

FISHER INVESTMENTS™ INSTITUTIONAL GROUP



ENGAGEMENT REPORT  
Q4 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 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. 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



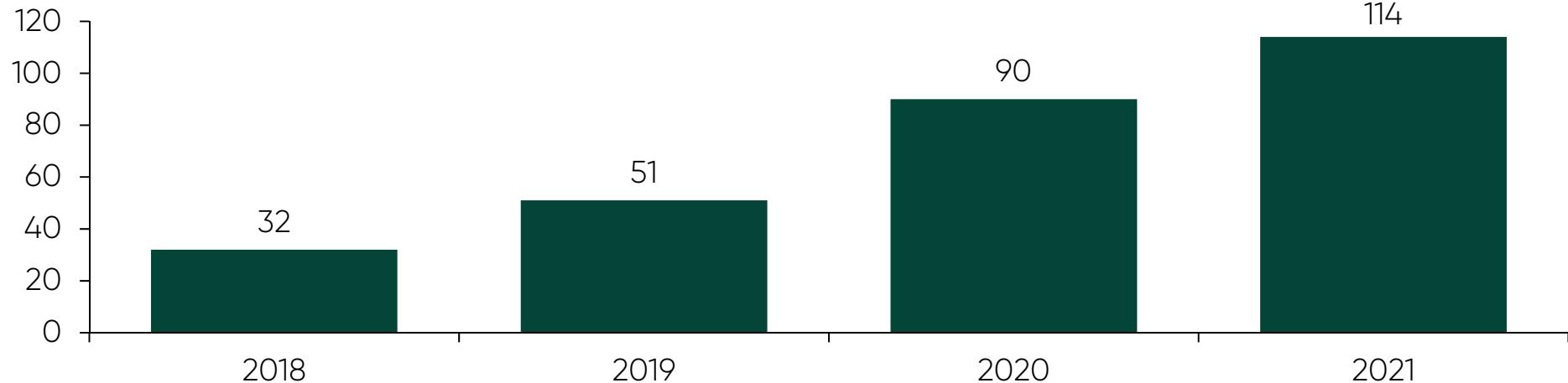
## EACH ENGAGEMENT IS:

- ✓ 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?**"

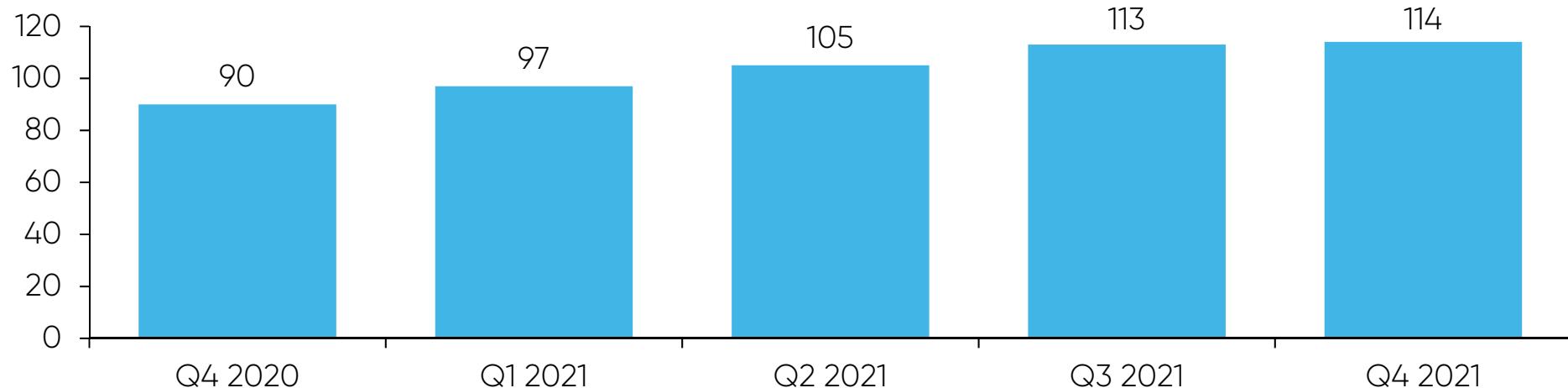
# ENGAGEMENT ACTIVITY

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

Year Over Year Engagement Activity



Total Engagements on a 12-month Rolling Basis

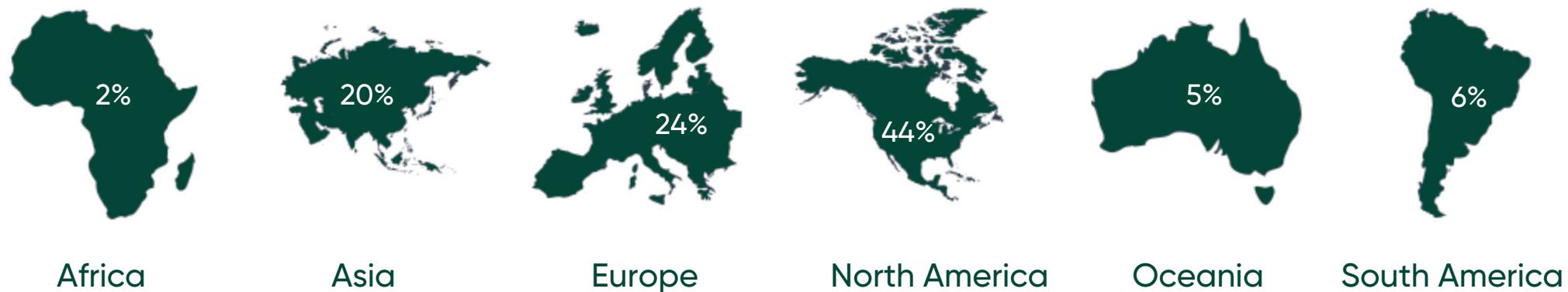


*Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q4 2021.*

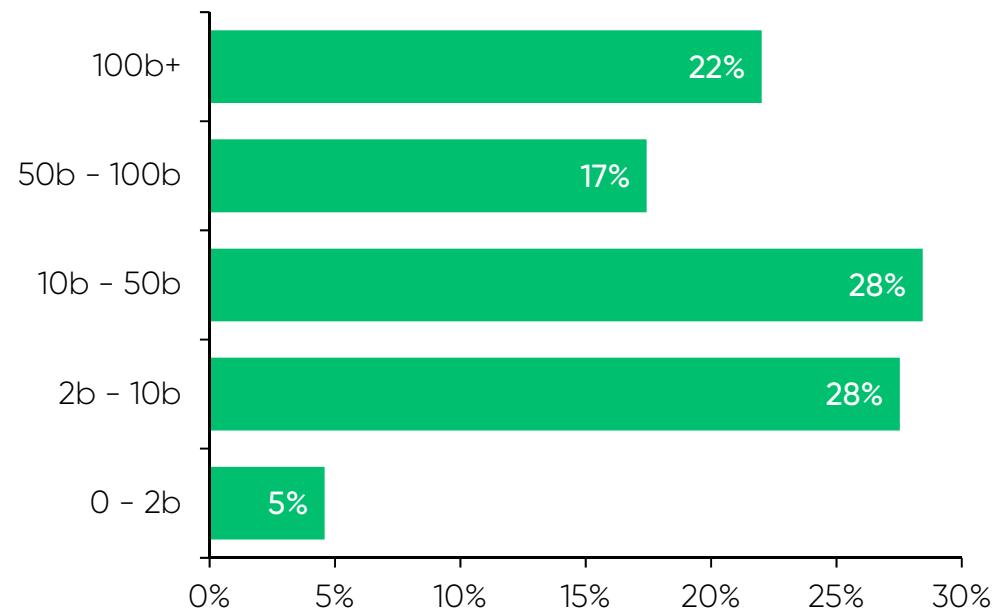
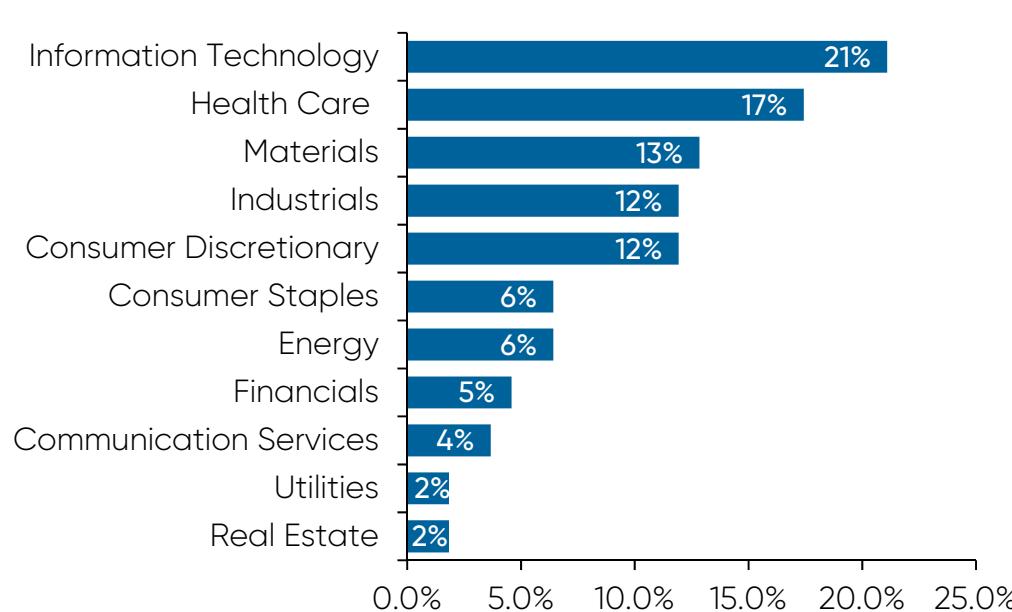
# ENGAGEMENT DISTRIBUTION

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

Domicile of Engaged Companies, Trailing 1 Year as of Q4 2021



Engaged Companies by Sector & Market Cap (USD billions, Trailing 1 Year as of Q4 2021)



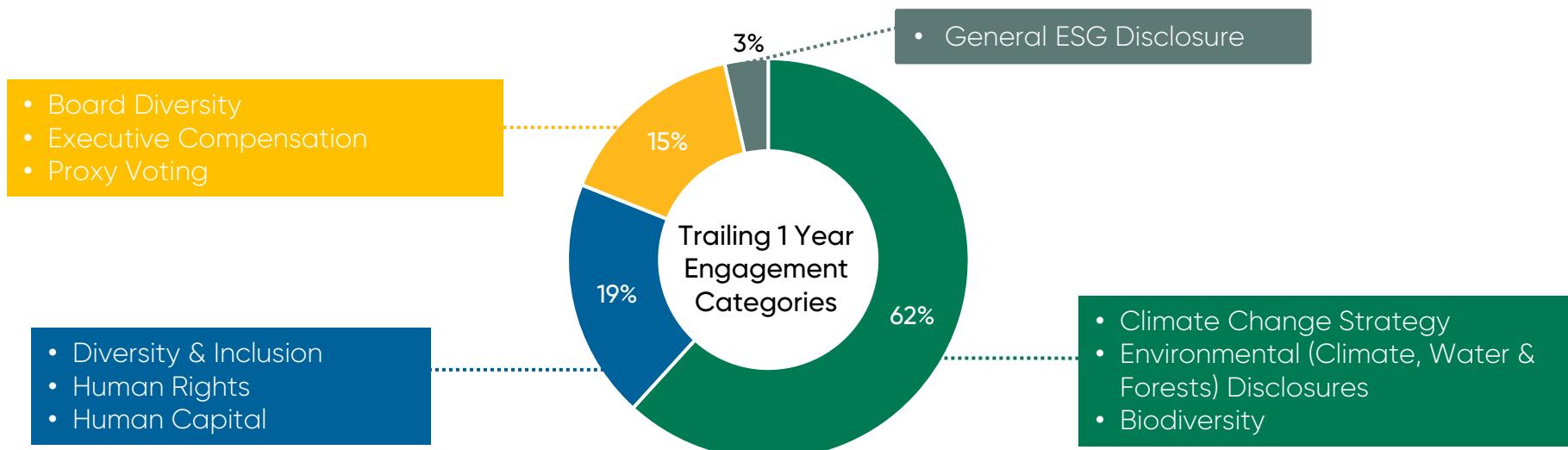
Source: FI data using Factset domicile, sector, and market capitalization designations. Percentages above may not add up to 100% due to rounding. Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q4 2021.

# ESG ENGAGEMENT FOCUS AREAS

We prioritize multiple factors in each ESG category.



Engagement topics by proportion of the E, S, and G categories as of Q4 2021 (Trailing 1 Year)



*Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q4 2021. Percentages above may not add up to 100% due to rounding.*

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION:	DM EUROPE
SECTOR:	ENERGY
ISSUE:	CLIMATE RISK, BIODIVERSITY, PROXY VOTING
STATUS:	ONGOING

### OBJECTIVE

Receive updates on the company's climate change strategy and targets.

### SUMMARY

FI met with the CEO of an oil and gas major to discuss its ambition to have net zero GHG emissions by 2050. As part of a major reinvention of the global energy company, it made short- and medium-term sustainability targets (unlike many of its competitors). In the engagement dialogue with FI, the company discussed its overall sustainability ambitions and targets as disclosed in its recently published 2020 sustainability report.

#### Highlights:

- Reductions in Scope 1, 2 and 3 GHG emissions. The company acknowledged the global pandemic played a role in the reductions, but is optimistic that recently implemented strategies will produce lasting results as it is learning and adapting to the transition trajectory and investing in newer, renewable technologies to ensure that the targets are met.
- Methane emissions measurement systems are slated for all major sites by 2023. The company is enhancing its processes by incorporating drone and satellite technologies to improve data quality. FI inquired about old or abandoned wells. The company responded that its decommissioning department reports no current concerns regarding leaks from abandoned or old wells.
- Biodiversity and natural capital targets are currently being assessed, with an ambition to achieve net positive impacts. FI requested disclosure of the data and results related to these topics.

In recent years, the company has received a number of shareholder resolutions related to its climate transition strategies. FI inquired how it has responded to investor concerns on this topic. The company said the major shift in its long-term vision occurred in response to the a shareholder resolution filed by investors within the Climate Action 100+ initiative. It is a productive dialogue that continues to inform the company's business strategy.

### OUTCOME

The company's disclosed targets are ambitious and move in the direction of Paris-aligned climate transition. FI will evaluate the next sustainability progress report to assess the company's performance.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: ENERGY

ISSUE: BOARD OVERSIGHT & ETHICS, CLIMATE RISK

STATUS: CONCLUDED

### OBJECTIVE

Persuade the company to take the necessary steps to curb greenhouse gas emissions in alignment with a globally established target, strengthen its governance and improve its climate-related financial disclosures.

### SUMMARY – 1<sup>st</sup> MEETING

FI and other investors held an update call to provide feedback on the company's newly revealed energy transition plan and discuss the expected report on lobbying activities.

*Energy Transition plan:* Investors welcomed receiving the company's plan. It is a good start that provides the potential for revenue growth, however the capex allocation is modest and the pace and scale of its actions are likely not yet sufficient to address market demands.

*Lobbying Report:* The company indicated its updated lobbying report would reflect its approach to climate-related lobbying activities. Investors emphasized the need for alignment with business objectives and described the potential harm caused when a company says it supports climate action but pushes consumers into actions that incentivize the opposite.

### SUMMARY – 2<sup>nd</sup> MEETING

The investor group also met with two of the company's independent directors. The Board members described the company's response to recent shareholder proposals, which include providing better disclosure of lobbying activities and expanded scenario analysis.

Investors described the importance of lobbying that is aligned with public statements related to Net Zero. The directors agreed that the investors' request is consistent with its principles and acknowledged it must be more vocal in supporting a carbon price.

### OUTCOME

The engagement achieved significant milestones, including establishing updated Scope 1 and Scope 2 emissions reduction targets, publishing a new climate impact report and disclosing a large-scale energy transition plan that allows for revenue growth while targeting solutions to hard-to-decarbonize segments. The transition plan is backed by approximately \$1 billion in capex per year, although it appears the company will be able to ramp up quickly as viable solutions are identified.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL, GOVERNANCE, & GENERAL ESG DISCLOSURE ENGAGEMENT



REGION: DM OCEANIA



SECTOR: CONSUMER DISCRETIONARY



ISSUE: BIODIVERSITY, RISK OVERSIGHT & ETHICS, GENERAL ESG DISCLOSURE

STATUS: ONGOING

### OBJECTIVE

Encourage the company to set key issue targets to meet its recently declared ESG commitments.

### SUMMARY

FI engaged with an Australian restaurant chain company to provide feedback on its newly developed sustainability vision and performance. The company appointed its first Group Chief ESG Officer in Q1 2021. The Officer is part of the global leadership team and reports directly to the CEO. The Risk & Audit Committee of the Board oversees the governance of ESG.

The company published its first sustainability report in 2021, which presented its sustainability strategy and performance. A previously-conducted materiality assessment identified 20 material ESG issues, primarily focused on five pillars: people, food, customers, environment and community. The company has developed policies on employees and community engagement, but concrete and comprehensive action on environmental impact remains pending.

The company is gathering baseline measurements to analyze its corporate GHG emissions, land and ecosystem impact of its operations, and water usage. The baseline will inform the company's science-based environmental strategy. FI encouraged the company to set robust environmental and emissions reduction targets. We also highlighted the impact of sustainable packaging and encouraged reduction in single-use plastics use to align with emerging best practices.

Additionally, FI inquired about the company's policies on employee health, safety, and human rights. The company conducted its first modern slavery risk assessment across its operations and supply chains, and submitted its modern slavery statement to the Australian regulator. Based on the risk analysis, the company aims to focus attention on its suppliers of agricultural and material inputs to reduce and manage risk.

### OUTCOME

FI provided feedback regarding the company's pending climate and sustainability targets. We will review the quality of the goals when they are published and consider whether reengagement is warranted.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL, SOCIAL, & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA



SECTOR: MATERIALS



ISSUE: CLIMATE RISK, POLLUTION & WASTE,  
HUMAN CAPITAL, BOARD DIVERSITY

STATUS: ONGOING

### OBJECTIVE

Seek details on the company's announced GHG reduction commitments, encourage the company to meet its employee safety objectives and receive governance updates.

### SUMMARY

FI met with a North American materials company to follow up on the company's commitments to enhance its disclosures aligned to its materiality framework.

**Climate Strategy:** The company published its second climate report, which committed to GHG emissions reduction target for its Indonesian operations that complement its initial public target to reduce the GHG emissions intensity in its Americas operations. The company also completed a climate scenario analysis to evaluate three climate pathways and committed to aligning its future climate-related disclosures to the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, the company plans to submit its reduction targets to the Science Based Target Initiative (SBTi) to validate its reduction commitments to the Paris Agreement's goals.

FI inquired how the company plans to meet its reduction goals in Americas and especially in its mining operations in Indonesia given that its primary energy source is thermal coal. A few developments are going to help meet the goal: the Indonesian mine has been transitioned from open-pit to underground mining and the company is constructing a dual-fuel power plant to diversify the energy input from solely coal to biofuel, diesel and LNG (given the geography, other

renewable options are prohibitive.) Across the portfolio, the company is decarbonizing its electricity inputs by including wind, solar and battery power; accelerating the electrification of its fleet and equipment; and initiating process innovation across the board.

**Employee Health & Safety:** There were multiple fatalities at the company's Indonesian operations in 2020. FI inquired what the company's strategy is to meet its objective of zero workplace fatalities. The company emphasized its adherence to its fatal risk management and intends to use technological inputs, safety education and operational checklists to enhance its safety record.

**Toxic Waste:** FI raised the concern of toxic waste run-off from the tailings into the water sources. The company is committed to transparency in relation to its tailings management disclosures and enhancements. The publication of a human health impact assessment is scheduled shortly, which FI will evaluate for tailings management performance.

**Governance:** The board was refreshed in 2021 with five new independent directors joining the board. Four directors are female and multiple directors possess sustainability experience, which the company hopes to channel in its sustainability drive. FI inquired about the ESG metrics component in the executive compensation program. The 2020 annual incentive program now includes 25% ESG driven metrics on safety and sustainability objectives.

### OUTCOME

Since our engagement dialogue in Q4 2020, the company has encouragingly completed scenario analysis to evaluate three climate pathways and committed to aligning its future climate-related disclosures to TCFD as we discussed. But the company is still evaluating potential net-zero commitments. We will continue to monitor the company's climate transition goals, safety program and will evaluate the human health impact assessment report when it is published.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION: DM EUROPE



SECTOR: HEALTH CARE

ISSUE: CLIMATE RISK, RISK OVERSIGHT & ETHICS

STATUS: CONCLUDED

### OUTCOME

No additional outreach is planned at this time.

### OBJECTIVE

Discuss sustainability program updates as the company prepares for a planned spinoff.

### SUMMARY

In a follow-up meeting, FI met with a health care company to discuss the company's climate change strategy and the announced company restructuring.

The company continues to maintain leadership in ESG with the recent announcement of significant renewable energy investment and carbon reduction initiatives at its manufacturing facilities. The company also announced a new R&D program to reduce greenhouse gas emissions from its metered dose inhalers, which are responsible for nearly half of the company's carbon emissions. These new initiatives support the continued progress on the environmental commitments made by the company to be net zero and nature-positive by 2030.

The company is planning to spin off one of its business units. The reorganization has not been without controversy, as an activist investor has publicly sought to influence the timing of the event and replace the intended CEO. However, it appears the governance issues are resolved and the company declined to comment further.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION:	DM NORTH AMERICA
SECTOR:	ENERGY
ISSUE:	EXECUTIVE COMPENSATION, CLIMATE RISK
STATUS:	ONGOING

### OBJECTIVE

Information gathering on changes to the company's executive compensation program and discuss climate change strategy and reporting.

### SUMMARY

FI met with the chair of the compensation committee and other executives of an American energy company to discuss changes to its compensation program and climate change strategy.

Shareholder feedback prompted major changes to the company's executive compensation package in 2020. However, in 2021, less than half of shareholders supported the advisory vote for executive compensation proposal. The company believes that it has addressed the feedback and that any lingering investor concerns will be mitigated once a full cycle of the new compensation plan is completed.

The compensation committee is also considering integrating ESG factors as 20% of the non-financial metrics of its annual performance plan. FI suggested that the committee also add ESG goals to its long-term incentive metrics.

The company has historically lagged its primary competitor in the area of climate performance but approximately one year ago, it

committed to participate in the Science Based Targets initiative (SBTi).

In 2021, it conducted in-depth scenario analysis, which informed the strategic priorities of reducing its emissions and advancing clean energy solutions. Currently, it has established Scope 1 and 2 GHG emissions reduction targets. FI suggested the company include Scope 3 emissions in its climate strategy. The company intends to discuss transition plans with its largest suppliers, and continue to expand the clean energy solutions it offers to customers.

### OUTCOME

FI will review the compensation plan changes and will continue to assess the company's progress towards its stated sustainability commitments.

# ENGAGEMENT HIGHLIGHTS

## GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: INFORMATION TECHNOLOGY

ISSUE: EXECUTIVE COMPENSATION

STATUS: ONGOING

### OBJECTIVE

Understand the changes to the executive compensation program design in the post-proxy dialogue.

### SUMMARY

FI held an engagement meeting an IT company's board members and executives to discuss the company's executive compensation program. A majority of shareholders voted against the company's 2021 advisory vote on executive compensation after delivering less than 65% vote support in each of the prior two years. Shareholders were concerned about pay-for-performance misalignment and CEO pay magnitude as the company has gone through two CEOs in recent years.

The board stated that a highly competitive compensation package was needed to attract the current CEO, who is a veteran leader. In addition, the size of recent compensation payouts reflected the values of the equity grants tied to these executive transitions.

FI inquired how the compensation figures would change in the 2022 proxy. The company cautioned the proxy will reflect the full accounting of the new CEO's compensation package. However, the changes are designed to shift the focus to achieving growth and relative return metrics.

### OUTCOME

FI will review and evaluate the compensation program and disclosures ahead of the next annual general meeting.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: EM AFRICA



SECTOR: MATERIALS

ISSUE: BIODIVERSITY, WATER STEWARDSHIP,  
CLIMATE RISK, HUMAN CAPITAL

STATUS: ONGOING

### OBJECTIVE

Discuss the company's biodiversity, climate change and overall sustainability strategies.

### SUMMARY

FI engaged a South African mining company that supplies iron-ore to the global steel industry to discuss the company's sustainability programs.

*Environmental:* The company adopted a Sustainable Mining Plan that guides its actions on **biodiversity** related to sustainable land use programs, concurrent rehabilitation methods and detailed closure plans to guide. In accordance with its net positive impact (NPI) biodiversity targets, the company has identified certain projects to undertake and is evaluating additional targets.

On its **water stewardship** practices, the company stated that its current operations are not in water scarce environments. The company has a water management plan, which aims to offset the water used from the aquifers by investing in infrastructure on drainage, trenches and dams to avoid water run-off. The company also highlighted that it adheres to stringent regulations and has reduced its freshwater use nearly 20% in recent years. Mineral waste management is also a priority and the company has been able to significantly reduce its overall waste footprint.

To further address **climate change**, the company has targets to achieve a 30% reduction in GHG emissions and improve energy efficiency 30% by 2030. Key actions include reducing the amount of diesel used to fuel its heavy equipment and replacing coal as a primary energy source for its mining operations. FI asked if the company assesses its Scope 3 emissions. The company has been researching its Scope 3 emissions and formulating effective reduction strategies, such as collaborating with steel producers to achieve further efficiencies.

*Social:* As a large employer and community actor in its region, "support thriving communities" is one of the three major pillars of the company sustainability plan. Recently it collaborated with three other mining companies, NGOs and state organization to launch an "Impact Catalyst" program to support regional development, local agriculture and community impact. The company is helping to build capacity and provide opportunities through local procurement initiatives with the objective of developing multiple offsite jobs for each mining job.

FI inquired about the impact of COVID-19 pandemic for the employees and the mine operations. The company implemented COVID protocols, reduced mine operations to 50% capacity until May 2020 and encouraged vaccination drives for employees and their family members when the vaccines became locally available. These policies ensured that the infection rate among the employee base remained around 2% maximum. The company stated that it supported the community by funding local intensive care wards.

### OUTCOME

The company has a strong sustainability program. FI will monitor progress on the sustainability programs and commitments made by the company.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL ENGAGEMENT



REGION:	DM NORTH AMERICA
SECTOR:	INDUSTRIALS
ISSUE:	CLIMATE RISK
STATUS:	ONGOING

### OBJECTIVE

Update meeting.

### SUMMARY

FI held a follow up meeting with North American industrials company to discuss its progress on sustainability initiatives. The company has a robust program that includes strong corporate governance measures and a diverse board of directors. The company achieved nearly all of its 2020 targets in the categories of Safety, GHG Emissions (Scope 1 and 2), Energy Intensity, Recycling/Landfill, and Water Use, and is now focused on its 2025 objectives.

The company is currently assessing its Scope 3 GHG emissions to determine where reductions may be achieved. This includes travel, supply chain assessment (in some cases down to the commodity level), and customer use of products. The company has been innovative in improving processes to reduce waste and sees additional opportunities in recycling and clean technology. FI encouraged the company to continue its progress on Scope 3 emissions.

### OUTCOME

Ongoing engagement.

## SOCIAL ENGAGEMENT



REGION:	DM EUROPE
SECTOR:	ENERGY
ISSUE:	HUMAN RIGHTS
STATUS:	ONGOING

### OBJECTIVE

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

### SUMMARY

FI collaborated with 35 other institutional investors regarding the company's human rights-related business risks in Myanmar. The global energy company has a longstanding partnership with a state-owned enterprise to extract natural energy resources in the country. 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.

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. The company stated that it decommissioned a new project in Myanmar, suspended some cash distributions related to the existing project, and provided additional disclosure regarding other revenue payments. It also acknowledged the challenges of caring for its workforce and described efforts to protect them from prison or forced labor.

### OUTCOME

Investors expressed appreciation for the steps the company has taken and asked for a follow up meeting in Q1 2022.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION:	DM NORTH AMERICA
SECTOR:	MATERIALS
ISSUE:	CLIMATE RISK, BIODIVERSITY, POLLUTION & WASTE, HUMAN CAPITAL
STATUS:	ONGOING

### OBJECTIVE

Initiate engagement dialogue to discuss the company's sustainability strategy and disclosures.

### SUMMARY

*Environmental:* The company's products are crucial inputs to the growth of global EV batteries and charging infrastructure, and it hopes to leverage its products to realize positive climate impacts. The company has appointed an experienced leader to the new position of Global Director of Sustainability. The company has a number of internal targets on sustainability, but it has not publicly disclosed many sustainability-related goals.

Scope 1 & Scope 2 emissions for its global operations are disclosed, but it does not yet measure Scope 3 emissions. Its manufacturing process is highly reliant on energy inputs so the company is prioritizing energy efficiency and intensity reduction through modernization of equipment, improvement of technologies, and process optimization. FI encouraged the company to keep pace with its competitors by setting ambitious emissions reduction targets.

The company is committed to minimizing and reducing hazardous and chemical waste. A recent waste generation assessment identified strategic actions the company can take to recycle

metals to avoid landfills. FI requested the company improve its disclosure on these metrics.

*Social:* FI inquired if the company sets health and safety (H&S) performance targets and if they apply to contractors. The company maintains a comprehensive H&S approach guided at the regional, facilities and business unit level. The operating plans include H&S goals on injury and severity rates and sharing best practices globally, extended to its contractors.

### OUTCOME

The company's products are important to the global transition to a low carbon economy. It is building a well-rounded sustainability program, and FI intends to reengage in 2022 regarding specific sustainability performance targets.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: UTILITIES

ISSUE: CLIMATE RISK

STATUS: CONCLUDED

### OBJECTIVE

Gather information on the company's sustainability initiatives and the future of green energy opportunities. Understand the company's views on offshore wind energy given Biden Administration's recent policy changes.

### SUMMARY

FI initiated an engagement with an American utilities company to inquire about its views on the profitability and future of offshore wind in the U.S., related to the Biden Administration's announced plans to scale up offshore wind energy by opening up leases on federal waters and offering federal government support. The company, which is an industry leader in onshore wind generation, stated that offshore wind is not a profitable endeavor for the company when compared to its advantageous positions in onshore wind, solar and battery storage. However, the company is using its expertise to bid for construction of subsea transmission lines to capitalize on the growth in offshore wind without direct exposure.

FI asked the company's thoughts on further opportunities in green technology. It believes solar will become a primary energy source particularly in the Southeastern U.S. as it is more reliable and profitable than wind, and is cost comparable to natural gas. The company noted its long term site plan, which expects solar to

become nearly 20% of generation capacity (six times its existing solar capacity) while adding no new natural gas plants. Longer term, increased solar and existing natural gas capacity will be supported by expanding battery storage capacities in order to achieve full decarbonization in the utility sector. The company is focusing on battery storage technology, which is the enabler for renewables as it backstops intermittent renewable resources.

In terms of disclosures related to climate transition disclosures, majority of the company's operational emissions is in generation. The company does not currently measure and report its Scope 3 emissions, except for business travel. We encouraged the company to expand its Scope 3 emission reporting as much as possible and commended its current Scope 1 reporting.

### OUTCOME

Additional outreach is not planned at this time.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL ENGAGEMENT



REGION:	DM NORTH AMERICA
SECTOR:	CONSUMER DISCRETIONARY
ISSUE:	BIODIVERSITY, POLLUTION & WASTE MANAGEMENT
STATUS:	ONGOING

### OBJECTIVE

Follow-up dialogue to company policies on sustainable sourcing of materials and plastics and waste prevention initiatives.

### SUMMARY

FI inquired how the company's newly released impact targets address sustainable sourcing, and how far the targets go down the supply chain. The company stated that the targets include many individual targets, each of which has numerous functional targets that roll up to each impact. Therefore, the company cannot achieve its targets unless the sourcing is sustainable.

In the previous cycle of the company's goals, it did not meet its targets on plastics and waste prevention. FI inquired what steps the company is taking to address the missed targets. The company responded that while it did not meet its strict target on the previous goals, it is implementing a few activities to meet the new waste prevention targets. For example, the company is going to enhance its approach and incorporate 'circularity' to achieve per-unit waste reduction in manufacturing, distribution, packaging and headquarters. Another target is to divert 100% waste from landfill in its extended supply chain with at least 80% recycled back into its products and other goods. Waste management starts at the drawing board, so the company is reviewing its products during the design phase to improve circularity and reduce waste.

### OUTCOME

FI will continue to monitor its well-developed sustainability program, including the company's response to the responsible and sustainable sourcing of materials and performance on its impact targets.

# ENGAGEMENT HIGHLIGHTS

## GOVERNANCE ENGAGEMENT



REGION: DM EUROPE

SECTOR: INFORMATION TECHNOLOGY

ISSUE: RISK OVERSIGHT & ETHICS

STATUS: ONGOING

### OBJECTIVE

Receive updates on the compliance program changes in light of allegations of bribery.

### SUMMARY

Through our service provider, FI co-signed an engagement dialogue regarding an alleged failure to prevent bribery in South Africa and to understand the company's remedial efforts and enhanced compliance procedures.

The company is under investigation by South African authorities for its alleged bribery payments to win state contracts. In its 2020 integrated report the company reported that an internal investigation regarding the allegations is ongoing while it continues to cooperate and communicate with the relevant authorities. The report states that the company has increased the number of compliance staff in its Africa unit and eliminated commission on public sector deals in high-risk markets.

FI and other investors met with the Chief Compliance Officer, who described the company's comprehensive compliance overhaul, including:

- risk-based approach to focus on high-risk markets for identifying and remediating the compliance weaknesses;
- a robust compliance team with localized staff for key markets;

- updated number of compliance policies, such as eliminating third party sales commissions globally;
- extensive annual staff training programs; and
- revamp its whistleblower tool to ensure it is an independent and safe channel for employees and stakeholders. The tool is now accessible in multiple languages and enables 24 hour reporting.

The company also strengthened its governance structure so that the new Chief Compliance Officer reports directly to the CEO and reports quarterly to the audit committee of the board. Any significant whistleblower reports are reported to the audit committee on a quarterly basis too.

### OUTCOME

FI is encouraged by the steps the company has taken and will monitor developments related to the ongoing investigations along with the efficacy of the compliance enhancements.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & GOVERNANCE ENGAGEMENT



REGION: EM ASIA



SECTOR: HEALTH CARE

ISSUE: SOCIAL IMPACT, RISK OVERSIGHT & ETHICS

STATUS: CONCLUDED

The company is poised to gain competitive advantage while facilitating patient access to best-in-class medicines.

### OUTCOME

Additional outreach is not planned at this time.

### OBJECTIVE

Informational dialogue with the company to understand its governance and regulatory priorities to enhance access to medicines in China.

### SUMMARY

FI met with the CFO of a Chinese pharmaceutical company to discuss governance and regulatory issues surrounding its efforts to enhance access to medicines in China. China's pace of pharmaceutical drug development lags Western counterparts due to the country's strict regulatory requirements. The company is a pioneer in data harmonization programs that aim to allow non-Chinese clinical trial data to be used in Chinese drug approval decisions, bringing Chinese regulatory processes closer to U.S. practices.

A key to pursuing licenses for cutting-edge medicines and rare disease drugs developed elsewhere (typically the U.S.) is avoiding the need to duplicate time-consuming and expensive clinical trials. The company's data sharing programs facilitate expedited licenses for new or best-in-class drugs from Western pharmaceutical companies, thereby providing a bridge for access into the Chinese market.

The company is involved in lobbying and working with Chinese government agencies to optimize drug approval policies. Recently, Chinese regulators modernized drug approval standards in an effort to drive new and innovative developments in biotech.

# DISCLOSURES

Source: Fisher Investments Research, as of December 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 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, 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.

Fisher Investments (FI) is an investment adviser registered with the Securities and Exchange Commission. As of December 31 2021, FI managed over \$208 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 (FII), 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 December 31 2021. 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.