

FISHER INVESTMENTS JAPAN™



ENGAGEMENT REPORT
Q2 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



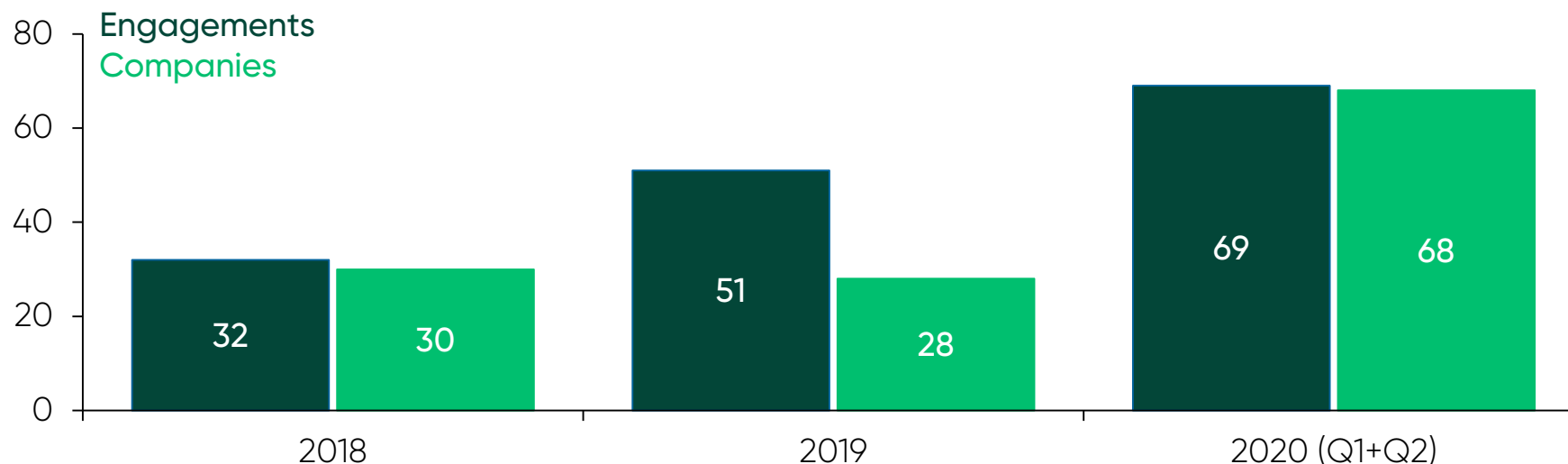
EACH ENGAGEMENT IS:

- ✓ 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?"**

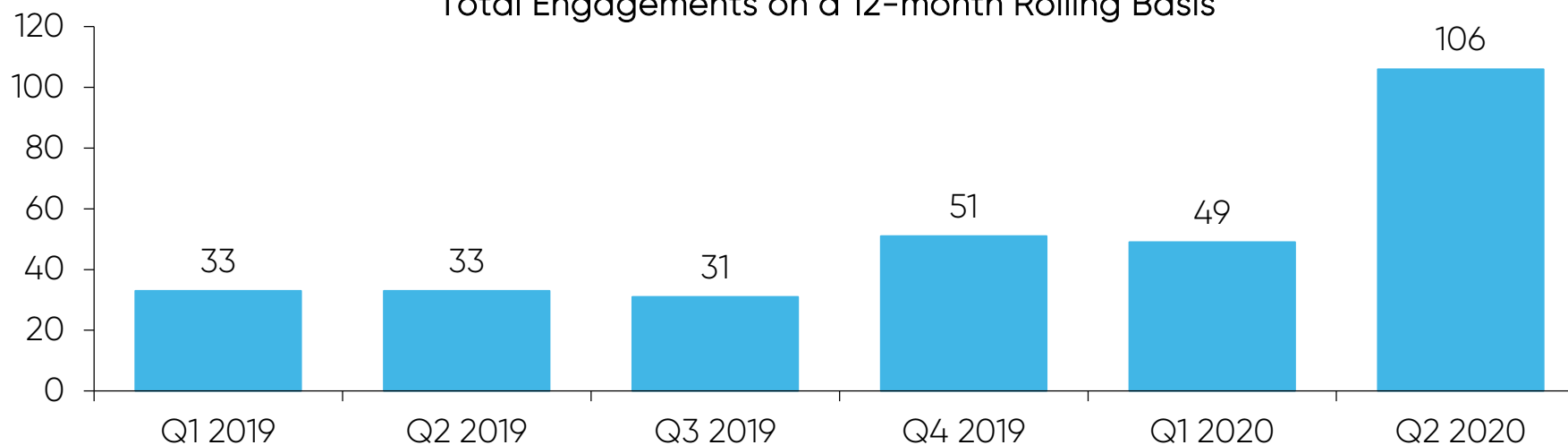
QUARTERLY ENGAGEMENT SUMMARY

Engagement totals vary each quarter as they 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. Of the 66 engagements recorded in Q2, 58 were the result of a collaborative partnership with CDP (formerly Carbon Disclosure Project) that requested disclosure of environmental performance data (see page 11 for details).

Companies Engaged & Total Engagements (2018 – Q2 2020)



Total Engagements on a 12-month Rolling Basis



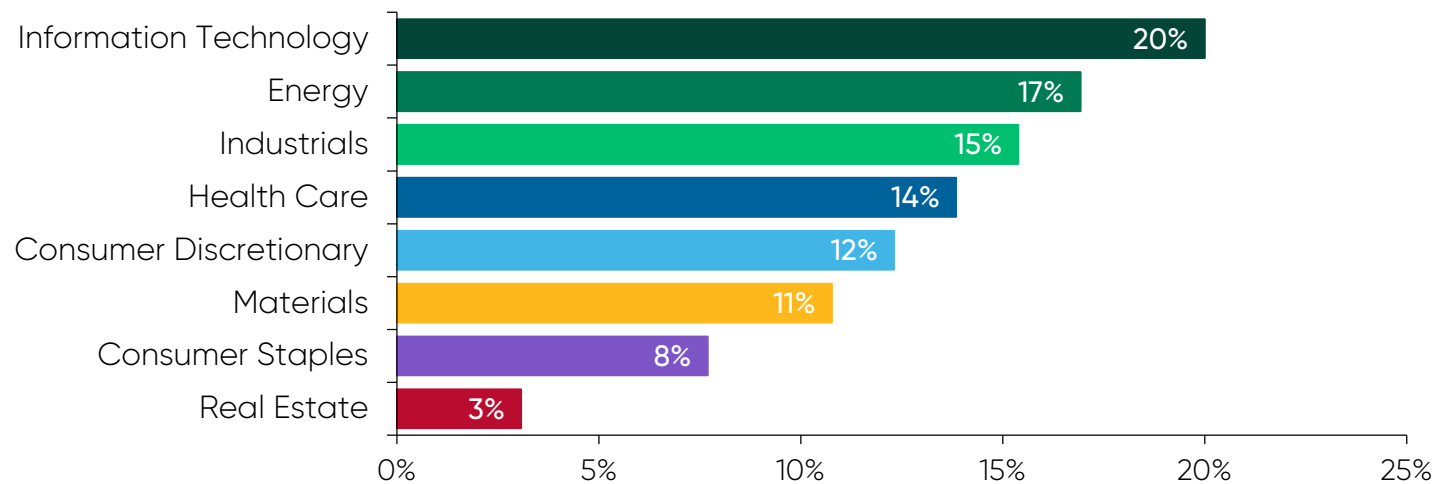
QUARTERLY ENGAGEMENT DISTRIBUTION

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

Domicile of Engaged Companies in Q2 2020



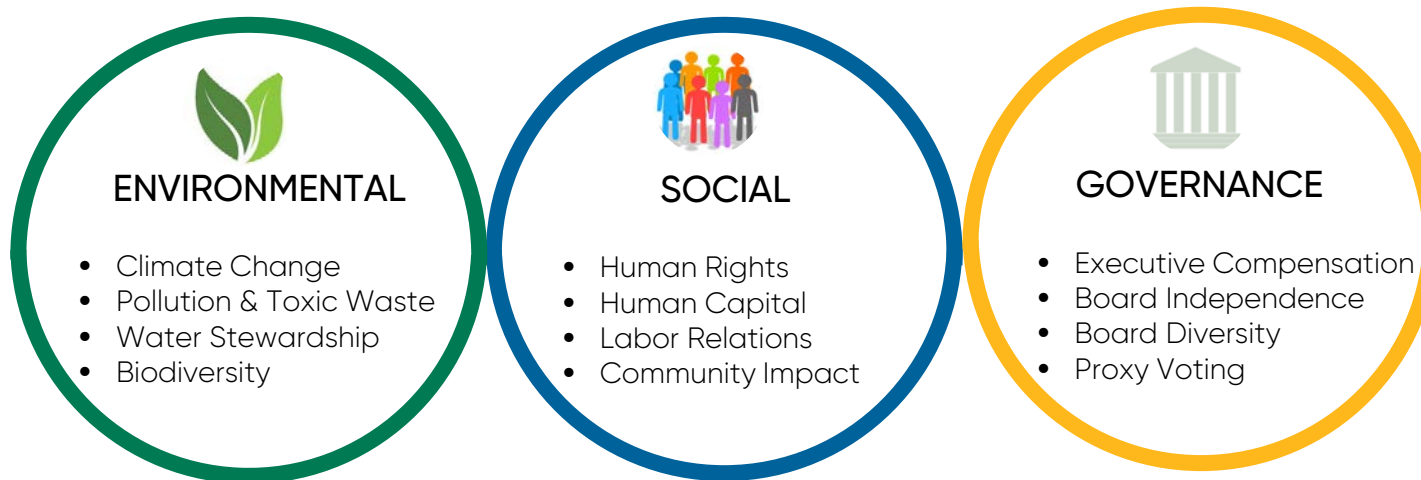
Engaged Companies by Sector in Q2 2020



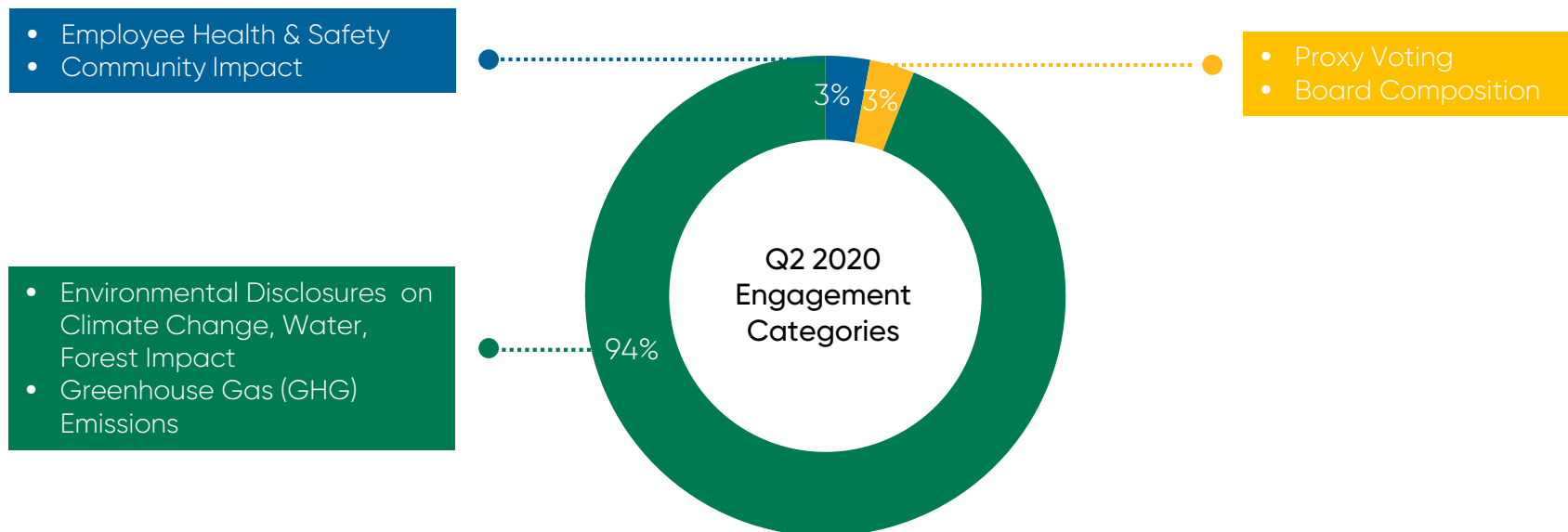
Source: FI data using Factset domicile and sector designations.

ESG ENGAGEMENT FOCUS AREAS

We prioritize multiple factors in each ESG category.



The Q2 ESG category breakdown tilts toward Environmental due to FI's participation in the CDP climate disclosure initiative.



ENGAGEMENT SUMMARIES

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: EM SOUTH AMERICA

SECTOR: ENERGY



ISSUE: GHG EMISSIONS; COMMUNITY IMPACT

STATUS: ONGOING

OBJECTIVE

Alignment with the Paris Climate Agreement, including reporting emissions from non-operated assets and establishing a methane emissions reduction target. In addition, discuss company's effort to address security and environmental remediation after pipelines in conflict-affected areas are sabotaged.

ENGAGEMENT ANALYSIS

Environmental: The company currently reports emissions performance only on its operated assets, however it plans to increase its joint venture activity and will report results of both operated and non-operated assets by 2025. The company has publicly committed to a 20% reduction in greenhouse gas emissions by 2030, which aligns with the Nationally Determined Contribution (NDC) of its domiciled country. The goal can be adjusted if the country changes its NDC. To achieve this target (and offset the increase in emissions from future production growth) a decarbonization plan is in place that includes increasing the use of renewable energy; carbon capture, use and sequestration; relying more on natural gas; increasing offsets; and a commitment to eliminate routine flaring by 2030. Less than 30% of methane emissions are currently tracked; the company's goal is to identify all emissions by 2023.

Social: The company has limited ability to prevent pipeline attacks, but has developed a detailed emergency response plan. The company has integrated its plan into multiple teams to ensure timely deployment of the emergency response plan, including containment barriers and protection of water sources. The company identified permanent and operational points for critical response in the event of an attack. In addition, it arranges for protection and surveillance by public law enforcement forces to guarantee the security of the area and avoid potential harm to the workers who carry out repairs.

OUTCOME

In approximately six months, FI will follow up on the request for the company to set methane emissions reduction targets. FI will also monitor emissions reporting for inclusion of non-operated assets in the company's data disclosures.

ENGAGEMENT SUMMARIES CONT.

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA



SECTOR: MATERIALS

ISSUE: GHG EMISSIONS; EMPLOYEE HEALTH & SAFETY



STATUS: ONGOING

OBJECTIVE

Set emissions reduction targets that align with the Paris Climate Agreement. Discuss the impact of COVID-19 on the company's employees and update on its governance profile.

ENGAGEMENT ANALYSIS

Environment: The company is a leader in measuring and disclosing its environmental impact, including energy use. The company's Sustainability Report provides a mix of anecdotal and metric-based information and discloses progress made to date on approximately 70% of emissions per product line. The company is a supplier to the airline and auto industries, many of which have set goals to align with the Paris Climate Agreement or are part of the Climate Action 100+ engagement initiative. The company has not set its own emissions reduction targets, and FI encouraged the company to do so in order to align with its customers. FI also encouraged the company to measure and report the impact the initiatives have on operating costs.

Social: Although the company has had some staff reductions due to the economic slowdown, the numbers are in line with normal business cycle reductions. Approximately 62% of staff participates in a collective bargaining agreement.

Governance note: The company is governed by a diverse (42% of directors), independent (92%) board of directors that is clearly engaged on the company's ESG issues. It has \$1 billion in liquidity, which is helping the company weather the COVID-19 downturn. Decisions about capital expenditures are guided by the results of five-year stress tests that model both growth and recession scenarios.

OUTCOME

FI will follow up in approximately six months.

ENGAGEMENT SUMMARIES CONT.

ENVIRONMENTAL ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: ENERGY

ISSUE: CLIMATE CHANGE

STATUS: ONGOING

OBJECTIVE

Align business with Paris Climate Agreement including setting a methane emissions reduction target.

ENGAGEMENT DETAILS

FI engaged with an O&G company to encourage alignment with the Paris Climate Agreement. The company's incoming CEO is positioning it to be part of the energy transition and the company is committing to setting an emissions goal that aligns with the Science Based Target Initiative (SBTi). The company's new vision and purpose statement explicitly mention sustainability and are framed to reflect the Sustainable Development Goals (SDG) stakeholder model.

In addition, as of 2020 the company has incorporated its emissions reduction targets into the incentive program for 1,500 members of senior management. However, we note that the company does not have a methane emissions reduction target, nor has it published the results of its Task Force on Climate-related Financial Disclosures (TCFD) risk assessments.

OUTCOME

We will follow up with the company regarding the establishment of a methane emissions reduction target, publishing results of the TCFD analysis, and its progress in setting a SBTi-aligned greenhouse gas emissions target.

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: DM AUSTRALIA

SECTOR: MATERIALS

ISSUE: COMMUNITY IMPACT; GHG EMISSIONS

STATUS: ONGOING

OBJECTIVE

Follow up meeting to receive updates on a tailings dam collapse and discuss new environmental litigation.

ENGAGEMENT DETAILS

FI met with a global materials company to receive a business update and discuss ESG issues. The company is engaged in resettlements near a mine in Brazil, where a past dam collapse killed 19 people and caused one of the country's largest environmental disasters. The company is taking a cautious approach toward reopening the mine and provides status updates on its website. FI also discussed the recent lawsuit brought by another government alleging damage to an aquifer due to the company's water withdrawals. The company said it has reduced the amount of water it extracts and is monitoring other impacts to the watershed.

The company also said it has reduced its greenhouse gas emissions by 15–20% and expects to announce new 2030 goals soon (in addition to its existing "Net Zero by 2020" target).

OUTCOME

FI continues to monitor the company's operations in Brazil and the new GHG targets. This is an ongoing engagement.

ENGAGEMENT SUMMARIES CONT.

ENVIRONMENTAL & SOCIAL ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: INDUSTRIALS



ISSUE: GHG EMISSIONS; COVID-19 IMPACT

STATUS: CONCLUDED

OBJECTIVE

Understand COVID-19 impact to business operations and end-market demand.

ENGAGEMENT DETAILS

The company reported that COVID-19 is having a range of impacts among its end-use customers, and that the Mexican government's lackluster response to the pandemic has created regional problems with the company's supply chain.

The company also stated that it recently issued its new sustainability report. The company has several initiatives to reduce its emissions, including refurbishing gas turbines and using landfill gas as an energy source.

OUTCOME

While no additional outreach is scheduled, FI will continue to monitor the company's sustainability initiatives and disclosed outcomes.

ENVIRONMENTAL ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: ENERGY

ISSUE: CLIMATE CHANGE

STATUS: ONGOING

OBJECTIVE

As part of an ongoing engagement with a global energy major, FI and members of the Climate Action 100+ met with the company to discuss recent climate-related issues and developments.

ENGAGEMENT DETAILS

FI and other investors met with the company to discuss its business strategy to mitigate and manage climate risk. The company has positioned itself as a low-cost producer of oil and gas, and is not diversifying into renewable energy as its European competitors are doing.

With regard to methane emissions in the Permian Basin, where flaring has significantly increased, the company noted its emissions intensity is significantly lower than other companies in the region. The company's early planning of infrastructure (pipelines) has reduced the need for flaring and lowered methane emissions intensity, a metric tied to its company-wide incentive program. Investors requested that the company also measure absolute emissions. The company is reviewing its disclosures related to lobbying expenditures, and investors encouraged the company to compare the priorities of its trade associations with its publicly stated positions on climate initiatives.

OUTCOME

Investors requested a meeting with a member of the company's board, and committed to providing suggestions regarding content for the company's next climate report.

ENGAGEMENT SUMMARIES CONT.

SOCIAL ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: INFORMATION TECHNOLOGY

ISSUE: COVID-19 IMPACT

STATUS: CONCLUDED

OBJECTIVE

Discuss the impact of the COVID-19 pandemic on the company's business.

ENGAGEMENT DETAILS

FI met with a North American IT company to discuss the impact of the pandemic by segment and geography, including broad IT spending patterns, the company's approach to mergers and acquisitions and the impact of granting customers financial flexibility.

OUTCOME

No additional outreach is planned.

GOVERNANCE ENGAGEMENT



REGION: DM NORTH AMERICA

SECTOR: ENERGY

ISSUE: BOARD COMPOSITION; MERGERS

STATUS: CONCLUDED

OBJECTIVE

Discuss management structure and board composition after merger.

ENGAGEMENT DETAILS

FI met with the company to discuss the expected changes to management and the board of directors following its merger. The new board will consist of seven directors from the company plus two from the board of its merger partner. Post-merger the company's board will be 30% diverse.

OUTCOME

No additional outreach is planned.

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 organization’s Climate, Water and Forest questionnaire templates.

ENGAGEMENT ANALYSIS

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 with 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 serve as a valuable resource for comparable data for investors and stakeholders.

On behalf of CDP 2020 NDC, in Q2 2020 FI initiated collaborative engagements with 58 companies in 16 countries listed in the table below either as a lead investor or a co-signer.

OUTCOME

By quarter-end, four companies had responded. A South American company agreed to complete the climate and water questionnaires, while a North American company is engaging a consultant to help it evaluate the climate and forest questionnaires. A Hong Kong-based company is reviewing the climate questionnaire, and a North American company stated its preference to disclose the information on its website.

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

FI AS CO-SIGNATORY

Domiciled Country	# of Companies
UK	7
USA	7
China	5
Taiwan	4
China, Hong Kong	2
Republic of Korea	2
Germany	1
Ireland	1
Israel	1
Japan	1
Switzerland	1

DISCLOSURES

Source: Fisher Investments Research, as of June 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.

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- FIJ is registered as a Financial Instruments Business Operator with the Japan Financial Services Agency (No. 2766). FI is an investment adviser registered with the United States Securities and Exchange Commission. FIJ is a wholly-owned subsidiary of FI.
- This presentation relates to Fisher Investments Institutional Group strategies managed by FI. FIJ will manage these strategies for clients in Japan.

DISCLOSURES

FISHER INVESTMENTS JAPAN

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