

REPORT ON ESG FACTORS EMERGING MARKET EQUITIES Q1 2026

HEXAVEST

BY  **Desjardins**
Global Asset Management

ESG METRICS

Statistic	Portfolio	MSCI EM capped
E Carbon emissions (t CO ₂ /\$B)	80	192
E Carbon intensity (t CO ₂ /sales)	139	292
E Water use (m ³ /\$M of revenue)	9,663	15,825
E Waste-recycling rate	68%	68%
E CO ₂ emissions coverage (disclosure)	98%	97%
E Use of renewable energy	20%	20%
S Fatality rate per 100,000 employees	2.2	2.1
S Senior management gender diversity	26%	25%
S Wage gap (USD)	273	232
S Access to low-cost products	21%	19%
G Director independence	56%	54%
G Sustainability-linked compensation	39%	40%
G Board diversity	22%	20%

Calculations are based on the invested portion of the portfolio only.

Source: LSEG, March 31, 2026

INVESTMENTS WITH HIGH ESG RISK (40+, CCC)

Company	Country	Sector	Active position	Sustain-alytics ESG risk	MSCI ESG risk
PDD HOLDINGS	China	Consumer discretionary	0.15%	24.2	CCC
RELIANCE INDUSTRIES	India	Energy	0.52%	40.0	BBB
CHINA HONGQIAO GROUP	China	Materials	0.02%	47.1	BB
ECOPRO	South Korea	Industrials	0.00%	45.7	BBB
KIA CORPORATION	South Korea	Consumer discretionary	0.01%	20.7	CCC

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

Sources: Sustainalytics, MSCI, March 31, 2026

Shareholder engagement during the quarter

During the quarter, our partner Aequo conducted an engagement initiative involving Vale, a Brazilian metals and mining company.

The topics discussed included the mining sector's environmental and social impacts as well as Vale's overall approach to relations with local communities and Indigenous peoples.

Company	Country	Sector	Active position
Vale	Brazil	Materials	-0.28%

The portfolio's carbon footprint is still significantly lower than that of its benchmark in terms of both emissions and intensity, with an intensity that is 53% lower than the index's.

At the end of the quarter, three of the portfolio's holdings had a severe ESG risk rating according to Sustainalytics, two more than in the previous quarter. The portfolio held two companies rated high-risk (CCC) by MSCI, unchanged from the previous quarter. These holdings represent 2.7% of the portfolio, whereas 7.1% of the securities in the index have a severe ESG risk according to the two data providers.

The portfolio still has PDD Holdings, Temu's parent company, Kia Corporation, and Reliance Industries. MSCI lowered Reliance's ESG rating because of its inadequate carbon-reduction targets.

EcoPro is a South Korean manufacturer of specialty chemicals with operations that include battery materials and related recycling operations. The company could improve the environmental management of its operations, notably by implementing structured programs for non-GHG atmospheric emissions and hazardous waste.

China Hongqiao Group is a Chinese aluminum producer. It could improve its ESG performance by strengthening the environmental management of its operations, particularly its water, emissions, and tailings management – areas where its policies, targets, and international certifications are limited. It could also strengthen its climate and social strategy by setting clear emissions-reduction targets, and by strengthening its occupational health and safety practices.

POSITIVE POINT

Tailings management:

- Vale has achieved its target by applying the Global Industry Standard on Tailings Management at all its facilities, which is a significant step forward in risk management.

POINTS TO BE IMPROVED

- Vale has various means of communication enabling communities to share their complaints and concerns, and it discloses some data, such as the proportion of complaints resolved. Even so, the company could be more transparent in disclosing its mechanisms for dialogue, complaint management, and remediation involving communities.

Indonesia: Governance has deteriorated in recent years

This trend has been more pronounced since Prabowo Subianto became President in October 2024. The deterioration can be seen in the political arena and the stock market alike. In response, index provider MSCI warned in January 2026 that Indonesia could be removed from the MSCI Emerging Markets Index if changes were not made.

The populist Prabowo government has made major strategic changes that have undermined the confidence of investors and the population at large.

The most visible was probably the dismissal of the Minister of Finance, Sri Mulyani Indrawati, in September 2025. She had served about 14 years in this key role and was central to the country's economic credibility. She lost her position after deadly protests gripped the country. She was a proponent of prudent fiscal policy, so her dismissal was a political signal in favour of a more free-spending, interventionist approach. The risks that the budget deficit will exceed the 3% legal limit have since increased. A few months later, in January 2026, the Indonesian Parliament approved the appointment of the President's nephew as Deputy Governor of the central bank. These two changes have weakened the independence and credibility of the country's economic governance.

In parallel with these highly publicized decisions, President Prabowo has quietly expanded the military's role in civilian governance, and its influence is growing in a number of sectors. Moreover, the fight against corruption has been weakened, in particular with the decline in the powers and resources available to the Corruption Eradication Commission (KPK).

We will be closely monitoring the release of the World Bank's 2025 data on the country's governance to see how these developments play out.

As for the stock market, in January MSCI raised the issue of opaque share ownership data and the growing risks of coordinated behaviour by players seeking to manipulate the market. MSCI's warning sparked a series of reforms:

- Increase in the minimum free float to 15%;
- Obligation to report any shareholder holding more than 1% of a security (the threshold was previously 5%); and
- Identification of companies with a high ownership concentration

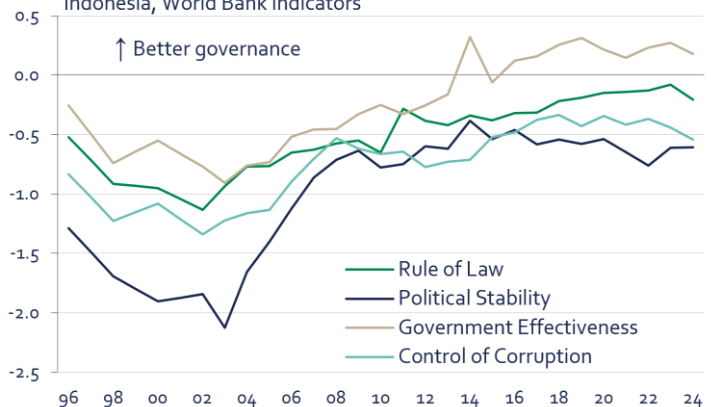
The warning also led to the resignations of the heads of Indonesia's financial regulator and its stock exchange.

MSCI is expected to make its decision in the second quarter of the year. It will undoubtedly help determine whether the country's equity valuation continues to decline.

We are on the sidelines for now, with no position in the country.

Governance Indicators

Indonesia, World Bank indicators



Sources: DGAM, World Bank, March 18, 2026

Valuation & Profitability

Indonesia vs MSCI emerging markets



Sources: DGAM, LSEG, March 31, 2026

Source of all data and information: DGAM as at March 31, 2026, unless otherwise stated.

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