Stewardship Report

1 July 2023 - 30 June 2024

Contents

CEO welcome

Stewardship and ESG[1] integration are part of Fisher Funds investment approach and we are proud to be a founding signatory to the Aotearoa New Zealand Stewardship code in 2022.

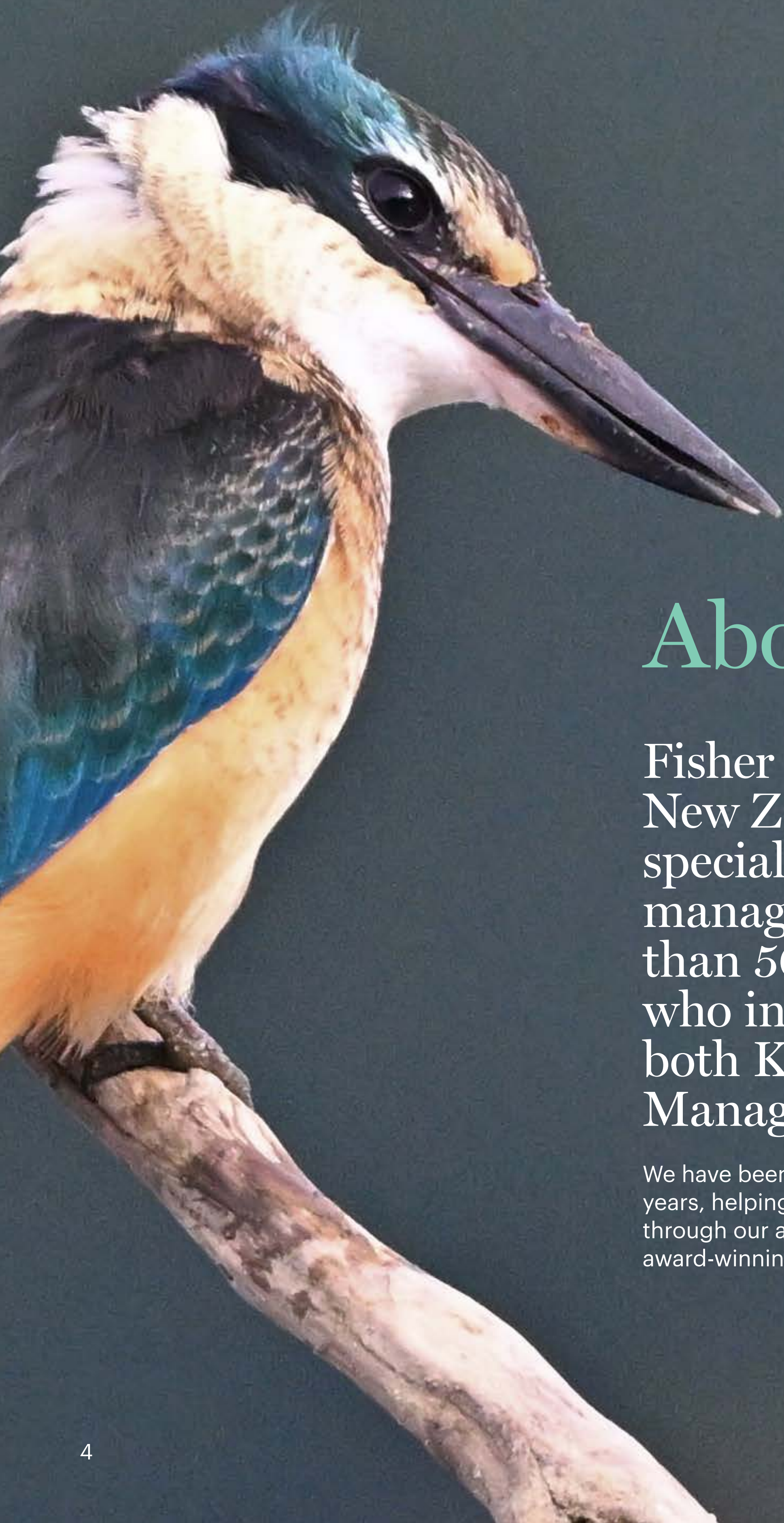
This is our inaugural Stewardship Report and in it, we aim to provide you with transparency on how we manage our responsibilities and commitments on a day-to-day basis.

Having a robust approach to Responsible Investing is important to us. We invest for the long term, so having a deep understanding of the business we invest in and actively engaging with proxy voting is an important part of delivering returns to our clients.

This year has been a significant year for transparency on environmental matters as we have also released our first Climate Disclosure Statements which you can read here.

Simon Power

1. Environmental, Social and Governance.



About us

Fisher Funds is one of New Zealand's largest specialist investment managers with more than 500,000 clients who invest across both KiwiSaver and Managed Funds.

We have been in business for more than 25 years, helping Kiwis realise their ambitions through our active approach to investing and award-winning client service.

The evolution of Fisher Funds

1998

Fisher Funds was established by Carmel & Hugh Fisher

2010

Acquired first KiwiSaver Scheme (NZ Capital)

2011

Acquired Huljich KiwiSaver Scheme

2012

Acquired Credit Union KiwiSaver Scheme

2013

TSB Community Trust introduced as shareholder at 26.39%

Acquired Tower Funds

2015

TSB Community Trust increased its stake in Fisher Funds

2016

The establishment of a standalone Responsible Investment (RI) Policy

Commenced education and communications around RI for clients

Commenced a controversary screen into our RI process

Implemented the Tobacco exclusion into our RI policy

2017

Became a UNPRI signatory

Implemented Thermal Mining coal exclusion

Carmel Fisher retires and Bruce McLachlan appointed CEO

TSB Community Trust stake inceases to 75.1%. TA Associates acquires 24.99% (approved by the Overseas Investment Office in September 2018)

2021

TSB Community Trust rebranded as Toi Foundation

Fisher Funds purchases Aon KiwiSaver and Master Trust business

2022

Fisher Funds brought Kiwi Wealth

2023

Became a founding member of the Stewardship Code Aotearoa New Zealand (through Kiwi Wealth)

Added resources to the investment team to have a dedicated Responsible Investment Team

Became a member of the Responsible Investment Association of Australasia

Started our partnership with Columbia Threadneedle for global engagement

Extended our Proxy Voting policy to cover all our funds

2024

Bruce McLachlan retires and Simon Power is appointed as the new CEO

Signed the investor letter on Modern Slavery

Signed up to the Investor Statement on Antimicrobial Resistance (though the Access to Medicine Foundation and Columbia Threadneedle)

Published our first climate statements

Published our first Stewardship report

Fisher Funds Strategy, Values and Philosophy

Responsible Investment Philosophy

Stewardship Principles

Responsible Investment Policy

Proxy Voting Policy

Master Exclusion List

Governance

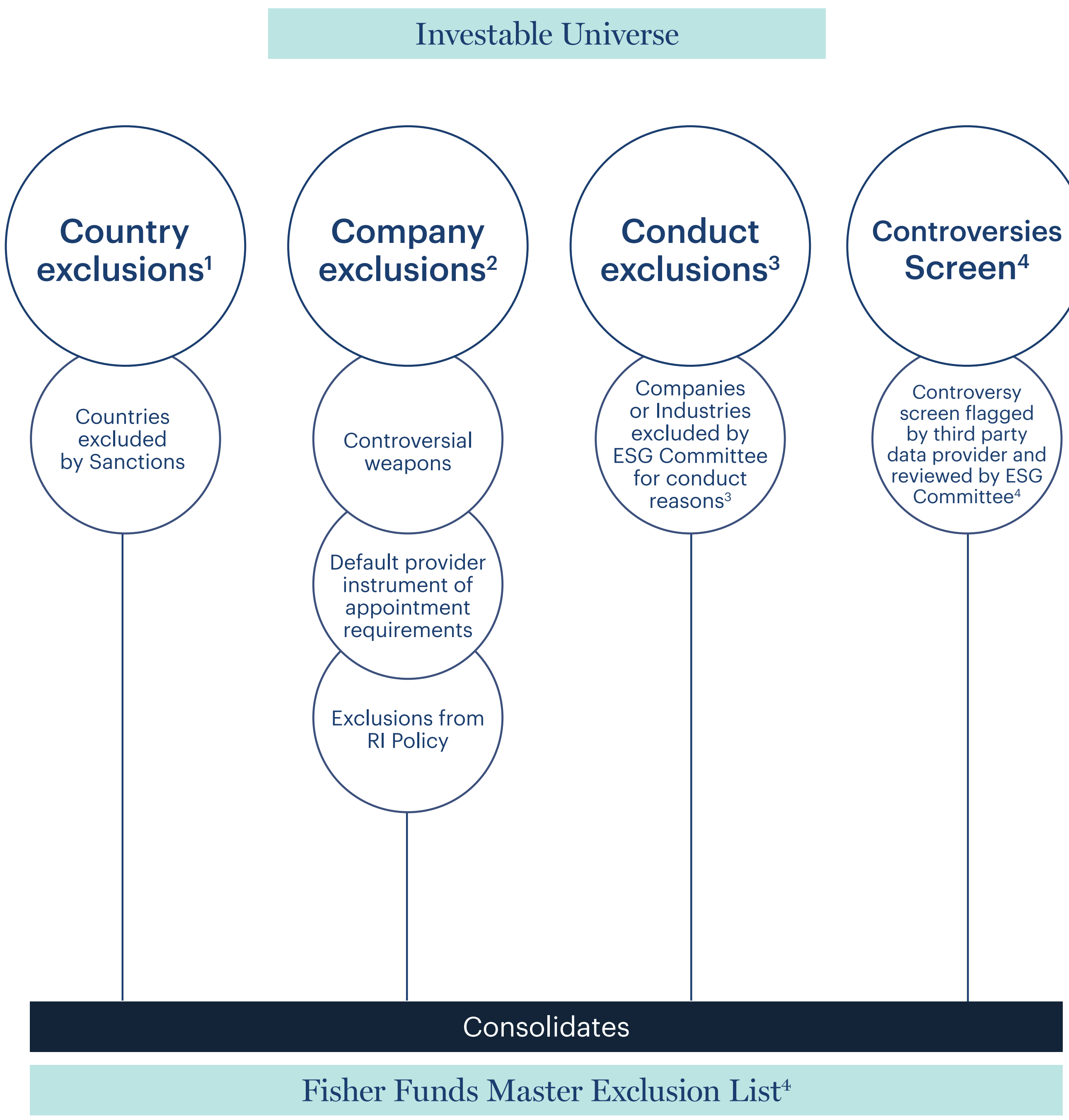
Supported by solid governance pillars

Embedded in investment approach

Transparency and Disclosure

(e.g. published proxy voting statistics and Climate Statements

Fisher Funds Master Exclusion List



1. Approved by ESG Committee (ESG C), 2. Approved by ESG C (by category), 3. Rationale documented at ESG C, approved by ESG C and reviewed every two years, at ESG C, 4. Controversies analysed by RI team and presented to ESG for discussion/approval.

Fisher Fund's approach to stewardship and ESG

Our approach to Stewardship is outlined in our Stewardship Principles.

We believe there are links between an organisation's environmental and social impacts, the quality of its corporate governance, and its long-term success. These factors are embedded in our investment process across all our funds.

We believe these factors give insights of potential risks and opportunities that may impact value, performance, and reputation of investments we make on behalf of our clients.

Our approach applies across the diverse range of asset classes and geographies in which we invest. This includes equities, fixed income, property, infrastructure, and external managers. This is linked to other ESG-related policies, procedures, guidelines, and proprietary tools at an organisational and asset class level that also form part of our ESG framework and further influence our business and investment decision making.

Fisher Funds' responsible investment approach

1

Avoid the Bad

Fisher Funds will not invest in entities that produce goods or services that can't be used responsibly or that cause widespread harm.

This means Fisher Funds won't invest in entities:

- that produce core components or systems used in weapons. This includes, but it not limited to, cluster munitions, landmines, chemical and nuclear weapons
- that own proved or probable fossil fuels reserves and revenue share from exploration and extraction of fossil fuels, excluding metallurgical coal, of 15% or more; or has its primary business activity in any of the following subsectors: integrated oil and gas, crude oil producers, offshore drilling and other services, oil and gas equipment and services, oil and gas drilling, oil and gas exploration and production, coal (excluding metallurgical coal) and consumable fuels
- that manufacture cigarettes (including e-cigarettes), or other tobacco related products
- where their core business includes operating gambling establishments, or the manufacture of specialised hardware or software used exclusively for gambling
- involved in the hunting of whales and processing of whale meat
- that have exhibited unacceptable corporate behaviour and that Fisher Funds regard as a fundamental breakdown of the integrity of the business. This includes but is not limited to human rights abuses, and abuse and degradation of the environment.

2

Embrace the Good

Once Fisher Funds' has avoided the bad, it then seeks to embrace the good.

A key element in Fisher Funds in-depth research process is a thorough understanding of how an entity works with its stakeholders, how it treats the environment and how it manages its governance responsibilities.

Fisher Funds' research is supplemented with insights from leading global ESG data providers, giving Fisher Funds a 360-degree view of an entity and its impact on ESG factors.

Viewing an entity through this lens helps Fisher Funds makes better investment decisions.

3

Promote Change

This third element in Fisher Funds' responsible investing process is promoting change within entities where Fisher Funds has a direct relationship.

To promote positive change Fisher Funds can use voting rights to leverage its relationship with entities to uphold Fisher Funds' ESG approach.

Proud members

PRI | Principles for Responsible Investment

STEWARDSHIP CODE
AOTEAROA NEW ZEALAND

riaa Responsible Investment Association Australasia

United Nations backed Principles for Responsible Investment (PRI)

Fisher Funds became a signatory of the PRI in July 2017. Adopting the principles provides us with an externally recognised benchmark against which we monitor our progress towards best practice in sustainable investment and active ownership.

We align our responsible investment approach, investment processes and ESG integration with the principles. We believe doing this will result in better quality investment outcomes for our clients, while supporting the development of a sustainable financial system.

Stewardship Code Aotearoa New Zealand (Stewardship Code)

Aotearoa New Zealand's first Stewardship Code gives investors a clear framework for how they can use their influence to help steer the companies they own on critical ESG issues.

Stewardship is about creating and preserving long-term value for current and future generations by responsibly managing and allocating capital.

This industry-led code brings transparency and accountability to the practice of stewardship, also called active ownership.

Fisher Funds is a founding signatory to the code and supports it and the expectations of what good stewardship looks like.

Responsible Investment Association of Australasia (RIAA)

Fisher Funds is a member of RIAA, supporting its mission, beliefs and objectives. RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. It aims to align capital with achieving a healthy society, environment and economy.

RIAA does this by influencing policy, providing tools for investors and consumers, enhancing industry practices, fostering collaboration, and serving as a reliable source of information on responsible investment.

Stewardship is about creating and preserving long-term value for current and future generations by responsibly managing and allocating capital.

Proxy voting, why stewardship matters

As the ultimate owner of companies and as a shareholder acting on behalf of our clients, Fisher Funds can exercise its proxy voting rights. Fisher Funds takes these voting rights seriously. Over the course of 2023 we extended our Proxy Voting policy to all Fisher Funds' portfolios where applicable.

Proxy voting allows us to support an investee company's resolutions that are in the interests of our clients and to vote against resolutions that we consider to be unfair, unreasonable or detrimental to that company's ability to preserve the long-term returns for shareholders.

What does this mean?

Fisher Funds can exercise the right to elect company directors who will govern investee companies on our behalf. We can also influence how much these directors and senior management are paid. Significant company transactions must also be ratified by shareholders, especially if these are with related parties or could significantly impact the company strategy.

How do we do this?

Our investment management team engages directly with companies on areas of concern and on an ongoing basis. As long-term investors many of these relationships are decades old and the agendas of these meetings have evolved over time. These agendas vary by company and industry. Typical areas of discussion include board composition, board and executive pay, diversity, safety, cyber security, conduct, environment and social issues.

Proxy voting adviser

Fisher Funds has a proxy voting policy and we disclose our proxy voting statistics on our website. Fisher Funds proxy adviser is Institutional Shareholder Services (Australia) Pty Limited (ISS) and in general, Fisher Funds votes in line with their recommendations, based on our Proxy Voting policy, although we are not required to do so and from time to time, we may use our discretion to vote differently. As an active manager, we believe that voting rights should be exercised (and proxy instructions lodged) to support the interests of our clients and adhere to the requirements of applicable laws, general fiduciary principles, our Stewardship Principles and our Responsible Investment Policy.

ISS voting guidelines published by our proxy advisers set out specific governance principles that guide their analysis and recommendations.

External managers

Where portfolios are managed by an external manager Fisher Funds authorises them to exercise their voting rights. Fisher Funds retains the right to direct votes, and the manager agrees to use its best endeavours to implement our direction.

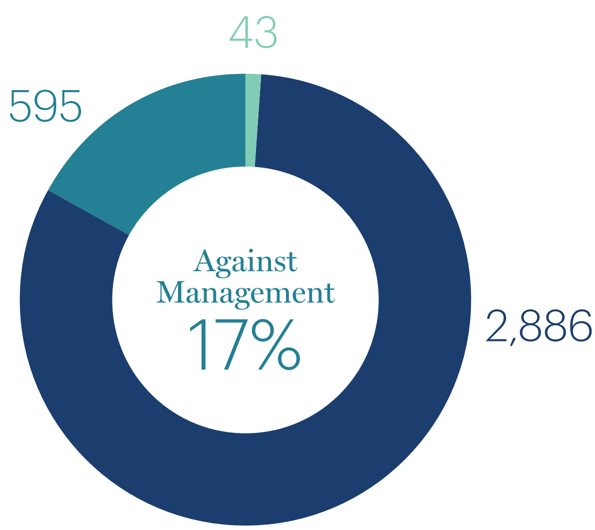
Conflicts of interest

Fisher Funds will endeavour to avoid actual, potential and perceived conflicts of interest We explain our approach to managing conflict of interests that may arise as outlined in our Stewardship principles. Any actual, potential and perceived conflicts of interest will be raised to the Environmental, Social and Governance (ESG) Committee in the first instance. The ESG Committee will engage with our legal and risk teams, and draw on the experience of others, prior to a decision being made.

Voting statistics

Fisher Funds' proxy voting process changed in the 2023/2024 year because of acquiring Kiwi Wealth. The proxy voting policy was amended to include all products in the group in December 2023. In the first half of 2024, the policy was implemented. As a result, the voting data below is for 1 July 2023 – 30 June, but all funds were implemented by 30 June 2024.

Voting by Fisher Funds 2023/2024



Meetings	Companies	Resolutions voted	Shareholder resolutions
197	192	3,535	170

For	Against	Other	Abstain
2,886	595	43	1

Comments on when resolutions were not supported

Resolutions were not supported by Fisher Funds mainly in relation to the election and re-election of directors and specific incentive structures.

Many of these concerns could have been prevented through better disclosure by the investee companies. It is good to see many countries are increasingly focussing on encouraging improving transparency from companies.

Resolution summary

Resolution summary by Environmental, Social and Governance (ESG) categories and where Fisher Funds voted against management

Proposal subcategory	Total (Number)	Total (%)
Environmental		
Climate	12	2.0%
Pollution	2	0.3%
E	**14**	**2.4%**
Social		
Diversity, Equity, & Inclusion	9	1.5%
Health & Safety	1	0.2%
Human Rights	10	1.7%
Miscellaneous	16	2.7%
Political Spending	10	1.7%
Weapons	1	0.2%
S	**47**	**7.9%**
Governance		
Board Related	8	1.3%
Board Related Amendments	4	0.7%
Capital Issuance	14	2.4%
Capital Structure - Placement	1	0.2%
Capital Structure - Repurchase	5	0.8%
Capital Structure Related	2	0.3%
Committee Election	1	0.2%
Compensation	5	0.8%
Corporate Transactions/Reorganizations	2	0.3%
Director Election	405	68.2%
Director Election - Bundled	1	0.2%
Directors' Compensation	4	0.7%
Equity Compensation Plan	12	2.0%
Non-Routine Business	4	0.7%
Related-Party Transactions	3	0.5%
Remuneration Policy & Implementation	47	7.9%
Routine Business	1	0.2%
Shareholder Rights	7	1.2%
Statutory Auditor	4	0.7%
Takeover - Enhancing	3	0.5%
G	**533**	**89.7%**
Grand	**594**	**100.0%**

Engagement

At Fisher Funds we understand the importance of transparency and the role it plays in building trust, alignment and reputation between both investor and investee company boards and management, and between us and our clients.

We believe there is a strong link between good governance and good financial returns that is aided by actively voting as per our Proxy Voting policy, and actively engaging with investee company management and boards regarding corporate governance and ESG factors.

How do we do this?

Our investment management team incorporates ESG factors into our investment process and we discuss these issues with investee company management and boards. In addition, our third-party research provider, company disclosures, results presentations and broker reports often raise ESG and sustainability issues for consideration.

Engagement occurs in two ways:

Directly with investee company management and boards through our investment management team; and

Through our global engagement partner Columbia Threadneedle Investments' Responsible Engagement Overlay (reo®) service.

We use reo® as we acknowledge that as a New Zealand investor it is hard to make progress in isolation.

By using the engagement services of reo® we can make more meaningful progress on issues and benefit from using their well-established engagement program to help us promote the adoption of better ESG practices.

The reo® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

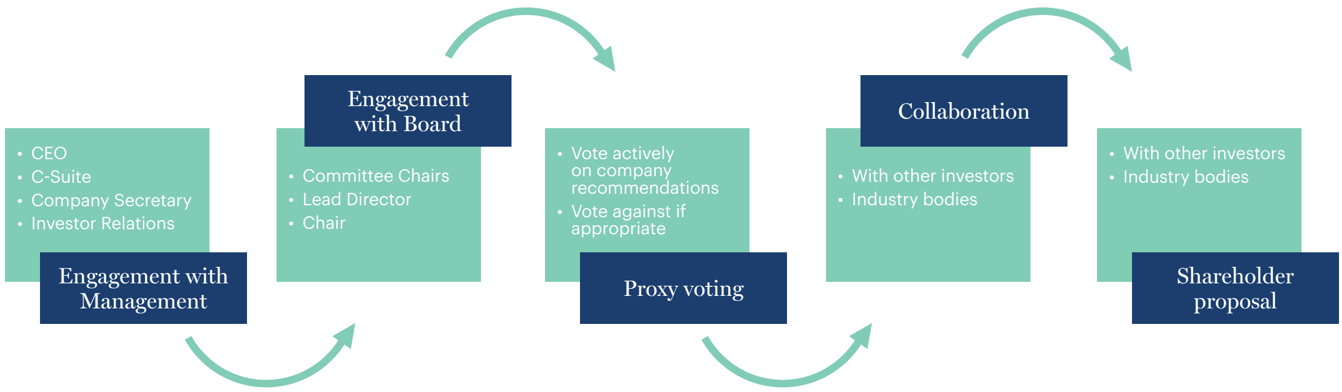
Direct engagement

Direct engagement through Fisher Funds investment management team

Overview of engagement approach

Engagement can happen proactively through the Investment management team considering the issue, severity and where we have the most influence. From time-to-time reactive engagements may occur through our controversy's identification process or if unexpected events occur. The diagram below sets out how escalation may occur.

It's important to note that engagement outcomes are not linear, they take time to unfold and show results. Due to this our engagement approach has various milestones that can trigger a range of actions or approaches.



Engagement with management

If progress has not been made, this can be escalated to investee company's CEO, non-executive directors or the Chair of its Board.
We can use our voice as an active shareholder to vote for or against relevant resolutions, work with other investors to engage collaboratively or raise a resolution at an AGM to deliver change.

The last resort is to divest based on the extent of the risk and add the stock to our Master Exclusion List. This decision is not made lightly and the ultimate decision rests with Fisher Funds ESG Committee.

ESG Committee

This is a management appointed committee, that meets bimonthly or at least five times per year. Members include the Chief Executive Officer, General Counsel, Chief Investment Officer, Chief Investment Strategist, and the Responsible Investment Advisor.

New Zealand equities

Stewardship in action

From 1 July 2023 – 30 June 2024, the investment team had at least 130[1] interactions with representatives of New Zealand's largest listed companies. These 'interactions' have been in person, virtually, or in a group setting (including investor days). Many of these interactions focussed on exploring the details around operational and financial performance, company strategy, corporate governance, and ESG factors.

Interactions by factors across ESG

Our company interactions involve comprehensive discussions with investee companies, encompassing a wide range of ESG (including climate related) topics. The graph below shows our interactions on specific ESG issues. Due to the diversity of our investment portfolio, some of these interactions span across all factors. Climate-related issues were recorded as specifically addressed on four separate occasions.

New Zealand equities interactions

Board	Management	Management/Board
37	85	7

Engagement across factors

E	S	G	Multiple
11	28	49	25

[1] *These are recorded interactions. Others have occurred that have not been documented. Record keeping will improve as processes evolve.*

Our interactions spanned 29 companies, which reflects stocks held in the actively managed New Zealand equities and Property & Infrastructure strategies. For 12 of these companies, we had more than five meetings with management and board members, reflecting the high level of engagement our concentrated active management style enables.

Speaking up on New Zealand board fees

Pushing back on inappropriate fee increases

As a matter of course, we seek to take an independent view on whether increases to directors' fees stack up as being in the best interest of shareholders. We think this is particularly important in New Zealand where we are frequently a large shareholder and can have meaningful conversations with our investee companies ahead of annual meeting resolutions being tabled.

An example of the success of our open and constructive approach is provided below.

The Chair of an investee company proactively engaged with us in relation to an initial draft proposal to materially increase directors' fees (including a large increase to the Chair's fee). In this case, it was accompanied by a consultant's report that lacked clear justification and didn't provide a recommendation. After multiple open and constructive conversations, the Chair came to understand why the proposed fee increase was unreasonable.

Ultimately, a revised proposal was presented to shareholders with a more reasonable level of fees that also maintained a high performing and appropriately compensated board.

Advocating for higher fees where needed to attract appropriately skilled directors

It is crucial for shareholders to get the best directors around the table to add value. This includes providing the appropriate compensation for their skills. We've been consistently advocating for directors to be paid fairly when we think their fees are below market levels.

Conventional benchmarking often overlooks the fact that overseas directors may have more lucrative opportunities in their home markets. Given the mixed success of New Zealand companies expanding overseas, we believe that this can represent a valuable aspect of board composition and part of the board skills matrix to attract and retain top talent.

We've proactively suggested this approach to several of our investee companies.

Thought leadership

Zoie Regan, Senior Investment Analyst, New Zealand Equities

The following thought leadership piece from Zoie outlines the importance of audit firm rotation in maintaining the integrity of financial reports and protecting investor interests. While New Zealand has a requirement for key audit partner rotation every five years, there is no mandatory requirement for audit firm rotation.

In summary:

Lack of Audit Firm Rotation: the majority of S&P/NZX 50 companies have retained the same audit firm for over a decade, with many even for two decades or longer.

Increased Risk: Long-standing relationships between auditors and companies can lead to complacency, reduced independence, and potentially overlooked issues.

Global Best Practices: Many markets, such as the EU and India, have implemented mandatory audit firm rotation to address these concerns.

Investor Protection: Audit firm rotation can play a role to prevent accounting scandals and help protect investors from financial losses.

The New Zealand Shareholders' Association advocate for audit firm rotations at least every 10 years. Fisher Funds supports this position, and as part of this would also like companies to annually disclose the tenure of their audit firm relationship.

By making auditor rotation standard practice in New Zealand investors should have better protection against potential corporate scandals that have caused damage in the past.

In June 2024 we started to engage with New Zealand companies we invest in on audit firm rotation.

To read the full story click here.

Australian equities

Stewardship in action

From 1 July 2023 – 30 June 2024, the Australian equity team had at least 370[2] interactions with representatives of Australia's largest listed companies, industry peers and specialists. These 'interactions' have been in person, virtually, in a group setting or through investor days. Many of these interactions were to delve into detail around financial results, strategy and ESG factors.

[2] These are recorded interactions. Others have occurred that have not been documented. Record keeping will improve as processes evolve, it also differs per team.

Ansell: lifting standards across its supply chain

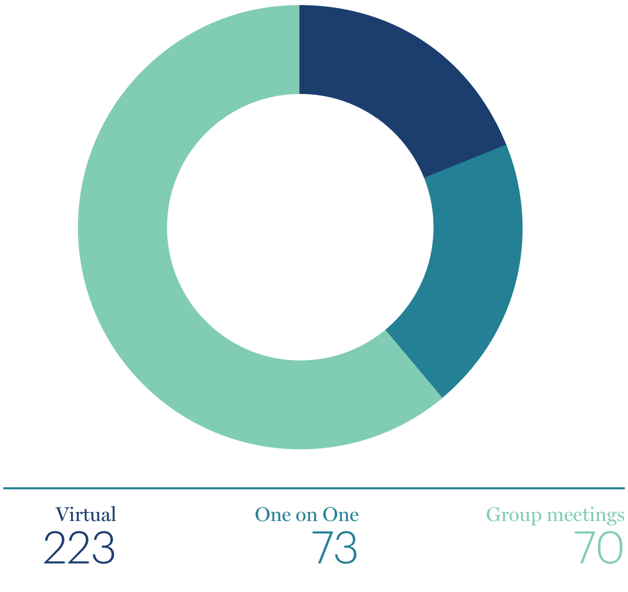
Ansell is a global manufacturer of safety gloves used mainly in healthcare and industrial settings as well as health and safety protection equipment.

The nature of the industry and the location of its operations and supply chain means they have higher environmental and sustainability risk exposure in the production, and Ansell is exposed to higher risk of labour exploitation.

Ansell has developed a range of programmes, including a Supplier Management Framework that enables it to audit, assess and minimise the risk of poor business practices across its own operations and those of its suppliers. Ansell reports that 100% of direct suppliers meet Ansell's labour, health and safety standards.

When interacting with management we ask for regular updates on their progress on increasing the standards of their operations. As shareholders we are supportive of Ansell's efforts to seek enduring, meaningful change by engaging with their supply chain partners and working with them to lift their health and safety standards. In the last 12 months, Ansell has extended its engagement on labour practices from all finished goods suppliers to encompass tier 2 and tier 3 suppliers as well as extracting a commitment from packaging suppliers to also lift their labour practices. Fisher Funds will continue to push transparency and these important issues.

Australian equity interactions



Our interactions spanned across 49 companies. This is a large number given the number of the stocks held in the Australian equity strategy as of 30 June 2024, is 25. We had more than 5 meetings with 22 of these companies, reflecting the high level of engagement enabled by our concentrated active management style. With one of our key holdings, we had more than 30 interactions over the past 12 months.

SEEK: Using Artificial Intelligence (AI) when reducing risks of worker/employee exploitation

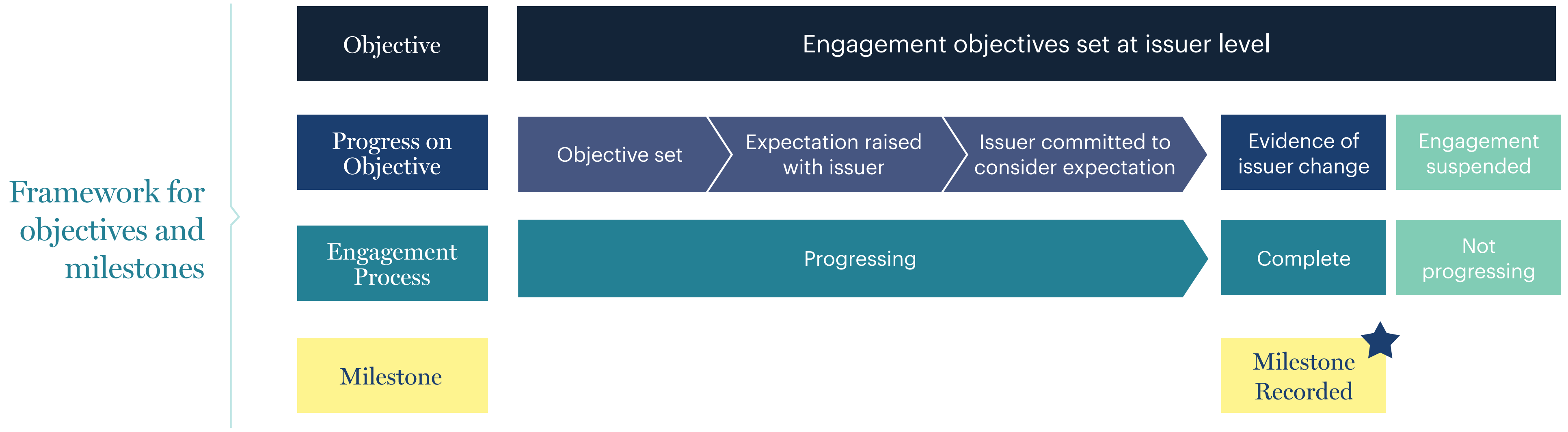
SEEK is one of the leading online employment classified advertising companies with operations spanning Australia, NZ and several Asian countries.

It faces the risk that advertisements on its sites contribute to labour exploitation and human trafficking.

Fisher Funds has been periodically engaging with them on this issue. Management and the Board are aware of these potential risks and has implemented a modern slavery programme that is outlined in their annual modern slavery statement. Importantly, when we talk to management about modern slavery risks, they regard this as an area of ongoing work and will continue to address and minimise the risk of modern slavery risks in its operations. An example of how they are looking to minimise this is through increasing the use of AI tools to assist with the screening process of employers when evaluating job advertisements. We acknowledge that this topic is hugely complex and this will be an ongoing agenda item in our engagement with management and the board.

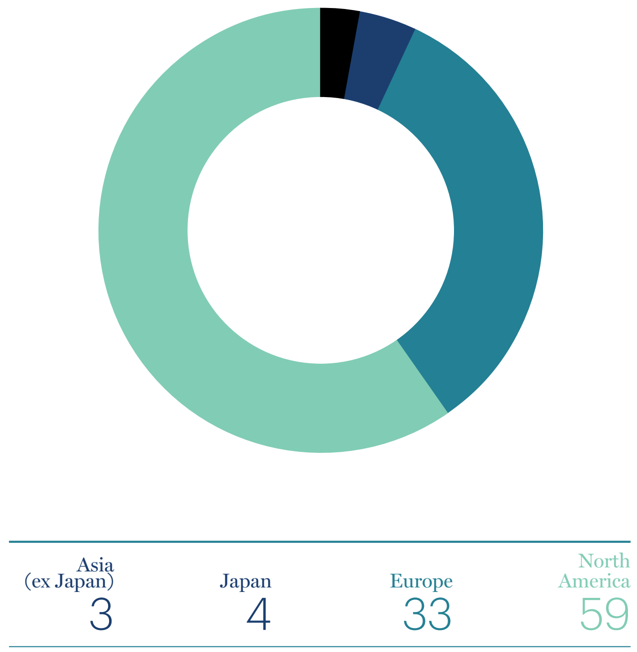
Global engagement

Engagement process through Columbia Threadneedle Investments’ Responsible Engagement Overlay (reo®) Engagement tracking process



Source: Columbia Threadneedle Investments. We record milestones where companies make tangible improvement in their policies and practices.

Companies by region



Columbia Threadneedle engagement statistics

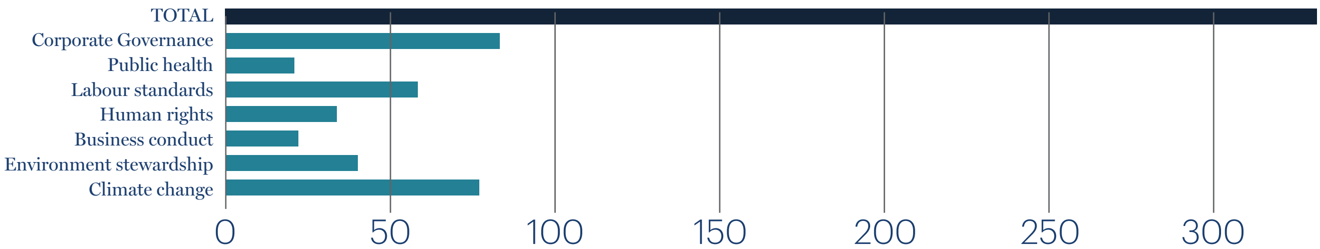
166 Engagements

99 Number of Companies

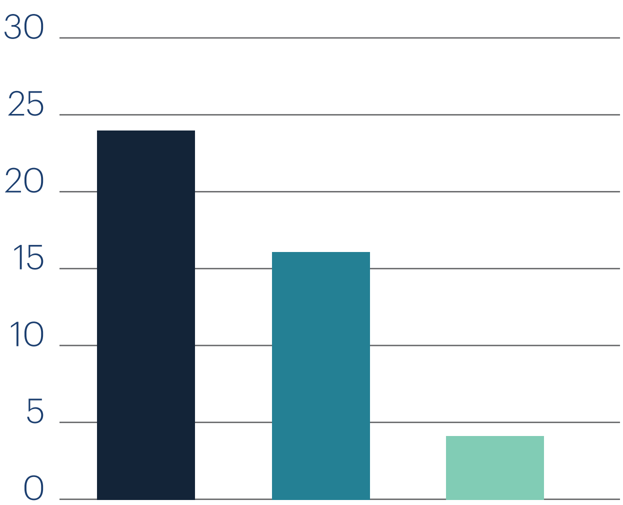
42 Milestones achieved

14 Countries covered

Number of engagements



Objective progress



Progressing 24

Not Progressing 16

Complete 4

Milestones – tracking progress

Under progressing objectives, 19 of these engagements reo® have raised their expectations around the objective and their concerns with the issuer. The topics range from strengthening and improving their responsible AI approach, assessing the mitigation of water risk, climate change disclosure/targets and acceleration of pay equity.

For the engagements that are not progressing, these span 11 companies. The two engagement objectives are enhanced corporate diversity and increased disclosure of the annual bonus assessment. They are relatively new and reo® have raised their expectation and concerns with the company.

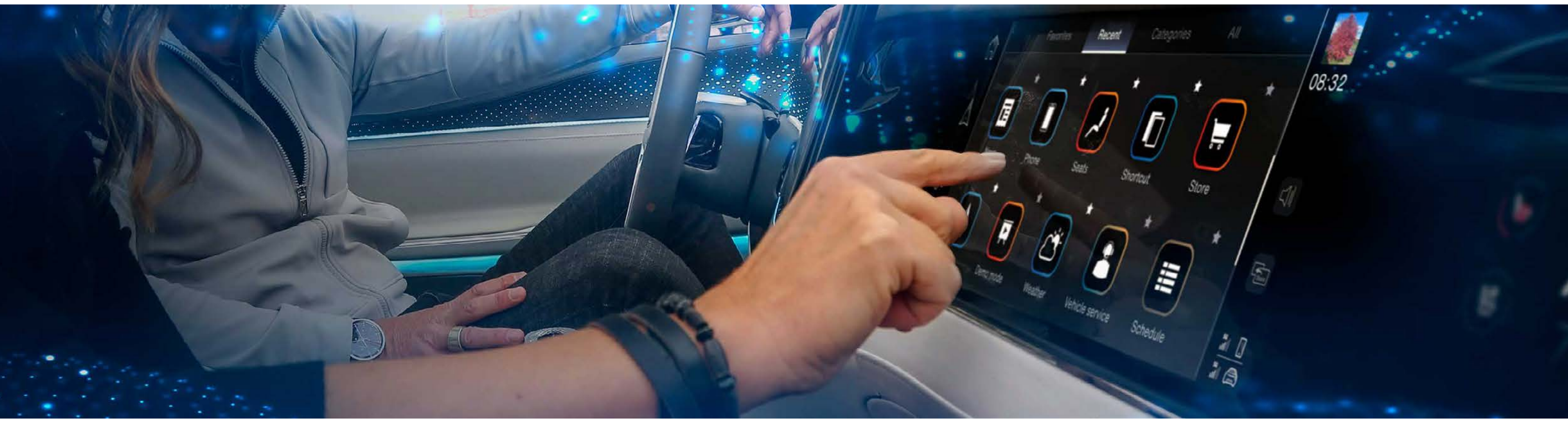
The four completed engagements span enhanced climate risk management, reducing special meeting thresholds and improving board composition.

Objectives, Engagement Activity and Milestones are tracked and monitored for ESG-focused engagements. The reo® RI team engagement is tracked in a database that allows reo® to produce a personalised engagement activity reports for Fisher Funds.

Success of RI engagement is through the assignment of Milestones, which recognise improvements in issuers' ESG policy, management systems or practices against the Objectives that were set. Milestones are assessed using a 3-star rating system, with 3 stars indicating the most significant impact of change and 1 star reflecting smaller, incremental change along a pathway for the issuer, or across a broader context, for the relevant industry. The results for the year ending 30 June 2024 for the Fisher Fund's global portfolios are below.

Milestone by Star Type	★ 1 Star	★★ 2 Stars	★★★ 3 Stars
Climate Change	7	8	3
Environmental Stewardship	2	1	0
Business Conduct	1	0	0
Human Rights	1	0	0
Labour Standards	4	3	1
Public Health	0	2	0
Corporate Governance	6	1	2

Case studies provided by reo®



Stellantis, Netherlands, Consumer Discretionary

Engagement theme
Climate change

Engagement case study name
Material progress towards climate aligned lobbying activities

Case study summary

Stellantis, formed by the merger of Fiat Chrysler Automobiles and PSA Group, is one of the largest automakers globally. Despite its size and impact, Stellantis has lagged peers in providing transparency on its climate policy positioning and lobbying activities.

This lack of transparency is especially concerning given the mixed record that the company has on its lobbying around vehicle emissions standards in the US, UK and EU.

We engaged with Stellantis through Climate Action 100+ since 2019, advocating for improved disclosure.

In 2022 and 2023, collaborative calls with Stellantis' leadership emphasised aligning lobbying with climate targets and disclosing a monitoring process.

In mid-March 2024, Stellantis committed to providing a work plan for lobbying disclosures by June 2024, aiming for an initial disclosure by year-end. This positive step demonstrates Stellantis' proactive approach and openness to investor conversations.

We will continue working to encourage its disclosures align with best practices, and to ensure that Stellantis' disclosures align with the best practices outlined in the Global Standard on Responsible Climate Lobbying.

Rio Tinto Ltd, Australia, Materials

Engagement theme
Climate change

Engagement case study name
Meeting climate commitments

Case study summary

Rio Tinto (Rio), the world's second largest metals and mining company, announced in July 2023 that it is unlikely to achieve its 2025 climate targets; largely due to the scope 1 and 2 emissions from its Australian Aluminium refineries. It said the target could only be reached if it 'resorted' to buying carbon credits.

We engaged with Rio on this announcement, aiming to understand perceived barriers and any plans to address them. We encouraged the company to provide better scenario analyses and risk assessments to investors around the potential for further regulatory shifts in any of the countries it operates refineries in.

The actions taken by the company did not indicate that Rio had embedded this potential write-down risk into its climate strategy and financial planning. Rio is being transparent about its current struggles with net-zero, which we commend. However, we are keen to see clearer evidence of it aligning its financial accounts and risks with its net-zero strategy.

We will continue to engage with Rio on its decarbonisation target.

In speaking ahead of the May 2024 AGM, Rio informed us of they have set new goals around disclosure on supply-chain emissions in response to investor pressure for greater climate accountability. The company now aims to provide more transparency around expenditures and projects to decarbonise steel production, starting in 2025.

This should allow shareholders to better evaluate Rio's commitments to sustainable industry transition. However, questions persist regarding the environmental integrity of Rio's carbon offsetting programs – now its last resort for achieving its 2025 targets – and how climate risks are incorporated into business planning.

Case studies reo®

Amazon, United States, Consumer Discretionary

Engagement theme
Human rights

Engagement case study name
Still reluctant to shed light on Responsible AI

Case study summary

Amazon, a leading online retailer and web service provider, extensively uses AI across operations from personalised product recommendations, Alexa voice shopping, powered search to optimisation in the warehouse.

As part of our Responsible Governance of AI project, we engaged with Amazon to understand its approach, including board oversight, risk assessments, and ethical considerations. The Board's Nominating Governance committee oversees Responsible AI, with input from a cross-functional group. Amazon conducts risk assessments, though details were undisclosed, and asserts that it uses an iterative approach with significant testing.

While Amazon has made progress with public commitments like the White House Voluntary AI commitments and has a Responsible AI policy for Amazon Web Services. We are optimistic that there will be more disclosure on the operationalisation of Responsible AI principles beyond this division.

This is important to enhance wider customer trust and adoption to scale AI.

We encouraged enhanced disclosure on operationalising principles beyond this division, human rights impact assessments, and quantitative impact measurements. We will continue monitoring Amazon's Responsible AI framework and processes to enhance customer trust and AI adoption.

GSK PLC, United Kingdom, Healthcare

Engagement theme
Public health

Engagement case study name
Diversity in clinical trials at GSK

Case study summary

GSK is a global bio-pharmaceutical company wh ich manufactures innovative medicines and vaccines. Upcoming US regulatory requirements due to take effect in 2024 will push the industry to include diversity planning in their trial protocol or justify why this is not necessary.

In our view, being under-prepared poses a very material risk to drug manufacturers and Contract Research Organisations (CROs). As part of our diversity in clinical trials engagement project, we organised a call with GSK's Senior Vice President of Global Clinical Operations to learn more about their work on diversity in clinical trials and preparations for stricter regulation. We established the company has a dedicated team working on diversity in clinical trials, which ultimately falls under the Chief Scientific Officer. Although resource-intensive, GSK considers this a continuous learning curve and a crucial part of their ambition to reach 2.5 billion patients by 2030. The company shared insightful case studies, for instance on working with patient advocacy groups to better understand patient needs whilst increasing the availability of Decentralised Clinical Trials.

Finally, GSK shared that they only collaborate with CROs committed to improving diversity in clinical trials. The key take-away was that diversity in clinical trials is increasingly embedded in the company-wide strategy. GSK feels confident about their preparedness for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years.

This is evidenced by successful progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enrol appropriately diverse trial participants, consistent with the disease epidemiology.

We consider GSK a leader in this space and will monitor further developments.

Case studies reo®

Analog Devices Inc, United States, Information Technology

Engagement theme
Corporate Governance

Engagement case study name
Compensation improvements enhance pay for performance link

Case study summary

Analog Devices Inc (Analog) is a multinational semiconductor company that designs and manufactures analog, mixed signal, and Digital Signal Processor (DSP) integrated circuits.

Ahead of Analog's 2024 AGM, we had a meeting to continue our dialogue from 2023 on executive compensation and discuss subsequent progress. We have met with Analog annually the past few years, either off-season or prior to the company's AGM, to discuss ESG topics.

Executive compensation has been a focus in the past year, having met with the compensation committee chair in 2023, and following up with the head of total rewards in March 2024 to understand Analog's compensation philosophy and provide our views on best practice.

The company stressed that attracting and retaining talent was important, and that tying compensation to performance with rigorous metrics was an area of focus.

During our discussions ahead of the 2024 AGM, they highlighted positive changes to the executive compensation program, including an increase to the target payout under the total shareholder return metric of the long-term incentive plan to the 55th percentile and an increase in the percentage of performance-based grants to the CEO. In our view, both changes better align CEO and other named executive officers to Analog's performance and strategy execution.

We welcomed the opportunity to engage with Analog and felt that through our conversations, the company proved responsive to our feedback and was able to comprehensively articulate their compensation philosophy and how it was reflected throughout their organization.

Johnson & Johnson, United States, Healthcare

Engagement theme
Public Health, Corporate Governance, Business Conduct

Engagement case study name
Engaging with Johnson & Johnson on the value of transparency

Case study summary

Pharmaceutical giant Johnson & Johnson (J&J) has been grappling with more than 38,000 lawsuits alleging that its talc products, including Johnson's Baby Powder, can contain asbestos and caused cancers including ovarian cancer and mesothelioma. J&J has attempted to resolve this litigation, offering $8.9 billion to end all related current and future lawsuits. The company's Senior Director of Sustainability and Engagement and the Company Secretary attended an in-person investor meeting in London to address investor concerns and queries regarding litigation, drug pricing, and ESG metrics.

A key theme of our engagement was transparency. Regarding the lawsuits, we encouraged increased transparency and communication on practices implemented to mitigate current and future harm.

On drug pricing, we acknowledge J&J must strike a careful balance between expensive drug discovery and development and final price setting. While noting the complexities involved, we urged greater transparency on price increases for consumers to understand how these align with input costs and added patient value.

Along with other investors, we recommended increased clarity around ESG metrics and alignment with the company's ESG materiality assessment. J&J stated that while they currently only have qualitative ESG metrics, they are cognisant of regional variations of regulations and sentiment around ESG targets and disclosures, which they must consider accordingly. In our view, J&J displayed a willingness to listen to our recommendations and we anticipate increased disclosure from the company as a result.

Going forward, we will continue our dialogue with the company on access to medicine and litigation, as well as discussing board renumeration and climate disclosure.

Measuring progress – Stewardship Code, Aotearoa New Zealand

The principles of effective stewardship in Aotearoa New Zealand

Principle	01 **Be committed**	02 **Establish and maintain policies**	03 **Incorporate material ESG matters**	04 **Be engaged**
Description	Signatories will establish, and publicly articulate, how their investment philosophy, governance structures, and resourcing supports the goals of effective stewardship.	Signatories will develop and implement measurable and effective stewardship policies.	Signatories will incorporate ESG matters into their investment decisions and stewardship practices.	Signatories will engage regularly and effectively with underlying managers, issuers, and other key stakeholders.
Key topics	• Organisation's value's, purpose, governance • Fiduciary duty • Ethical standards • Oversight and accountability • Resourcing, incentives, remuneration • Effectiveness (against goals of stewardship	• Purpose, priorities, and approach • Scope and standards • Integration (into investment process) • Accountability (for policies and processes)	• Materiality and focus • Systemic risk management • Incorporate material environmental, social, and governance matters • Consider stewardship from a Te Ao Māori worldview	• Who with, and who by • Methods and processes • Escalation • Reporting (activities and outcomes) • Legal environment and cultural norms
Fisher Fund's self assessment against principles	92%	73%	65%	62%

05 Vote responsibly	06 Manage conflicts of interest	07 Collaborate and advocate for change	08 Measure and report	09 Educate and improve
Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing any conflicts of interest that arise.	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.	Signatories will regularly measure, and publicly report, on their actions taken to support stewardship, and demonstrate how these have contributed to the goals of effective stewardship.	Signatories will invest to improve clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.
• Policy and principles • Exercise voting rights • Maintain and disclose voting decisions and outcomes	• When a conflict of interest exists • Policy • Compliance • Identification and mitigation • Review • Disclosure	• Benefits • Collaboration • Draw upon the experience of others • Disclosure	• Public reporting and disclosure • Stewardship policies and practices • Annual stewardship report (activities and outcomes) • Performance against the code and the goals of effective stewardship	• Regularly review: » capacity, resources and capabilities » stewardship policies and practices » effectiveness » third-party review, verification, and assurance
90%	95%	65%	78%	60%

Stewardship framework

A stewardship framework is a dynamic process that continuously evolves. Fisher Funds is committed to being well informed, committed to ongoing learning to ensure that our stewardship and responsible investment approach continues to evolve to be effective and informative.

There are areas under the principles that have been in place for longer and more established and some areas that are in their infancy that we will improve on over time.

Links to documents

Stewardship principles
Responsible investment policy
Master exclusion list
Proxy voting policy and statistics
Thought leadership
Climate statements
Carbon footprints

Contact: Private Bag 93502,
Takapuna, Auckland 0740
0508 347 437
enquiries@fisherfunds.co.nz