



LEA 02	Disclosures Monetary	Reason for interaction
Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input checked="" type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> To engage investor ESG activities <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via internal staff <input type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify
Collaborative engagements	<input type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via collaborative engagements <input type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify
Service provider engagements	<input type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage via service providers <input type="checkbox"/> To support investment decisionmaking in a company relevant ESG issues <input type="checkbox"/> To influence corporate transition or identify the need for additional or different investments <input type="checkbox"/> Other: specify

RI TRANSPARENCY REPORT

2014/15

Hexavest

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	🔒	n/a							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	🔒	n/a							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Private	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓					✓

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 04	Objectives for engagement activities	🔒	n/a		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	-	n/a		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	✓	Public		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	✓	Private		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
-------	-----------	-----------------	---------

OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Canada

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

44

OO 03	Mandatory	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2014

OO 04.2 Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		16	044	469	144
Currency	USD				
Assets in USD		16	044	469	144

OO 04.5 Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	100	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0

Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

- Publish our asset class mix as broad ranges
- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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Hexavest is an investment management firm which provides discretionary investment management of equities and tactical asset allocation for institutional clients. Hexavest possesses an edge in analyzing macroeconomic factors and in identifying excesses at the stock selection level. Therefore, the firm's approach is predominantly top-down and combines fundamental research and proprietary quantitative models. A great emphasis is placed on preserving client capital which is reflected by a value bias in the different portfolios.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- We incorporate ESG issues into investment decisions on our internally managed assets
- We engage with companies on ESG issues via our staff, collaborations or service providers
- We cast our (proxy) votes directly or via service providers
- None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below.
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This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- Listed Equity incorporation

Direct - Listed Equity active ownership

- Engagements
- (Proxy) voting

Closing module

- Closing module

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Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

- Yes
 No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes
 No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Our philosophy regarding responsible investment is based on the belief that firms lacking strong governance standards or social and environmental responsibility are taking business risks that can have an adverse effect on company and stock performance. Our investment team is mindful of the potential risks associated with ESG issues, which are therefore considered from a risk assessment standpoint; we analyse the potential risks and incorporate the results in our research. We also incorporated ESG issues in the voting guidelines of our Proxy Voting Policy.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- Yes
 Yes, all
 Yes, some

OA 02.4 List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Policy on Proxy Voting Rights	http://www.hexavest.com/files/en/Proxy-voting-policy.pdf

- No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Engagement/active ownership policy <input type="checkbox"/> Specific guidelines on corporate governance <input type="checkbox"/> Specific guidelines on environmental issues <input type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 04

Mandatory

Core Assessed

General

OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

OA 04.2

Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Hexavest's policy on conflicts of interest is covered in its Conflict of Interest Disclosure Statement. The firm strives to take reasonable steps to identify all existing or expected material conflicts of interest. We then assess the level of risk associated with each conflict. We avoid any situation that would entail a serious conflict of interest or represent too high a risk for clients or the integrity of the markets. In any other situation entailing a conflict of interest, we ensure that appropriate measures are implemented to control the conflict of interest effectively. Hexavest established the following policies aimed at avoiding any conflicts of interest:

Ethics: Hexavest expects each employee to demonstrate the highest standards of ethical conduct. Strict compliance with the provisions of Hexavest's Code of Ethics and Standards of Professional Conduct shall be considered a basic condition of employment. Moreover, all Hexavest employees, officers and directors, are required to comply with the rules of professional associations governing Hexavest employees' professional activities, such as the CFA Institute.

Personal trading: Hexavest believes that in order to avoid any potential for conflict of interest, its employees and other covered persons must not invest in any securities other than mutual funds, pooled funds, market indices and their derivatives of any equity asset class managed by Hexavest. Furthermore, if mutual funds or pooled funds managed by Hexavest are purchased, a one-month holding period applies. Employees are also required to report all personal transactions to the Chief Compliance Officer for pre-approval.

Privileged information: The use of privileged information and the disclosure of such information to any person not entitled to receive it are prohibited. Moreover, no personnel of Hexavest may trade, either personally or on behalf of others, while in the possession of material, non-public information.

Gifts and entertainment: All Hexavest employees should not accept inappropriate gifts, favours, entertainment, special accommodations, or other things of material value that could influence their decision-making.

External business activities: Hexavest has implemented a pre-approval process to restrict any outside business activity that would interfere or give the appearance of interfering with an employee's ability to act in the best interests of Hexavest and its clients.

Fair allocation and best execution: Hexavest ensures that orders from clients are allocated on a fair and equitable basis given the specific investment objectives and constraints of each client and with a view to minimizing transaction costs. Hexavest shall consistently take all reasonable steps to achieve best execution and obtain the best possible result for the executions.

From time to time, other potential conflicts of interest may arise. Hexavest undertakes to continue taking the steps necessary to identify and respond to such situations fairly and reasonably, in keeping with the standard of care to which Hexavest is subject in its relationships with its clients.

No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

Yes

No

Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1 Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
Vice President Operations

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
- Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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	Number
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1

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Hexavest is a signatory of the UNPRI principles since September 2012. Guided by our service provider for engagement, we were involved in the following:

- PRI collaborative engagements on Labour standards in the agricultural supply chain
- PRI collaborative engagements on Employee relations
- PRI Carbon Action

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Hexavest has contracted with a third party to take engagement with companies. Our third party has participated in EITI Investor Constituency Conference Call Meetings for 4 years and participated at the 2011 EITI conference in Paris.

- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
PRI regional network in Quebec

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Hexavest is a member of the PRI regional network in Quebec and frequently attends the meetings arranged by the initiative.

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 10.2 Additional information. [Optional]

Hexavest has contracted with a third party to take engagement on Canadian companies' ESG issues. We are updated periodically on the actions that are taken by our third party.

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

ESG issues in asset allocation

OA 13

Voluntary

Descriptive

PRI 1

OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

Yes

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Other, specify

OA 13.2

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

As a top-down manager, country allocation decisions are a very important component of our investment process. For example, we take into consideration issues such as risks related to corruption when we analyze emerging market countries. We are also paying a large attention to the impacts of Abenomics on corporate governance in Japan. In 2014, the introduction of the Stewardship Code and the governance-enhanced JPX-Nikkei Index has raised the bar in terms of investment governance - a boon for portfolio managers in search of well-behaved corporations. Also, this year, the launch of the new Corporate Governance Code in June as well as the adoption by ISS of a 5% ROE threshold in its Japan voting guidelines will put further emphasis on good corporate manners. We therefore expect corporate governance to be enhanced in various ways. First, knowing that corporations with ROE targets generally outperform those without, enhancing the disclosure of targets will ultimately lead to higher ROEs (via dividend hikes and share buybacks). Next, we should see positive changes on corporate boards as only 21.5% of large companies fulfill the Code's requirement for at least two independent outside directors. Finally, the Code requires a certain financial rationale for equity holdings between partners. As many corporations in Japan have ambiguous historical ties, we expect the Code to trigger a second wave of cross-shareholding unwinding over the next year. This theme is key in our assessment for the Japanese stock market and influenced our decision to have an overweight position in this market.

No

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Reported Information

Public version

Direct - Listed Equity Incorporation

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ESG incorporation in actively managed listed equities

Implementation processes


LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	 <p>100 %</p>
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- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

The integration of ESG issues is coherent with our philosophy, which is based on a risk assessment standpoint, and with our investment process, which is 80 to 90 % qualitative in nature (i.e. oriented on fundamental research). Please note that screening is conducted under client-directed instructions only.

LEI 03.3

Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

We do not conduct screening under our own policy but rather under client-directed instructions.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

	Description
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Screening is conducted under client-directed instructions only. Currently, the restricted lists directed by our clients prohibit investments related to weapons, alcohol, tobacco, and Iran & Sudan based companies.

- Positive/best-in-class screening
- Norms-based screening

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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N/A. Screening is conducted under client-directed instructions only.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1	Indicate which processes your organisation uses to ensure that screening is based on robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

LEI 07.2	Additional information. [Optional]
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N/A. Screening is conducted under client-directed instructions only.

LEI 08	Voluntary	Additional Assessed	PRI 1
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LEI 08.1	Indicate which processes your organisation uses to ensure that fund criteria are not breached
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- Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

LEI 08.2	If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.
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Hexavest uses a robust pre-trade proprietary compliance system that is fully integrated into its trading system. Each individual guideline is programmed into the compliance system and any deviation will be automatically flagged in the morning when the day's first compliance check is performed using the previous day's closing prices. Any breach of fund screening criteria identified would be communicated to portfolio managers and to the firm's Chief Compliance Officer immediately and the portfolios will be adjusted accordingly.

(C) Implementation: Integration of ESG issues			
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LEI 10	Voluntary	Descriptive	PRI 1
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LEI 10.1

Describe how you integrate ESG factors into investment decision making processes.

Hexavest's investment team is mindful of the potential risks associated with ESG issues, which are therefore considered from a risk assessment standpoint; we analyze the potential risks and incorporate the results in our stock specific research. We subscribe to Sustainalytics to assist us with this analysis.

Hexavest's investment approach consists in active management at multiple decisional levels. Decisions are driven by fundamental research and supported by quantitative models. The firm's process is approximately 80% top-down and 20% bottom-up. The consideration of ESG information is included in the bottom-up part of the process (at stock selection level). The firm uses a proprietary quantitative model to help assess the relative ranking of stocks. The ESG scores, which we obtain from the Sustainalytics' database, are not included in the calculation of stocks' overall ranking but they are presented in the model as complementary information. The firm believes that the associated business-risk taken on by firms that do not adopt strong governance standards, or that are not environmentally or socially responsible, can at times have an adverse effect upon both company performance and stock performance. When our portfolio managers and analysts prepare a research on a specific stock, they analyze the extra-financial factors and incorporate the results in their paper.

On a quarterly basis, we monitor the stocks in our portfolios with the worst ESG rankings. A list of the most preoccupying scores is presented and discussed during formal meetings of the Investment Committee.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 12	Voluntary	Additional Assessed	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Company information and/or ratings on ESG are updated regularly
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
- None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
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- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

Outputs and outcomes

LEI 17	Voluntary	Descriptive	PRI 1
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LEI 17.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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- ESG issue 1

ESG issue and explanation
<p>The Chinese Oil & Gas industry was a key ESG issue in 2014. Our investment team's macro view was pointing towards an exposure to this industry but most stocks within the universe showed very poor ESG ranking. Petrochina, China Petroleum and Cnooc were included in the portfolios but came out among the most significant risks in our quarterly ESG monitoring report.</p>
ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>
Impact on investment decision or performance
<p>The Investment Committee took into consideration the ranking of the stocks held in the portfolio, according to the firm's quantitative model. In all cases, the percentile rank was above 90%. More specifically, China Petroleum and Petrochina's valuations were extremely attractive and the Investment Committee came to the conclusion that their valuation was already pricing the ESG risks of the companies and that options were very limited within the Chinese Oil & Gas industry (almost all players showed poor ESG scores). They decided to not sell these positions and to closely monitor them to ensure their price remained at a justified discount in lights of the ESG risks they represented.</p>

ESG issue 2

ESG issue and explanation
<p>Southern Copper, a metals and mining company based in Peru, came out in the Q3 ESG Monitoring quarterly report due to a very poor ESG score. The company was an industry laggard or underperformer in all three ESG factors and was facing several controversies related to human capital and community relations.</p>
ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input checked="" type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>
Impact on investment decision or performance
<p>The Investment Committee discussed the case and took in to consideration the fact that Southern Copper was not especially well ranked in the firm's quantitative model. Its ranking in terms of valuation was below the median and didn't seem to compensate the very poor ESG score of the company. The Emerging Markets portfolio managers decided to remove the stock from the portfolios.</p>

ESG issue 3

ESG issue and explanation
In June 2014, a Canadian company from the utilities sector, Just Energy, was flagged by our investment team because its ranking in the firm's quantitative model had been significantly improving, largely on the back of its valuation and momentum metrics. A research report was produced by our Global Stock Selection Senior Analyst. ESG issues were integrated in the fundamental analysis of this company and revealed some risks and concerns.
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
The report assessed the ESG issues of the company based on the research provided by Sustainlytics, which showed that Just Energy was an underperformer (ranked 128 out of 137 names in its industry group). Sustainlytics did not report evidence of any relevant controversies, but the research of the analyst who produced the report brought attention on two legal actions for deceptive sales practices. The company had taken a reputational hit over its sales tactics and other practices in a number of American and Canadian jurisdictions. Combined to preoccupations at the macro and valuation levels, these ESG risks convinced the Investment Committee to not invest in the company despite its very high score in the firm's stock model.

- ESG issue 4
- ESG issue 5

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEI 18.5	Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to ESG incorporation.
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- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 18.6

Indicate how frequently you typically report this information.

- Quarterly or more frequently
 - Between quarterly and annually
 - Less frequently than annually
 - Other, specify
- We do not proactively disclose it to the public and/or clients/beneficiaries

Hexavest

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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LEA 01.1	Provide a brief overview of your organisation's approach to engagement.
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Our top-down investment approach limits the extent of activism we can operate, given the high number of companies held. Portfolio managers will meet with companies' management, but it is not a prerequisite before investing and visits are not frequent. Therefore, we do not get many opportunities to encourage companies to improve their practices. To this point, we do not have a formal approach regarding our engagement with companies on ESG issues. Hexavest has contracted with a third party, Bâtirente, to take engagement on Canadian issues. We are updated periodically on the actions that are taken by Bâtirente.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

Process

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2
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LEA 05.1 Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- Yes
- No

LEA 06	Mandatory	Core Assessed	PRI 2
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LEA 06.1 Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
 - Yes, for all collaborative engagement activities
 - Yes, for the majority of collaborative engagement activities
 - Yes, for a minority of collaborative engagement activities
- No

LEA 06.2 Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases

LEA 06.3 Describe how you monitor and evaluate the progress of your collaborative engagement activities.

We participate in major collaborative engagement activities only. Monitoring and evaluation are usually shared among investors involved.

- No

Process for engagements conducted with/on your behalf by service providers

LEA 07	Mandatory	Core Assessed	PRI 2,4
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LEA 07.1 Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

- Yes

LEA 07.2

Indicate what role you play in engagements that your service provider conducts on your behalf.

- Specify the issues for the engagement
- Specify the objectives for the engagement
- Select the companies to be engaged with
- Participate directly in the engagements with your service provider
- Actively monitor and review the activities of the service provider
- Other, specify

Hexavest must agree with any engagement to avoid conflicts of interest with its clients.

No

LEA 08**Mandatory****Core Assessed****PRI 2,6****LEA 08.1**

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- The subject (or ESG issue(s)) of engagement
- The objectives of the engagement
- The rationale for engagement
- The frequency/intensity of interactions with companies
- Progress towards achieving engagement goals
- Outcomes that have been achieved from the engagement
- Next steps for engagement activity
- Other, specify
- None of the above

General processes for all three groups of engagers

LEA 10**Mandatory****Gateway/Core Assessed****PRI 2****LEA 10.1**

Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA 15.1

Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEA 15.5

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 15.6

Indicate how frequently you typically report engagements information

- Disclosed continuously (prior and post engagements)
- Disclosed quarterly
- Disclosed annually
- Disclosed every two years or less
- Other, specify
- We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
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LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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Although our main basis of analysis when exercising our voting rights is the maximization of returns for our clients, we also require that companies submit to the regulations in force in the countries and jurisdictions where they do business, that their conduct be socially responsible and that they submit to high standards of governance and ethics. As such, Hexavest has elaborated general principles to guide the evaluation of proposals to shareholders in its Proxy Voting Policy. Our Proxy Voting Policy was developed in collaboration with the Comité syndical national de retraite Bâtirente based on the document entitled "Lignes directrices sur la gestion des risques extrafinanciers" (Guidelines on the management extra-financial risks). These guidelines are based on the UNPRI principles and apply to all funds managed by our firm.

Hexavest maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting, and makes appropriate disclosures about the firm's proxy policies and practices. The firm's policy and practice includes the responsibility to monitor corporate actions, to receive and vote client proxies and to disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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	Approach
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- We use our own research or voting team and make our own voting decisions without the use of service providers.
- We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

	Based primarily on
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- the service provider voting policy signed off by us
 - our own voting policy
 - our clients requests or policy
 - other, explain
- We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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Hexavest has outsourced the execution of proxy voting to Groupe Investissement Responsable (GIR). GIR has earned a coveted reputation for its boutique approach to extra-financial strategic advisory services. GIR brings together onsite professional staff and analysis services-facilitated by its Integralpha™ Proxy Voting System-to ensure that voting rights are exercised in line with their clients' stated principles. All votes are done by our external agent according to our Proxy Voting Policy, with the exception of merger/acquisition related votes. Decisions for these votes are made by our investment team. Each regional portfolio managers takes the decisions related to companies included in its respective region.

LEA 18	Mandatory	Descriptive	PRI 2
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LEA 18.1	Of the voting recommendations that your service provider made in the reporting year, indicate what percentage your organisation reviewed, and the reasons for the review.
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Percentage of voting recommendations your organisation reviewed

- >20%
- 5-20%
- 1-5%
- <1%

Reasons for review

- Specific ESG issues
- Votes where a significant level of ownership is held
- Votes against management or abstentions
- Conflicts of interest
- Corporate actions such as M&A, disposal, etc.
- Other, explain

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- Yes, in most cases
- Sometimes, in the following cases:
 - votes in selected markets
 - votes on certain issues (all markets)
 - votes for significant shareholdings (all markets)
 - other, explain

We don't proactively inform companies but we did mandate our engagement service provider to dialogue with companies who contacted us to obtain our rationale.

- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22

Mandatory

Core Assessed

PRI 2

LEA 22.1

For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

We do track or collect this information

Votes cast (to the nearest 1%)

%

99.9

Specify the basis on which this percentage is calculated

- of the total number of ballot items on which you could have issued instructions
 - of the total number of company meetings at which you could have voted
 - of the total value of your listed equity holdings on which you could have voted
- We do not track or collect this information

Communication

LEA 26

Mandatory

Core Assessed

PRI 2,6

LEA 26.1

Indicate if your organisation proactively discloses information on your voting activities.

- We disclose it publicly
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries