, September 30, 2024

Carbon Dioxide Emissions

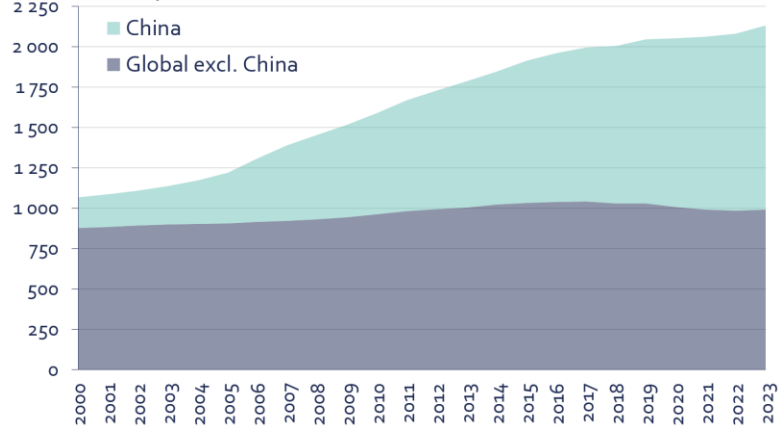
China, Gt CO₂



Sources: DGAM, Global Carbon Project, September 30, 2024

Operating Coal-fired Power Capacity

Global, In GW



Sources: DGAM, Global Energy Monitor, September 30, 2024

Source of all data and information: DGAM, Council on Foreign Relations, U.S. Energy Information Administration, September 30, 2024, unless otherwise noted.

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