



ENGAGEMENT REPORT  
Q3 2024

# FISHER INVESTMENTS & FISHER INVESTMENTS AUSTRALASIA

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

# ENGAGEMENT OVERVIEW

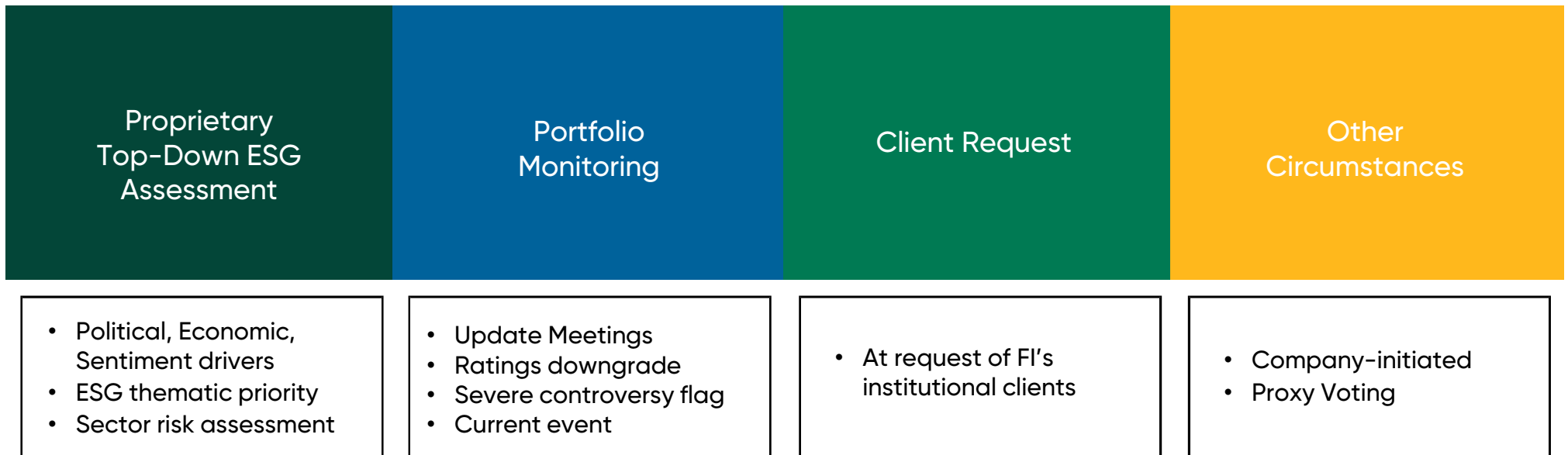
## OUR ESG PHILOSOPHY STATEMENT

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

## OUR ENGAGEMENT APPROACH

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

## HOW WE SOURCE OUR ENGAGEMENT OPPORTUNITIES



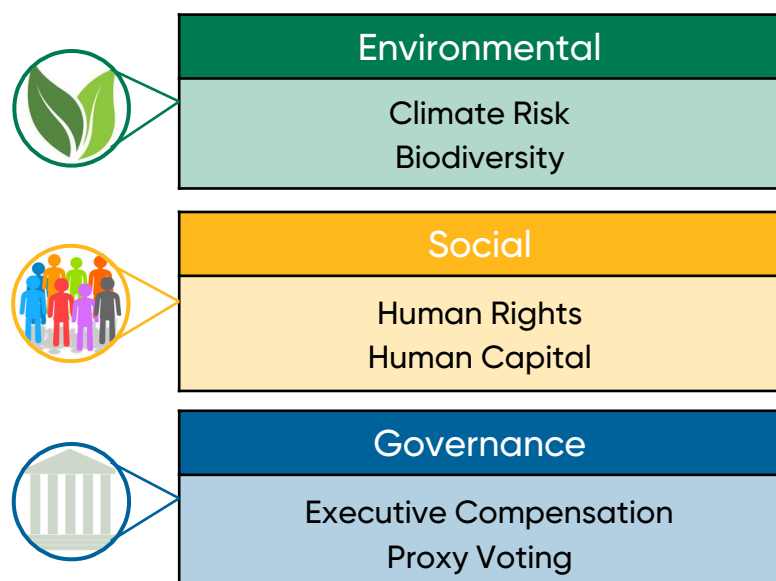
## EACH ENGAGEMENT IS:

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

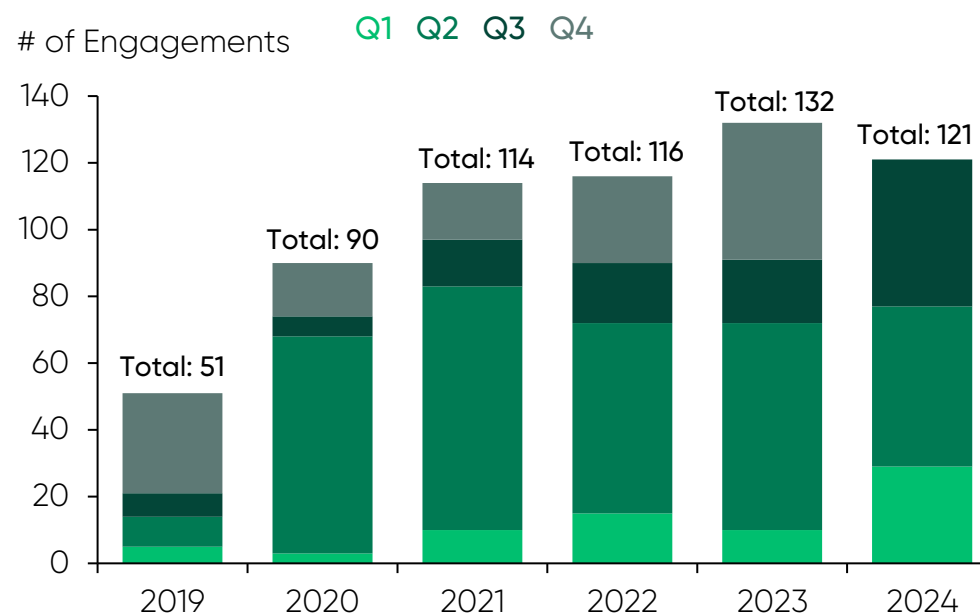
# Q3 2024 ENGAGEMENT HIGHLIGHTS

- An Asian e-commerce company began linking annual emissions targets within its business units to respective CEO performance compensation; and it disclosed results of an employee satisfaction survey. FI had previously recommended the company take these steps and both mark notable milestones in the engagement.
- Since our initial meeting, a US energy company has adopted water-use reduction plans in 11 of its sites in high water stress regions. This reflects a milestone in the engagement as FI had previously encouraged the company to create water stewardship policies for sensitive sites.
- An Asian manufacturer of motion control components noted it would develop an anti-corruption policy after FI encouraged it to do so, marking a milestone in the engagement.
- An Asian household appliances company enhanced its disclosures related to conflict minerals in its supply chain in its latest Sustainability Report, representing a notable milestone in the engagement.

## Engagement Priorities (2022-current)



## Year Over Year Engagement Activity

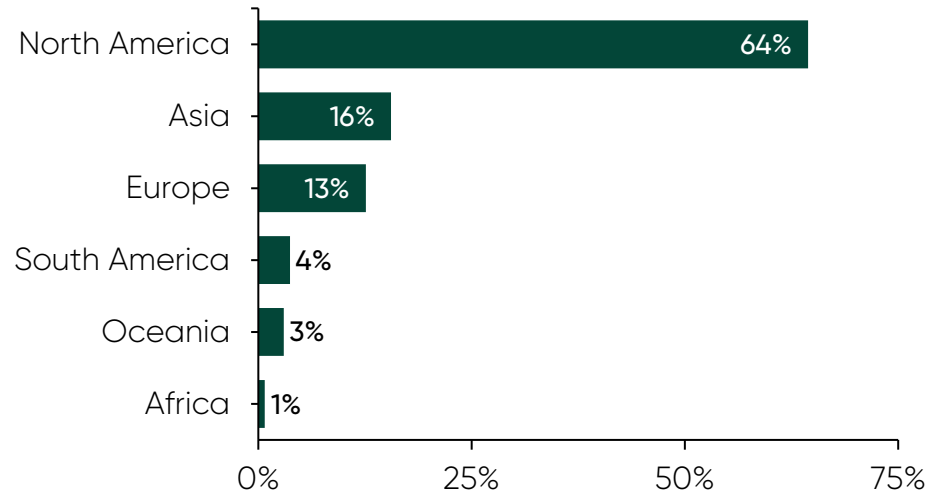


Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries from Q1 2019 – Q3 2024.

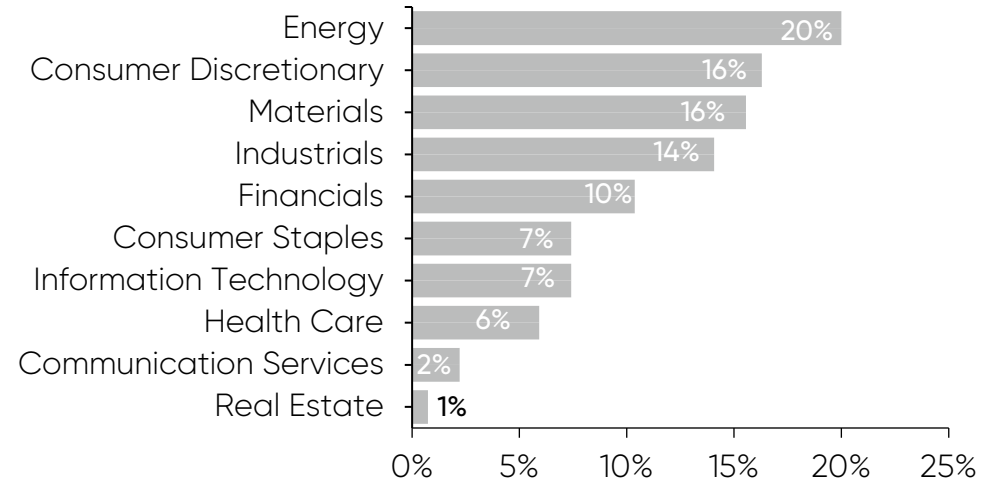
# ENGAGEMENT DISTRIBUTION

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

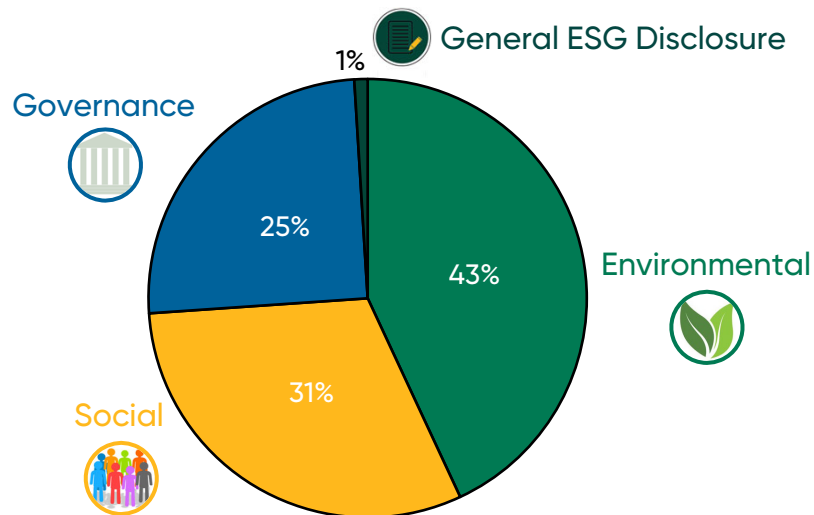
### Engagements by Domicile



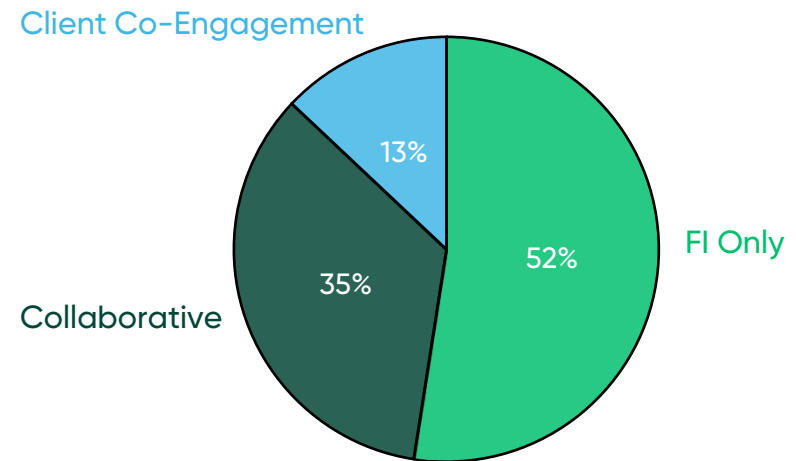
### Engagements by Sector



### Engagements by Category\*



### Engagements by Type



\*Percentages are based on total number of categories engaged on as many of our engagements cover multiple ESG topics.  
 Source: FI data using Factset domicile and sector designations. Percentages above may not add up to 100% due to rounding. Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries, trailing one year, as of Q3 2024.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



SECTOR: CONSUMER DISCRETIONARY



TOPIC: CLIMATE RISK  
BIODIVERSITY  
HUMAN CAPITAL  
EXECUTIVE COMPENSATION  
DATA PROTECTION & PRIVACY



STATUS: MILESTONE ACHIEVED - ONGOING

### OBJECTIVE

Receive an update on the company's sustainability strategy and progress against its key goals.

### SUMMARY

FI attended an Asian e-commerce company's 2024 ESG webinar covering a wide range of ESG topics. Previously (2022), we held an engagement meeting with the company to gain insight into its climate change strategy and learn about sustainability initiatives.

*Climate Change Strategy:* The company's key environmental goals are (1) achieving carbon neutrality in its own operations by 2030, (2) halving net emissions intensity in its value chain by 2030, and (3) engaging the platform ecosystem to reduce emissions by 1.5 gigatons over 15 years. Last year, the company achieved a 5% Scope 1 & 2 and 7% Scope 3 emissions reduction, and 33.3 million tons of emissions reductions within its ecosystem (+45.5% Y/Y). The company is also working to have its entire cloud run by clean electricity by 2030.

*Plastics & Packaging:* The company continued its packaging reduction efforts by introducing e-waybills and packaging algorithms, and by upgrading packaging solutions; these efforts saved over 100 thousand tons of packaging material last year.

*Sustainable Sourcing:* In FY2024, the company improved supplier management by incorporating ESG metrics into operations, and by establishing a dedicated Supply Chain Management Working Group that reports to the Sustainability

Committee. The company also updated its Supplier ESG Code of Conduct and audited 30% of its suppliers.

*Employee Relations:* In our 2021 meeting with the company, we discussed how it manages the well-being of its employee base and encouraged it to disclose survey results about the efficacy of related programmes. **The company now discloses a satisfaction rate for its office environment, which was shared during the presentation as part of the update on its work to enhance employee health and vitality; this is a milestone in the engagement.**

*Executive Compensation:* In our previous meeting we encouraged the company to incorporate ESG targets in its executive compensation plans. **Since then, the company began linking annual emissions targets within its business units to respective CEO performance compensation, which marks a milestone in the engagement.**

*Artificial Intelligence:* The company is a leader in developing AI solutions. It has focused on governance to address AI risks and has set up a Technology Ethics Working Group. In FY2024, the company released a white paper on Generative AI that identifies and analyses key risks in large model technologies and offers governance recommendations and solutions for their applications. Following the presentation, we asked the company about potential programmes and initiatives to address the identified risks. The company responded that it has launched a Chinese-language assessment set for the safety and responsibility of large models. With human values as the benchmark, the assessment set aims to assess the performance of Chinese-language models in dealing with problems and challenges in real-world scenarios, helping the company understand the capabilities and limitations of those models. The company engages with external institutions to understand the latest developments in technology ethics and take part in industry standard formulation.

### OUTCOME

Milestone achieved - ongoing engagement. The company has a robust sustainability strategy and has made steady progress in the management of its carbon footprint. We noted two milestones and intend to continue monitoring the company's progress against its goals.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & SOCIAL ENGAGEMENT



**SECTOR:** CONSUMER STAPLES



**TOPIC:** CLIMATE RISK  
BIODIVERSITY  
PRODUCT LIABILITY

**STATUS:** ONGOING

### OBJECTIVE

Gather information on the US food products company's sustainability strategy and encourage it to expand various efficiency improvements across operations. Gain clarity on its waste management and sustainable sourcing practices and discuss how the company ensures its suppliers follow best practices related to food safety.

### SUMMARY

*Climate Change Strategy:* The company noted that it has recently focused most of its attention on the 'low-hanging fruit' to reduce emissions, including lighting upgrades and improvements to its air compression technology at operating sites. To achieve its 2030 emissions reduction target, integrating best practices across all operating sites will likely be most important in the near future. One of the company's sites in Texas leverages solar power and FI inquired about expanding the technology to others. The company noted that there are many factors that go into determining the feasibility of implementation, but many projects are under review that would incorporate solar power more broadly.

At one of its plants in Arkansas, the company partnered with the local electric utility for energy/cost savings. It is also investigating applying this more broadly. This allowed the company to incorporate energy-saving practices resulting from numerous capital projects. It also continues its work with the U.S. Department of Energy's *Better Plants* initiative, which guides U.S. based manufacturers toward improved energy efficiency and ambitious environmental targets. FI looks forward to seeing the company widely adopt energy-saving enhancements at a larger scale.

*Sustainable Sourcing:* Given FI's primary ESG data provider noted the company may lag peers in its sustainable sourcing practices, FI sought clarity to ensure inputs such as palm oil are sourced responsibly. It clarified that palm oil is used only in its cake products, and it maintains the RSPO (Roundtable on Sustainable Palm Oil) certification for all cake products. It also has a 100% RSPO certified 2030 palm oil target. The company stated it would use 100% RSPO certified palm oil if the need arises for non-cake products and FI encouraged the company to provide this detail to the data provider.

*Food Safety:* FI notes the company's compliance with the Global Food Safety Initiative as a positive and inquired how the company ensures its suppliers also follow best practices related to food safety. The company views this as a strength – it maintains a supplier approval process that requires each of its suppliers to also be GFSI certified and devotes many resources to ensuring safe products are provided by its suppliers. The company also leverages an external platform for product and supply chain documentation to more effectively communicate expectations to suppliers and track their progress.

### OUTCOME

Ongoing engagement. FI plans to monitor company progress related to broad implementation of energy-efficient technologies and initiatives. We view the company's sustainable sourcing and food safety practices as strong and will likely follow up in the future.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT



SECTOR: ENERGY



TOPIC: CLIMATE RISK  
BIODIVERSITY  
HUMAN CAPITAL  
BOARD OF DIRECTORS



STATUS: MILESTONE ACHIEVED - ONGOING

### OBJECTIVE

Receive progress updates on electrification and supplier engagement programmes to drive greenhouse gas emissions reduction goals; seek status update on water-use plans for water conservation; gain insight into board refreshment policy.

### SUMMARY

*Climate Change Strategy:* The US energy company has identified a "sustainable energy future" as one of its top strategic priorities, targeting a 40% reduction in Scope 1 and 2 GHG emissions by 2035 from a 2018 baseline. As of 2023, several of its sites are sourcing 100% renewable electricity; further increases in electrification are dependent on reliable availability in the more than 70 countries that it operates. While the company's absolute operational emissions increased 15% year-over-year due to strong demand for oil and gas, its emissions intensity has decreased 13% since 2018, indicating progress toward its ultimate goals.

We sought progress updates on a key metric – the number of electric fracturing (e-frac) units being deployed. The company noted that it has achieved approximately 40% of overall e-frac fleet conversion and that over the last two years, its North America fracturing-related emissions intensity was reduced by a cumulative 4%.

*Scope 3 Emissions:* The company, having committed to supporting the decarbonisation efforts of its customer base, is partnering with its tier 1 suppliers to track and reduce its Scope 3 emissions. It reported having engaged with 89% of its tier 1 suppliers so far. However, the receptivity of setting reduction targets

remained challenging. Many of the non-publicly listed, smaller suppliers are still assessing their emissions profile, while suppliers in some high-emitting sectors lack relevant data altogether. Yet, its top suppliers seem to be generally committing to emissions reduction strategies.

*Biodiversity (Water Stewardship):* In previous engagements, we asked the company about its plans to reduce water use in its operations. It said it was aiming to create water-use improvement plans for its own major facilities located in water-stressed regions. **In a milestone for the engagement, the company has adopted water-use reduction plans in 11 sites in high water stress areas.** The water toolkit is shared with the rest of its sites to reduce overall water use.

*Human Capital (Health & Safety and Diversity & Inclusion):* The company has a zero-injury target but reported two fatalities in 2022 and one fatality in 2023. The company said those unfortunate incidents were linked to newly added customer processes. The company responded by enhancing safety policies and training on those new steps. To enhance the number of female employees in STEM roles, the company partners with engineering schools that have high female graduation rates. It is also focusing its hiring efforts in Latin America, where female engineering rates are higher. In 2023 the company achieved a 27% female hiring rate. We view this disclosure as related to a previous milestone. It had encouraged the company to include key ESG goals in its executive compensation plan, and the company added diversity & inclusion metrics.

*Board of Directors:* The board has appointed seven new directors over the past five years and plans to continue refreshing its membership as several current directors reach mandatory retirement age. The board currently has three female directors. The newly appointed chair of the nomination-corporate governance committee has emphasised that raising gender diversity is significant, but it is not the sole criterion; candidates with expertise in the oil and gas industry and experience serving on large company boards are prioritised.

### OUTCOME

Milestone achieved - ongoing engagement. The company is progressing in achieving meaningful operational emissions reductions through electrification and e-frac conversions. Yet, the impact of partnering with suppliers and customers to reduce its Scope 3 emissions needs to show progress. We will continue to monitor the company's performance and likely engage again.



# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL & SOCIAL ENGAGEMENT



SECTOR: INDUSTRIALS



TOPIC: CLIMATE RISK  
BIODIVERSITY  
RISK OVERSIGHT & ETHICS

STATUS: MILESTONE ACHIEVED - ONGOING

### OBJECTIVE

Discuss the company's sustainability strategy, including carbon emissions and hazardous waste. Encourage the company to publish an anti-corruption policy.

### SUMMARY

*Climate Change Strategy:* The Asian motion control manufacturer's carbon emissions are primarily attributable to electricity usage – FI inquired about the company's plans to integrate renewable energy in its operations. The company has gradually installed solar power systems since 2016 and is planning to increase capacity at its buildings. The company was also one of the first to purchase locally sourced green power and signed a 1.2-megawatt contract with a Green Power Bank in 2023. Additionally, the company actively participated in a pilot programme created by a local power company, which will likely result in more green power use in the future.

FI also asked about the coverage rate of the company's ISO 50001 energy management system certification – currently, 57% of plants maintain the certification. For plants not certified, the company conducts internal audits and noted that the coverage rate would be gradually increased according to reconstruction/expansion that is currently taking place. The company also maintains Smart Energy management strategies across its operations and completed installation of Smart meters (measurement systems) for air compression and other key aspects of its operations in Q1 2024. FI inquired about energy-efficient technologies that the company is investigating – currently, it is looking to replace/modify outdated equipment and add

variable frequency control functions to equipment that consumes the most energy.

*GHG Emissions:* Given the maturity of the company's sustainability programme, FI inquired how the company would continue to decrease Scope 3 emissions. In 2023, it introduced Internal Carbon Pricing to improve energy efficiency across operations and accelerate its promotion of low-carbon investments. The company is in the process of engaging suppliers and encouraging them to install energy saving equipment and increase the use of renewables. The company also tries to select low-carbon freight companies for transportation methods.

*Waste Management:* Recycling is a priority for the company and it has introduced treatment equipment to reduce waste. FI encouraged the company to strengthen its waste reduction targets as it continues to seek different ways to reuse raw materials. Over half of the company's operating sites maintain ISO:14001 Environmental Management System certification and the others have internal audits conducted. FI plans to monitor company progress as it aims to increase the certification percentage to 75% of sites in 2024.

*Business Ethics:* After seeing that our ESG data provider noted the company may lack an anti-corruption policy, FI asked if the company would consider publishing one. **The company was very receptive to our suggestion and stated that it will develop such a policy and announce it on its ESG website – this commitment is a notable milestone in the engagement.** It also plans to include a regular review mechanism to ensure the policy is implemented appropriately.

### OUTCOME

Milestone achieved - ongoing engagement. The company's commitment to publishing a formal anti-corruption policy represents a notable milestone in the engagement. We intend to monitor company progress in areas such as waste management and emissions reductions.

# ENGAGEMENT HIGHLIGHTS

## ENVIRONMENTAL, SOCIAL, GOVERNANCE & GENERAL ESG DISCLOSURE ENGAGEMENT



**SECTOR:** FINANCIALS



**TOPIC:** BIODIVERSITY  
HUMAN CAPITAL  
SOCIAL IMPACT  
EXECUTIVE COMPENSATION  
GENERAL ESG DISCLOSURE



**STATUS:** ONGOING

### OBJECTIVE

Gain insight on the company's sustainability programme and how it features within its value-chain.

### SUMMARY

The Asian bank has an established sustainability programme as well as a clear commitment set out in its 'Sustainability Commitment and Strategy'. The company is committed to align the business with ESG principles throughout its entire value-chain. The company has seen a decrease in commercial and SME lending over the past year, attributed to a corporate transformation put in place in 2021, with the sole focus to improve asset quality on its books. Once this is complete the company intends to close the gap to where it has lost ground in recent years.

The company is focused on stress testing its sustainability programme and existing goals to set renewed focus areas. FI recommended the company establish quantifiable goals, which will likely allow the company and investors to monitor progress. FI inquired if the company has completed a double materiality assessment, and this is currently under discussion. The company welcomed our suggestion and will likely prioritise this work throughout the remainder of the year.

*Sustainable Lending:* The bank has not set a specific target for sustainable lending, only that it wishes for the programme to grow. It does have a loan exposure limit to balance out the concentration it was seeing in its loan book. As an example, if the limit for lending to the palm oil industry has been reached then it cannot extend additional credit to clients in this industry. FI recommended the company set measurable targets for sustainable lending to measure progress.

FI inquired if the bank's credit analysis considers environmental and social risk, and if sustainability ratings are incorporated into the credit scores of its clients. It noted that for clients in industries with high environmental impact the bank is strengthening its risk acceptance criteria (RAC). For example, lending to the mining industry requires debtors to have a strategy in place to improve environmental and social impact. The assigned relationship manager will likely monitor activity and conduct an annual review to ensure compliance. The bank has an escalation path it follows, up to and including stopping business. There is a big focus on biodiversity for these measures.

*Deforestation:* The bank has specific initiatives related to biodiversity and one of its biggest focus areas is palm oil. It requires new business to be RSPO certified (or equivalent), and existing lending clients to be working towards it. Debtors must have a green or blue rating from the environmental ministry.

*Employee Relations:* The bank has had a focus on Diversity and Inclusion for a number of years, all the way up to the board level. It has 17% female representation on the board. The bank also has 31% female representation from mid-manager level up to the board, the largest in Indonesia.

*Community Impact:* With regard to social finance programmes to empower small to medium-sized customers, the bank has a dedicated programme focused on remote and rural areas and the "unbankable" areas of Indonesia. Part of this programme is based on enabling more people to have access to digital access. This includes a programme with 185,697 office-less financial services representatives for its inclusive finance programme, reaching more than 8,771 districts in Indonesia.

*Executive Compensation:* The company factors sustainability metrics into its executives' compensation. Last year the ESG related KPI was 18-20%, including metrics such as MSCI ESG Rating, employee ratings, diversity, female empowerment and financial inclusion, amongst others.

### OUTCOME

Ongoing engagement. The company has a comprehensive sustainability programme which has impact across multiple areas of its business. Whilst the company has set targets FI recommended it make these more quantifiable and measurable, as well as completing the CDP questionnaire.

# DISCLOSURES

Source: Fisher Investments Research, as of September 2024.

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

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

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

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

As of 30 September 2024, FI managed \$294 billion, including assets sub-managed for its wholly-owned subsidiaries. Combined institutional AUM, as referenced in this material, includes separately managed accounts for institutional investors and commingled vehicles which, dependent on vehicle type, may allow for both institutional and retail investors. FI and its subsidiaries consist of three business units – Fisher Investments Institutional Group (FIIG), Fisher Investments US Private Client Group, and Fisher Investments Private Client Group International. These groups serve a global client base of diverse investors including corporations, public and multi-employer pension funds, foundations and endowments, insurance companies, healthcare organisations, governments and high-net-worth individuals. FI's Investment Policy Committee (IPC) is responsible for investment decisions for all investment strategies. For purpose of defining "years with Fisher Investments," FI was established as a sole proprietorship in 1979, incorporated in 1986, registered with the US SEC in 1987, replacing the prior registration of the sole proprietorship, and succeeded its investment adviser registration to a limited liability in 2005. "Years with Fisher Investments" is calculated using the date on which FI was established as a sole proprietorship through September 30 2024. FI is majority owned and controlled by Fisher Investments, Inc. Since Inception, Fisher Investments, Inc. has been 100% privately owned. It controls and owns the majority of Fisher Investments (see Form ADV Part 1 – Schedule A). 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.