

Stewardship Principles and Proxy Voting

Investors have a direct stake in ensuring that the companies in which they invest adopt sound governance practices and conduct themselves in ways that are designed to enhance the value of their investment over the long term. Investors must not simply rely on companies and their boards to make the right decisions but must hold companies and boards to standards designed to help those companies flourish and, thereby, benefit all of a company's stakeholders.

Since its founding more than 70 years ago, Fidelity Investments has been animated by two fundamental values: putting our customers' interests first and investing in companies that share our approach to creating value over the long-term. These principles guide 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, our values inform our interactions with the companies in which we invest, and in turn, our proxy voting practices. Our Stewardship Principles and proxy voting guidelines are intended to help Fidelity's customers and the companies in which Fidelity invests, understand our core values and further, understand how we evaluate corporate governance practices and hold companies accountable.

We recognize that companies can conduct themselves in ways that have important environmental and social consequences ([see ESG Statement of Policy](#)). We seek to protect our customers' interests through regular engagement with management of companies to discuss a variety of matters including environmental, social, and governance (ESG) issues that we believe could affect long-term performance. As part of our process of deciding whether to buy or sell a company's securities, we take those ESG practices into consideration.

Fidelity maintains the flexibility to vote individual proxies based on our assessment of each situation. In evaluating proxies, we take into account information from many sources, including management, shareholders and proxy voting advisory firms. We do not believe it is our role to tell companies how to run their businesses. Instead, Fidelity believes that securities with attractive return prospects are issued by companies with strong management teams that focus on the long-term and boards that focus on protecting the interests of shareholders.

In our view, there are several principles common to strong corporate governance, which are outlined below. We have been guided by these principles in our evaluation of company management and boards for decades and these Stewardship Principles serve as the foundation for our proxy voting guidelines.

Accountability and Transparency.

Management must be accountable and transparent to its board of directors; the board, in turn, must be accountable and focus on protecting the interests of shareholders.

Directors of public companies play a critical role in ensuring that a company and its management team serve the interests of its shareholders. Fidelity believes that through proxy voting, it can help ensure accountability of management teams and boards of directors and monitor and assess the degree of transparency and disclosure with respect to executive compensation and board actions affecting shareholders' rights. Management must be accountable to its board of directors; the board, in turn, must be accountable to, and focus, on protecting the interests of shareholders.

Transparency and disclosure of companies' executive compensation, and effective communication and disclosure of board actions and practices that affect shareholder rights enhance shareholder engagement, further promote board accountability, and bring visibility to the alignment of the interests among management, the board, and shareholders.

Alignment.

The interests of a company's management and board should be aligned with the interests of the company's shareholders.

As a steward for our customers, Fidelity seeks to maintain appropriate alignment of management and board interests with those of the company's shareholders.

Compensation policies, for example, should align the interests of executives with those of shareholders. This means that salary and equity-based forms of compensation paid to management should align with company performance. Compensation mechanisms should be designed to reward management for creating long-term value for shareholders, using appropriate, rigorous and transparent metrics to measure the creation of that value.

Shareholder Engagement.

Boards and managements should have policies to engage with shareholders to understand shareholders' concerns and respond accordingly.

Management teams and boards should proactively engage with shareholders on topics that shareholders believe could affect long-term performance, including environmental, social, and governance matters. These interactions help shareholders evaluate how management and directors are performing.

From time to time, Fidelity may raise concerns about, or comment on, a company's practices or proposals. Fidelity will evaluate whether that company has been responsive to the concerns raised by Fidelity and has followed through on its commitments.

Independent Oversight.

Independent directors should comprise the majority of a board.

Given the critical role directors play in ensuring that a company and its management team serve the interests of its shareholders, Fidelity believes that boards should be composed of a majority of independent directors. In addition, each board should have a process and criteria for selecting the board chair. We believe, however, that there is no “one-size-fits-all” model, and therefore, we evaluate board structure for each company individually.

Board Diversity.

Boards should reflect the appropriate balance of knowledge, experience, skills, qualifications, and diversity of backgrounds and gender.

Fidelity believes that choosing from a diverse pool of directors is in the long-term financial interests of companies.

Shareholder Rights.

Voting rights that are disproportionate to economic interest should be discouraged unless they are expected to maximize long-term shareholder value.

Management is entrusted with the day-to-day operations of a company and longer term strategic planning, subject to board oversight. A company's shareholders, however, must have the final say over how management and directors are performing and how shareholders' rights and ownership interests are handled. Actions by the board to eliminate or limit shareholder rights may reflect deeper corporate governance weaknesses at the company. These one-sided actions may concentrate control in management and the board while restricting shareholders' ability to influence corporate actions and hold the company accountable.

Many constituencies have a stake in how a company is managed — shareholders, directors, company management, employees, and the customers and communities where a company operates. The best-managed companies work to maintain a balance among the varied interests across these groups and have transparent policies to engage with all stakeholders. Less well-managed companies often have boards and management that have become too insular and enact policies that restrict, rather than enhance, shareholder rights.

Conclusion.

As we have done since 1946, we will engage with the companies that we research and invest in, on behalf of the Fidelity mutual funds, our fund shareholders, and institutional clients. We believe that there is a strong correlation between sound corporate governance and enhancing shareholder value, and we put this belief into action through our consistent engagement with companies and, ultimately, through the exercise of voting rights. Thank you for entrusting your investments to Fidelity.

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