



ENGAGEMENT REPORT
Q3 2021

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 stock levels consistent with clients' investment goals and ESG policies maximises the likelihood of achieving desired performance and improving environmental and social 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 can impact our investment decisions. 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

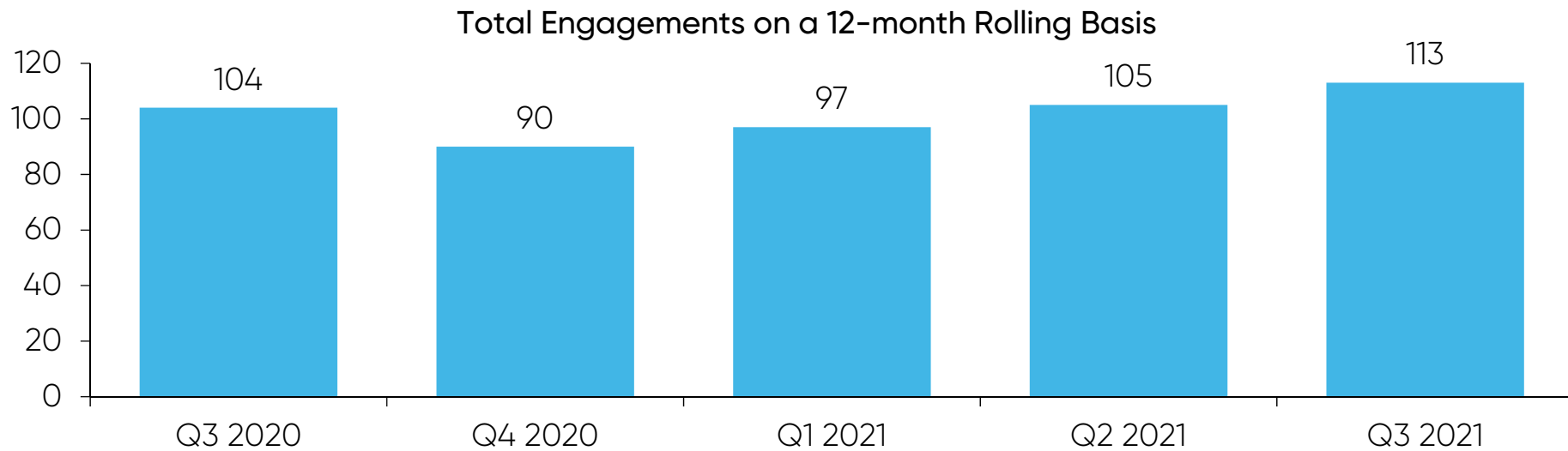
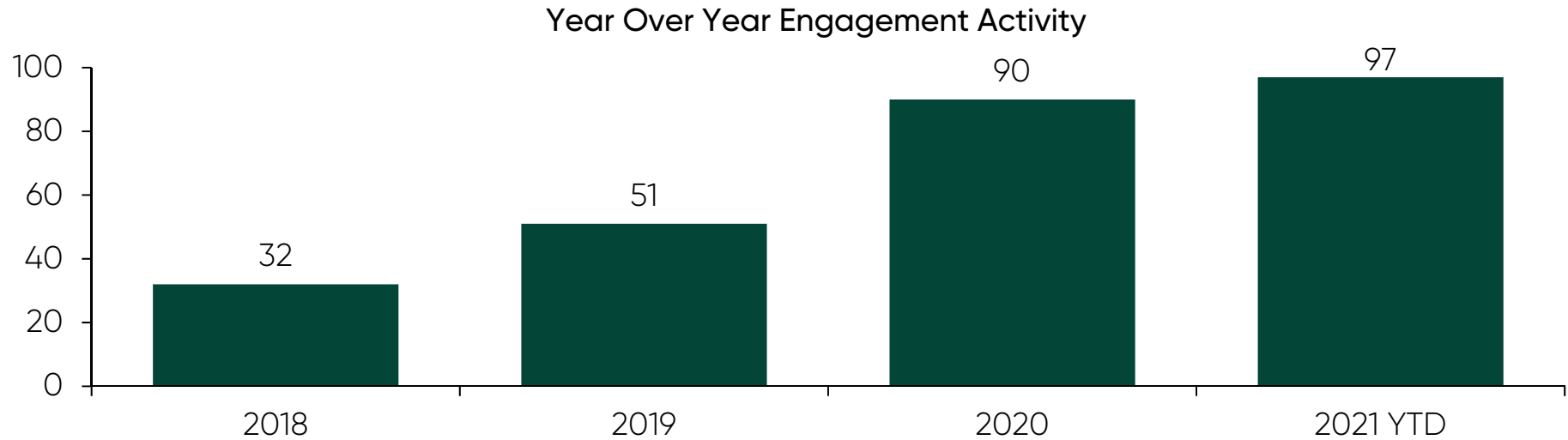


EACH ENGAGEMENT IS:

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

ENGAGEMENT ACTIVITY

Our engagement activity has grown steadily. The totals below reflect both newly initiated engagements and established, ongoing dialogues.

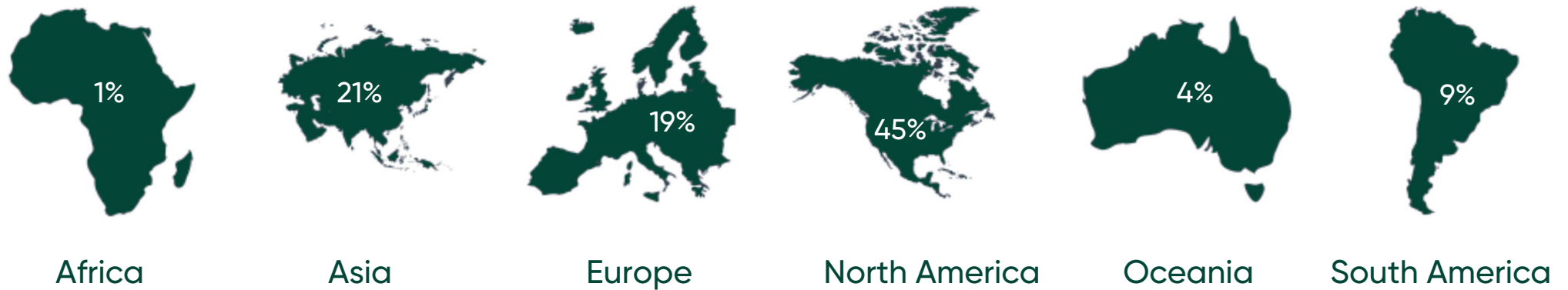


Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q3 2021.

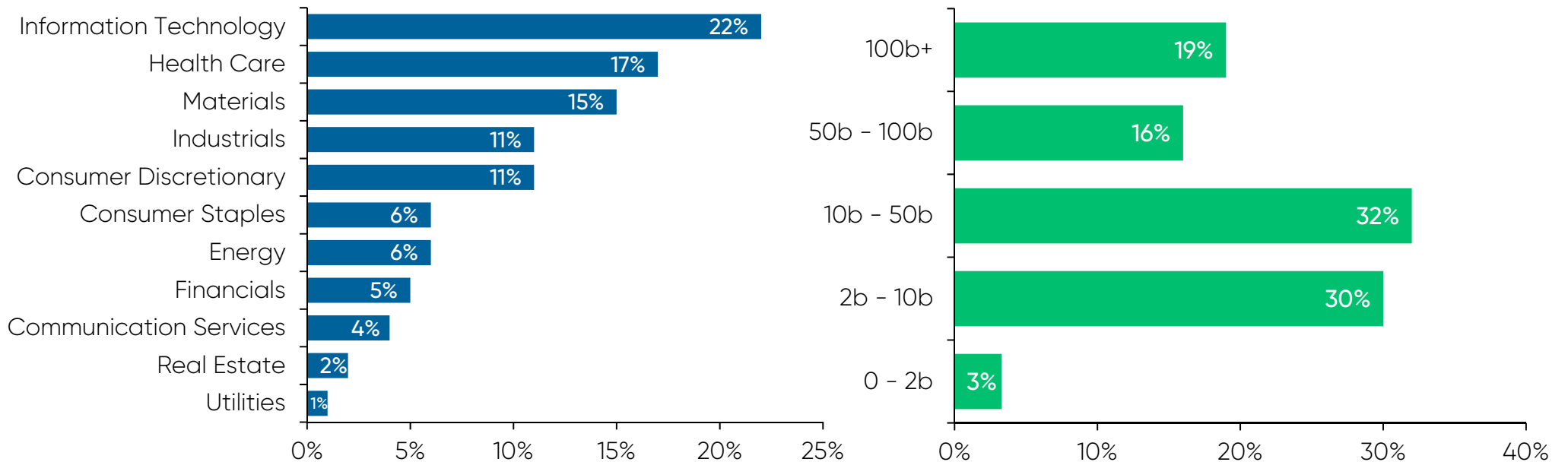
ENGAGEMENT DISTRIBUTION

We engage across a range of geographies and sectors, as shown below.

Domicile of Engaged Companies, Trailing 1 Year as of Q3 2021



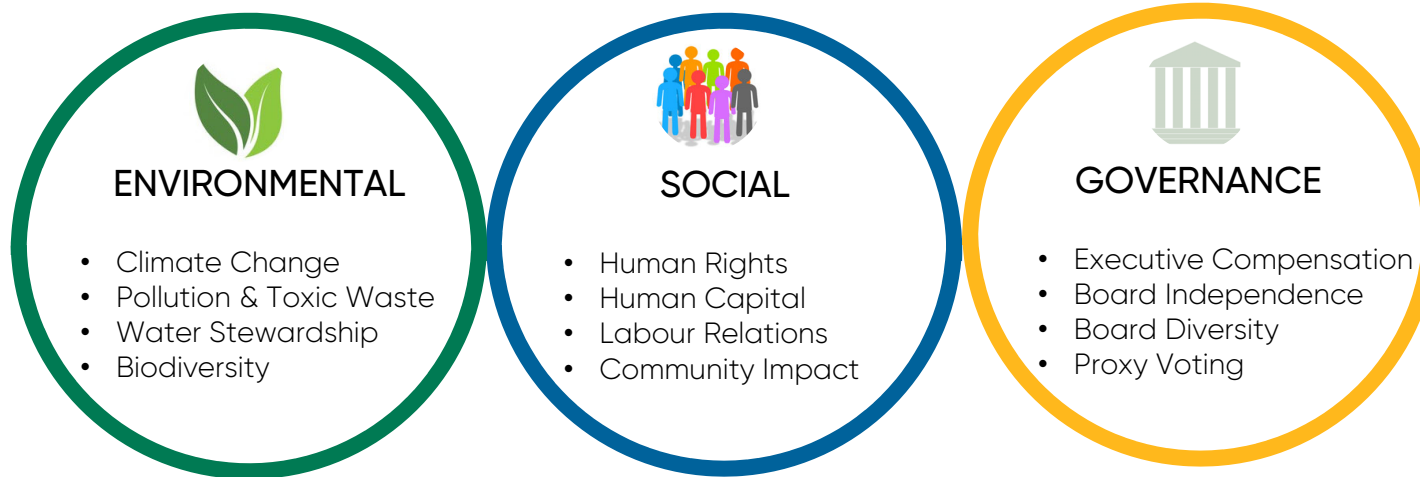
Engaged Companies by Sector & Market Cap (USD billions, Trailing 1 Year as of Q3 2021)



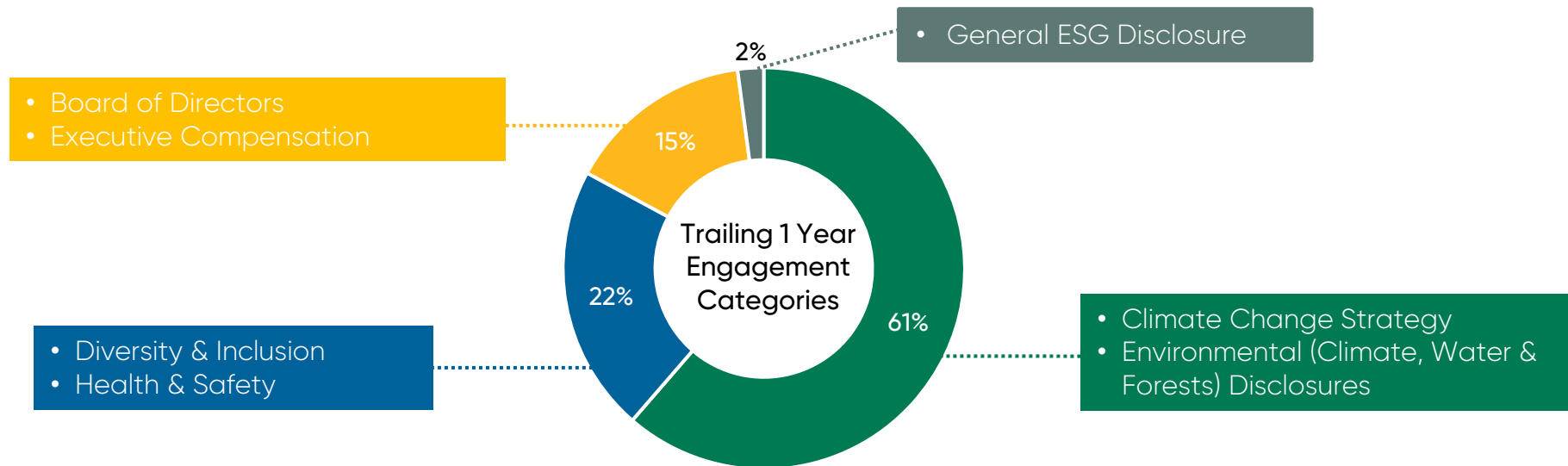
Source: FI data using Factset domicile, sector, and market capitalisation designations. Percentages above may not add up to 100% due to rounding. Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q3 2021.

ESG ENGAGEMENT FOCUS AREAS

We prioritise multiple factors in each ESG category.



Engagement topics by proportion of the E, S, and G categories as of Q3 2021 (Trailing 1 Year)



Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q3 2021.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: DM EUROPE



SECTOR: MATERIALS

ISSUE: BIODIVERSITY, COMMUNITY IMPACT

STATUS: ONGOING

OBJECTIVE

Encourage the company to set rigorous safeguards to limit biodiversity, climate and community impact. Assess the company's sustainability initiatives as it embarks on a major expansion of its mining operations.

SUMMARY

FI engaged an international mining company to inquire about its commitments and programs in the areas of biodiversity risk, climate strategy, community impact and sustainability governance.

Biodiversity Risk: The mining company operates copper mines in Chile. One of its mines is located at the foothills of the Andes where the risk to biodiversity is significant. The open pit mine, the pipeline network servicing the mining operations and the tailings dam at the local river, where the dry stacks tailings are deposited, produce a sensitive mix for the local ecology. The company has embarked on a major expansion of this mine, including building a desalination plant to extend its life by 15 years.

The company advised that it is updating its Biodiversity Standard in alignment with the International Council on Mining and Metals (ICMM) principle on conservation of biodiversity and it already meets the Chilean government's biodiversity regulatory board oversight. In addition, it has established a conservation zone of more than 27,000 hectares in the operational region that includes preservation of relic forest. The construction of the desalination plant is intended to mitigate water stress in the region, which has suffered prolonged draught.

Community Impact: FI asked about the mining operation's impact to the local community in its operation area. The company's outreach to the community is based on a recent agreement that it had reached with local groups in 2017. The social management policy of the company prioritises community safety, economic opportunities and transparent communication with the local stakeholders.

Tailings Management: FI questioned the impact on the tailings management currently and once the proposed extension of the dam is completed. The company updated us that it fully aligns with the newly published standard on tailings by ICMM. As part of the project to extend the life of the fourth mine, the company conducted engineering studies to establish baseline data on the structural integrity of the dam and its ability to withstand any geological disruptions. (The company highlighted that in 2015, the dam remained intact despite lying near the epicenter of a major earthquake.) Early warning sirens and monitoring stations have been set up in case of emergencies.

OUTCOME

The company has well-developed biodiversity and sustainability programs; however, FI will continue to monitor its environmental and social performance as the expansion of its mining operation progresses.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: DM EUROPE



SECTOR: MATERIALS

ISSUE: GHG EMISSIONS, HEALTH & SAFETY

STATUS: ONGOING

OBJECTIVE

Understand the company's operational, safety and GHG emissions strategy.

SUMMARY

FI engaged with an European metals company to receive general business updates and understand the impact of CO2 emissions on its business. As one of the largest copper producers in Europe, the company owns several of smelters and recycling facilities across Western and Central Europe. Pollution and emissions mitigation are top concerns for the company.

Since the company's entire business operations is based in Europe, it is subject to EU Emission Trading Scheme (ETS) and German Renewable Energy Act policies. The company currently relies on majority coal produced electricity, and thus has to pay for CO2 emissions credits under the ETS. To reduce emissions, the company is installing photovoltaic cells in one of its Central European plant. It is also considering hydrogen energy over natural gas but the current technology is not efficient enough.

The EU Carbon Border Adjustment Mechanism, which will put a carbon price on imports, does not include copper. The company received free allowances on Scope 1 emissions and indirect compensation for the purchase of electricity. While the cost of CO2 is partially covered through the current proposed allowances, the company expects copper will eventually be covered as well. The company's customers are not willing to pay a premium for lower-carbon copper presently.

The company has a Lost Time Incident Rate (LTIR) of 5.8 per million hours, above the industry average. The company acknowledged this number should decrease and highlighted its bonus structure where all members of senior management (C-Suite and level immediately below), have compensation tied to safety metrics.

OUTCOME

FI will continue to monitor the company's safety and GHG emissions performance and consider reengagement in the future.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL ENGAGEMENT



REGION: DM EUROPE

SECTOR: FINANCIALS

ISSUE: CLIMATE CHANGE STRATEGY

STATUS: CONCLUDED

OBJECTIVE

Receive update on the global bank's sustainable financing targets and initiatives.

SUMMARY

FI met with a European-based global bank to receive general business updates and understand its sustainable financing initiatives. The bank recently created a specialised unit focused on sustainability that reports directly to the CEO.

Climate integration and sustainable financing are established priorities of the bank. The bank was a founding signatory of the Net-Zero Banking Alliance, and recently announced a commitment to net zero indirect emissions by 2050. In addition, the bank has doubled its original sustainable financing target to €200B by the end 2025. Wholesale or commercial banking currently accounts for 65% of its sustainable financing origination, however it expects growth in the retail segment in this space.

OUTCOME

Engagement concluded.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: EM SOUTH AMERICA



SECTOR: HEALTH CARE

ISSUE: ACCESS TO HEALTH CARE, WATER STRESS

STATUS: ONGOING

OBJECTIVE

Seek company disclosure and further action on the social impact of its access to healthcare program. Understand the company's environmental management performance on water stewardship.

SUMMARY

FI met with a Brazilian pharmaceutical company to discuss the social impact of its access to healthcare program and discussed the company's water stewardship and waste management initiatives.

The company's Sustainability Report states that one of its material priorities is a focus on social development, and features a donation program it has developed. FI asked how the program connects to access to healthcare, and learned the company's low-cost base for manufacturing generics and over-the-counter medications allows it to donate its products. During the COVID-19 pandemic, it distributed hundreds of thousands of generic medication doses to local communities. Surprisingly, the initiative is not an official program despite being a priority for management.

With regard to water stewardship, the company noted that due to a recent drought, it developed a plan to mitigate any water supply risks that includes increasing water recycling and storage capacity at its industrial plants. While the company has not set formal goals on water use, it is on target to drastically increase the amount of water it reuses by year-end. The company is discussing formal targets for both water use and waste disposal reduction.

OUTCOME

FI recommended that the company formalise its medicine donation activity so that it can measure its effectiveness and societal impact, thereby facilitating successful outcomes. We also encouraged the company to set formal water neutrality goals. We plan to follow up after the next Sustainability Report is published.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



REGION: DM ASIA



SECTOR: HEALTH CARE



ISSUE: CLIMATE CHANGE STRATEGY, GHG EMISSIONS, TRAINING & DEVELOPMENT, DIVERSITY & INCLUSION

STATUS: CONCLUDED

OBJECTIVE

Encourage operational alignment with Japan's recently announced climate commitments. Understand the company policies on human capital management and sustainability management. Assess the company's ESG strategy, goals and disclosures, including on diversity & inclusion outcomes.

SUMMARY

The company is a rapidly growing healthcare company, which projects its growth potential to exceed current levels by 10-20 times through its aggressive M&A activity. In October 2020, Japan's Prime Minister pledged that the country will be carbon neutral by 2050, which will have an impact on the company's operations. FI engaged with the company to learn how it was managing its environmental and social impacts while undergoing rapid expansion.

Environment. Given its recent M&A activity, FI asked the company how it was integrating its acquisitions into a cohesive climate measuring and monitoring program. The company advised that it measures Scope 1 and Scope 2 emissions but does not currently disclose them.

The company highlighted that it has achieved a 'Grade A rank under the "Outstanding Global Warming Countermeasure Efforts" in the city of Tokyo Cap-and-Trade Program by the Tokyo Metropolitan Government Bureau of Environment. Overall,

the company's responses did not reflect a comprehensive approach to managing climate risks, nor does it have GHG emissions reduction targets.

Social. As a player in a highly competitive field, FI asked how the company's human capital programs effectively integrate, develop and engage its existing employees as well as those it has on-boarded via its acquisitions. The company responded with a general statement about its training programs and said it monitors effectiveness through employee retention and satisfaction surveys.

Governance. FI noted that the company has 30% female board representation and inquired if it discloses metrics on women's participation and advancement data. While the company has internal targets to raise the proportion of women in the employee base, the data is not externally disclosed. When it comes to the governance of sustainability, the board oversees the company's sustainability program. However, ESG metrics do not tie in to executive compensation, which we highlighted as a consideration for the future.

OUTCOME

The company has considerable room to improve its sustainability initiatives and disclosures. To help it understand investor expectations, we followed up with a detailed description of topics and metrics to include in its disclosures. We also encouraged the company to set GHG emissions reduction targets that align with Japan's ambition and disclose gender diversity and inclusion data and targets. We intend to monitor company disclosures over the next year.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA



SECTOR: INFORMATION TECHNOLOGY



ISSUE: EXECUTIVE COMPENSATION, CLIMATE CHANGE STRATEGY, HEALTH & SAFETY

STATUS: ONGOING

OBJECTIVE

Discuss revisions to the executive compensation plan and seek increased tie-in to sustainability metrics on compensation program; request robust disclosure and transparency on the company's progress on its climate goals; and receive updates on company's COVID-19 response.

SUMMARY

FI met with a North American IT company for its Summer 2021 ESG Update. The discussion primarily focused on the company's revamped executive compensation program, progress updates on its 2020 sustainability pledges, and the status of employee health and safety programs launched during the pandemic.

Executive Compensation: After the advisory vote on executive compensation received relatively low support in 2019 (76.7% of shareholders voted in favor), the company solicited shareholder input (including FI) and hired a new compensation consultant. As a result of the changes, support increased to 94.7% in 2020. Under the new plan, the portion of the CEO's pay that is performance-based increased from 50% to 70%. FI requested additional detail on the metrics and thresholds related to performance stock awards and cash incentive awards, however, the targets will not be disclosed before the upcoming

proxy statement is filed. FI noted that ESG metrics are a relatively minor portion of the awards and cash incentive awards. The company responded that sustainability and ESG are major planks of the leadership's goals and the priorities come from the CEO. The compensation committee remains very open to consideration of integrating ESG metrics to the compensation program, which is tied to very specific financial and operational metrics.

Sustainability & Climate Change: The company's 2020 Sustainability Strategy includes landmark pledges to be carbon negative and water positive by the end of the decade and zero waste by 2025. The company acknowledged that continuous progress is required to meet the ultimate goals and committed to be transparent in its waste accounting and provide regular progress updates. FI asked how the progress updates will be communicated and the company responded that it uses its annual sustainability reports and periodic public disclosures to update the investors and the public regarding the status of the sustainability goals.

Employee Health & Safety: The company continued to pay contracted hourly employees throughout the pandemic while extending parental leave, granting aid to local organisations, and setting in plans for hybrid workplace/staged reopening tied to local conditions. Additionally, the company views its tools and new features for improving capacities for employees and customers to adapt to remote work.

OUTCOME

After the meeting, FI collected examples from the company's peer group that include sustainability metrics in the compensation program, and sent them to the attention of the compensation committee chair. We will continue to monitor the disclosure to evaluate the status of climate pledges.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA



SECTOR: CONSUMER DISCRETIONARY

ISSUE: EXECUTIVE COMPENSATION,
POLITICAL CONTRIBUTIONS &
LOBBYING

STATUS: ONGOING

OBJECTIVE

Understand the design of the executive compensation program and the company's policies on political lobbying and contributions in the context of the upcoming proxy vote.

SUMMARY

FI held a meeting with a consumer discretionary company to obtain additional information on an upcoming proxy vote. In last year's annual meeting of shareholders, the advisory vote on executive compensation received low support compared to 90% plus in the prior two years.

We inquired about the composition of the long-term incentives as the company undergoes a CEO transition. The company noted that the CEO transition period is complete and compensation figures should normalise next year. The company highlighted that its fiscal 2021 compensation program reflected COVID-related changes to the performance period. In addition, based on extensive shareholder feedback, the company switched the cash component of long-term awards to performance stock grants. Another change to the program is the inclusion of an ESG metrics modifier that will apply to future performance periods.

On the topic of political contributions and lobbying, the company leadership noted that its political contributions and lobbying policy is overseen by a board committee and is annually reviewed. The company intends to revise the policy in 2022 to strengthen its oversight and transparency. The new policy will require disclosure of all cash and in-kind political contributions over a certain threshold.

OUTCOME

FI intends to meet with the company again in Q4 to discuss additional environmental and social topics.

ENGAGEMENT HIGHLIGHTS

SOCIAL ENGAGEMENT



REGION: DM EUROPE

SECTOR: ENERGY

ISSUE: HUMAN RIGHTS

STATUS: ONGOING

OUTCOME

The company provided a lengthy response, describing actions it is taking to reduce its risks, such as discontinuing projects, suspending cash distributions to the military regime where it is able to legally do so, and offsetting taxes paid with donations to aid organisations in Myanmar. It is attempting to ensure the safety of its employees, although it cannot currently access the villages due to security risks. As is customary with collaborative engagements, FI will discuss potential next steps with the other engagement participants.

OBJECTIVE

Take steps to address business-related human rights risks in Myanmar.

SUMMARY

FI collaborated with 31 other institutional investors regarding the company's human rights-related business risks in Myanmar, based on the company's longstanding partnership with a state-owned enterprise. In February 2021, Myanmar's military overthrew the country's democratically-elected government, which was followed by reports of widespread human rights violations among Myanmar's civilian population. As a result of the coup, the state-owned enterprise was seized by the military and became a major source of the regime's financing. The company has a robust human rights program, and investors asked the company to take steps to protect the safety of its workforce and ensure that the company is not complicit in enabling human rights abuses.

COLLABORATIVE ENGAGEMENT

CDP NON-DISCLOSURE CAMPAIGN



REGION:	MULTIPLE
SECTOR:	MULTIPLE
ISSUE:	ENVIRONMENTAL (Climate change, Water and Forest Disclosures)
STATUS:	ONGOING

OBJECTIVE

Persuade companies to report to CDP (formerly Carbon Disclosure Project) using the organisation's Climate, Water and Forest questionnaire templates.

ENGAGEMENT ANALYSIS

CDP manages a global environmental data disclosure platform—currently, more than 9,600 companies voluntarily report to CDP.

FI participated in CDP's 2021 non-disclosure campaign (NDC), which pools investors to engage with global companies. The goal of the engagement is to request companies to report to the CDP using the organisation's Climate, Water and/or Forest disclosure questionnaires, which serve as a valuable resource for comparable data for investors and stakeholders.

On behalf of CDP 2021 NDC, in Q2 2021 FI initiated collaborative engagements with 62 companies in 17 countries listed in the tables to the right as a lead investor or a co-signer.

OUTCOME

This engagement initiative had a 18% overall success rate. For companies where FI was the leading investor, there was 22.8% success rate.

FI AS LEAD INVESTOR

Lead investor denotes FI's role as the primary conductor of engagements in collaboration with a global pool of institutional investors and asset managers.

Domiciled Country	# of Companies
USA	18
China	4
Brazil	2
Germany	2
Japan	2
UK	2
Australia	1
India	1
Ireland	1
Italy	1
Luxembourg	1

FI AS CO-SIGNATORY

Domiciled Country	# of Companies
China	6
USA	6
Republic of Korea	3
Australia	2
France	2
Germany	2
Canada	1
Indonesia	1
Italy	1
South Africa	1
Switzerland	1

DISCLOSURES

Source: Fisher Investments Research, as of September 2021.

Data indicated above are based on engagement meetings for all of Fisher Investments Institutional 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 above demonstrates 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.

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- Fisher Investments Australasia (FIA) delegates portfolio management to its parent company, Fisher Investments (FI)
- This presentation relates to a Fisher Investments Institutional Group (FIIG) strategy managed by FI.
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