Fidelity Investments Stewardship Principles

As Benjamin Graham and David Dodd observed in their 1934 treatise on investing, Security Analysis, "The choice of a common stock is a single act; its ownership is a continuing process. Certainly, there is just as much reason to exercise care and judgment in being as in becoming a stockholder."[1] Stewardship, the use of both issuer* engagement and proxy voting to maximize overall long-term value, is that continuing ownership process. Being a good steward of our customers' capital means paying close attention to issuers' uses of the capital at their disposal—including financial and operational, human, and natural capital—and partnering with them on the path toward value creation.

"We see stewardship as a critical tool for addressing material risks and opportunities in portfolios to help generate long-term value for our customers."

We see stewardship as a critical tool for addressing material risks and opportunities in portfolios to help generate long-term value for our customers. Stewardship involves an active approach to ownership: engaging across the capital structure with issuers on topics of strategic importance and voting on behalf of our customers consistent with their long-term financial interests. The goal of both activities is to create value for the business while mitigating potential risks.

Our core principles sit at the heart of our stewardship activities and rest on our 75-year history of helping to strengthen and secure our customers' financial well-being. Putting our customers' interests first and investing in issuers that share our approach to creating value over the long-term guides everything we do, from developing new products, to the way in which we conduct investment research and manage customers' assets. As stewards for our customers, these principles inform our interactions with the issuers in which we invest, and in turn, our proxy voting practices.

Our approach to stewardship is described in these Stewardship Principles, and in our Proxy Voting Guidelines and the Sustainable Proxy Voting Guidelines[2] (collectively, and unless otherwise noted, "Proxy Voting Guidelines"), available here. Our investment teams apply and adapt these principles to support their investment strategies with flexibility based on the specific strategy—including adjustments for asset classes, time horizons, and geographies. These principles and guidelines help our customers and the issuers in which we invest understand how we evaluate and encourage accountability from issuers.

* An issuer may be a public or private company with equity and/or fixed-income securities, or an issuer may be a municipality or sovereign nation. Our stewardship principles apply across a range of asset classes, and we will refer to the entities that issue the securities and assets in which we invest as "issuers" throughout this document.

Fidelity INVESTMENTS

Stewardship Priorities

We seek to protect our customers' interests through regular engagement with issuers to discuss matters that we believe could affect long-term performance. Our stewardship activities prioritize factors that are financially material and are based on our evaluation of the issuer's approach to financial and operational, human, and natural capital.

Financial & Operational Capital

We believe good governance is essential. Effective deployment of financial and operational resources starts with good governance. Strong governance structures and processes provide the essential foundation for long-term value creation and protect our interests as investors. We encourage issuers to:

1. Have strong oversight of strategy, including factors material to capital allocation (including pay), in support of long-term value creation. In our view, boards and management teams that start with long-term strategy and have clearly articulated capital allocation priorities and success metrics can deliver better performance over time. This includes, for example, having compensation policies (like executive pay or remuneration) that are transparent and that closely align the interests of executives with the issuer's long-term objectives and value creation for investors.
2. Have boards with a majority of independent directors, relevant expertise, a diverse range of skills and backgrounds, an ownership mentality, directly elected, and refreshed periodically. We view an issuer's board of directors as among its most strategic assets for value creation and risk management. Given the critical role directors play in ensuring that an issuer serves the interests of its investors, we believe boards should generally be composed of a majority of independent directors. In our experience, boards make better decisions when directors reflect the appropriate balance of relevant skills and experience and are drawn from a diverse pool of backgrounds (for example, by including a mix of gender, racial and ethnic diversity). Finally, we believe board directors that are directly elected and periodically refreshed bring an ownership mentality to board service that aligns with investors.
3. Develop processes and expertise to build organizational resilience, including robust oversight of potential threats to business reputation or value (for example, cybersecurity risks or poor governance of corporate political activity). In general, effective boards focus on the distant horizon while supervising near-term strategy. We believe strong oversight of current and emerging risks builds organizational resilience, protects issuers' reputations and, ultimately, protects investors' capital. For example, we recognize that evolving litigation, legislation, and regulation can impact an issuer's operating environment and we expect the board to ensure that corporate lobbying and political contributions align with stated goals and objectives.
4. Be accessible and responsive to providers of capital by having aligned interests and regular engagement; including voting rights that are generally allocated in proportion to economic interest. We prefer management teams and boards to proactively engage with investors on topics that could affect long-term performance. Our team will evaluate whether an issuer has adequately addressed the concerns communicated by Fidelity and has followed through on its commitments.

Management is entrusted with the day-to-day operations of a business and longer-term strategic planning, subject to board oversight. Many constituencies, however, have a stake in how a business is managed—providers of capital, directors, management, employees, suppliers, and the customers and communities where an issuer operates. In our view, the best-managed businesses balance the varied interests across these groups and have transparent policies to engage key constituencies.

To reinforce this responsiveness and engagement, we believe issuers' investors should have the final say over their rights and ownership interests. In our view, a board that acts to eliminate or limit investors' rights may reflect deeper corporate governance weaknesses at the company.

Human Capital

We believe people generate value. In our experience, no business can succeed over the long-term without the support of employees, customers, suppliers, and the communities in which it operates. We find issuers that carefully manage and invest in these key relationships build lasting resilience and competitive advantage. We encourage issuers to:

1. Create a business culture where the innovations, ambitions, and interests of people are harnessed to shape the strategy and long-term future of the company. We believe successful firms need human capital and talent management strategies that attract, motivate, and retain people with the diversity of skill sets and backgrounds required to fuel innovation and growth initiatives. A preponderance of empirical evidence, as well as our own research observations, indicate that companies with more diverse workforces are better positioned to outperform their peers over time and are more resilient in periods of challenge. In our experience, strong human capital and talent strategies include treating employees with respect by prioritizing their financial well-being, health, and safety, and leveraging the potential of their talent via investment in development and training. We support the development of policies and disclosures on these issues— and encourage additional transparency in instances where we identify opportunities to address cultural or structural barriers that may hamper a company's progress toward building a future-fit workforce.
2. Develop and manage their products responsibly, including by focusing on materials and supply chain sourcing, marketing, safety, and customer suitability. In our view, thoughtful materials and supply chain sourcing practices drive long-term value. Considering product inputs and sourcing strategies as part of product development helps embed efficiency from the outset and benefits issuers by reducing costs and enhancing profitability. We find responsible product marketing, oversight of product safety, and focus on customer suitability (including protection of consumer data and privacy) mitigates potential reputational risks or liability.
3. Have strong partnerships with suppliers, customers, and communities. We believe issuers with strong partnerships with key constituents build relationship capital that contributes to competitive advantage and firm resilience. Therefore, we encourage issuers to consider the concerns of key constituents, including employees, customers, suppliers, governments, and relevant non-governmental organizations (NGOs). In our view, the best-managed organizations work to weigh the varied interests across these groups and transparently engage with all relevant constituents that could impact near- or long-term business strategy.

Natural Capital

In our view, natural capital is scarce. We believe issuers that deploy natural resources efficiently and consider the effects of the environment on their assets (including physical assets) are better positioned to deliver value now and in the future. We encourage issuers to:

1. Articulate a long-term strategy for risk management and capital deployment to innovate and succeed in a transitioning economy. As long-term investors, we encourage issuers to acknowledge and respond to systemic risks, including climate risk, and support those that innovate to address these risks in ways that provide tangible value to investors. We expect issuers to articulate how they will both manage potential risks and deploy capital to adapt, innovate, and succeed in the near, medium, and long term.
2. Efficiently manage the natural resources at their disposal—including air, water, land, minerals, and timber—and deploy them in support of the business while balancing potential stress to the natural environment. Many natural resources are valuable, and often limited, assets. We believe issuers that carefully consider the best uses of environmental resources, and have robust frameworks for monitoring the extraction and deployment of those resources, develop a sustained competitive advantage over time.

3. Implement robust risk controls and production processes to avoid excess emissions of pollution and toxic waste, minimizing regulatory and reputational risk. We believe board and management oversight and accountability for enterprise risk management extends to supervision of the issuer's impact on the natural environment, including monitoring providers of raw materials, supply chain, products, and production processes (for example, to avoid excess emissions or deforestation or to minimize liability and reputational risk).

Engagement

Engagement is the direct interaction with management, directors, and key constituents of an issuer. When meeting with issuer's executives and directors, we prioritize engagement on financially material risks and opportunities identified by our research. We engage across the capital structure and believe coordination among asset classes delivers better and more efficient outcomes over time.

While non-equity investors do not generally have voting rights, we maintain robust engagement with issuers of all types in our portfolios. Many of our non-equity investments—including fixed income securities like corporate bonds, private debt, securitized products, municipal bonds, and sovereigns—have different maturity profiles or structural complexities where financial and operational, human, and natural capital factors can have a significant influence on the risk-return profile of the investment.

We generally coordinate across our investment and proxy governance teams who use engagement in a variety of ways, including to:

1. Develop a better understanding of an issuer's current and future plans to address material issues affecting financial performance and cash flow.
2. Encourage issuers to consider activities that will make them better investments in the long term—for example, by improving risk management processes and oversight or by investing in human capital development.
3. Increase transparency on oversight and process by providing investment-decision-relevant information.

We recognize that our primary fiduciary responsibility is to our customers and the shareholders of the funds that we manage. Consistent with this fiduciary duty, it is necessary to consider the impact that key constituencies and stakeholders can have on the long-term economic value of issuers. As long-term stewards of our customer's capital, we also engage with policymakers and regulators to encourage the adoption of corporate governance practices and the development of regulatory frameworks that promote and safeguard long-term investing.

Opportunities

In cases where our research has identified a topic of material financial opportunity, we may encourage issuers to consider activities that will leverage that opportunity with the goal of creating value in the longer term. To better understand an issuer's current approach while also encouraging and supporting the pursuit of those value creation opportunities, we may deploy any number of additional stewardship strategies, including to:

1. Highlight the opportunity in meetings with the issuer.
2. Engage the relevant business unit lead or subject matter expert of the issuer directly.
3. Encourage and support additional investment behind the identified opportunity.
4. Support management and/or shareholder proposals that address the opportunity in question.
5. Encourage adjustments to pay or remuneration plans to incentivize success.
6. Consider the opportunity as part of a re-rating in certain circumstances or as part of the buy/sell discipline for select relevant strategies, subject to portfolio manager discretion.

These strategies illustrate the range of potential approaches we may take when identifying an opportunity with an issuer and are used with discretion.

Impasses

Not all engagement is successful. We sometimes find ourselves at an impasse with an issuer. In cases where our regular engagement has identified a topic of material financial concern and executive management has repeatedly failed to demonstrate improvement or respond to our requests for engagement, we may deploy any number of additional stewardship strategies, including:

1. Engaging with the board chair, lead or senior independent director, or chair of the relevant board committee directly.
2. Expressing or documenting concern via written correspondence with the board.
3. Supporting shareholder proposals that address the issue in question.
4. Voting against or otherwise withholding support in certain circumstances from relevant directors responsible for oversight of the issue in question (e.g., chair, committee chair, members of the relevant committee).
5. Considering the topic in question within an analyst's recommendation or as part of the buy/sell discipline, subject to portfolio manager discretion.

These strategies illustrate the range of potential approaches we may take when reaching an impasse with an issuer and are used with discretion.

Proxy Voting

The responsibility to vote on ballot items is an important and integral part of our stewardship process. There is flexibility to vote individual proxies based on an assessment of each situation. Our dedicated proxy voting team ensures that our votes accurately reflect Fidelity's views and guidelines, as described in our Proxy Voting Guidelines.

Members of our proxy voting, and investment research teams collaborate to evaluate shareholder proposals not covered by our Proxy Voting Guidelines.

Proxy votes on shareholder proposals are an important stewardship responsibility, but do not represent the totality of our views on the investment merits of any specific topic. When we do not support a shareholder proposal, it is not necessarily a vote against the materiality of the topic addressed by the proposal. Through our engagement with company management, we seek to understand the current and future plans to address material issues that could affect a company's future earnings growth. In our treatment of shareholder proposals, we seek to balance the perspective of company management with our own company-specific concerns.

When we determine that the plans put forth by company management do not adequately address our concerns, we may express our view by supporting shareholder proposals or voting against company proposals. In particular, proposals that target issues where our own analysis has identified poor performance or material weaknesses may be more likely to earn our support as compared to proposals on topics where our research indicates already strong performance or meaningful recent progress at the company in question.

Please review our Proxy Voting Guidelines and our Sustainable Proxy Voting Guidelines, if applicable, for further detail.

Conclusion

Since 1946, we have actively engaged with issuers to help protect and enhance long-term value on behalf of our customers and clients. Our stewardship strategy, including issuer engagement and proxy voting, is an important lever that contributes to this active approach by driving value creation for customers and clients as we thoughtfully exercise our fiduciary duty on their behalf.

To further engage with us on this topic, please contact stewardship@fmr.com.

Endnotes

[1] Benjamin Graham and David L. Dodd, "Security Analysis," McGraw-Hill, 1934.

[2] The Sustainable Proxy Voting Guidelines are used by our sustainable investment strategies, including the funds listed on Exhibit 1 thereto, in lieu of Section V of the Proxy Voting Guidelines.

1065672.2.0 1.9908910.101