



FISHER INVESTMENTS AUSTRALASIA*



ENGAGEMENT REPORT Q1 2024

FISHER INVESTMENTS & FISHER INVESTMENTS AUSTRALASIA

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References to "We", "our", "us" and "the firm" in the following engagement report refer to FI.

ENGAGEMENT OVERVIEW

OUR ESG PHILOSOPHY STATEMENT

We believe ESG investors are best served by an investment process that considers both top-down and bottom-up factors. Integrating ESG analysis at the country, sector and equity levels, consistent with clients' investment goals and ESG policies, maximises the likelihood of achieving desired performance and improving environmental, social & governance conditions worldwide.

OUR ENGAGEMENT APPROACH

We engage companies as part of our fundamental analysis, and to clarify or express concerns regarding potential ESG issues. Through engagement, we meet with management to discuss issues we believe are pertinent to the company or to gain a better understanding of its industry. Information learned from engagement is incorporated into our fundamental analysis. Further details are provided in our Engagement Policy, which can be downloaded from our [website](#) or is available upon request.

HOW WE SOURCE OUR ENGAGEMENT OPPORTUNITIES



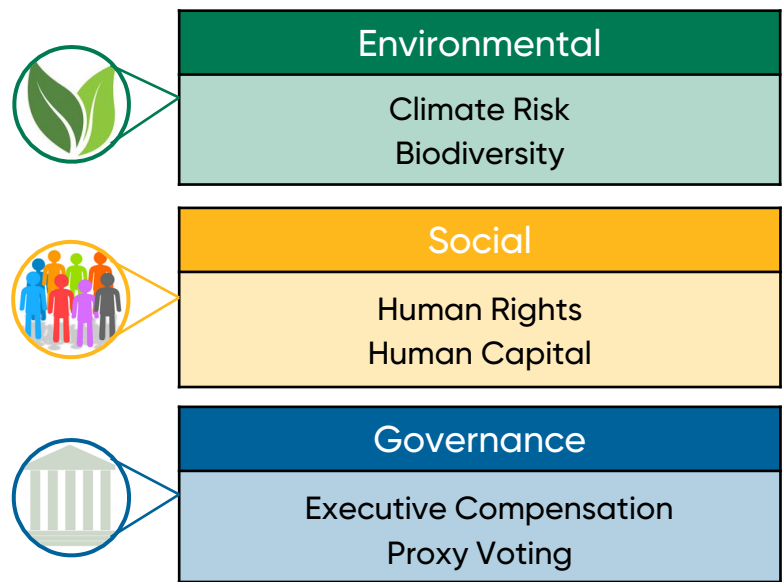
EACH ENGAGEMENT IS:

- ✓ Supported by a business case: **"What are the relevant risks and opportunities?"**
- ✓ Assigned an objective: **"What are we asking the company to do?"**
- ✓ Monitored over time: **"What milestones are achieved?"**

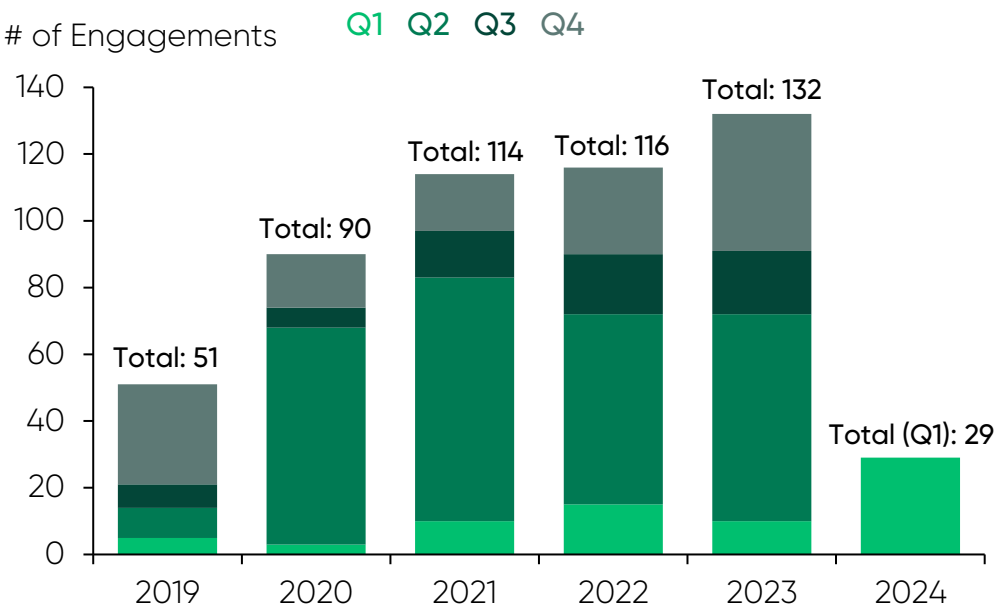
Q1 2024 ENGAGEMENT HIGHLIGHTS

- Since our initial meeting, a US brewing company began disclosing Scope 1 & 2 emissions data, marking a notable milestone in the engagement.
- FI had inquired if disclosure of Scope 3 emissions was feasible in a previous meeting with a US steel manufacturer. Since then, the company has disclosed partial upstream Scope 3 emissions in its latest CDP report – an engagement milestone.
- A US drilling company reported that it set a 30% emissions reduction target for 2030, which FI had previously encouraged, marking a significant milestone in the engagement.
- A large US energy corporation joined the Oil and Gas Methane Partnership 2.0, whose framework improves the accuracy and transparency of methane emissions reporting. FI recommended this step after noting that several of the company's competitors are participants.
- After our engagement with an Asian household appliances company, it enhanced its GHG data disclosures to better account for mitigated emissions and introduced a new supplier ESG management system along with a consulting programme designed to support smaller suppliers.

Engagement Priorities (2022–current)



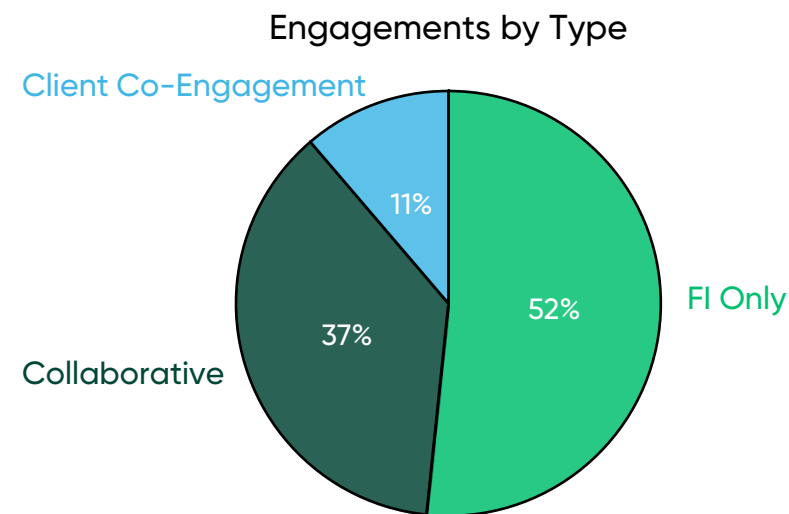
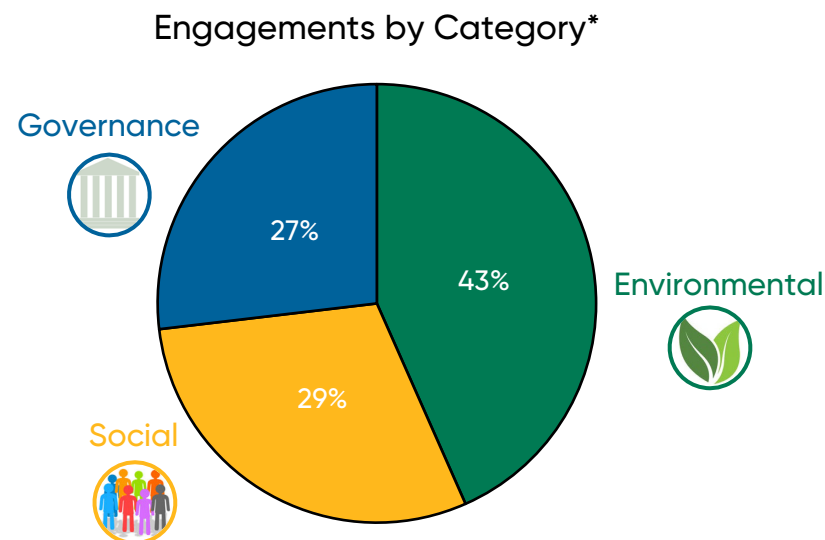
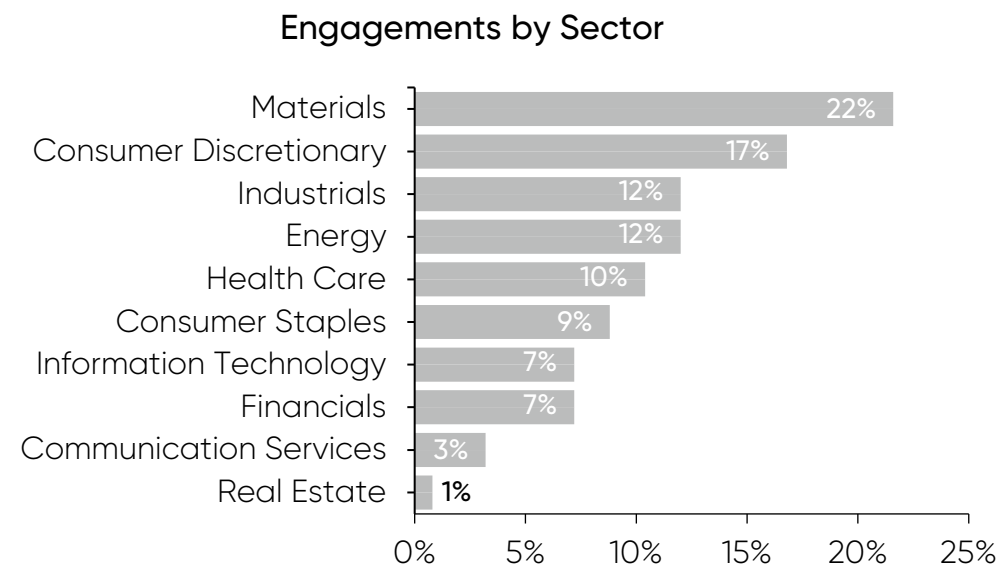
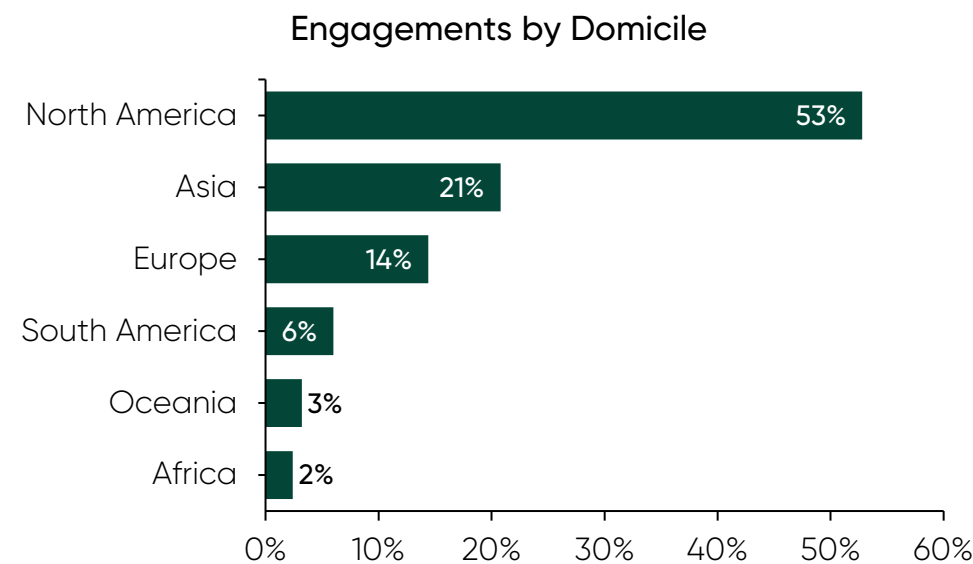
Year Over Year Engagement Activity



Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries from Q1 2019 – Q1 2024.

ENGAGEMENT DISTRIBUTION

We engage across a range of geographies, topics and sectors, as shown below. We also conduct corporate engagement individually, collaboratively and alongside our institutional clients through our client co-engagement service offering.



*Percentages are based on total number of categories engaged on as many of our engagements cover multiple ESG topics. General ESG Disclosure accounts for remaining 1%. Source: FI data using Factset domicile and sector designations. Percentages above may not add up to 100% due to rounding. Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries, trailing one year, as of Q1 2024.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT



SECTOR:

CONSUMER STAPLES



ISSUE:

CLIMATE RISK
BIODIVERSITY
HUMAN CAPITAL

STATUS:

MILESTONE ACHIEVED - ONGOING

OBJECTIVE

Receive updates on the company's climate strategy and encourage setting emissions reduction targets. Discuss its employee health & safety performance and its supplier engagement on water stewardship.

SUMMARY

Climate Change Strategy: In our previous meeting with a US brewing company in Q4 2022, it stated it was looking to improve its ability to measure and reduce its GHG emissions and we encouraged it to streamline and disclose its emissions data. Since then, **the company disclosed Scope 1 & 2 emissions data in its latest sustainability report, marking a notable milestone in the engagement.** A new data collection system allowed for this progress and we also learned that the company leverages carbon capture utilisation & storage (CCUS) at all three of its primary operating sites. This allows the company to capture and reuse CO2 used in its fermentation processes. We also encouraged the company to set emissions reductions targets – this is currently being discussed internally.

Sustainable Sourcing: We inquired about the company's initiatives to monitor both water use and GHG emissions of its suppliers. It is currently reaching out to numerous suppliers on these topics. The company mentioned a wide range of sustainability initiatives among its suppliers and is hopeful that engagement will likely lead to steady improvement in its supply chain.




Employee Health & Safety: The company discloses safety metrics in its sustainability report, and we inquired about ways the company could further strengthen its performance in the area. It is prioritising proactivity over reactivity to enhance its safety culture. Proactive accident prevention incentivises employees to report both incidents that took place and avoided injuries. The company noted that doubling down on this focus will allow for more improvements by identifying and eliminating risks before injuries occur.

OUTCOME

Milestone achieved. We are pleased that the company streamlined and disclosed its Scope 1 & 2 emissions data, as actual data is preferred as opposed to estimates that are calculated by a third-party vendor. We will continue to monitor company progress regarding the establishment of emissions reduction targets and its engagement with suppliers on various sustainability issues, particularly water use.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

	SECTOR:	MATERIALS
	ISSUE:	CLIMATE RISK ENVIRONMENTAL OPPORTUNITIES BIODIVERSITY SOCIAL IMPACT EXECUTIVE COMPENSATION
	STATUS:	MILESTONE ACHIEVED - ONGOING

OBJECTIVE

Seek progress updates on the company’s GHG emissions reduction goals, sustainable management of water and waste, and community impact.

SUMMARY

The company is a vertically integrated producer of iron ore and steel products. After two acquisitions, the company became the largest flat rolled steel producer in North America and the leading producer of domestic iron ore. FI followed up with an engagement to seek progress updates on the company’s sustainability programmes.

Climate Change Strategy: In 2021, the company announced a commitment to reduce GHG emissions by 25% by 2030 from a 2017 baseline, mainly by shifting from coal to natural gas for its energy inputs.

- Scope 1 & 2 Emissions: In 2022, the company reported that its Scope 1 and 2 emissions were already below its reduction goal and well ahead of the 2030 target year. The result was achieved through a mix of actions such as optimising its asset footprint and raw material mix, upgrading the onsite energy recovery for power generation, and adding renewable energy sources. The company is currently evaluating updates to its existing targets. To that end, it actively participated in the expert advisory group convened by Science Based Targets initiative (SBTi) in September 2023. The company is now considering setting science-based targets.

- Scope 3 Emissions: Because the company is vertically integrated and has good control over a portion of its Scope 3 emissions, FI had inquired if disclosure of Scope 3 emissions was feasible. Since then, **the company has disclosed partial upstream Scope 3 emissions in the latest CDP report – an engagement milestone.** Although the company mostly owns the raw materials, it faces challenges in obtaining accurate and complete data from its upstream partners. Engagement with downstream customers is not as advanced because they have their own different and unique goals.

Alternative Energy: The company has completed an engineering and design study and is pursuing support for the next phase of research for a large-scale carbon capture and sequestration project at one of its facilities. In addition, one of the company’s plants was designed to be able to replace up to 30% of natural gas with hydrogen fuel. While there is a lack of large quantities of fuel-grade hydrogen, the company continues to investigate the feasibility of hydrogen as fuel.

Water Stewardship & Waste Management: FI inquired about the company’s biodiversity impact programmes. The company said that none of its operational sites are in areas of known water stress. It has invested in powerhouse upgrades to use water efficiently and is expected to reduce about 28 million gallons of discharge per day. On waste management, the company has initiated several projects to divert steel byproducts from landfills and find alternative uses. The company’s biodiversity programme extends to land reclamation and conservation projects around its operational facilities.

Community Impact: We noted the highlights of the community engagement in the sustainability report and inquired if the teams have specific objectives. The community relations teams work in all its operational areas with an emphasis is on reintroducing the company into communities after acquisitions.

Executive Compensation: While the company’s executive compensation plan mentions “strategic initiatives,” which accounts for 40% of the annual incentives, there is no direct alignment of ESG factors in the compensation. The company said that its disclosed environmental goals

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



are included in metrics tied to its strategic initiatives. We recommended that disclosing all the sustainability metrics used in the compensation decisions would provide greater transparency and accountability.

OUTCOME

Milestone achieved. The company already achieved the emissions reduction target set for 2030. Given the major acquisitions in recent years, it would be sensible for the company to evaluate and set new reduction targets where feasible. The investments being made in the emerging technologies of carbon capture and hydrogen fuel will likely need longer-term support to facilitate the eventual transition in a sector that is highly reliant on fossil energy. Aligning the executive compensation plan with stated sustainability priorities may encourage steady progress.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT

	SECTOR:	ENERGY
	ISSUE:	ENVIRONMENTAL OPPORTUNITIES RISK OVERSIGHT & ETHICS
	STATUS:	ONGOING

OBJECTIVE

Discuss board turnover and provide feedback on the company's recent lawsuit; receive an update on strategic priorities of low carbon solutions business unit.

SUMMARY

Board Turnover: The US oil & gas major has experienced a high rate of turnover on its board of directors – the average tenure of its directors is now just three years. FI met with the company to discuss board turnover and other topics.

The company stated that more turnover is expected because a recent acquisition will result in two additional directors. While the company endeavors to ensure continuity of director skill sets, we think it will be difficult to do so and the board composition should be closely monitored. The company is in a period of increased M&A activity and has a charismatic leader. In these circumstances, a strong board is needed to counterbalance management and ensure shareholders best interests are represented. The company does have a robust director onboarding programme, which includes meetings with the leaders of all business units.

As a result of the company's multiple issues and the board members' ongoing reluctance to meet with the investors they represent, we informed the company that we would be conducting enhanced monitoring of its governance.

Alternative Energy: The company has announced several new projects in its Low Carbon business unit, and we asked for an update on its priorities and future direction. The current capex spend includes products and projects to reduce the company's own operational emissions. Current priorities include:

- Carbon Capture & Storage
- Hydrogen at one of its facilities
- Producing renewable diesel fuel
- Lithium mining

OUTCOME

Ongoing engagement. We will closely monitor the impact of the board churn and the company's overall governance. The low-carbon solutions business unit seems to be finding its direction, which should enable investors to better assess the business unit's performance.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



SECTOR: ENERGY



ISSUE: CLIMATE RISK
BIODIVERSITY
EXECUTIVE COMPENSATION

STATUS: MILESTONE ACHIEVED - ONGOING

OBJECTIVE

Discuss updates to the company's climate strategy, waste management initiatives and the inclusion of environmental/D&I metrics in its executive compensation plan; inquire if the company plans to achieve certification of its Environmental Management System (EMS).

SUMMARY

FI held a follow up meeting with a US oil drilling company after initially engaging the company in 2022.

Climate Change Strategy: In our previous meeting, we encouraged the company to set medium- and long-term emissions reduction targets. At the time, the company was evaluating targets but wanted to ensure any potential targets were feasible because a large proportion of its operations are driven by customer choice, which is beyond its control. In our Q1 2024 meeting, **the company noted that it set a 30% emissions reduction target for 2030, marking a significant milestone in the engagement.** The company also implemented a new software solution for its emissions inventory calculation processes. This should allow it to measure its emissions data with greater accuracy and help alleviate issues surrounding potential overlaps in emissions data between the company and its customers.

We also followed up on the company's view on disclosing Scope 3 emissions and methane emissions. Like most small companies, calculating Scope 3 emissions will likely be a challenge for the company given the resources that are required to provide accurate data. In addition, its exposure to methane is limited because its customers do not often request the use of natural gas for their rigs.

Waste Management: FI's ESG data provider had previously noted that the company lags its peers in terms of aligning its Environmental Management System (EMS) with recognised international standards (i.e., ISO 14001). The company noted that it is in the process of becoming certified and expects to formalise its certification in the first half of 2024. In terms of current initiatives, the company noted that it maintains processes for audits and environmental inspections. In our view, the company is conducting appropriate due diligence regarding its waste management initiatives and we will monitor its progress toward becoming certified to relevant standards.

Executive Compensation: Previously, we had discussed the feasibility of incorporating its internal goals related to environmental impact and D&I into executive compensation. Safety performance constitutes 15% weight in short-term incentives, but environmental impact and D&I have not yet been quantified.

OUTCOME

Milestone achieved. The company's 2030 emissions reduction target is notable and we will continue to monitor company progress regarding its EMS and executive compensation programme.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



SECTOR: CONSUMER STAPLES



ISSUE: EXECUTIVE COMPENSATION
HUMAN CAPITAL
CLIMATE RISK
BIODIVERSITY



STATUS: ONGOING

OBJECTIVE

Understand the company's executive compensation programme design, seek independent audit of its employee health & safety programme, and seek progress updates on various sustainability initiatives.

SUMMARY

Executive Compensation: The US retail corporation's "say-on-pay" proposal in the 2023 annual general meeting (AGM) received less than 80% vote support due to concerns that both the long-term and annual awards share the same sales metric, and the long-term equity awards uses the unusual single year performance period. Thus, for FY23 the sales goal was achieved at maximum payouts for both the short- and long-term awards. FI inquired about the duplicative performance metric and if it resulted in doubled payouts. The company said that given the omnichannel retailers focus on sales as the key strategic driver, the metrics chosen for the compensation programme relate to its core strategy in the short-term as well as the long-term. The compensation committee sees no contradiction in using the sales metric to reward both annual and longer-term performance.

Sustainability is also one of the major strategic goals for the company. Therefore, we reiterated our call to consider sustainability factors for long-term award metrics. The executive compensation programme includes diversity, equity and inclusion (DEI) goals in the annual performance evaluation and the committee evaluates if any other ESG metrics should be incorporated.

Health & Safety: A shareholder proposal in the 2023 AGM seeking disclosures of workplace safety & violence data was supported by ~25% of the shares voted. FI asked if the company would conduct an independent audit of its employee health and safety programmes. The key employee safety risks in the retail sector relate to legal, recruitment and retention risks. Based on its most recent performance periods, the company is not an outsized risk, but the company will likely enhance its disclosures with five years of data.

Supply Chain Labour Standards: FI asked if the company's labour standards Code of Conduct funnels down the value chain and if it conducts audits or compliance surveys of its tier 2 or 3 suppliers to confirm adherence. While the company maintains strong labour standards and requires compliance from its suppliers, it admitted that reporting may lack coverage of human rights risks and approaches to remediation. It is updating its disclosures to meet the reporting standards based on UN Guiding Principles on Business and Human Rights.

Climate Change Strategy: The company has committed to science-based targets on emissions reduction: zero Scope 1 & 2 emissions (without offsets) by 2040 and 100% renewable electricity use by 2035. The energy transformation team is focused on onsite renewables utilising real estate assets for generation while ramping up offsite generation. The latter has become challenging due to rising costs. Recent regulations may support a continued rise in renewables percentage due to favourable tax equity deals.

We inquired about the status of an initiative aimed at reducing Scope 3 emissions. The company responded that it made significant gains, with more than 3,000 of its major suppliers working to reduce their emissions. After the meeting, the company announced that it had achieved the goal of avoiding or reducing 1 gigaton of GHG emissions from its value chain, six years ahead of the 2030 target.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

Land Use/Deforestation, Waste Management, & Plastics & Packaging:

The company has a "Zero Waste to Landfill" goal, and reports that almost 80% of operational waste is already diverted away from landfills. However, diversion rates have stagnated primarily due to increased construction and demolition waste. The company is working with its store teams to identify innovative ways to address this. In addition, higher levels of shipping and packaging deliveries is raising the volume of post-consumer cardboard and shipping materials waste. The company is reducing cardboard use through freight and shipping optimisation, use of collection bins for plastic and packaging in stores and is working with suppliers to reduce packaging waste although it does not disclose the proportion of this waste since many products are shipped by third-party sellers.

The company also has a goal to reduce plastics in packaging by 15%, but recent updates indicate that the 2025 goal is unlikely to be met. While the company is working hard to reduce its virgin plastic footprint and increase post-consumer recycled content in its packaging, it faces major challenges in securing food-grade recycled content in the volumes it needs at a reasonable price point. As it continues to grow, its plastics footprint keeps rising.

The company has disclosed an ambition to "protect, manage or restore" at least 50 million acres of land and 1 million square miles of ocean by 2030. This ambition works together with other sustainable commodities goals, such as sourcing deforestation-free beef and soy as well as sustainable palm oil and paper products. We inquired if these initiatives are audited and certified by independent third parties. The company requests supplier certifications to ensure compliance with its policies and where certifications don't exist (e.g., beef, soy) it works with third party tracing/verification organisations to help validate commodities.

OUTCOME

Ongoing engagement. The company is prioritising sustainability across the environmental and social domains and has transparent disclosures on the progress made in several initiatives. The programmes and disclosures in its employee health & safety assessments as well as the goals of sustainable supply chain could be improved for continued progress. We will continue to monitor the progress on each of these initiatives.

DISCLOSURES

Source: Fisher Investments Research, as of March 2024.

Data indicated in this report are based on engagement meetings for all Fisher Investments clients. For Professional Client Use Only. Past performance is never a guarantee of future returns. Investments in securities involve the risk of loss. Any investment programme will always involve the risk of loss. Global investing can involve additional risks, such as the risk of currency fluctuations.

As an asset management firm, Fisher Investments (FI) manages investments in shares of a wide range of companies on behalf of our clients. These shares entitle the holders to vote on various issues put forth by the company and its shareholders at the company's annual meeting or at a special meeting.

The report showcases selected engagement highlights to demonstrate how FI engages with company management on ESG issues: environmental issues include but not limited to: climate change, toxic emissions & waste, vulnerability to legislation and impact on local communities; social issues include but not limited to: animal rights, human rights, labour relations, involvement with UN, EU and OFAC sanctioned countries, controversial weapons and governance issues include but not limited to: routine business, corporate governance, board independence, executive compensation, corporate stewardship and bribery & corruption.

FI engages according to Fisher Investments Engagement Policy and identifying engagement opportunities is a part of FI's fundamental analysis and to clarify or express concerns over potential ESG issues at the firm or industry level.

As of 31 March 2024, FI managed USD \$265 billion, including assets sub-managed for its wholly-owned subsidiaries. FI and its subsidiaries maintain four principal business units – Fisher Investments Institutional Group (FIIG), Fisher Investments Private Client Group (FIPCG), Fisher Investments International (FI), and Fisher Investments 401(k) Solutions Group (401(k) Solutions). These groups serve a global client base of diverse investors including corporations, public and multi-employer pension funds, foundations and endowments, insurance companies, healthcare organisations, governments and high-net-worth individuals. FI's Investment Policy Committee (IPC) is responsible for investment decisions for all investment strategies. For purpose of defining "years with Fisher Investments," FI was established as a sole proprietorship in 1979, incorporated in 1986, registered with the US SEC in 1987, replacing the prior registration of the sole proprietorship, and succeeded its investment adviser registration to a limited liability in 2005. "Years with Fisher Investments" is calculated using the date on which FI was established as a sole proprietorship through 31 March 2024. FI is wholly owned by Fisher Investments, Inc. Since Inception, Fisher Investments, Inc. has been 100% Fisher-family and employee owned, currently Fisher Investments Inc. beneficially owns 100% of Fisher Investments (FI), as listed in Schedule A to FI's Form ADV Part 1. Ken and Sherrilyn Fisher, as co-trustees of their family trust, beneficially own more than 75% of Fisher Investments, Inc., as noted in Schedule B to FI's Form ADV Part 1.