



ENGAGEMENT REPORT  
Q3 2020

# 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 maximizes 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 and stock determinations. 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



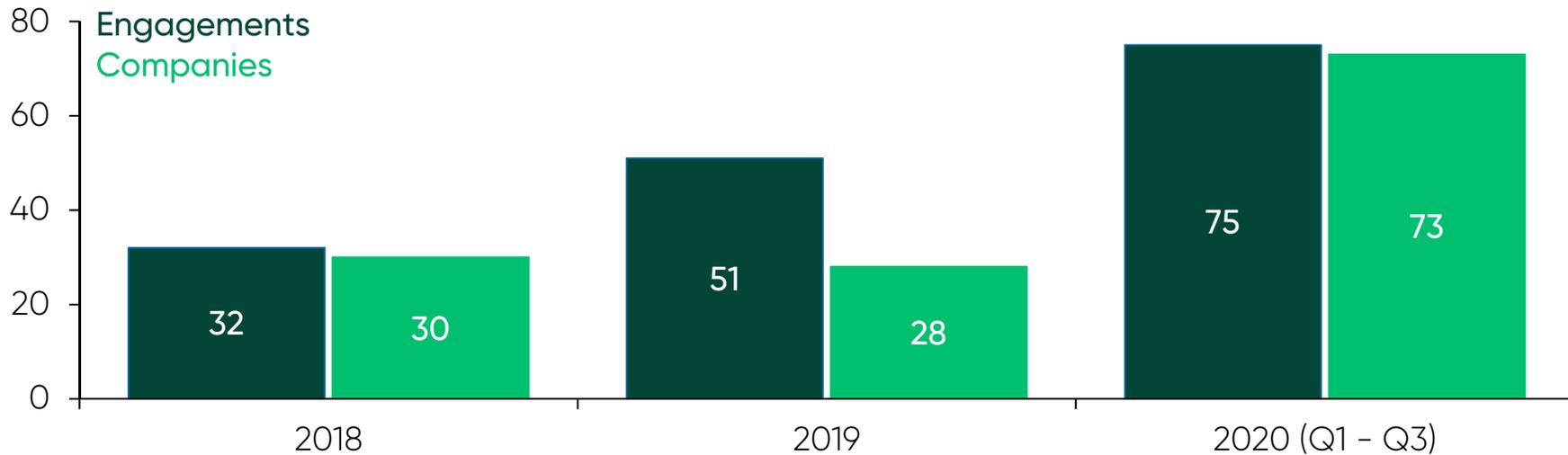
## EACH ENGAGEMENT IS:

- ✓ 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?"**

# QUARTERLY ENGAGEMENT SUMMARY

Engagement totals vary each quarter and reflect both newly initiated engagements and ongoing dialogues. It is possible to have multiple engagements with a single company; therefore, the total number of engagements may differ from the number of companies engaged.

### Companies Engaged & Total Engagements (2018 – Q3 2020)



### Total Engagements on a 12-month Rolling Basis



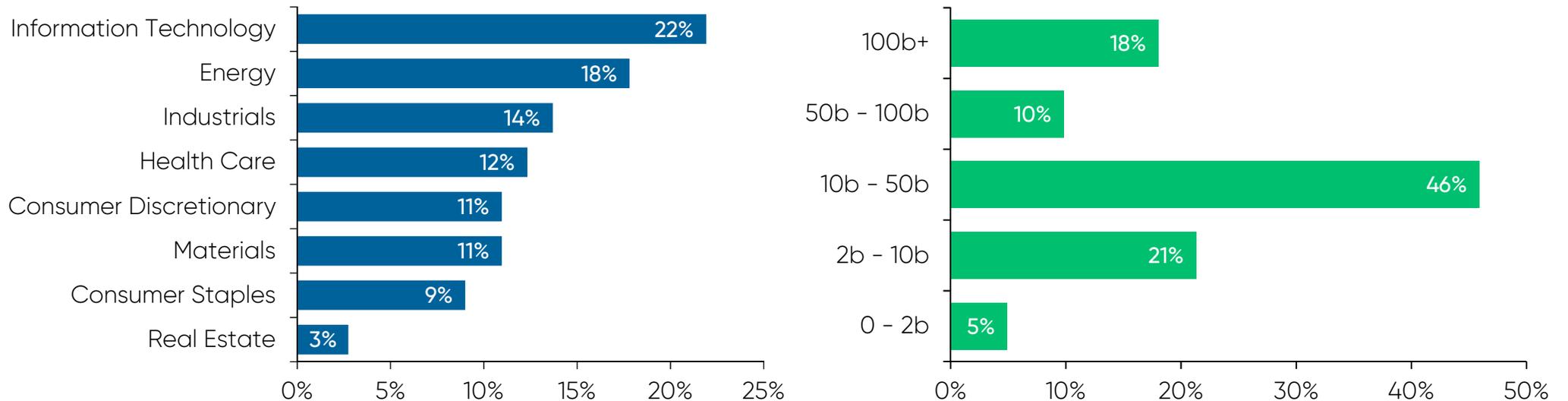
# ENGAGEMENT DISTRIBUTION

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

Domicile of Engaged Companies in 2020 Q1 – Q3



Engaged Companies by Sector & Market Cap (USD billions) in 2020 Q1 – Q3



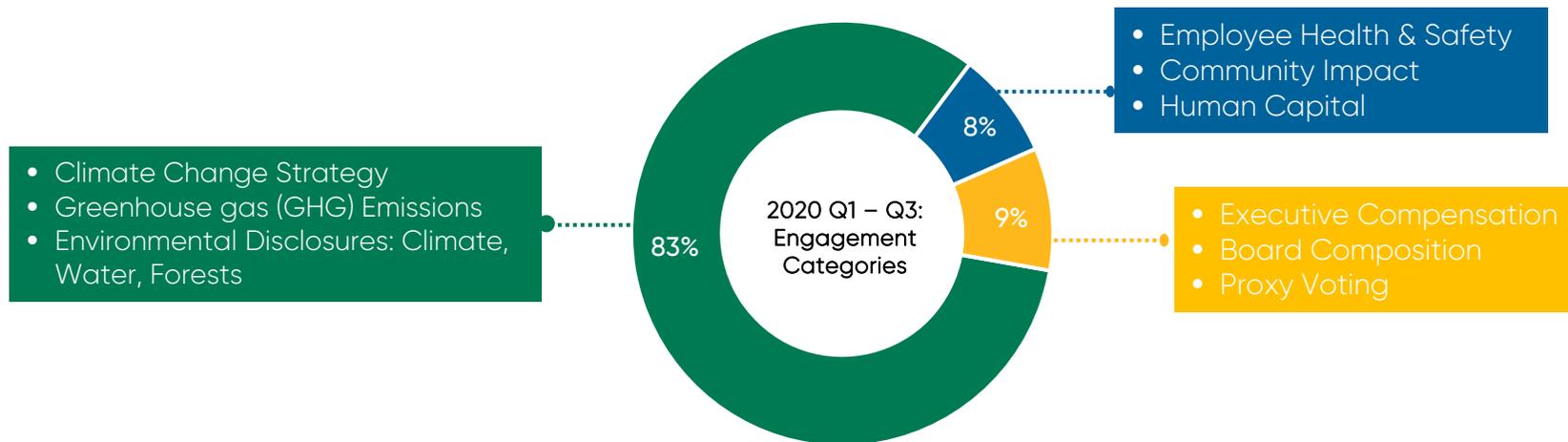
Source: FI data using Factset domicile, sector, and market capitalization designations. As of Q3 2020. Percentages above may not add up to 100% due to rounding.

# ESG ENGAGEMENT FOCUS AREAS

We prioritize multiple factors in each ESG category.



Engagement topics across the proportion of the E, S, and G categories in 2020 Q1 – Q3



# ENGAGEMENT SUMMARIES

## SOCIAL & ENVIRONMENTAL ENGAGEMENT



**REGION:** EUROPE

**SECTOR:** CONSUMER STAPLES



**ISSUE:** DIVERSITY & INCLUSION; RECYCLING

**STATUS:** ONGOING

The company also provided an update on the impact of the global pandemic. It gained valuable insights when it adapted its Chinese operations to COVID-19 and applied what it learned at other locations. It has not laid off or furloughed employees. All facilities have temperature checks, distancing requirements, additional training and protocols, hand sanitizing stations, etc.

### OUTCOME

We will continue to monitor the company's progress toward its 2025 Sustainability goals.

### OBJECTIVE

Review progress toward the company's diversity & inclusion and glass recycling targets.

### SUMMARY

FI met with a consumer staples company to discuss the business outlook in certain geographic markets and several sustainability initiatives. The company described actions it is taking to stay competitive, including sourcing ingredients from local suppliers and leveraging its large distribution network to control costs.

On the social issue, the company's CEO considers diversity and inclusion (D&I) to be a priority. Company executives are receiving unconscious bias training and it is implementing a dashboard system to establish metrics and monitor its D&I performance. Since 2016, it has increased the number of women in salaried positions by 3% and in 2019, 36% of salaried new hires were women.

One of the company's sustainability goals is that 100% of its products will be in packaging that is "returnable or made from majority recycled content" by 2025. However, low recycling rates in the U.S. is an obstacle and the company said it is working with third parties to improve its ability to source recycled glass.

# ENGAGEMENT SUMMARIES CONT.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



**REGION:** DM AUSTRALIA

**SECTOR:** MATERIALS

**ISSUE:** GHG EMISSIONS; CLIMATE CHANGE STRATEGY; COMMUNITY IMPACT; EMPLOYEE HEALTH & SAFETY; BOARD REFRESHMENT; EXECUTIVE COMPENSATION

**STATUS:** ONGOING

### OBJECTIVE

Receive the annual ESG updates, specifically on the company's health and safety performance, details on the recently announced emissions strategy and targets, and its governance enhancements. Discuss the company's position on protecting cultural heritage sites in Australia.

### SUMMARY

FI held two engagement meetings with the company in Q3. On a business update meeting, FI inquired about the status of the company's mining operation in Latin America, its position on the mining operation in the culturally sensitive regions in Australia and its announced plans to sell off its thermal coal mines.

The company responded that the timeline for the Latin American mining operation may be pushed to 2021 due to COVID impact and permitting delays but the construction of schools and housing continues. The company reaffirmed its commitment to working with the indigenous partners culturally sensitive heritage sites to ensure minimal community impact and preservation. Finally, the company will proceed with all due diligence to ensure that a responsible buyer is found for its thermal coal mines. Any buyer would require regulatory approval from the Australian government.

Later in the quarter, FI participated in the company's 2020 Sustainability Roundtable. On the issue of employee health and safety, the company described that it had prioritized the health of its employees globally by offering flexibility and resources for physical and mental wellbeing. The company also tried to limit the impact on the communities that it operates in by isolating higher risk employees.

The company also described its sustainability and climate change strategy and outlined four major commitments, including adopting Scope 3 value chain emissions reduction goals and assessing the company portfolio against a 1.5 degree C scenario.

On the governance front, the company stressed its commitment to board refreshment while attracting diverse expertise. In addition, the company has increased the weighting of the climate change targets in the compensation metrics.

Finally, in light of recent developments of destruction of culturally sensitive heritage sites in Australia, the company reiterated its commitment to sustaining its cooperative relationship with the Traditional Owners and limiting the impact of the mining operations near sensitive locations.

### OUTCOME

Ongoing engagement.

# ENGAGEMENT SUMMARIES CONT.

## ENVIRONMENTAL ENGAGEMENT



**REGION:** DM NORTH AMERICA

**SECTOR:** ENERGY

**ISSUE:** CLIMATE CHANGE

**STATUS:** ONGOING

### OBJECTIVE

Persuade the company to take the necessary steps to curb greenhouse gas emissions, strengthen its governance and improve its climate-related financial disclosures.

### SUMMARY

As part of an ongoing engagement, FI and other investors met with the company to discuss its business strategy to mitigate and manage climate-related risk in alignment with the Paris Agreement. The company has positioned itself as a disciplined, low-cost producer of oil and gas. Currently, the company's low-carbon strategy is to pursue initiatives that are beneficial toward reducing operational emissions.

The company is acquiring a competitor with a substantially low GHG emissions intensity profile. Therefore, investors suggested the deal presents an opportunity for the company to strengthen its own GHG reduction goals. Investors also provided feedback for the company to consider during preparation of its scenario analysis report.

The group discussed the pace and scale of the global low-carbon transition, with investors cautioning that shifts are often abrupt and steep, rather than the orderly transition projected by global forecasts. Investors also discussed the importance of using reasonable commodity and carbon price assumptions, and suggested that the company's independent auditor could provide assurance that the company's assumptions are reasonable and aligned with the objectives of the Paris Agreement

### OUTCOME

Ongoing engagement.

# ENGAGEMENT SUMMARIES CONT.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



REGION:	<b>DM NORTH AMERICA</b>
SECTOR:	<b>INFORMATION TECHNOLOGY</b>
ISSUE:	<b>CLIMATE CHANGE STRATEGY; HUMAN CAPITAL; EXECUTIVE COMPENSATION</b>
STATUS:	<b>ONGOING</b>

The company has set ambitious climate targets—it has achieved carbon neutral status and recently announced even more aggressive climate goals. Achieving this objective will require a blend of emissions reduction with measures that reduce carbon in the atmosphere (afforestation, direct air capture, etc).

### OUTCOME

Ongoing engagement.

### OBJECTIVE

Discuss revisions to executive compensation plan and review diversity and inclusion and climate initiatives.

### SUMMARY

FI met with a information technology company to receive its ESG Update, which focused on executive compensation program, diversity and inclusion programs and climate change strategies.

The executive compensation package received relatively low support from shareholders last year, which led the compensation committee to hire a new consultant. FI provided feedback regarding the balance of its short-term and long-term metrics and the incorporation of sustainability metrics into the plan.

The company is one of the few that discloses D&I metrics, and its senior leaders have specific D&I targets. The company as a whole also has targets, for example, it recently announced a goal to double the number of African American managers in the next 5 years. The company conducts rigorous internal polling of its global employees in 16 languages to receive feedback, which guides its policies.

# ENGAGEMENT SUMMARIES CONT.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA



SECTOR: INFORMATION TECHNOLOGY



ISSUE: ESG DISCLOSURE

STATUS: CONCLUDED

### OBJECTIVE

Receive general business update; encourage company to establish ESG strategy.

### SUMMARY

FI met with company executives to receive a general update on the business, including disruptions caused by COVID-19. In addition, FI inquired about the company's plans to develop its ESG program.

The company reported that it has hired consultants to assist in the development of its ESG strategy. It believes its products and services are beneficial in helping its customers reduce their own environmental footprint.

### OUTCOME

No additional outreach planned at this time.

# COLLABORATIVE ENGAGEMENT

## UPDATE: CDP NON-DISCLOSURE CAMPAIGN



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

### OBJECTIVE

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

### SUMMARY

CDP manages a global environmental data disclosure platform—currently, more than 8,400 companies voluntarily report to CDP.

FI participated in CDP's 2020 non-disclosure campaign (NDC), which pools investors to engage global companies. The goal of the engagement is to request companies to report to the CDP using the organization's Climate, Water and/or Forest disclosure questionnaires, which are a valuable data source for investors and stakeholders.

FI initiated collaborative engagements with 58 companies in 16 countries, either as a lead investor or a co-signer. The table describes engagements FI was the lead investor.

### OUTCOME

**This engagement initiative had a 30.2% 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	13
China	5
Belgium	1
China, Hong Kong	1
Colombia	1
Japan	1
Mexico	1
Peru	1
Republic of Korea	1
UK	1

# DISCLOSURES

Source: Fisher Investments Research, as of September 2020.

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 program 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, labor relations, controversial countries and 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.

Investing in financial markets involves the risk of loss and there is no guarantee that all or any capital invested will be repaid. Past performance neither guarantees nor reliably indicates future results. The value of investments and the income from them will fluctuate with world financial markets and international currency rates.

Fisher Investments (FI) is an investment adviser registered with the Securities and Exchange Commission. As of September 30 2020, FI managed over \$135 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 organizations, 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 30 June 2020. 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.