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Sustainable investing voting principles and guidelines



A herd of wild elephants cross the National Highway-37 in search for safer places at the flood affected area of Kaziranga National Park in the India's northeast state of Assam.. (Credit: BIJU BORO/AFP via Getty Images)

Introduction: Why we vote

At Fidelity International, we believe that exercising our ownership rights by voting at company meetings is a fundamental responsibility for shareholders. Voting is a key tool for investors to improve client returns, improve sustainable business behaviour and advance our purpose to build better financial futures.

Aims

Specifically, we aim to:

1

Encourage and hold our investee companies to account to promote a more sustainable future.

2

Enhance our client returns in a way that helps create a more sustainable financial system for society.

Engagement and voting to improve sustainability behaviours

Through the use of engagement and voting, we aim to improve the governance and sustainability behaviours of our investee companies. Engaging and voting on financially material environmental, social and governance (ESG) issues reflect our belief that active ownership can contribute to the long-term sustainability of a company and positive investor returns.

Our clients expect us, as stewards of their capital, to support and advocate for corporate governance frameworks that help promote and protect investment returns. Our success as shareholders and asset managers in communicating the importance of a sustainable business agenda is crucial to enhancing our clients' long-term returns and maintaining our own

reputation. A guiding principle for us is that voting rights should always be exercised in the best interests of our clients.

Each investment decision we make has consequences for client portfolios and for society as a whole. Potential long-term financial and societal implications must therefore be considered. We believe that ultimately our own and our clients' goals are fundamentally aligned with those of society, and we must ensure that we represent them in the best way possible.

As stewards of our clients' capital and as a provider of sustainable investment solutions, we know that we need to hold ourselves accountable for our impact on society and the environment, just as we do with the companies in which we invest.

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Summary of our voting principles and approach

- **We take voting seriously:** Exercising our voting rights is a fundamental responsibility for shareholders and a key tool to support improved returns, sustainable business behaviours and to build better financial futures.
- **Our aim is to encourage positive change at our investee companies through engagement and voting.**
- **In 2021, we introduced new policies on climate change and gender diversity to promote positive corporate action:** We are engaging with companies on these issues which are, in our view, material environmental and social concerns that need urgent and significant improvement. We continue to advocate for improvements in these areas and will not support boards where companies do not meet our expectations.

Climate change

Our voting policy is designed to support the implementation of the Paris Agreement and limit global warming to well below 2°C. We expect our investee companies to:

- Take action to manage climate change impacts and reduce their greenhouse gas emissions.
- Make specific and appropriate disclosures around emissions, targets, risk management and oversight.

Where companies fall short of our minimum expectations, we will vote against management.

Gender diversity

Our voting policy is designed to encourage gender balanced boards and takes into account the recommendations of key initiatives on female representation. We expect our investee companies to:

- Establish and uphold comprehensive and effective diversity and non discrimination policies.
- Regularly review their hiring and promotion practices to ensure against bias, and to set ambitious diversity targets appropriate to the business.
- Demonstrate alignment with our belief that diversity helps deliver long-term shareholder value.

Where companies fall short of our minimum expectations of having at least 30% female board representation in the most developed markets and 15% in all other markets, we will vote against management.

- **The Sustainable Investing and Investment Teams collaborate on voting decisions:** Responsibility for voting sits with the Sustainable Investing Team who collaborate with Fidelity's investment analysts and portfolio managers when determining our votes. Decisions are made in accordance with our principles and guidelines considering a range of inputs.
- **Our principles and guidelines set out our approach to voting:** Our sustainable investing voting principles and guidelines detail why, how and the basis on which we vote. Our voting approach is principles-based, covers key voting topics and we will apply discretion in the application of our principles and guidelines to ensure they are effective and in the best interests of our clients.
- **The principles and guidelines cover 12 topics focusing on key ESG areas detailing summary voting principles and our expectations for our investee companies.**

Part 1: Voting and engagement

Reasons for engaging

Engagements are undertaken for a number of reasons including:

1. To gather information and monitor company activities, as well as to effect positive corporate change in the long-term interests of our clients.
2. To gain a deeper understanding of a company's ESG practices to better inform our investment and voting decisions.
3. To encourage improved sustainability practices of the companies we own.

We have a positive engagement approach and use information from these communications to encourage companies to improve procedures and policies.

Seeking positive engagement to promote change or address concerns

As active stewards of capital, we believe the most effective way to improve investor outcomes is by promoting improved corporate behaviours and practice through continuous and in-depth

engagement. As such, through Fidelity's active ownership approach, we regularly engage with investee companies. For engagement to be meaningful, we believe it must be substantive and interactive. Our approach adds value by, for example, engaging in direct dialogue with leadership teams, working closely with other stakeholders for maximum impact and, where necessary, employing the use of proxy voting and shareholder resolutions to improve practices. When we make investment decisions, we think carefully about how we can engage with the companies we own to create better results for a range of stakeholders, while building long-term social and corporate value.

We have a positive engagement approach and use information from these communications to encourage companies to improve procedures and policies.

A notable proportion of our engagements involving the Sustainable Investing Team relate to voting matters at forthcoming shareholder meetings and typically focus on:

- Corporate governance (mechanisms, processes and relations).
- Investment-related matters.
- Broader ESG-related topics.
- Progress towards meeting best practice standards and milestones.
- Issues related to voting mechanics.
- Commitment to give feedback to companies.

Our active ownership approach



Company meetings and formal correspondence



Proxy voting



Collaborative engagement



Shareholder resolutions



Public policy

approach. We frequently contact companies to request further materials or to clarify and enhance our understanding of an issue. We will consider voting against all relevant proposals where items we have engaged on are clearly in breach of our policies, or inadequate progress is being made to meet an engagement milestone objective on an issue. Engagement and voting practices are interlinked and feed into each other. Additionally, where we vote against or abstain, our general approach is to provide the company with the reasons for voting contrary to their recommendation. Our approach to notifying companies on our votes considers time constraints during the proxy seasons, the size of our holding, and any other sensitivities relating to communicating with the specific investee company.

Engagement and voting

We discuss voting issues with our investee companies, who often seek to engage stakeholders to share agenda and meeting materials, and we also respond to companies' requests for information about our voting



Shareholders cast their vote. (Credit: AFP / Stringer, Getty Images)

Part 2: Our voting principles and expectations

Our sustainable investing voting principles and related investee company expectations underpin our stewardship approach on voting at shareholder meetings. Our detailed set of proxy voting guidelines support and outline how we consider the application of these approaches. Our principles and expectations are categorised into four main groups that relate to how we view key voting topics:

- **Philosophy and behaviour** - How a company should facilitate shareholder rights and treat all owners equitably (treatment of shareholders).
- **Management, governance and transparency** - How a company manages itself (self-regulation and governance).

- **Actions and use of capital** - How a company acts on key transactions, resources and assets (actions).
- **Impacts and responsibilities** - How a company impacts its external environment and stakeholders (external impacts).

Table 1: Categorisation of our principles and areas of application

Philosophy and behaviour	Management, governance and transparency	Actions and use of capital	Impacts and responsibilities
General voting principles and application	Corporate culture and conduct	Investment-related matters	Governance of climate change oversight, practice and action
Shareholder rights and authority	Audit and financial reporting	Capital management	Environmental and social responsibilities
	Remuneration	Related-party transactions	Shareholder sponsored ESG proposals
	Article and charter amendments		

Table 2: Our voting principles and expectations of investee companies

Voting topics	Voting principles	Expectations for investee companies
General voting principles and application	We aim to vote all of our shares in the best interests of our clients, to support improved client returns, sustainable business behaviours, and our purpose to build better financial futures. We will apply discretion in the application of our voting principles and guidelines to ensure that our approach to voting is effective but also aligned to the best interests of our clients. This means there may be circumstances in which we do not vote in accordance with the principles set out below.	Companies should enable and reasonably facilitate shareholders' abilities to execute their shareholder voting rights and stewardship responsibilities.
Shareholder rights and authority	We believe that companies should fully recognise all shareholder rights and aim to meet the highest governance standards.	Companies should respect shareholder authority and rights, including minority investors, and where possible seek to enhance these rights to meet governance best practice.
Corporate culture and conduct	We encourage companies to foster a positive corporate culture that maximises board and employee effectiveness and wellbeing, that takes account of a broad spectrum of considerations including diversity, conduct and accountability.	Companies should meet basic corporate governance standards on board composition, including director, board and committee independence, whilst also considering requirements to meet sufficient diversity, expertise, conduct and ethics standards.
Audit and financial reporting	We recognise the importance of all corporate reporting and seek to ensure company disclosures are clear, transparent, comprehensive, consistent, timely and accurate.	Companies should ensure that all disclosure and reporting are fully transparent, meet relevant accounting practices and standards, delivered in a timely manner and cover financially and non-financially material information, and that the audit process is rigorously conducted by independent parties.
Remuneration	We believe companies should create clear, simple, well-designed remuneration structures to incentivise senior managers to deliver on company strategy while aligning with the interests of shareholders and other key stakeholders.	Companies should ensure that pay practices and frameworks are fully disclosed to shareholders, are aligned with shareholder interests, consider relevant performance criteria including appropriate financial and non-financial metrics, and are implemented in a clear and fair manner.
Article and charter amendments	We support companies amending their articles to align with current market requirements or enhance shareholder authority.	Companies should generally only alter their governing documentation and principles to meet updated legal or technical requirements or to enhance shareholder interests, protections and rights.
Investment-related matters	We support companies pursuing strategic and general investment-related transactions that make good business sense and are in the interests of all shareholders.	Companies should only pursue investment-related activities that are in the best interests of the company and shareholders.
Capital management	We expect efficient capital allocation measures and activities considering the immediate and long-term trajectory and interests of the company and all shareholders.	Companies should manage capital responsibly, sustainably, avoid capital-destructive actions and seek to enhance shareholder value.
Related-party transactions	We expect companies to act fairly and transparently on all related-party transactions and believe that these should always be in the best interests of the business and all shareholders.	Companies should act in the interests of the business and all shareholders when undertaking transactions. They should seek to avoid any perceived conflicts of interest and unnecessary risk and fully disclose all details. Where conflicts and risks are material, companies should seek approval by shareholder vote.
Governance of climate change oversight, practice and action	We seek to promote improved climate change-related corporate behaviours.	Companies should meet minimum standards of climate change oversight, practice, disclosure, and action. Companies should take appropriate action to adapt their business models in line with international agreements aimed at mitigating the effects of climate change, biodiversity loss and deforestation. This includes long-term objectives to transition to low carbon energy sources, away from thermal coal and other fossil-fuels.
Environmental and social responsibilities	We encourage companies to meet and report on their environmental and social responsibilities through reduction in negative externalities and maximising their business's positive impact.	Companies should adequately manage and address their material environmental and social responsibilities and consider how they can improve their current business strategy and practices.
Shareholder sponsored ESG proposals	We seek where possible to support shareholders working to effect positive changes at companies.	Companies should engage with all interested stakeholders on shareholder proposals and implement approved resolutions.

Part 3: Voting issues and areas of focus

General voting principles and application

We aim to vote all of our shares in the best interests of our clients, to support improved client returns, sustainable business behaviours, and our purpose to build better financial futures. We will apply discretion in the application of our voting principles and guidelines to ensure that our approach to voting is effective but also aligned to the best interests of our clients. This means there may be circumstances where we do not vote in accordance with the principles set out below.

- **Companies should enable and reasonably facilitate shareholders' abilities to execute their shareholder voting rights and stewardship responsibilities.**

We vote across more than 50 markets and a range of different types and sizes of companies, and so apply discretion in the application of our voting principles and guidelines. We seek to ensure that our approach to voting is effective and aligned to the best interests of our clients.

Shareholders rights and authority

We believe that companies should fully recognise all shareholder rights and aim to meet the highest governance standards.

- **Companies should respect shareholder authority and rights, including minority and, where possible, seek to enhance these rights to meet governance best practice.**

Shareholders are entitled to ownership rights in proportion to equity commitment. We

expect companies to treat all shareholders fairly and have one vote per share to ensure alignment between capital risk and ownership responsibility. Shareholders should have the right to put questions to the board and management, elect members of the board, approve their remuneration and remove them. They should also have a commensurate say in material changes to the business, including mergers and acquisitions (M&A) and changes in corporate purpose. We also expect shareholders to be able to vote on matters that could result in the dilution of their share ownership.

We will vote against:

- Transfers of authority to directors not in shareholders' interests.
- Anti-takeover measures.
- Stock issuances with differential voting rights.

Corporate culture and conduct

We encourage companies to foster a positive corporate culture that maximises board and employee effectiveness and wellbeing, and that takes account of a broad spectrum of considerations including diversity, conduct and accountability.

- **Companies should meet basic corporate governance standards on board composition, including director, board and committee independence, while also considering requirements to meet sufficient diversity, expertise, conduct and ethics standards.**

Board composition, directors and board effectiveness

We expect companies to have a robust corporate governance framework that can define long-term innovative strategies and implement them for the benefit of all stakeholders. Vision and effective oversight are key to building a company with sustainable long-term success.

Effective boards play a critical role in the strategic direction of a company, overseeing both business risk and management. Boards have a duty to serve the interest of shareholders. We expect the majority of board members to be independent with the appropriate skills to fulfil supervisory duties as well as provide guidance and constructive challenges to executive management. We expect boards to reflect or demonstrate a plan for improving gender, racial, ethnic and cognitive diversity.

We will vote against:

- Directors with a poor record of attendance at board and committee meetings.
- Directors who are overboarded, i.e. have too many external board mandates.
- Directors where we have significant concerns relating to the current level of board independence or an independent director's affiliation.

Corporate culture and behaviour

Companies should promote an ethical culture and code of conduct that permeate throughout the organisation. Corrupt business practices represent a significant investment risk and create negative externalities for the broader

economy and society. Boards should ensure that companies foster a culture of acting lawfully, ethically and responsibly. To this end, boards should ensure that companies have adequate whistleblower, anti-bribery and corruption policies in place and are actively monitoring the application of these policies.

We will vote against:

- Directors that do not meet our required expectations on integrity and competence.

Diversity and inclusion

We believe that welcoming and inclusive organisations that hire, foster, promote, and remunerate employees on the basis of merit and without regard for gender, age, race, ethnicity, religion, sexual orientation, economic background, disability or other factors make better use of their human capital. Moreover, an increasing body of research has shown that organisations that promote diversity are more productive and better performing. Investee companies are therefore encouraged to establish comprehensive and effective non-discrimination policies and actively ensure that these policies are upheld. They are also encouraged to regularly review their hiring and promotion practices to ensure against bias, and to set ambitious diversity targets appropriate to the business. When requesting investee companies to provide data to report on their progress, we advise individual's diversity data to have been provided on a voluntary self-identification basis in line with best practice and data protection laws. We expect companies to demonstrate alignment with our belief that diversity helps deliver long-term shareholder value.

We will vote against:

- Boards that do not have at least 30% female representation at companies in the most developed markets (including the UK, European Union, USA and Australia).
- Boards that do not have at least 15% female representation at companies in markets where standards on diversity are still developing.

Audit and financial reporting

We recognise the importance of all corporate reporting and seek to ensure company disclosures are clear, transparent, comprehensive, consistent, timely and accurate.

- **Companies should ensure that all disclosures and reporting are fully transparent, meet relevant accounting practices and standards, are delivered in a timely manner and cover financially and non-financially material information, and that the audit process is rigorously conducted by independent parties.**

Companies should be open and honest about their objectives, strategy and financial position. We expect adherence to all relevant accounting practices, transparency about material weaknesses and fairness in their tax policies. The board should ensure the independence of the audit function with a clear policy on auditor rotation and the tendering process.

We will vote against:

- The re-appointment of auditors when we have concerns about the quality or integrity of the audit.

- Directors where an audit committee is not adequately independent.

Remuneration

We believe companies should create clear, simple and well-designed remuneration structures to incentivise senior managers to deliver on company strategy while aligning with the interests of shareholders and other key stakeholders.

- **Companies should ensure that pay practices and frameworks are fully disclosed to shareholders, are aligned with shareholder interests, consider relevant performance criteria including appropriate financial and non-financial metrics, and are implemented in a clear and fair manner.**

A well-designed remuneration structure can incentivise senior managers to deliver on the company's strategy while aligning with the interests of shareholders and other key stakeholders. Setting appropriate remuneration levels is primarily the responsibility of the board. We look for an appropriate vertical alignment between the remuneration and pension benefits of executive directors with that of the broader workforce. We encourage broad-based share ownership in the workforce. For executive directors and other senior managers, we expect equity awards to have appropriately challenging vesting criteria. We expect the remuneration policy to be consistent with effective risk management, including sustainability risks.

We will vote against:

- Pay arrangements that we consider misaligned to shareholder interests.

- Incentive arrangements where the dilutive effect is excessive.
- Incentive plans that permit immediate or short-term vesting of awards.

Article and charter amendments

We support companies amending their articles to align with current market requirements or enhance shareholder authority.

- **Companies should generally only alter their governing documentation and principles to meet updated legal or technical requirements or to enhance shareholder interests, protections and rights.**

Companies often need to update or amend their articles of association or related documents to comply with new changes to company law or local market regulations. Often these changes are technical in nature and neutral to shareholder interests and we will generally support such changes or those which enhance shareholder rights. We do not support changes to governance processes and company documentation where the precise details have not been fully disclosed or they are clearly misaligned to shareholder interests.

We will vote against:

- Changes to articles that transfer authority away from shareholders.
- Extension to directors' terms.

Investment-related matters

We support companies pursuing strategic and general investment-related transactions that make good business sense and are in the interests of all shareholders.

- **Companies should only pursue investment-related activities that are in the best interests of the company and shareholders.**

We support companies implementing strategic changes including mergers, acquisitions and disposals where these are clearly in the best interests of shareholders. Companies should clearly provide all key details and rationales to support their decisions and long-term benefits of value creation.

We will vote against:

- Mergers, acquisitions and disposals of which we are not supportive.
- Reorganisation and restructuring we deem not in shareholders' interest.
- Re-incorporation and changes in listings venues that lack rationale or are contrary to the long-term interests of shareholders.

Capital management

We expect efficient capital allocation measures and activities considering the immediate and long-term trajectory and interests of the company and all shareholders.

- **Companies should manage capital responsibly, sustainably, avoid capital-destructive actions and seek to enhance shareholder value.**

We believe that one of the key responsibilities of the board is the effective and reasonable use of capital. The approach to capital management should be sustainable, appropriate and prudent. The board should properly distribute a company's financial resources to improve its long-term financial stability and value.

We will vote against:

- Unusual or excessive requests to increase share capital not in the interests of shareholders.
- Private placements with limited offering or contrary to the interests of minority shareholders.

- Conflicted related-party transactions.
- Transactions with inadequate disclosure of key information.

Related-party transactions

We expect companies to act fairly and transparently on all related-party transactions and believe that these should always be in the best interests of the business and all shareholders.

- **Companies should act in the interests of the business and all shareholders when undertaking transactions. They should seek to avoid any perceived conflicts of interest and unnecessary risk and fully disclose all details. Where conflicts and risks are material, companies should seek approval by shareholder vote.**

Related-party transactions involving arrangements between two parties with a pre-existing relationship can be common and required in the normal operation of a business. However, there can be a clear risk of conflicts of interest in some cases, which can lead to the misuse of company funds contrary to shareholder interests. It is important that companies properly manage these potential conflicts and provide the opportunity to vote on these arrangements. There must be complete transparency on the details of the arrangements and the reasons why they are in all shareholders' interests.

We will vote against:

Governance of climate change oversight, practice and action

We seek to promote improved climate change-related corporate behaviours.

- **Companies should meet minimum standards of climate change oversight, practice, disclosure, and action. Companies should take appropriate action to adapt their business models in line with international agreements aimed at mitigating the effects of climate change, biodiversity loss and deforestation. This includes long-term objectives to transition to low carbon energy sources, away from thermal coal and other fossil-fuels.**

Climate change is one of the most important risks facing the world today. It impacts the very nature of major industries in which we invest, and as such must be high on the agenda of all companies. It is not only about avoiding risks; the transition to a low-carbon society provides a plethora of new opportunities for companies and innovative technologies. Successful asset managers will identify companies that help society mitigate or adapt to climate change versus those that are not transitioning sufficiently.

We expect investee companies to have policies in place to reduce carbon and other greenhouse gas emissions. They should also have the ability to meet potential regulation on climate change, e.g. disclosure of emissions and

climate risk, via the management of their energy mix (the proportion of energy provided by fossil fuels, renewable, nuclear and others), a strategy to reduce scope 3 emissions (greenhouse gas emissions beyond a company's direct control but within its value chain), and carbon price assumptions. This includes setting and reporting on ambitious targets aligned to the UN's Paris Agreement on Climate Change including an approach to net zero.

Our firm-wide positioning on climate, including support of the Paris Agreement, informs our climate voting approach on both holding boards accountable for not meeting minimum standards and support of shareholder proposals which improve climate-related corporate behaviours and disclosures. Climate-related shareholder proposal votes are evaluated on the merits of the proposal. In all cases, however, we take a holistic view of factors when determining our final decision.

We expect companies to identify and manage material environmental matters that affect their businesses in a responsible manner.

We believe a minimum standard is for companies to provide:

- A stated policy on climate change.
- Emissions data.
- Confirmation of discussion and oversight of climate change at the board level.

In addition, for companies in the most affected industries, we strongly encourage the following:

- Targets for reducing greenhouse gas emissions.
- Description of the impacts of climate-related risks and opportunities on their businesses, strategy and financial planning.
- Scenario planning including multiple scenarios.
- Impact scenario referencing 1.5°C limits.

We will vote against:

- Directors at companies that do not meet our minimum expectations regarding their management and oversight of climate change-related risks, their transparency on climate change-related risks and opportunities, and their strategy to reduce their climate impact. When applying this guideline, we will prioritise companies for which climate change impact is most material.

Environmental and social responsibilities

We encourage companies to meet and report on their environmental and social responsibilities through reduction in negative externalities and maximising their business's positive impact.

- **Companies should adequately manage and address their material environmental and social responsibilities and consider how they can improve their current business strategy and practices.**

We expect companies to identify and manage material environmental matters that affect their businesses in a responsible manner.

Companies should manage their relationships with all their key stakeholders. Covid-19 and lockdowns of entire economies have sharpened the focus on companies' societal responsibilities and underlying business purposes. We believe this is not a temporary phenomenon in response to the outbreak, but instead will lead to a serious reappraisal of our system of capitalism, of how enterprises are run and for what purpose.

We will vote against:

- Directors that we consider accountable for major corporate failures in relation to their duties to manage relationships with stakeholders on material environmental or social concerns.

Shareholder sponsored ESG proposals

We seek where possible to support shareholders working to effect positive changes at companies.

- **Companies should engage with all interested stakeholders on shareholder proposals and implement approved resolutions.**

Shareholder proposals are an important tool allowing investors to promote accountability of company management and promote change both at an individual company and a systemic level.

Shareholder proposals are assessed on a case-by-case basis and our consideration includes the company's perspective and response to

the proposal, the proponents' case and the proposal's intention, whether the proposal is binding or advisory in nature, current market best practices, impact on shareholder value, and Fidelity's sustainable investing policies.

We are supportive of ESG shareholder proposals that address and improve issues of material importance to the company and its stakeholders.

- We evaluate shareholder proposals on their merits. Our starting point is a presumption of support for resolutions targeting material ESG issues.

We may not support such proposals if:

- The proposals are contrary to our voting principles and guidelines.
- The company is sufficiently addressing the issue raised by the proponent.
- We believe the issue raised by the proponent is not material.
- The proposal would be unduly burdensome or could not be implemented without significant adverse impacts on the company.

Part 4: How we vote

In-house Sustainable Investing Team and Investment Team collaboration

We have a specialist in-house Sustainable Investing Team that has responsibility for and coordinates Fidelity's approach to sustainable investing and the implementation of our voting policies. The Sustainable Investing Team is part of Fidelity's Investment Management Team and collaborates with the firm's global team of investment analysts and portfolio managers to monitor, analyse and engage on ESG matters and voting with investee companies. The integration of the two teams ensures continuous collaboration which also includes regular cross-team meetings, presentations and sharing of relevant data across key platforms. The Sustainable Investing Team is responsible for voting activities, is based across a number of

our global offices, and includes proxy voting and corporate governance experts. Research and decisions are coordinated with our global Investment Team to optimise and support our approaches to voting and related engagement regionally. We vote in accordance with our own guidelines and the decision-making process combines the views of the Sustainable Investing and global Investment Teams. The teams take into consideration inputs from a broad range of sources and seek to vote in the best interests of our clients.

Votes cast in line with policies

Our votes are cast in accordance with Fidelity's established voting policies after consultation with relevant portfolio managers where appropriate. We will generally consult the relevant portfolio managers and analysts before voting on certain resolutions, including items related to M&A,

Broad range of information sources

Information to support the voting decision-making process is derived from a variety of sources and includes material such as:



Details from investee companies such as meeting notices and circulars.



Research from proxy voting advisory services, including products supported by Institutional Shareholder Services (ISS) and Glass Lewis.



Discussions and engagements with companies.



Internal and external proprietary investment and ESG research.

capital raisings, debt issuances, material changes to the articles and votes against management in cases where our shareholding is material. When voting, we consider the circumstances of investee companies and prevailing local market best practice. Fidelity’s policy and approach to exercising its voting rights consider applicable laws and regulations and are consistent with the investment objectives of the various portfolios.

Decision-making process

We make voting decisions on a case-by-case basis and take into account the specific company, sector considerations, prevailing local market standards and best practice, and our voting principles and guidelines. The application of our approach will also vary regionally based on factors including relevant agenda items, current expectations and phased implementation of policies. Where voting differently to our general approach is in the best interests of our clients, we will treat these on a case-by-case basis. However, we always seek to ensure that our approach to voting is aligned to our principles. Our voting application will also take into account our engagement strategy, focus areas and current prioritisation criteria.

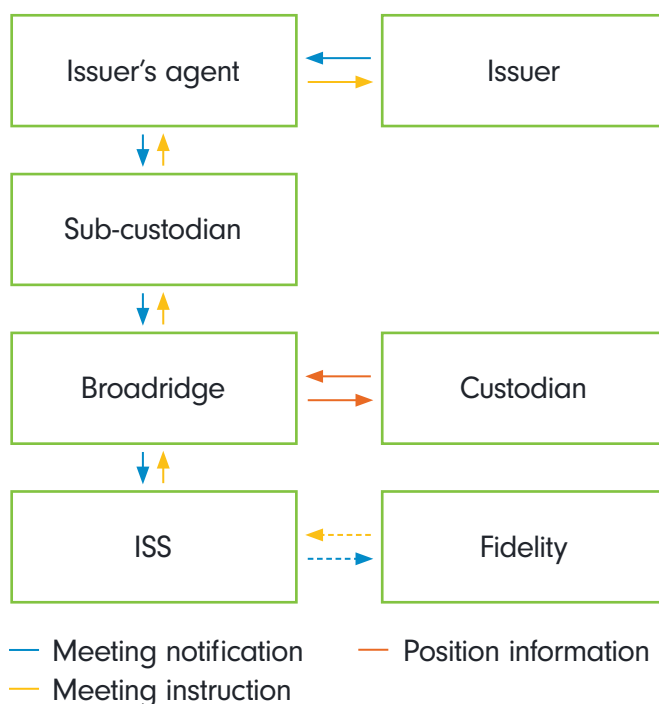
Vote processing and execution

We seek to vote all equity securities unless there is a regulatory obligation for us not to do so, or when the expected benefit of voting is outweighed by the expected costs. In cases when our shares will be immobilised from trading if we vote (“share blocking”) or when there are onerous requirements for voting, we may consider not voting part or all of the holdings. We will not vote at the shareholder meetings of Fidelity funds unless specifically instructed by a client. The Sustainable Investing Team carries out voting activities for the majority of

our funds, including Fidelity Canada funds where Fidelity is the investment manager and segregated mandates where the client has delegated to us authority over voting decisions. For a minority of Fidelity-managed funds, voting is carried out in the local market where this is a regulatory requirement. In cases where Fidelity sub-delegates investment management responsibility for certain assets to third parties, voting activity is conducted by the investment manager to whom investment authority has been delegated, in accordance with that manager’s voting policies.

Fidelity’s voting instructions are generally processed electronically via our proxy voting agent, ISS (Institutional Shareholder Services). Our proxy voting agent provides general meeting notifications, processes our voting instructions and records this activity for subsequent reporting purposes.

Summary of the proxy voting process



Source: Fidelity International, February 2023.

Customised voting policies

We have a set of customised voting policies with our voting agent, but all eventual voting decisions are always made in accordance with Fidelity's policies. In certain markets we utilise technologies to optimise our processes and the application of our policies. We currently undertake different approaches, in different markets, in relation to the review of meeting materials and application of our voting platform's capabilities, including pre-population and automation of votes. Up until, or where feasible after the deadline for votes to be cast, we will re-evaluate and re-vote our positions if new and relevant information changes our vote decision.

We vote across a significant number of markets globally and through many different intermediaries and agents working according to local rules and their specific procedures.

Submitting a 'house vote' and related oversight

To achieve the best possible outcomes for our clients, we generally try to apply our voting rights uniformly and do not split our votes (as long as doing so does not conflict with the objectives or interests of any individual fund). In cases where individual portfolio managers hold opposing views on a particular resolution, or where views differ between the portfolio managers and the Sustainable Investing Team, we have an escalation process where the Sustainable Investing Operating

Committee (SIOC) has the final decision-making authority. SIOC, operating under the authority of Fidelity's Global Operating Committee (GOC), is responsible for policy and objectives setting as it relates to sustainable investing, and oversight of the implementation and delivery of these policies and objectives. The Committee also oversees the execution of Fidelity's ownership rights in investee companies, including engagement and proxy voting activities. Votes that are deemed particularly significant may also be escalated to SIOC for review and approval.

Managing impediments and restrictions

Voting impediments

We vote across a significant number of markets globally and through many different intermediaries and agents working according to local rules and their specific procedures. We seek to vote in all markets and work with our agents to manage the various issues but at times local rules and procedures can result in no vote being submitted at a meeting. Reasons for this can include:

- Inadequate processing time between receipt of meeting materials and instruction cut-off.
- Delayed release of meeting materials.
- Share blocking.
- Powers of attorney requirements.
- Specific meeting documentation.
- Rejected votes from intermediaries or companies.

We endeavour to manage the various impediments we encounter but in some instances, typically in a subset of developing

markets, based on our prioritisation approach or issues in the voting chain, we may not ultimately submit votes at a meeting.

Voting restrictions

At some meetings and on certain resolution types, we may be restricted from voting in certain ways. For instance, we may only be able to abstain or take no action rather than vote in favour or against an agenda item. This situation is not common and usually arises where there may be a potential conflict of interest. For example, a subset of shareholders may be restricted from voting on agenda items relating to the approval of a share issuance, where they have recently participated in a private placement with the company.

Meeting attendance

It is not our usual policy to attend shareholder meetings but, if circumstances warrant, we will on occasion vote in person and may additionally make a statement explaining our position.

Calling shareholder meetings and filing proposals

We do not generally call any shareholder meetings or file shareholder meeting proposals but may do so if there is an issue which cannot be resolved through engagement and where further escalation is deemed warranted. The objective of any such filing would be to secure the best possible outcome for our clients. It is our clear preference to resolve disputes with investee companies by other means (e.g. through one-to-one or collaborative engagement).

We would not generally file shareholder proposals at the request of a client in Fidelity's name. However, we always remain open to considering clients' views.

We maintain close relationships with a range of shareholders as well as other agents of corporate change. Where legally permitted, we are willing to consider collaborative engagement initiatives which may involve filing shareholder meeting resolutions.



Shareholders place their votes into a ballot box. (Credit: Jeff Brass / Stringer, Getty Images)

Part 5: Policy governance, process and oversight

Oversight of policy and application

Our governance structure supports oversight and accountability for effective stewardship at the most senior levels of the organisation. Our SIOC, which operates under the authority of Fidelity's GOC, sets policies and objectives for sustainable investing and monitors progress. The committee has oversight of sustainable investing matters across Fidelity's business units. Its responsibilities include: oversight of the sustainable investing principles and related policies and procedures as they relate to sustainable investing (including the exclusion policy framework and list) and the execution of Fidelity's ownership rights in investee issuers, including engagement and proxy voting activities. The committee comprises senior executives from across our business, including the Global Head of Stewardship and Sustainable Investing and senior representatives from our investment management, distribution and general counsel functions.

Policy governance and proxy voting activities

The Sustainable Investing Team coordinates and manages the approach and design of voting policies and guidelines. The team also monitors the policies and their implementation across various manual and automated voting processes. The monitoring seeks to ensure material updates are considered when the voting decision is finalised and submitted.

We aim to update our voting principles and guidelines on a regular basis, considering developments in relation to voting and ESG matters, investments and discussions with market stakeholders.

We seek to exercise all voting rights in accordance with all applicable laws and regulations, as well as being consistent with the respective investment objectives of the various portfolios. Where Fidelity sub-delegates investment management responsibility for certain assets to third parties, this policy will not apply to those assets and,

Chart 1: The Sustainable Investing Operating Committee



Source: Fidelity International, 2021.

where relevant, we seek instead to rely on the shareholder engagement policy of the entity responsible for managing those sub-delegated assets. We conduct an initial review on the policies of our sub-delegates, including in relation to engagement policies, and oversee the application of these policies in our due diligence meetings with our sub-delegates.

Principles for Responsible Investment (PRI)

Fidelity International is a signatory to the PRI, a voluntary framework for incorporating ESG issues into investment decision-making and ownership practices. The PRI were developed by an international group of institutional investors and are supported by the UN.

As a signatory, we are committed to all of the PRI's principles and these align with our approach to sustainable investing. The key principles are:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

With regard to voting, principle 2 includes exercising voting rights and principle 6 to disclosing active ownership activities covering voting, engagement, and policy dialogue. We report annually to the PRI on our activities with respect to all of the six principles.

Stewardship codes

We support and are signatories to a number of global stewardship codes. We agree with the view that the proliferation of stewardship codes globally signalled the recognition by market regulators and organisations that proper stewardship is not only positive for individual companies but critical for well-functioning capital markets.

We focus on common stewardship objectives which include: reducing corporate governance risks to ensure the preservation of value; and to promote change that will ultimately improve a business's strategy or operations thereby further enhancing value.

We aim to provide quality transparent stewardship, with a focus on key activities and outcomes which form common requirements of most stewardship principles and include:

- Public policy on stewardship.
- Regular monitoring of investee companies.
- Engagement.
- Proxy voting.
- Management of conflicts of interest.
- Escalation approach.
- Transparency on reporting of stewardship activities.

Global and regional corporate governance standards and codes

We encourage and support companies to comply with their local market guidelines and corporate governance codes. For companies to be viewed as credible from an ESG perspective they must not only properly consider and apply local requirements but on many issues exceed regional guidance to meet commonly agreed international best practice and standards.

Although there is a tendency for international best practice to converge on key issues, there can be significant differences in local and regional standards in relation to:

- Laws.
- Regulations.
- Listing rules.
- Stewardship principles.
- Governance codes.
- Local market corporate culture and practice.

We view markets developing and updating their codes positively and where possible comment on potential changes through consultations with policy makers.

Our voting principles and guidelines seek to consider and incorporate key elements of different corporate governance standards, codes and international best practice.

Pensions and Lifetime Savings Association (PLSA)

Our approach to stewardship and voting, seeking to enhance corporate governance and long-term sustainability of companies, is aligned with the objectives of a number of organisations

advocating for best practice on these activities such as the PLSA.

We agree with the PLSA's observation that underlying principles of good corporate governance include accountability, alignment, transparency and integrity. Furthermore, we concur with their view that stewardship involves taking an active role to monitor, engage and intervene on matters which may affect the long-term value of investee companies.

We also support the PLSA's view that, 'how an investor casts its vote at a company Annual General Meeting (AGM) can be a powerful statement of either satisfaction or dissatisfaction with the approach of company management on specific issues.'

Monitoring our proxy advisors

Fidelity votes at shareholder meetings in accordance with its own stewardship and proxy voting policies and guidelines. We use ISS's electronic voting platform to manage voting mechanics, including notification of meetings, submission of voting instructions and reporting, as well as customised voting policies.

We have a set of customised voting policies with our voting agent. However, our voting decisions are made in accordance with Fidelity's principles and voting guidelines after consultation with the relevant portfolio managers where appropriate. We use research from a number of global and local agents, including Glass Lewis's shareholder meeting research reports, to supplement our in-house view.

For most markets, the Sustainable Investing Team reviews every agenda and monitors the votes at every meeting on our voting platform. This ensures that votes are cast correctly at the time they are

submitted and updated, if necessary, up until the meeting instruction deadline where new information is received.

If an issue is identified in a proxy advisor's research that has fed into our decision-making process or an automated application of our instruction, we will generally contact them to highlight any factual concerns or discrepancies.

We have developed a proxy advisor oversight framework to formally monitor key aspects of the policies, procedures and capabilities of our proxy advisors. The due diligence questionnaire focuses on:

1. The functional capability of the advisor to manage their process.
2. Conflicts of interest.
3. Surfacing and evaluating any material changes in services or operations by the proxy advisory firm.

We also meet with senior members of the advisor's client services, operations, research and policy teams to discuss key issues and any concerns. The advisor's capacity, competence and ability to analyse meetings are monitored continuously as we review and analyse individual meetings and review commentaries made by advisors. Furthermore, we periodically subject our advisors' technology practices to an external security review.

Conflicts of interest

The Sustainable Investing Team is responsible for monitoring possible conflicts of interest relating to proxy voting. In instances when a fund holds an investment in more than one party to a transaction, we will always act in the interests of the specific fund in question. In cases where there is a conflict with Fidelity's own interests, we will either vote

in accordance with the recommendation of our principal third-party research provider or, if no recommendation is available, we will abstain or not vote at all. We will not vote at shareholder meetings of any Fidelity funds unless specially instructed by a client. Fidelity has a procedure for escalating voting decisions when conflicts or controversial issues are identified during the voting process, with SIOC acting as final arbiter.

Conflicts between different asset classes

If our funds hold interests in both an issuer's debt and equity, we will always act in the interests of the specific fund in question. In all cases, the management of any potential conflicts and the final determination of the vote is made in accordance with our policies.

Conflicts between the stewardship policies of Fidelity and its clients

Fidelity reviews its client stewardship policies and priorities at the client onboarding stage to assess their alignment with Fidelity's house policies. Currently, we do not apply client proxy voting policies, but we do support clients who wish to implement their own custom voting policies through a segregated mandate.

Stock lending

Fidelity operates a stock lending programme through third parties. We will recall stock when it is in clients' interests and aim to do so when we can vote at a company's shareholder meeting. We do not borrow stock for the purpose of gaining additional votes.

Disclosure

Fidelity captures, analyses and records voting activity in accordance with its policies and discloses our voting policy, guidelines and votes cast. Our voting activity is disclosed at an aggregate level. We may disclose rationales to our investee companies where required by law or otherwise deemed necessary and practical. We disclose our voting record for the preceding 12 months on our website and this information is updated on a periodic basis. We provide institutional clients, when requested, with quarterly voting reports, as well as a more in-depth annual governance and engagement report.

Contacts

If you wish to contact us with regard to any proxy voting matters, please email us at the following address: proxyvoting@fil.com

FIL Limited and other Fidelity named companies

When contacting us, please note that FIL Limited (Fidelity International), our organisation, and its subsidiaries and affiliates, are independent, distinct and separate companies from Fidelity Investments / Fidelity Management and Research Company (FMR) and Fidelity Institutional Asset Management (FIAM), which together are referred to as Fidelity Asset Management (FAM), as well as other organisations with similar names. Strict information barriers are in place to ensure that sensitive investment and voting data is not shared between the investment professionals of FIL Limited and FAM.



Cannon Street office, Fidelity International. (Credit: Fidelity International)

Part 6: Proxy voting guidelines

Sustainable investing proxy voting guidelines

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1 General principles and application

Sustainable investing voting principle:

We aim to vote all of our shares in the best interests of our clients, to support improved client returns, sustainable business behaviours, and our purpose to build better financial futures. We will apply discretion in the application of our voting principles and guidelines to ensure that our approach to voting is effective but also aligned to the best interests of our clients. This means there may be circumstances in which we do not vote in accordance with the principles set out below.

Investee company expectation: *Companies should enable and reasonably facilitate shareholders' abilities to execute their shareholder voting rights and stewardship responsibilities.*

1.1 Voting authority and decision-making

1.1.1 Voting execution and oversight: Fidelity's Sustainable Investing Team is responsible for the execution of voting, the oversight, decision-making and application of our policies on voting.

1.1.2 Non-routine investment proposals and special circumstances: Where necessary, non-routine investment proposals or other special circumstances are evaluated, in conjunction with the Sustainable Investing Team, by the appropriate Fidelity investment research analysts or portfolio managers.

1.1.3 SIOC authority: All votes are subject to the authority of the Global Head of Stewardship and Sustainable Investing and the Sustainable Investing Operating Committee (SIOC).

1.2 Voting approach

1.2.1 Voting coverage: We seek to vote all equity securities where possible. In certain special situations, we may determine not to submit a vote where the costs outweigh the associated benefits. Fixed income managers are consulted on voting matters related to bondholder meetings.

1.2.2 Routine proposals: Except as set forth in these guidelines, we will usually vote in favour of the recommendations set out by company management and routine proposals.

1.2.3 Abstentions: We will vote to abstain on proposals if doing so is deemed to be in the best interests of investors or in some cases where the necessary information has not been provided. In certain limited circumstances, we may also vote to abstain in order to send a cautionary message to a company.

1.2.4 Voting policy application: We make voting decisions on a case-by-case basis and take account of the specific company, sector considerations, prevailing local market standards and best practice, and our voting principles and guidelines. The application of our approach will also vary regionally based on factors including relevant agenda items, current expectations and phased

implementation of policies. Where voting differently to our general approach is in the best interests of our clients, we will address these instances on a case-by-case basis. We seek to ensure that our approach to voting is aligned to our principles and in the best interests of our clients. Our voting application will also take into account our engagement strategy, focus areas and current prioritisation criteria.

1.2.5 Issues not covered by principles or guidelines: We will assess where necessary on a case-by-case basis items or issues not clearly covered by our voting principles or guidelines.

1.2.6 Voting application to agenda items: We will generally vote against items that directly correlate to any concern we have. Where there is no corresponding agenda item, we may vote against other proposals to signal our view and in more severe situations may vote against all agenda items to express our dissatisfaction.

1.2.7 Engagement: We assess the merits of each proposal using company disclosure and internal as well as external research. When deemed necessary, we engage with companies to seek a better understanding of the proposal in order to make a more informed voting decision. We will also endeavour to engage with relevant stakeholders if needed to achieve a comprehensive, fair and holistic view of the item under review.

1.3 Voting integration with sustainable investing factors

1.3.1 Sustainability-related proposals: We evaluate proposals that relate to sustainability issues on a case-by-case basis, guided by our sustainable investing policy, our investment approach and policies, and widely accepted sustainable principles and frameworks such as the UN Sustainable Development Goals (SDGs). We also reference standards from organisations including the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the CDP (formerly the Carbon Disclosure Project).

1.3.2 Escalation of ESG concerns to voting: We seek to integrate voting as a tool to signal our concerns, and promote positive change, in relation to ESG issues that have been identified and discussed with the company but have seen no sign of improvement over a prolonged period. We will consider voting against the re-election of the chair or directors that are considered most accountable in this case.

1.4 Conflicts of interest

1.4.1 Conflicts of interest: In instances where there may be a conflict, we will either vote in accordance with the recommendation of our principal third-party research provider or, if no recommendation is available, we will either not vote or abstain in accordance with local regulations.

1.4.2 Votes on our funds: Fidelity's Sustainable Investing Team will not vote at shareholder meetings of any Fidelity funds unless specifically instructed by a client.

2 Shareholder rights and authority

Sustainable investing voting principle: *We believe that companies should fully recognise all shareholder rights and aim to meet the highest governance standards.*

Investee company expectation: *Companies should respect shareholder authority and rights, including those of minority investors, and where possible seek to enhance these rights to meet governance best practice.*

2.1 Multiple voting rights:
We support the principle of one share, one vote and will vote against the authorisation of stock with differential voting rights if the issuance of such stock would adversely affect the voting rights of existing shareholders.

2.2 Transfer of authority from shareholders to directors:
We will generally vote against any limitation on shareholder rights or the transfer of authority from shareholders to directors. Furthermore, we will typically always support proposals that enhance shareholder rights or maximise shareholder value.

2.3 Anti-takeover measures:
We will vote against anti-takeover

proposals including share authorities that can be used as a control-enhancing mechanism.

2.4 Poison pill without approval:
We will consider voting against senior management if a poison pill has been implemented without shareholder approval in the last year.

2.5 Cumulative voting:
We will support cumulative voting rights when it is determined they are favourable to the interests of minority shareholders.

2.6 Voting by poll and disclosure of results:
We support proposals to adopt mandatory voting by poll and full disclosure of voting outcomes.

2.7 Voting practice:
We will support proposals to adopt confidential voting and independent vote tabulation practices.

2.8 Detailed documentation provided in a timely manner:
We expect companies to provide adequate detail in shareholder meeting materials and for these materials to be made public sufficiently in advance of the shareholder meeting to enable all investors to make informed decisions.

2.9 Conversion of stock:
We will consider conversion of stock on a case-by-case basis.

2.10 Shareholder ownership enhanced disclosure:

We generally support enhanced shareholder ownership disclosure. However, we may vote against it where, in our view, the threshold obligations are unreasonably onerous.

2.11 Shareholder ownership disclosure thresholds:

We review proposals to reduce ownership percentage disclosure thresholds on a case-by-case basis.

2.12 Other business:

We will vote against proposals that request approval of non-specific items under a request for approval of other business.

3 Corporate culture and conduct

Sustainable investing voting principle: *We encourage companies to foster a positive corporate culture that maximises board and employee effectiveness and wellbeing, and that takes account of a broad spectrum of considerations including diversity, conduct and accountability.*

Investee company expectation: *Companies should meet basic corporate governance standards on board composition, including director, board and committee independence, while also considering requirements to meet sufficient diversity, expertise, conduct and ethics standards.*

3.1 Board composition and independence

3.1.1 Board independence: We favour robust independent representation on boards and may not support proposals relating to the election of directors where we deem there is an insufficient independence level on the board.

3.1.2 Board committee independence: We support boards establishing audit, remuneration and nomination committees to enhance the management and scrutiny of these governance areas but will vote against election of directors where we feel the objectivity of these committees is compromised.

3.1.3 Director independence: We will vote against the election of nominees as independent directors, supervisors, and statutory auditors if, in our view, they lack sufficient independence from the company, its management or its controlling shareholders.

3.1.4 CEO and chair separation: We favour a separation of the roles of chair and chief executive and will vote in favour of this outcome when the opportunity arises. In markets where there is established separation of the two roles, we will consider voting against nominees deviating from best practice.

3.1.5 Nominee disclosure: We will vote against director elections in cases where the names of the nominees are not disclosed to shareholders on a timely basis.

- 3.1.6 Board renewal:** We support periodic and orderly board refreshment and may vote against directors where, in our view, a significant proportion of the board is comprised of directors with excessively long tenures.
- 3.2 Board effectiveness, conduct, diversity, inclusion and expertise**
- 3.2.1 Board effectiveness:** Companies should articulate how the board is undertaking its role and functions and demonstrate this by providing key information on material issues. The board should also comment on the skill set, diversity and experience of its members.
- 3.2.2 Director attendance:** We will vote against the re-election of directors with poor attendance records at previous board or committee meetings without clear justification for the absence.
- 3.2.3 Outside directorships on public company boards:** We do not support directors serving on a significant number of boards because this may compromise their capacity to fully meet their board responsibilities. The assessment will consider the type of role they undertake at the company and will take into account the positions at related companies and the nature of their business and the differences in market development.
- 3.2.4 Tenure of independent directors:** We recognise that the independence of directors can diminish over time and we may not support the re-election of directors to independent director roles if their tenure is excessive. Where deemed valuable to the board, we may support a candidate's re-election to the board in a non-independent non-executive role.
- 3.2.5 Board size:** We will not support changes to increase a company's board size, or the election of directors, where we deem the size of the board is excessive. We will also not support reductions in board size that could compromise board effectiveness.
- 3.2.6 Contested elections:** We will review contested elections on a case-by-case basis.
- 3.2.7 Diversity and inclusion:** We support enhancing board effectiveness through diversity and inclusion of necessary talents and skill sets on a company board. This includes our support for gender, racially and ethnically diverse boards. Companies that fall short of market or sector best practice with respect to board gender, race and ethnic diversity are expected to adopt objectives for improvement and demonstrate progress over time. In circumstances where we conclude that a board is not addressing this issue with the seriousness or urgency it deserves, additional measures may be considered, including, where appropriate, voting against the re-election of members of the board, which may include the chairman or the chairman of the nomination committee.
- 3.2.8 Gender-balanced boards:** We support gender diversity on a company's board and will vote against the election of directors where boards do not have at least 30% female representation at companies in the most developed

markets (including the UK, EU, USA and Australia) and 15% female representation in all other markets where standards on gender diversity are still developing. We may also take into account factors including the board size, industry and corporate structure.

3.2.9 Racially and ethnically diverse and inclusive boards: We support racial and ethnic diversity on a company's board and will consider voting against the election of accountable directors where there are serious concerns relating to racial or ethnic underrepresentation on the board, or the number is inadequate, based on factors including the board size, industry, and market.

3.2.10 Mandatory retirement age: We are generally not supportive of mandatory retirement ages for directors and employees.

3.3 Conduct and accountability

3.3.1 Corporate culture and conduct: We believe that companies should foster a culture across their organisations of acting lawfully, ethically and responsibly, including enforcing anti-corruption and anti-bribery policies and processes, and where it is clear that there has been serious conduct to the contrary, we will vote against the election of the accountable directors.

3.3.2 Integrity and competence: We will vote against the election of directors if, in our view, they lack the necessary integrity, competence or capacity to carry out their duties as directors. Relevant factors which

may lead us to conclude that a director's election should not be supported include but are not limited to: involvement in material failures of governance or risk oversight that call into question the nominee's fitness to serve as a fiduciary; qualifications and experience; and abuse of minority shareholder rights.

3.3.3 Whistleblowing and risk practice:

We support companies meeting minimum legal protection standards with regard to whistleblowing and risk management practices and will vote against directors where we have been made aware that there have been clear significant breaches of expected standards.

3.3.4 Contingency planning and accountability:

We encourage companies to undertake comprehensive contingency planning, taking into account ESG factors, and we may vote against the election of directors where we assess this has been clearly inadequate.

3.3.5 Majority shareholder abuse: We will vote against board members, where appropriate, in cases where there have been abuses to minority shareholder interests by the company's controlling shareholder.

3.3.6 Bundled voting items: Shareholder approval for the election of each director should be sought under individual agenda items. We will generally vote against bundled elections or bundled proposals where we are not supportive of any one or more components of the proposal.

3.3.7 Local governance codes: We support companies following their local market corporate governance code for best practice and may vote against items where there is a material failing to meet basic local practice.

4 Audit and financial reporting

Sustainable investing voting principle:

We recognise the importance of all corporate reporting and seek to ensure company disclosures are clear, transparent, comprehensive, consistent, timely and accurate.

Investee company expectation: *Companies should ensure that all disclosures and reporting are fully transparent, meet relevant accounting practices and standards, are delivered in a timely manner and cover financially and non-financially material information, and that the audit process is rigorously conducted by independent parties.*

- 4.1 Audit committee independence:** We will vote against members of the audit committee and/ or accountable board members, where the committee is not fully composed of non-executive directors and/ or a majority is not independent.
- 4.2 Qualified or delayed audit:** We will vote against relevant proposals where the audit report is either qualified, we have concerns about its integrity, or it is delayed without sufficient rationale.
- 4.3 Auditor independence:** We will vote against the appointment of an auditor where there are concerns in relation to

their independence based on tenure and remuneration or controversies related to the audit firm.

4.4 Auditor rotation: We will consider voting against the auditor appointment and members of the audit committee where the auditor's tenure has, in our view, become excessive.

4.5 Auditor fees: We will consider voting against the auditor appointment and members of the audit committee where non-audit related service fees appear excessive relative to audit fees and where the disclosure of auditor fees is inadequate.

4.6 Audit independence: We will vote against members of the audit committee where there are concerns in relation to the independence or quality of the audit report or the auditor.

4.7 Financial reporting: We will vote against financial statements where we have concerns about the content or accuracy of a company's financial position and reporting.

4.8 Financial reporting and adherence to accounting practices: We will vote against financial statements where we believe the statements have failed to meet required levels of accounting practice.

4.9 Financial reporting transparency: We will not support financial statements where we have concerns about the transparency of key issues including material weaknesses and fairness in the company's tax policies.

5 Remuneration

Sustainable investing voting principle: *We believe companies should create clear, simple and well-designed remuneration structures to incentivise senior managers to deliver on company strategy while aligning with the interests of shareholders and other key stakeholders.*

Investee company expectation: *Companies should ensure that pay practices and frameworks are fully disclosed to shareholders, are aligned with shareholder interests, consider relevant performance criteria including appropriate financial and non-financial metrics, and are implemented in a clear and fair manner.*

5.1 Approach, alignment and outcomes

- 5.1.1 Misalignment of remuneration outcomes:** We will vote against remuneration-related proposals where we believe there is a clear misalignment between remuneration and the interests or experience of shareholders, or where material negative outcomes for stakeholders are not appropriately taken into consideration for pay outcomes.
- 5.1.2 Poor transparency and complexity:** We support simple and clear remuneration arrangements and believe these factors help make the expectations placed on participants clearer.
- 5.1.3 Votes on remuneration:** We will support proposals to give shareholders the right to vote on executive pay practices.

5.1.4 Remuneration concerns: We will generally vote against remuneration proposals when payments made to executives are considered excessive, overly short-term in nature, or not reflective of company performance.

5.1.5 Ongoing remuneration concerns: In markets that provide shareholders with the opportunity to vote on a company's remuneration report, we will consider voting against the re-election of the chairman of the remuneration committee if we vote against the report of the remuneration committee for the second year in a row (assuming no change in personnel in the interim).

5.1.6 Remuneration committee independence: We do not support the presence of executive directors on the remuneration committee (or its equivalent) of the companies which employ them, and we will consider voting against directors or the remuneration report in these instances when given an opportunity to do so.

5.1.7 Independent non-executive director pay: We will vote against remuneration granted to independent non-executive directors if the payment may compromise the directors' objectivity, although the circumstances of individual companies and rationale for pay structure will be considered. We will generally not support arrangements where independent and non-executive directors receive significant fee increases, share options, or payments in cash or shares that are subject to performance targets.

5.2 Practice and implementation

- 5.2.1 Pay quantum:** We will vote against remuneration proposals where the size of pay or increases in executive pay levels are in our view excessive.
- 5.2.2 Aggregate compensation ceiling:** We will vote against proposals that seek to make adjustment to an aggregate compensation ceiling for directors where we believe this is excessive or we believe it is not necessary.
- 5.2.3 Share ownership:** We strongly encourage the long-term retention of shares by executives, and we will consider voting against remuneration proposals if the company lacks policies requiring executives to build up a significant share ownership within a reasonable timeframe. In some markets, we expect share ownership guidelines to require the retention of shares for a period after the director's mandate has ended. We encourage the use of broad-based share incentive plans for executives and rank-and-file staff. For shares awarded to executives as part of a long-term incentive plan, we will have particular regard for minimum required retention periods. Practice in this regard differs globally but over time we expect all companies to move toward a minimum guaranteed retention period of at least five years from the date of grant, or put arrangements in place that provide an equivalent shareholder alignment.
- 5.2.4 Dilution:** We will vote against incentive arrangements if the dilutive effect of shares authorised under the plan is excessive.
- 5.2.5 Discounted awards:** We will generally vote against options offered with an exercise price of less than 100% of fair market value at the date of grant. Employee share-save schemes may be supported provided the offering price of shares is not less than 80% of the fair market value on the date of grant.
- 5.2.6 Re-pricing:** We do not support the re-pricing of stock options and will vote against proposals that seek approval for this practice.
- 5.2.7 Uncapped awards:** We do not favour non-routine remuneration arrangements where the potential awards are uncapped or provide no clarity on the quantum of awards, such as those found in certain value creation plans.
- 5.2.8 Re-testing of performance criteria:** We do not support arrangements where performance re-testing is permitted. In our view, if performance targets for a given year are not met, then awards for that year should be foregone.
- 5.2.9 Material changes to remuneration arrangements:** We are not supportive of remuneration arrangements that provide discretion to permit material changes without shareholder approval.
- 5.2.10 Holding period:** We believe companies should put in place longer holding periods for share awards and our preference is for a minimum retention period of five years for shares granted to top executives. We will consider voting

against arrangements where we deem the holding period too short.

5.2.11 Performance hurdles reduced: We will generally vote against proposals where performance hurdles attached to remuneration arrangements have been reduced.

5.2.12 Incentive arrangement criteria: Subject to local market standards, we will generally vote against incentive arrangements where any of the following are met:

5.2.12.1 No performance conditions: We will vote against proposals where there are no performance conditions attached to any of the incentive awards.

5.2.12.2 No disclosure of performance conditions: We will vote against proposals where there is no disclosure of the performance measures to be used.

5.2.12.3 Insufficiently challenging targets: We will vote against proposals where the performance targets are insufficiently challenging.

5.2.12.4 Inadequate proportion of award subject to targets: We will vote against proposals where the proportion of the performance targets attached to the incentive is insufficient.

5.2.12.5 Inadequate vesting period: We will vote against proposals where there is an inadequate vesting period attached to the awards.

5.2.12.6 Vesting on change of control: We will vote against proposals where there is full vesting on a change of control.

5.2.13 Non-standard incentive arrangements: We will review non-standard features relating to incentive arrangements on a case-by-case basis.

5.2.14 No long-term incentive plan: In certain

markets, based on local practices, we may vote against proposals such as the election of directors or the remuneration report, where there is no long-term incentive plan in place at the company.

5.2.15 Severance packages: We will generally vote against severance packages that are contrary to best practice.

5.2.16 Non-financial criteria: We will assess the use of non-financial performance criteria in long-term incentive arrangements on a case-by-case basis. Non-financial considerations, either directly linked with strategy implementation or focused on positive stakeholder outcomes, should be integrated into the remuneration policy as appropriate, either through the use of specific targets, modifiers, gateways/underpins, or in the context of the ex-post review of formulaic remuneration outcomes by the board or remuneration committee. We will consider voting against proposals where we believe companies are not taking non-financial factors adequately into consideration.

5.2.17 Board and management contracts: We will consider voting against the election of directors or remuneration-related proposals where executive director service contracts do not meet local market best practice.

5.2.18 Remuneration-related employee loans: We will not support companies providing loans to facilitate participation in their remuneration plans. Employees should access required credit from banks or other third parties.

5.2.19 Ex gratia payment: We will not generally support ex gratia payments to directors of the company.

5.2.20 Authority to omit executive compensation disclosure: We will vote against proposals that seek to omit or reduce executive compensation disclosure.

6 Articles and charter amendments

Sustainable investing voting principle: *We support companies amending their articles to align with current market requirements or enhance shareholder authority.*

Investee company expectation: *Companies should generally only alter their governing documentation and principles to meet updated legal or technical requirements or to enhance shareholder interests, protections and rights.*

6.1 Articles of association:
We will vote against changes to a company's articles of association that are not in the interests of shareholders.

6.1.1 Lower quorum requirement:
We will vote against amendments to reduce the quorum level for special resolutions and changes to articles of incorporation.

6.1.2 Limit number of shareholder representatives at meetings:
We do not support proposals that have

the potential to restrict or result in a detrimental effect on shareholder rights.

6.1.3 Amend provisions on number of directors (increase or decrease maximum board size):

We do not support proposals seeking to make changes in board size that would result in the board being too small or too large to function effectively.

6.1.4 Require supermajority vote to remove director:

We do not support the introduction of provisions that increase the potential difficulty in the removal of a director.

6.1.5 Extend directors' terms:

We do not support article amendments seeking to extend directors' terms.

6.1.6 Takeover defence provisions:

We do not support anti-takeover devices and accordingly would vote against proposals seeking to add or change provisions to adopt control-enhancing mechanisms.

7 Investment-related matters

Sustainable investing voting principle: *We support companies pursuing strategic and general investment-related transactions that make good business sense and are in the interests of all shareholders.*

Investee company expectation: *Companies should only pursue investment-related activities that are in the best interests of the company and shareholders.*

7.1 Mergers, acquisitions and disposals:

We will consider mergers, acquisitions and disposals on a case-by-case basis and vote against where we are not supportive of the transactions.

7.2 Reorganisations and restructuring:

We vote on a case-by-case basis with regard to company reorganisations and restructuring.

7.3 Takeover bids:

We review takeover bids on a case-by-case basis and although usually supportive of current management, where management has failed consistently to deliver on reasonable expectations for shareholder returns and the bid fully recognises the prospects of the company, we may support the proposal.

7.4 Management buyouts:

We review management buyouts on a case-by-case basis and review the opportunity to deliver value to shareholders along with potential conflicts of interest among other factors.

7.5 Re-incorporation and changes in listings venue:

Where a company seeks to make changes to re-incorporate or change its place of listing, we will review these on a case-by-case basis and assess the rationale for the change. We will vote against where there is no merit to the change or it appears contrary to the long-term interests of shareholders.

8 Capital management

Sustainable investing voting principle: *We expect efficient capital allocation measures and activities considering the immediate and long-term trajectory and interests of the company and all shareholders.*

Investee company expectation: *Companies should manage capital responsibly, sustainably, avoid capital-destructive actions and seek to enhance shareholder value.*

8.1 Capital allocation:

We encourage efficient capital allocation measures but where, in our view, excess cash should be returned to shareholders, we may vote against dividend-related items, directors or in support of shareholder proposals that facilitate improvement.

8.2 Authority to change authorised share capital:

We will vote against unusual or excessive requests to change share capital, particularly in respect of proposed increases for companies in jurisdictions without assured pre-emptive rights or where this is to facilitate an anti-takeover device.

8.3 Issuances with and without pre-emptive rights:

We will vote against issuance requests with or without pre-emptive rights that we believe are excessive.

8.4 Private placements:

We will consider voting against board

members where private placements have been made with limited offering or contrary to the interests of minority shareholders.

8.5 Debt issuance:

We are generally supportive of companies seeking approval for the issuance of debt providing the terms are not contrary to the interests of existing shareholders.

8.6 Borrowing powers:

We evaluate proposals related to the approval of company borrowing on a case-by-case basis.

8.7 Share repurchase plans:

We are generally supportive of companies seeking to repurchase shares but evaluate these considering broader factors related to the capital allocation.

8.8 Reissuance of repurchased shares:

We consider companies reissuing repurchased shares on a case-by-case basis and may vote against relevant proposals where this is deemed unnecessary or egregious.

8.9 Corporate guarantees and loan agreements:

We evaluate proposals related to the approval of corporate guarantees and loan agreements on a case-by-case basis.

8.10 Investment of company funds into financial products:

We are generally supportive of proposals seeking approval to use idle funds to invest in financial instruments for cash

management or capital preservation unless, in our view, the investment would expose shareholders to unnecessary risk.

8.11 Pledging of assets for debt:

We assess proposals seeking the pledging of assets for debt on a case-by-case basis.

9 Related-party transactions

Sustainable investing voting principle:

We expect companies to act fairly and transparently on all related-party transactions and believe that these should always be in the best interests of the business and all shareholders.

Investee company expectation: *Companies should act in the interests of the business and all shareholders when undertaking transactions. They should seek to avoid any perceived conflicts of interest and unnecessary risk and fully disclose all details. Where conflicts and risks are material, companies should seek approval by shareholder vote.*

9.1 Related-party transactions:

We believe that all material related-party transactions should be put to a shareholder vote. We will vote against related-party transactions that are not aligned with the interests of the company's minority shareholders.

9.1.1 Conflicted related-party transactions:

We will vote against where the terms of a related-party transaction are not equivalent to those that would prevail in an arm's-length transaction.

9.1.2 Transaction disclosures: We will vote against where there is inadequate disclosure of key information or supporting evidence including the review of independent directors or financial advisors.

9.1.3 Transaction pricing: We will not support related-party transactions where there are any concerns about the pricing of the transactions.

9.1.4 Transaction rationale and timing: We will not support a transaction if the company has not provided adequate detail on the rationale for the transaction and its timing.

10 Governance of climate change oversight, practice and action

Sustainable investing voting principle: *We seek to promote improved climate change-related corporate behaviours.*

Investee company expectation: *Companies should meet minimum standards of climate change oversight, practice, disclosure, and action. Companies should take appropriate action to adapt their business models in line with international agreements aimed at mitigating the effects of climate change, biodiversity loss and deforestation. This includes long-term objectives to transition to low carbon energy sources, away from thermal coal and other fossil-fuels.*

10.1 Minimum standards of climate change oversight and practice: We aim to vote against the election

of members of a company's board, including the chairman and CEO, and other relevant proposals where, in our view, the company has not met our expectations of standards of climate change oversight and practice. We will take into consideration factors including the markets and industries in which the company is operating.

10.1.1 We will vote against directors at companies that do not adequately meet our climate change-related expectations, taking into account if they are within industries most affected by climate change and the degree of urgency, where we believe they should be addressing these issues. We believe that all companies should be disclosing:

- **A stated policy on climate change**
- **Emissions data**
- **Confirmation of discussion and oversight of climate change at the board level**

10.1.2 For companies we believe should be addressing climate change-related issues most urgently, including those within industries most affected by climate change, we believe that they should be undertaking and disclosing:

- **Targets for reducing greenhouse gas emissions**
- **Description of the impacts of climate-related risks and opportunities on their businesses, strategy and financial planning**

- Scenario planning including multiple scenarios
- Impact scenario referencing a 1.5°C limit

Summary: Minimum expectations of climate change oversight and practice

All companies	Companies most affected by climate change
A stated policy on climate change	A stated policy on climate change
Emissions data	Emissions data
Confirmation of discussion and oversight of climate change at board level	Confirmation of discussion and oversight of climate change at board level
	Targets for reducing greenhouse gas emissions
	Description of the Impacts of climate-related risks and opportunities on their businesses, strategy and financial planning
	Scenario planning including multiple scenarios
	Impact scenario referencing a 1.5°C limit

Source: Fidelity International, February 2023.

10.2 Climate progress:

We will vote against board members where we believe the progress companies are making to address climate change is inadequate and may take into account criteria from climate assessment tools including our

proprietary climate rating.

10.3 Financing activities negatively contributing to climate change:

We will vote against directors where there are material concerns or failures with practices related to financing activities negatively contributing to climate change.

10.4 Climate change and engagement:

In relation to ESG engagements on climate practices with company management, we will vote against the election of members of a company's board or other appropriate agenda items where the company has not adequately addressed our concerns.

10.5 Climate action plans ('Say on Climate'):

We will evaluate resolutions submitted by the board relating to the company's climate change strategy or implementation thereof on a case-by-case basis. We will support climate strategies that we believe enable a credible societal transition to net zero in line with the goals of the Paris Agreement. Our evaluation will consider the ambition of the climate strategy, the company's climate change governance, and its capital allocation practices, as well as insights from our engagements.

10.6 Climate change-related shareholder proposals:

Our firm-wide positioning on climate, including support of the Paris Agreement, informs our climate voting approach both on holding boards accountable for

not meeting minimum standards and on supporting shareholder proposals that improve climate-related corporate behaviours and disclosures. Climate-related shareholder proposal votes are evaluated on the merits of the proposal. In all cases however we take a holistic view of factors when determining our final decision.

10.7 Climate change-related shareholder proposals on improved disclosure:

We support shareholder proposals that call for enhanced disclosure on climate-related reporting and practice, encouraging this to be in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and will consider supporting all shareholder proposals that promote this objective and are reasonable for the company to implement.

10.8 Climate change-related and lobbying-related shareholder proposals:

We support enhanced disclosure and best practice in relation to company practices on climate-related lobbying and will

support all shareholder proposals that are reasonable for the company to implement and are aligned with their commitments and future development.

10.9 Climate change-related shareholder proposals on the management of greenhouse gas emissions:

We believe it is critical that all companies properly take into account and manage their greenhouse gas emissions and targets and will support, where reasonable, shareholder proposals seeking to improve these practices.

11 Environmental and social responsibilities

Sustainable investing voting principle:

We encourage companies to meet and report on their environmental and social responsibilities through reduction in negative externalities and maximising the positive impact of their business.

Investee company expectation:

Companies should adequately manage and address their material environmental and social responsibilities and consider how they can improve their current business strategy and practices.

11.1 Environmental and social responsibility engagement:

We will vote against directors that we consider accountable for major corporate failures in relation to their duties to manage relationships with stakeholders on material environmental or social concerns.

11.2 Deforestation:

We believe companies should meet minimum standards of deforestation oversight, practice, disclosure, and action on deforestation disclosures and activities. We expect investee companies to have a plan in place to address deforestation, underpinned by deforestation-free commitments. Following continued deforestation related engagement in 2023, we intend to begin the application of our voting principles and guidelines on deforestation effective from 2024.

We plan to vote against members of the board at companies in high-risk sectors that do not adequately meet our deforestation-related expectations. We will take into account the company's position within the supply chain, industry exposure, operating and supply chain location, engagement progress, and the urgency with which we believe they should be addressing deforestation.

We believe that companies with material exposure to deforestation, whether in direct operations or indirect exposure in their supply chain, should be disclosing information covering material key forest-risk commodities (including: palm oil, soy,

beef and leather, pulp and paper), on the following:

- Timebound deforestation-free commitment
- Deforestation approach or plan underpinning the timebound commitment

Our assessment of the deforestation-related disclosures and practices that companies should be considering and implementing will develop and evolve over time as reporting standards and best practices are finalised and assessment tools improve.

11.3 Responsible palm oil:

We will vote against directors where there are material concerns or failures with practices related to responsible palm oil.

11.4 Waste and pollution:

We will vote against directors where it is clear there have been material failings by a company to minimise the negative externalities caused by its businesses or failure to monitor product quality and the chemical safety of its products for the environment and human health upon disposal.

11.5 Water and aquaculture:

We will vote against directors where a company has clearly failed to properly manage the sourcing of water, failed to mitigate potential water scarcity risks, or are accountable for failings resulting in material pollution or contamination.

11.6 Sustainable protein:
We will vote against directors where there are material concerns or failures with practices related to sustainable protein.

11.7 Biodiversity:
We will vote against directors where they have clearly failed to manage or implement the capabilities to monitor and assess material environmental risks related to biodiversity matters and reduce the ecological impact of their operations.

11.8 Supply chain sustainability, human rights, labour rights, and modern slavery:
We will vote against the election of members of a company's board of directors, including the chair and CEO, and other appropriate proposals where, in our view, the company has not met the minimum standards of monitoring and overseeing itself and its suppliers with regard to human rights and minimising the risk of modern slavery or human rights violations occurring within its organisation or supply chain.

11.9 Health and safety:
We will vote against directors where there are failings in the provision of safe working conditions and managing health and safety risks.

11.10 Data privacy, cyber security and digital ethics:
Where a company has failed to meet our expectations on matters of data privacy, cybersecurity or digital ethics, we will vote against directors we view as accountable.

11.11 Political donations and lobbying:
We support robust disclosures on corporate political lobbying activities. We will consider voting against management, typically on shareholder proposals, where there is a misalignment between involvement with political donations and lobbying activities and a company's own stated strategy or commitments or such lobbying activity is in conflict with the interests of stakeholders.

11.12 Corporate sustainability reporting:
We will vote against directors where there are material issues or inaccuracies included within a company's sustainability reporting or the reporting level is significantly below expected standards.

12 Shareholder sponsored ESG Proposals

Sustainable investing voting principle:

We seek where possible to support shareholders working to effect positive changes at companies.

Investee company expectation: *Companies should engage with all interested stakeholders on shareholder proposals and implement approved resolutions.*

12.1 Shareholder proposals:
We evaluate shareholder proposals on a case-by-case basis and our consideration includes the company's perspective and response to the proposal, the proponents' case and the proposal's intention, whether

the proposal is binding or advisory in nature, current market best practices, impact on shareholder value, and Fidelity's sustainable investing policies.

12.2 Voting in favour of reasonable shareholder proposals:

We aim to support ESG shareholder proposals that address and improve issues of material importance to the company and its stakeholders. Shareholder proposals are evaluated based on the merit of the proposal.

12.3 Shareholder proposals seeking environmental and social improvement:

We will support all shareholder proposals we deem reasonable that relate to improvements in the practices, disclosure and management of environmental and social impacts of company operations which include areas of our thematic engagement and general focus areas including:

- Climate change
- Diversity and inclusion
- Waste and pollution
- Water and aquaculture
- Sustainable protein
- Biodiversity
- Responsible palm oil
- Deforestation
- Supply chain sustainability, human rights, labour rights, and modern slavery

- Health and safety
- Data privacy, cyber security and digital ethics
- Political donations and lobbying
- Corporate sustainability reporting

12.4 Failure to implement previously approved shareholder proposals:

If a shareholder proposal receives majority support but is not implemented by the company, we will consider voting against board members at subsequent shareholder meetings.

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