2023–2024

Sustainable investing and stewardship update

Fidelity INVESTMENTS

Foreword

Pam Holding
Co-Head of Equity
Head of Sustainable Investing

The sustainable investing landscape has undergone significant change over the past several years. Fidelity remains committed to delivering world-class options to our clients across asset classes, investment styles, and strategies. Actively engaging with the issuers in our portfolios on financially material topics enables our fundamental and quantitative research, sustainable investment, stewardship, and proxy teams to meet our fiduciary responsibilities.

In the past year, we continued to enhance our research capabilities and proprietary datasets, building our capability to deliver investment strategies aligned with the United Nations Sustainable Development Goals (SDGs) as well as refining key sustainable factor models, like our global water risk model. In December 2023, we completed our annual refresh of our materiality maps. By prioritizing the primary financially material sustainability factors in each sector, we aim to filter out the noise. Our research analysts focus solely on factors they believe will most likely impact future performance, taking into account the evolving operating and regulatory environments as well as emerging risks and opportunities. These materiality maps inform our focus in sustainable investment research and engagement.

We see stewardship as a critical tool for addressing material risks and opportunities in portfolios to help generate long-term value for our clients. In the past year, we updated our Stewardship Principles and Proxy Voting Guidelines to reflect our evolving approach to sustainable investing and stewardship. The updates are intended to enhance the understanding of the voting policies in place for our sustainable investment offerings. Worldwide, we cast approximately 50,000 votes at over 4,600 company meetings during the 12-month period ended June 30, 2024.

As always, our engagement objective is to develop a better understanding of the risks and opportunities facing the issuer to inform our investment analysis, while encouraging issuers to take steps that we believe would position them to be best-in-class over time. For the 12-month period from July 1, 2023 to June 30, 2024, members of the investment team held over 17,000 meetings with issuers and hosted more than 600 stewardship-focused engagements.

Fidelity generally takes a long-term approach to engagement. We expect to build relationships over time and for our dialogue on financially material topics to similarly evolve over time. Continuing from last year, our primary engagement topics during this period were human capital development, corporate governance, and carbon emissions. The sustainable investment research team documented positive progress for 35% of the financially material issues raised.

As we look ahead, we remain committed to building our expertise in sustainable investment research and stewardship and are excited to share our latest progress and priorities.

Unless otherwise noted, all data and statistics in this report are as of June 30, 2024. These figures reflect the resources of Fidelity Management & Research Company.

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An update on sustainable investment research

Fidelity seeks to lead in sustainable investment research through our proprietary fundamental and quantitative research functions. We expanded our teams and engaged leading academic researchers to ensure we stay abreast of the latest developments in the space.

Our research on financially material sustainability factors is guided by the same intellectual rigor and proprietary analysis that shapes all our active management capabilities. Using our "sector partner" model, Fidelity's sustainable investing team collaborates with our sector-focused equity, fixed income, and high-income analysts to identify the key financially material sustainability factors for each industry. The sector partner teams create and enhance materiality maps to define the importance of sustainability factors for each industry and geography, based on the Sustainability Accounting Standards Board's (SASB) frameworks and their sector-specific expertise. Materiality maps are refreshed annually as new insights emerge to ensure the factors identified are relevant, financially material, and properly weighted to reflect our analysts' most current bottom-up research.

Our proprietary ESG ratings provide a framework for evaluating an issuer's sustainable risks and opportunities relative to its peers and rely on our materiality maps created by our sector partner teams. Our corporate systematic and fundamental ESG ratings help provide a comprehensive view of a company's positioning on financially material sustainability factors on a sector-relative basis. These ratings help us assess how sustainability factors impact a company's earnings, business model, and strategic vision. The ratings are regularly updated, and our coverage of the investable universe adjusts as new data and coverage become available.

Partnership on sustainable investment research and stewardship

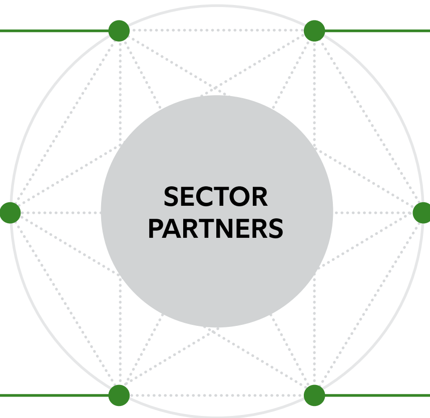
Ongoing collaboration across the investment teams to garner financially material insights, drive engagement effectiveness, and align voting decisions

Sustainable investment analysts

U.S.	7
Non-U.S.	6
Total	**13**

Governance and forensic accounting

U.S.	0
Non-U.S.	7
Total	**7**



Equity analysts

U.S.	142
Non-U.S.	54
Total	**196**

Fixed income analysts

U.S.	113
Non-U.S.	14
Total	**127**

Sustainable quantitative analysts

U.S.	6
Non-U.S.	0
Total	**6**

Investment proxy research

U.S.	14
Non-U.S.	0
Total	**14**

For illustrative purposes. Source: Fidelity Investments as of 6/30/24. Data is unaudited. These figures reflect the resources of Fidelity Management & Research Company, a U.S. company, and its subsidiaries. Figures include both analysts and associates. Fixed income investment professional head count includes investment-grade and non-investment-grade divisions of FMR.

The sustainable investment research tool kit

Fidelity has historically evaluated risk and investment opportunities through issuer engagement, quantitative, and fundamental analysis. That often includes assessing key financially material sustainability factors (or environmental, social, and governance factors). Fidelity's proprietary ESG ratings system, launched in 2020, builds on and formalizes this work, representing an integrated process for evaluating a company's sustainability profile relative to its peers. The systematic ESG rating leverages proprietary models and analytical tools to generate a quantitative assessment of the company's performance across a range of financially material sustainability factors. The model-driven systematic ESG rating is complemented by the analyst-driven fundamental ESG rating, enhancing the ability of our investment teams to assess risks and opportunities.

Many third-party ESG research and ratings providers focus on disclosure and historical data to generate their assessments. These third-party ratings may be useful for evaluating where the issuer stands today. But we believe a holistic assessment of financially material factors supported by complementary fundamental and quantitative assessments can enhance our understanding of the economic prospects and long-term viability of the business.

Through our history of engagement with issuers globally, we have developed a series of questions for these conversations to capture how well an issuer proactively manages the sustainability issues that are the most critical to its operations. These conversations help us to develop our fundamental ESG ratings by sector to determine which issuers are leaders and which are laggards. Engagement provides us an opportunity to ask questions based on our experience, provide feedback to the company, and monitor progress toward stated goals. The result is often a fundamental ESG rating that is quite different from publicly available third-party ESG ratings.

RESEARCH CASE STUDY

Samsung Biologics: Proprietary ESG ratings lend differentiated insights

Samsung Biologics, a contract development and manufacturing organization (CDMO) that manufactures bio-healthcare products globally, offers an example of the differentiated perspective enabled by our proprietary ESG ratings. When it comes to individual financially material sustainability factors for companies in this sector, MSCI focuses on governance, product safety and quality, human capital development, and carbon emissions.[1] However, our own proprietary analysis also identified two additional financially material factors for assessment:

- **Packaging material and waste:** Single-use products and plastic usage have been growing concerns for companies in the health care sector and companies are getting pressure from consumers and regulators to move towards more sustainable packaging. Much of the waste from pharmaceutical development and manufacturing requires specialized disposal at increasing cost, making waste reduction initiatives a key differentiator for companies in this industry. Mismanaging certain types of pharma waste can expose companies to regulatory measures, including costly fines and suspension of operational permits. Samsung Biologics has adopted industry-leading waste management and packaging practices and fares better compared to regional peers, in our view.
- **Access to health care:** Biopharmaceuticals are considered standard medicine for treatment of various common illnesses, but their high costs often act as a barrier to access for lower-income populations. Companies that develop and supply high-quality products that meet similar safety and efficacy standards ("biosimilar" drugs) provide distinctive value to both patients and medical professionals. Offering biosimilar drugs at lower price points in certain markets serves to expand the addressable market of a particular drug by broadening the patient population able to afford treatment. Samsung Bioepis, a subsidiary of Samsung Biologics, is working to improve drug accessibility by offering multiple treatment options, focusing on affordability, and supporting public health care systems via reinvestment.

While our sector-partner team has a different perspective on which sustainability factors are financially material for companies in the biopharmaceutical sector, our assessment of the performance of the company across commonly identified factors also diverges from MSCI's view.

MSCI assesses the company's performance on product quality and safety negatively. This negative outlook appears largely driven by historical receipt of Form 483s from the U.S. Food and Drug Administration (FDA), notifying the company's management of objectionable conditions during inspections. However, our assessment of product safety and quality is more positively tilted in the absence of product recalls or serious revenue impacts and the company's swift resolution of identified items within the given timelines. Additionally, Samsung Biologics has been awarded 11 consecutive CDMO leadership awards highlighting strength in all the six measured areas (quality, reliability, capabilities, expertise, compatibility,

[1] MSCI. ESG rating for Samsung Biologics. "ESG Ratings & Climate Search Tool. Samsung Biologics Co." June 2024. https://www.msci.com.

[2] Samsung Biologics. "Fact Sheet. By consistently delivering superior client satisfaction through execution excellence and innovation, Samsung Biologics has been selected by our clients for the CDMO Leadership Awards for 11 consecutive years." June 2024. https://samsungbiologics.com.

and service).[2] The company also conducts regular audits and has demonstrated meaningful improvement to its processes as evidenced by ISO certifications for quality management and health and safety management systems (both in 2021).[3] In our view, strong ratings achieved on recent customer satisfaction surveys further support a more positive forward outlook on this factor.

MSCI also reflects a negative bias on human capital, noting the company's sparse workforce-related disclosures. On the contrary, we view the company's human capital management practices more positively and see industry leading low attrition rates of 3.9% and strong workforce diversity compared to peers as meaningful competitive advantages. During our recent engagement with the company, we were also impressed by their improved focus on training and development to support planned capacity expansion. Taken together, these characteristics inform our positive view of Samsung Biologic's human capital management strategy.

While there are areas of agreement across Fidelity and MSCI's ESG ratings assessments, the differences in terms of which factors we deem likely to impact future risks and opportunities in financially material ways and expectations on future performance combine to provide a more positive view of the prospects for Samsung Biologics. Those factors inform our differentiated assessment of the company's sustainability characteristics.

Materiality map

Fidelity ESG ratings framework vs. MSCI ESG ratings framework for companies in the biopharmaceutical industry

	Fidelity	MSCI
Carbon emissions	●	●
Packaging and waste	●	
Human capital management	●	●
Product liability	●	●
Access to health care	●	
Corporate governance	●	●

Sources: Fidelity Investments, MSCI, as of June 30, 2024.

[3] International Organization for Standardization. "ISO certification." https://www.iso.org/home.html." Samsung Biologics: "Samsung Biologics Milestones." "Samsung Biologics Factsheet." June 2024. https://samsungbiologics.com.

Enhancing our proprietary models and data to support fundamental research

Our proprietary datasets may include information disclosed in corporate social responsibility reports, company or government agency websites, or other sources. These types of data are generally not available in a structured form from any other source, making Fidelity's deep quantitative and fundamental expertise critical to our effort to continue to incorporate new and emerging data into our analysis.

Global water risk model

Fidelity's investment team considers water stress to be among the most financially material environmental risk factors. Water usage has increased six-fold in the last 100 years and the UN estimates there will be a 40% gap between water supply and water demand by 2030.[4] Such a substantial supply-demand mismatch may lead to severe disruption for businesses that are inadequately prepared for or located in areas with extreme water stress. To understand this risk, our investment team needed a better way to evaluate companies' exposure to water-related risks. Many third-party sources evaluate water risk at a country level (e.g., whether a company operates in a drought-prone country). But water stress is a local issue and evaluating it at such a high level fails to capture the challenges companies may face at facilities reliant on specific sub-basins.

Our Water Stress model evaluates a company's water management practices and the geographic exposure of its facilities to water-stressed areas. It assesses performance on water-related metrics and the implementation of a company's targets and goals. An assessment of a company's exposure to water stressed areas involves a bottom-up evaluation of water-related risk. Fidelity uses a database of three million company facility locations and layers them onto geospatial maps with science-based future water stress projections to identify facilities in highly stressed sub-basins globally. Combining exposure and management elements, we produce an overall water stress assessment for over 5,500 companies.

Water stress can financially impact companies through facility shutdowns, supply chain disruptions, public backlash, increased costs, and stranded assets. Our proprietary water stress model enhances our investment analysis by assisting us in understanding these risks. This scalable quantitative work supports tailored, company-specific research and insights for corporate engagement. The model also feeds into the Fidelity Systematic ESG Rating, used in various sustainable investment products and solutions.

[4] United Nations. https://www.un.org/en. Global Water Commission on the Economic of Water. "Turning the Tide. A Call to Collective Action." March 2023. https://watercommission.org. The Commission is an independent body, convened by the Government of the Netherlands and facilitated by the Organisation for Economic Co-operation and Development (OECD).

Sustainable development goals (SDG) alignment framework

While Fidelity prioritizes our own research and investment frameworks for our own products and strategies, Fidelity's clients increasingly seek portfolios aligned with specific sustainability goals. To deliver tailored solutions to these clients at scale, a common framework with common language is critical. The 17 UN Sustainable Development Goals (SDGs), adopted by all UN members in 2015, provide a framework for countries to address goals related to natural resources, inequality, and sustainable infrastructure. Applying this framework to companies allows Fidelity to construct portfolios aligned with specific SDGs for clients who aim to express support for these global objectives with their investments. This provides clear, consistent, and replicable frameworks for clients to identify and measure their alignment with specific goals, reducing the need to choose from numerous metrics or vague scoring systems.

Fidelity's proprietary SDG Alignment Framework assesses how well a company's operations and products align with each SDG, using concrete data and fundamental insights. To assess alignment, Fidelity evaluates topics such as a company's internal policies, natural resource use, human capital management, and progress toward those goals. Evaluating the alignment of a company's product offering requires a detailed analysis of its business lines and specific products and services. In both operational and product assessments, companies are categorized as aligned, misaligned, or neutral with respect to each SDG. These two components are combined, and the final assessment may be adjusted downward if serious negative news is relevant (e.g., litigation related to workplace gender discrimination may affect the assessment of alignment with SDG 5: Gender Equality). The final result is a continuous score from –10 to +10, measuring a company's overall alignment or misalignment with each SDG.

The SDG Alignment Framework significantly enhances Fidelity's ability to meet client demand and deliver solutions aligned with client goals. It supports the investment team in evaluating companies' alignment with SDGs and serves as a component of the investment mosaic for funds with specific sustainability goals. Additionally, it enables reporting for clients on the extent to which portfolios align with particular SDGs, where those SDGs are explicit components of the investment strategy. Crucially, the framework allows Fidelity to deliver customized SDG-aligned portfolios at scale. By simplifying the identification of client priorities, Fidelity can systematically use SDG scores in security selection and portfolio construction for those clients, efficiently delivering portfolios aligned with any SDG or set of SDGs, while maintaining rigorous risk management.

SUSTAINABLE DEVELOPMENT GOALS

- No poverty
- Zero hunger
- Good health and well-being
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation, and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace, justice, and strong communities
- Partnerships for the goals

United Nations. "United Nations Sustainable Development Goals." 2015. https://www.un.org

Research in action

Our sustainable investment research focuses on identifying the potential risks and opportunities posed by sector-specific financially material sustainability factors, informing our investment decisions.

RESEARCH CASE STUDY

Eaton: Growth acceleration through the energy transition and electrification

As a global leader in intelligent power management, we view Eaton as well positioned to benefit from secular and sustainable tailwinds of the electrification of everything and the energy transition from fossil fuels. Eaton has made significant strides over the last four years to evolve the business from a more cyclical machinery company to a more stable multi-industrial company with near 20% segment margins and strong free cash flow generation. Eaton is a power management company that helps customers manage electrical, hydraulic, and mechanical power. Their products and services are used in many industries, including electrical, aerospace, hydraulic, and vehicle, and are designed to be reliable, efficient, safe, sustainable, and energy efficient. Today, 90% of Eaton's profit comes from the electrical and aerospace divisions, and electrification, energy transition, and reindustrialization are driving growth across 75% of Eaton's end markets.[5] Over a two-year period, Eaton has gone from 65% to 71% of sales classified as "sustainable solutions."[6]

Our research indicates that the electrical industry is at the beginning of a fundamental shift expected to span several decades. Global electrical demand is estimated to grow 57% by 2050 as developed and developing economies are using significantly more electricity driven by economic growth, extreme heat, and uptake in technologies which use electricity, such as heat pumps and electric vehicles (EVs), among various other industrial electrical component needs which require more electricity.[7] Eaton's solutions meet the electrical needs for all these applications from Uninterruptible Power Supply (UPS) systems for grid reliability, to power distribution and energy storage components for EV charging.

In our view, Eaton also stands to benefit from the shift to renewables from coal-and gas-fired plants. With a complete electrical portfolio providing the connection from the panel to the grid and through to energy storage, Eaton has strong electrical utility content when wind and solar farms are plugged into the grid. The company also benefits from the rise of distributed energy resources which create a bidirectional flow of energy. Historically, utility power flowed in one direction, away from centralized sources. As utilities embrace renewable energy sources and self-generated power becomes more prevalent, electricity has become bidirectional allowing energy to flow both ways. This massive shift creates opportunities for consumers to sell excess energy back to the grid, as well as challenges from the increase in system complexity and need for interconnection. Eaton benefits as more power is consumed and energy systems become more complex.

Our confidence in Eaton's long-term opportunity in total electrification and the energy transition is informed by work our industrials team has done analyzing U.S. infrastructure mega projects. Eaton is involved in a large portion of the projects that will deliver grid modernization and renewables expansion. Our analysis, in conjunction with strong backlog growth, which demonstrated Eaton is winning market share of these mega projects, gave us confidence in the company's ability to continue to benefit from these trends in the near-to-medium term.

[5] Eaton. "Second Quarter 2024 Earnings Release." August 2024. https://www.eaton.com

[6] Eaton. "2023 Sustainability Report." July 2024. https://www.eaton.com.

[7] U.S. Energy Information Administration (EIA). "EIA projections indicate global energy consumption increases through 2050, outpacing efficiency gains and driving continued emissions growth." Press release, as of Oct. 11, 2023.

Investing in talent and educational initiatives

Fidelity continues to support talent development and industry initiatives to enhance capital markets and build internal expertise and awareness of financially material sustainability factors.

Massachusetts Institute of Technology

We worked with MIT to develop a cross-asset class program focused on increasing climate expertise throughout Fidelity's asset management team. The program included group educational seminars and lectures, one-on-one sessions to consult on refinement of climate scenario analysis and modeling assumptions, and partnerships with students on climate-related projects. Through this initiative, Fidelity leveraged experts on the following topics:

- **Global transition and physical risk scenarios by regions globally:** The program was led by C. Adam Schlosser and Sergey Paltsev, senior research scientists at MIT.[8] These two professors led discussions with the investment team on the various risks and opportunities caused by climate change across the globe. The two-day event provided deep insights to our teams worldwide.
- **Energy and carbon pricing discussion:** The session, led by MIT's Paltsev, focused on various decarbonization pathways and the related impact on supply and demand, pricing, and sector size for traditional and alternative energy by 2030 and 2050.

[8] "MIT School of Science launches Center for Sustainability Science and Strategy." August 2024. https://climate.mit.edu

Engagement

We seek to protect our customers' interests through regular engagement with issuers to discuss matters that we believe could affect long-term performance. 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. When feasible, our aim is to engage across the capital structure, and we believe coordination among asset classes delivers better and more efficient outcomes over time.

Engagement provides us with the ability to develop a better understanding of issuers' current and future opportunities and risks, encourage issuers to consider activities that will make them better investments in the long term, and increase transparency on oversight and process by providing investment decision-relevant information. In the 12 months ended June 30, 2024, members of the Fidelity investment team held approximately 17,000 meetings with approximately 6,400 different issuers. Around 600 of those meetings were stewardship engagements where members of the Fidelity team engaged in two-way dialogue and the primary focus was on topics related to sustainability or proxy items.

Firm-wide engagement by the numbers

For the proxy year July 1, 2023–June 30, 2024

Engagement activity

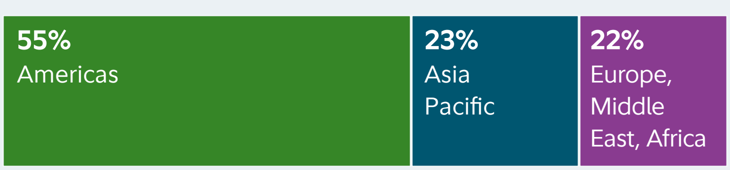
~17,000
Meetings held by members of the investment team

~6,400
Individual companies met with

~600
Stewardship-focused engagements

35%
Proportion of stewardship engagements with a positive outlook post-engagement

Meetings by geography



Fidelity material stewardship engagement topics by frequency*

- Corporate governance**
- Human capital development
- Carbon emissions
- Supply chain

* Note: Many meetings include multiple topics for conversation; topics not listed in any particular order.
** Includes sustainable investing engagements on corporate governance and all engagements led by the Investment Proxy Research team.

Source: Fidelity Investments, as of June 30, 2024.

Thematic engagement update: Fair play in pay equity

Attracting and retaining key talent remains critical for long-term business success, especially for companies operating in regions that are demographically challenged or in sectors where highly skilled talent is in short supply. A JUST Capital analysis evaluating over 800 companies between 2015 and 2018 found companies that disclose they have conducted a pay equity analysis enjoy, on average, nearly an 8-percentage point higher mean five-year return-on-equity (ROE) compared to their peers.[9] Even more noteworthy, an LSEG study using pay equity disclosure from firms in the United Kingdom compared companies with no pay gap (companies that had reported 1:1 pay equity) to companies with a negative gender pay gap. The study found that companies with no pay gap meaningfully outperformed in terms of cumulative returns over a five-year period.[10]

Despite domestic and international regulations mandating fair pay practices, our 2023 analysis showed less than 10% of companies in the S&P 500 had reported achieving 100% pay equity for their workforces. That could put companies at risk for litigation and, in some cases, contribute to elevated costs related to higher employee turnover and lower productivity. By focusing on pay equity, we aim to support companies in improving employee engagement, retention (via lower voluntary turnover), and alignment with shareholders to help drive performance while mitigating reputational and legal risks related to pay inequity.

In the 12 months ended June 30, 2024, pay equity has been a frequent topic for engagement. As a baseline, we encourage companies to perform internal pay equity assessments based on total compensation (including base salary, cash bonus and equity awards) and to work toward annual disclosure of mean and median adjusted pay gaps, evaluated at both a gender and racial level. Evaluating adjusted pay ensures employees in similar circumstances are paid similarly and is a first step toward mitigating risks related to unfair pay practices. For companies who have already achieved adjusted pay equity, we encourage focus on closing any unadjusted pay gap.

This year several companies we have engaged on this topic demonstrated meaningful progress, including Goldman Sachs,[11] which disclosed adjusted pay gap analysis on a global basis for the first time in March 2024, and Microsoft, which included unadjusted median pay metrics for the first time in their 2023 Global Diversity & Inclusion Report,[12] published in November 2023. Across all our pay equity engagements, Fidelity analysts noted a neutral or positive outlook on engagement progress nearly 80% of the time.

Amazon: Progress on packaging

Given the metric tons of product shipped annually, and associated packaging costs and waste generated, packaging has been a meaningful part of Fidelity's conversations with Amazon as part of a multi-year engagement effort on the topic.[13] In June, the company built on recent progress by announcing the replacement of 95% of the plastic air pillows from delivery packaging with paper filler throughout North America, working toward full removal by year-end 2024.[14]

This new initiative contributes to the company's commitment to reduce plastic waste while increasing the use of recyclable materials. While there are challenges associated with increased paper use, Amazon is taking steps to ensure that its packaging is sourced sustainably and that the environmental impact is minimized. We view this as noteworthy progress and a positive step towards reducing delivery-related packaging materials and waste, improving the environmental footprint of the company (from reduced plastics volumes).

[9] JUST Capital. "JUST Jobs Analysis: Why Pay Equity Is Still Critically Important in the Time of Coronavirus." June 2024. https://justcapital.com

[10] LSEG. "The Gender Pay Gap and Your Investment Strategies." June 2024. https://www.lseg.com.

[11] Goldman Sachs. "Pay Equity Statement." March 2024. https://www.goldmansachs.com

[12] Microsoft Inc. "Global Diversity & Inclusion Report." November 2023. "Microsoft's 2023 Diversity and Inclusion Report: A decade of transparency, commitment and progress." November 2023. https://www.microsoft.com/en-us/

[13] Fidelity Investments. "2022–2023 Sustainable Investing and Stewardship Update," page 15. December 2023. https://www.fidelity.com

[14] Amazon Inc. "Amazon announces its largest reduction in plastic packaging in North America to date." June 2024. https://www.aboutamazon.com

Engagement in action

As active stewards of capital, we believe engagement is one of the most effective ways to establish long-term relationships with the issuers in our portfolios and improve investor outcomes. We use engagement to build the foundations for robust dialogue and long-term trust.

The securities mentioned are for illustrative purposes only and not necessarily current holdings invested in by FMR LLC. References to specific issuers or securities should not be construed as recommendations or investment advice. The statements and opinions are subject to change at any time, based on market and other conditions.

Past performance is no guarantee of future results.

ENGAGEMENT CASE STUDY

Procter & Gamble

Material factor	Packaging/recyclability
Context	Procter & Gamble (PG) is placing a large emphasis on plastic use in manufacturing and trying to solve the downstream implications of plastic use by supporting improved recycling infrastructure. In 2022, 96% of packaging mix was plastic and PG set two goals: 1) 100% recycled, reusable, and compostable by 2030; and 2) reduce virgin plastic by 50% by 2030 (vs. 2017 baseline).[15]
Dialogue	In a follow-up to a similar meeting hosted in June 2023, Fidelity's research team met in person with PG's chief executive officer, chief financial officer, and vice president of sustainability as part of the company's annual summer roadshow in June 2024. In 2023, Fidelity's message to the PG team was that we view the environmental strategy as comprehensive but encouraged PG to pursue improvements within supply chain emissions, water restoration, and recyclability of packaging. We also encouraged PG to consider a stronger focus on solving the plastics issue upstream within manufacturing, rather than downstream in the waste and recovery phase. We also suggested the company more fully explore alternatives to virgin plastic, noting the attractive cost of packaging substrates such as aluminum relative to plastic.
Outcomes or progress	The Fidelity team left our June 2024 meeting with management feeling more confident in PG's sustainability profile and surprised at how deeply embedded the sustainable strategy has become in the firm's culture and broader business strategy. The CEO noted 65% of their innovation pipeline involves some element of sustainability in the design and underscored the firm's belief that superior performance will drive brand choice and unlock pricing power, ultimately gaining market share, and supporting sustained margin improvement. When it comes to packaging, PG is increasingly working with upstream partners on packaging construction and alternatives to ensure ease of curbside recyclability and reduction in virgin packaging material. We were pleased to see this approach is aligned with Fidelity's prior encouragement to focus on upstream solutions versus downstream. PG is making steady progress against key packaging and recyclability targets, the company reported a 5% incremental improvement (13% overall reduction from 2017 levels) in reducing virgin plastics within the past year.[16]

[15] Procter & Gamble. "2022 Citizenship Report." June 2024. https://us.pg.com

[16] Procter & Gamble. "Environmental – waste." June 2024. https://us.pg.com

ENGAGEMENT CASE STUDY

CIE Automotive

Material factor	Carbon emissions/supply chain
Context	CIE's supply chain is the source for 93% of all carbon emissions. The raw materials used in many of its technologies, the parts included in its end products (rubber, textiles, fasteners), and subcontracting processes (heat treatments, machining) are the sources of Scope 3 emissions for CIE Automotive.[17] With increasing focus on climate action and the role of the auto sector in reducing climate change, low carbon intensive auto products are in demand by auto original equipment manufacturers (OEMs) to reduce their overall carbon footprint. Decarbonizing the auto value chain is a win-win for the mobility sector. As auto OEMs continue to acquire information about the operations of their suppliers, they tend to favor suppliers with low carbon footprints.
Dialogue	We met with CIE Automotive to better understand the company's strategy to address the issues of carbon emissions in the supply chain (Scope 3). We noted that the company's disclosures in its 2022 annual report indicated a focus on Scope 3 emissions but without intricate details and quantitative targets to tackle the issues. In recent years, CIE Automotive has taken steps to map the sources of Scope 3 emissions to better establish a roadmap to reduce impact on climate change. On an engagement call with the company in 2023, CIE automotive agreed that establishing quantitative targets along with a detailed execution plan to achieve those targets and regular reporting on the progress is of value. The company noted that such steps would position it ahead of its peers as auto OEM clients increase their focus on decarbonization.
Outcomes or progress	In its recently published 2023 annual report, the company enhanced its disclosure to include more details on Scope 3 emissions reduction plans. The new road map sets Scope 3 reduction targets and details the steps needed to achieve them. We view these enhanced disclosures as contributing to the company's reputation as a low-carbon supplier to the automotive sector, likely lending CIE a competitive advantage.

[17] CIE Automotive. "2023 Annual Report. Making a difference." Company lists sources of their emissions in their annual report - pg 155. June 2024. https://cieautomotive.com

Proxy voting results

Our Proxy Voting Guidelines are intended to help Fidelity's customers and the companies in which we invest understand how Fidelity votes in support of our customers' and fund shareholders' long-term interests. Fidelity generally adheres to these guidelines in voting proxies and our Stewardship Principles serve as the foundation for these guidelines. Our evaluation of proxies reflects information from many sources, including management or shareholders of a company presenting a proposal, our proprietary research and perspectives, and custom research produced by third parties. Fidelity maintains the flexibility to cast individual proxies based on our assessment of each situation.

Proxy voting: By the numbers

~50,000
Votes cast by Fidelity, compared with ~52,000 in 2023

~4,600
Company meetings voted, compared with ~4,800 in 2023

94%
U.S./Canada votes cast in support of management, unchanged from 2023

91%
International votes cast in support of management, unchanged from 2023

21%
Fidelity support for shareholder proposals submitted, compared with 17% in 2023

Source: Fidelity Investments, as of June 30, 2024.

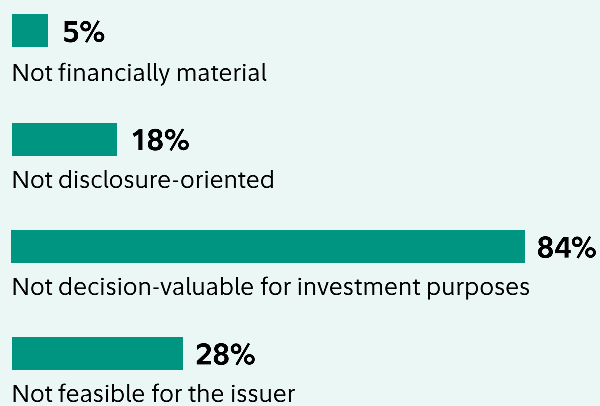
Fidelity's approach to proxy voting is consistent with our approach to investment decisions: We support proxy proposals that we believe are reasonably likely to enhance the profitability of the company or mitigate undue risk and maximize long-term shareholder value. In the 12 months ended June 30, 2024, we saw a modest uptick in activist proxy contests, novel emerging uses for universal proxy that allowed for a single shareholder to submit multiple proposals at the same company, and a revival in popularity of governance topics in shareholder proposals. As long-term investors who believe strong governance structures and practices support shareholder value creation, our support for governance proposals tends to be higher as compared to proposals on other topics.

We have also seen continued growth in the volume of shareholder proposals that address human capital (social) and natural capital (environmental) topics, albeit at a decelerating rate. To engage and vote more effectively on submitted proposals on these topics, we employ a four-point decision-making framework used by our sector partner teams in their evaluation process. In general, Fidelity will more likely support proposals that are:

- **Financially material:** Address a topic that our research has identified as financially material;
- **Disclosure-oriented:** Provide disclosure of new or additional information to investors, improving transparency;
- **Decision-valuable:** Provide value to the business or investors by improving the landscape of investment decision-relevant information or contributing to our understanding of a company's processes and governance of the topic in question;
- **Feasible for the issuer:** Are realistic or practical for the company to comply with.

Our support for shareholder proposals on natural and human capital-related topics was consistent with our support levels in prior years. This year, a vast majority of proposals in these categories that failed to earn Fidelity's support were deemed unlikely to generate valuable information for investors (84% of proposals failed this pillar as compared to 75% failure rate in the prior year). This perceived lack of value was generally because the targeted company already published adequate disclosure on the topic or had demonstrated recent progress.

Shareholder proposals on human (social) and natural (environmental) capital topics that failed to earn Fidelity's support



Voting data represents shareholder proposals evaluated for the proxy year ended June 30, 2024, on natural (environmental) and human (social) capital topics. Numbers do not sum to 100% as many proposals fail multiple pillars of the evaluation framework. Source: Fidelity Investments, as of June 30, 2024

Proxy case studies

Our Investment Proxy Research team collaborates with investment professionals to ensure the issuers in our portfolios understand Fidelity's voting rationale via engagement and two-way dialogue.

The securities mentioned are for illustrative purposes only and not necessarily current holdings invested in by FMR LLC. References to specific issuers or securities should not be construed as recommendations or investment advice. The statements and opinions are subject to change at any time, based on market and other conditions.
Past performance is no guarantee of future results.

PROXY CASE STUDY

Mondelez International

Material Factor	**Supply chain labor**
Resolution(s)	2023: Report on Targets to Eradicate Child Labor in Cocoa Supply Chain 2024: Report on Targets to Eradicate Child Labor in Cocoa Supply Chain
Context	As a global snack food company and the parent of many of the most recognized chocolate brands in the world—including Cadbury Dairy Milk, Lacta, Milka, Cote d’Or, Freia, Marabou, Daim, Suchard, and Toblerone—Mondelez is among the world’s largest purchasers of cocoa, a key raw ingredient for the company. Much of the world’s cocoa continues to be sourced from family-run farms in the developing world, including Ghana and Cote d’Ivoire, where workers earn far below a living wage and child labor remains prevalent. Although child labor on family-run farms is a multi-dimensional issue, Fidelity’s sustainable investment team views this as posing major headline risk for the firm and sustainable fund investors, with the potential to damage brand reputation and impact chocolate sales. The topic has been included as a part of our regular engagement with the company, including conversations with the board chair, directors, and chief sustainability officer.
Outcomes or Progress	Mondelez has set a goal to have child labor and monitoring systems (CLMRS) in place covering 100% of Cocoa Life communities in West Africa by 2025. In the most recent ESG report, the company stated that it had achieved 75% of this goal. The company also reports on the number of farmers in the Cocoa Life program and the cocoa volume for chocolate brands sourced through Cocoa Life (85% in 2023, up from 68% in 2020).[19] While helpful, we view these disclosures as incomplete, lagging peers, and lacking in sufficient detail to assess the company’s strategy in mitigating this key risk. Members of the Fidelity team have encouraged the company to move more quickly to address the issues of child labor and living wages in the cocoa supply chain. This includes improving disclosure to better monitor progress by factoring in specific child-related metrics such as the number of children monitored and children in process for remediation, among other steps. Fidelity underscored the desire for improved disclosure and monitoring by supporting shareholder proposals on this topic in 2023 and 2024.

[18] Mondelez International. “Snacking Made Right. 2023 ESG Report.” June 2024. https://www.mondelezinternational.com

PROXY CASE STUDY

Cairn Homes Plc

Material Factor	**Executive compensation/governance**
Resolution(s)	August 2023: Approve stretch CEO long-term incentive plan
Context	Cairn Homes is an Ireland-based housing developer that engages in the development and sale of residential and rental properties. Fidelity has been among the top holders of the company for the past several years. In August 2023, the company held a special shareholder meeting requesting the approval of a new long- term incentive plan for its CEO. The proposed award would sit alongside other more standard incentives, including annual cash bonus (150% of base salary) and long-term incentive plan (LTIP) award at 150% of base salary. The company detailed the rationale for the award as incentivizing continued growth on the back of multiple years of strong financial performance, as well as serving to increase the retention aspects of their executive remuneration framework. As Fidelity reviewed the plan, we noted concerns with the appropriateness of incentive metrics and their associated thresholds. Members of the Investment Proxy Research and investing teams engaged with the company directly to share our concerns.
Outcomes or Progress	Through the course of our engagements with the company, Fidelity was able to outline recommendations and concerns with the proposed one-off plan. We identified target setting for their compound annual growth rate (CAGR) targets as well as their return on equity (ROE) measures as too low based on company performance in those areas, and the company was receptive to this feedback. Following these conversations, the company adjusted their proposal to align company and shareholder performance more closely by increasing the thresholds for the CAGR and ROE metrics. As a result of the constructive dialogue and resulting changes, Fidelity felt comfortable supporting the plan.

PROXY ISSUE SPOTLIGHT

Director resignation provisions

Management is entrusted with the day-to-day operations of a business and longer-term strategic planning, subject to board oversight, and shareholders exercise their rights by electing the members of the board. In the U.S., uncontested director elections commonly require directors to receive a majority of shareholder votes to be elected to the board—a core tenet of corporate democracy in our view. However, many of these majority vote standards are paired with director resignation policies that give the company flexibility in applying the standard. If a director fails to receive a majority vote, the current board members can often decide whether to accept the resignation of the director with low shareholder support. In practice, it is rare for U.S. directors who fail to receive a majority of votes to leave the board. Of the 47 directors who earned less than majority shareholder support in an uncontested election in 2023, only one director was removed. The remaining 46 low-vote directors continued to serve in the boardroom, contrary to the wishes of a majority of the company's shareholders. In our view, that lack of responsiveness to shareholders leads to the unintended perception that uncontested director elections in the U.S. can generally be viewed as advisory in nature.

In 2024, several U.S.-based companies in our portfolios received shareholder proposals advocating for the adoption of director election bylaws or corporate governance provisions that would enhance shareholders' ability to vote out board members they are dissatisfied with. These proposals often included calls for increased public disclosure regarding the board's decision to override shareholder votes by rejecting resignations.

In response to the 2024 director resignation proposals, we engaged with several companies in our portfolios to understand how they were addressing investor concerns and striving to uphold this core tenant of corporate democracy. Eighteen companies held by Fidelity funds received proposals asking them to strengthen their director resignation policies during the 2023–24 proxy season. While five of these proposals were withdrawn prior to the vote for various reasons, we chose to broadly support the 13 proposals that went to a vote. In our view, improved director resignation policies are necessary to ensure shareholders maintain the right to elect (or remove) directors, keeping directors and the board accountable to shareholders.

Supporting the investment ecosystem

ISSB Investor Advisory Group[19]

Fidelity is a member of the ISSB Asset Manager Working Group, promoting methodology convergence and standardized disclosure on financially material sustainability topics. We regularly engage with IFRS on broader revisions and enhancements to the standard accounting disclosures and methodologies.

Asia Corporate Governance Association[20]

- Fidelity has been a member of ACGA since 2014 and members of our Governance and Forensic Accounting team have taken an active role in advocacy of better governance standards with regulators, policymakers, and stock exchanges in Asian markets.
- Fidelity is a member of the working groups on India and Japan. As part of these initiatives, members of the Fidelity team regularly participate in and speak at ACGA events and engage with regulators and policymakers in those countries on topics ranging from corporate governance standards, board independence, related party transactions, and business responsibility and sustainability reporting.

Signatory of:

PRI's Stewardship Resourcing Technical Group[21]

- Fidelity was a member of the Stewardship Resourcing Technical Working Group, which was created to understand stewardship resourcing practices and inform project activities. The group was formed as part of a joint project between the Thinking Ahead Institute and the United Nations supported Principles for Responsible Investment (PRI). The project collected stewardship-resourcing data from the investment industry via a global stewardship resourcing survey. A series of one-on-one interviews were also conducted with key industry practitioners.
- The working group published its findings in April 2024. The main conclusions of the project highlighted the need for a more structured approach to measuring stewardship resources, and called for broader industry resources dedicated to stewardship to double. It also created a new industry tool (stewardship resources assessment framework) to enable investment organizations to better assess their stewardship resources.

[19] The IFRS Foundation is a not-for-profit, public interest organization established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards. The standards are developed by two standard-setting boards, the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB). https://www.ifrs.org. The ISSB Investor Advisory Group (IIAG) is a group of leading asset owners and asset managers in various markets who are committed to improving the quality and comparability of sustainability-related financial disclosures. The IIAG serves as an advisory body to the ISSB.

[20] The Asian Corporate Governance Association (ACGA) is an independent, non-profit membership organization dedicated to working with investors, companies, and regulators in the implementation of effective corporate governance practices throughout Asia.

[21] Stewardship Resourcing Technical Working Group. https://www.unpri.org/ About the Thinking Ahead Institute: The Thinking Ahead Institute (TAI) has been commissioned by the United Nations supported Principles for Responsible Investment (PRI) to research and assess the appropriate level of resources that institutional investors should be prepared to dedicate to stewardship within their organizations. Putting resources where stewardship ambitions are —Thinking Ahead Institute

Public policy engagement

Fidelity engages with policymakers on a wide range of federal and state issues impacting our clients and customers. In these dialogues, Fidelity discusses policies that intend to drive long-term value for our shareholders, including improvements to investor protections, consistent and comparable disclosures that are grounded in financial materiality, and capital formation reforms that drive growth and business creation.

Fidelity also works through various trade associations and industry groups on advocacy priorities, including the Investment Company Institute (ICI), Securities Industry and Financial Markets Association (SIFMA), U.S. Chamber of Commerce, Insured Retirement Institute (IRI), and Investment Adviser Association (IAA).

Global engagement with regulators

Fidelity also engages with international regulators on corporate governance and disclosure issues to improve market transparency and disclosure comparability across jurisdictions, which allows us to make more informed investment decisions on behalf of our shareholders. This includes discussion of how corporate issuers can provide financially material information to investors as well as ways to improve the cost of capital for businesses.

Japan

In the past year, Fidelity has engaged with the Ministry of Economy, Trade and Investment (METI), the Tokyo Stock Exchange (TSE), the Japan Exchange Group (JPX), the Japanese Institute of Certified Public Accountants (JICPA), and the Financial Services Agency (FSA) regarding corporate governance improvements and implementation of Japanese board composition laws. As an active member of the ACGA's Japan working group (JWG), we have focused on a wide range of issues we believe contribute to long-term shareholder value, including dual class shares and share structures, value creation and corporate takeovers, support for the ISSB's sustainability reporting and related assurance/capacity building, cost of capital, and cross holdings.

Looking ahead

We remain committed to growing our stewardship and sustainable investment research expertise. The team is focused on examining the most relevant sustainability themes that we expect to impact sectors and regions globally in the coming years. This work involves collaborating with our fundamental investment team, hosting expert calls, meeting with leading companies and issuers in these fields, and analyzing vast amounts of data with the support of our quantitative research partners. Specifically, we plan to:

- Align our sustainable investment research coverage of corporate issuers to prioritize companies in key indices or where Fidelity has meaningful holdings.
- Explore opportunities to use large language models to extract data from unstructured and non-standardized disclosures to make sustainability data more accessible to portfolio managers and analysts.
- Enhance our focus on deep thematic research on topics including climate adaptation and physical risk, supply chain human rights, data privacy and responsible artificial intelligence (AI), and board effectiveness, among other topics.
- Begin building a new systematic model to evaluate the dependence of companies on local ecosystems and the risks that they could face as a result of biodiversity loss.
- Enhance our assessment of companies' human capital management with additional metrics evaluating internal mobility differences among ethnicities and gender, safety practices, and labor relations.
- Use geospatial data and climate projections to evaluate companies' exposure to physical risk, including extreme weather events like hurricanes, flooding, and heatwaves.

Index definitions

MSCI All Country World Index (ACWI) is a market capitalization-weighted index designed to measure investable equity market performance for global investors of developed and emerging markets.

S&P 500® is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. S&P 500 is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates.

MSCI EAFE Index is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors of developed markets, excluding the U.S. and Canada. Index returns are adjusted for tax withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts (NR).

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Diversification and asset allocation do not ensure a profit or guarantee against loss.

It is not possible to invest directly in an index. All market indices are unmanaged.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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Engagement with companies, including on stewardship topics, is no guarantee that such engagements will improve the performance of the investment. This report includes information on Fidelity's approach to sustainable investment research. Fidelity's research process is subject to its fiduciary duties and applicable legal, regulatory, and contractual requirements and is subject to change over time. The act of selecting and evaluating material sustainability factors and the potential risks and opportunities associated with those factors is subjective by nature, and the criteria utilized or judgment exercised by Fidelity may not align with the views, beliefs or values, internal policies, or preferred practices of any particular investor or with market trends.

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