Fidelity Investments Canada

2022 Sustainable Investing Report

Contents

Foreword

Dear valued client,

At Fidelity Investments Canada, we have always stayed committed to providing value for clients and stakeholders through investment performance and exceptional services. This is the client experience we have set out to deliver since the firm's inception in 1987, and it will continue to be our goal as we look to the future.

The last few decades have brought social and environmental change, and with it complex and multi-faceted impacts on the global economy. Governments, businesses and societies are assessing in real time what opportunities and risks these impacts may represent and are responding accordingly. At the same time, environmental, social and governance (ESG) investing, or "sustainable investing," considerations are increasingly influencing the investment industry and market dynamics.

For our part, as an asset manager deeply dedicated to continually extending our local and global research resources across asset classes, we endeavour to adopt best industry practices in this evolving space in our research and investment management processes. This builds upon our world-class, bottom-up fundamental research capabilities, which are critical to meeting our goals of strong long-term performance and creating value for our clients.

In the 2022 Fidelity Investments Canada sustainable investing report, we outline what guides our approach to sustainable investing – ESG research, investment stewardship, communication, sustainable investment solutions and collaboration – and explain how this approach supports our commitment to providing an exceptional client experience.

More specifically, we hope you will gain a more in-depth understanding of the progress we've made integrating ESG considerations into our research process, our approach to engagement with investee companies and our proxy voting activities.

We will continue this important work and share updates on our sustainable investing journey in a transparent way to help you do your due diligence and make informed decisions.

Thank you for your time and ongoing support.

Sincerely,

Andrew Marchese
Chief Investment Officer and Portfolio Manager
Fidelity Investments Canada

Overview

Fidelity Investments Canada ULC is a global asset manager that has been serving Canadian investors for over 35 years. By focusing on bringing the best asset management capabilities Fidelity has to offer from around the world, we support our mission to build a better financial future for Canadian investors and help them stay ahead.

Through this global network of investment professionals, we carefully research and analyze a broad mosaic of factors to identify investment opportunities and risks across all geographies, investment styles and asset classes. In recent years, several sustainability factors have become important parts of that mosaic. We believe it is essential to have a research process that identifies, evaluates and monitors material financial and ESG factors for all companies under coverage to support our objective of delivering long-term value creation for our investors.

As an active investment manager, we believe we play an important role in engaging with company management teams. Not only does regular engagement help inform our investment decisions, it may also serve as a forum to encourage company management to improve procedures and policies. Through our engagement we aim to understand a company's strategy and how it will influence long-term shareholder value. We use these opportunities not to set a company's strategy but to ensure that management is addressing all relevant risks and opportunities that are critical to their ongoing operations. From a sustainability perspective, we hope to use this seat at the table to discuss each company's path toward a more sustainable future.

This report has been provided by Fidelity Investments Canada ULC (Fidelity) and is for information purposes only. It comprises, among other things, examples of sustainable investing activities across Fidelity and FIL Limited (FIL) only, current as at the date of the report. The report may refer to ESG considerations that Fidelity and FIL may take into account as part of their research or investment process, and is not reflective of the approach of any other Fidelity Investments company or subadvisors, such as Fidelity Management & Research Company LLC, FIAM LLC, Geode Capital Management LLC, and State Street Global Advisors Ltd., to ESG research, stewardship and sustainable investing, either specifically or generally.

Sustainable investing at Fidelity

FIC's sustainable investing strategy

As an investment firm, our top priority is creating value for our clients by delivering strong returns. We are committed to taking sustainability into consideration in the way we approach investment research and strive to offer a variety of sustainable investment product solutions.

At Fidelity, our sustainable investing approach has five elements.

1. **ESG research.** Material ESG factors serve as one of many research inputs in security valuation. Fidelity believes ESG factors are important inputs into the overall research process and can help identify companies that can drive long-term value creation for investors. Fidelity incorporates the use of ESG/sustainability ratings, both proprietary and third-party, to inform investment research. Companies are evaluated based on the ESG factors that are relevant and material to their operations and business over the long term.

2. **Investment stewardship.** As one of the world's leading asset managers, we have the standing to encourage companies to make more informed business decisions, mainly through engagement and proxy voting. Engagement is implemented as part of our overall fundamental research process and is generally applied across issuers and will include discussions of ESG and other factors where they have a material impact on either investment risk or return potential. Proxy voting is carried out across all Fidelity Funds according to each subadvisor's proxy voting guidelines, regardless of whether a fund is ESG-focused or not.

3. **Communication.** We strive to be transparent with investors on what they're invested in, articulating the attributes of our sustainable investment products so investors can develop a deeper understanding of our funds' ESG characteristics. We also look to educate and inform our clients on ESG-related matters through thought leadership, webcasts, events and other means, while promoting our sustainable investing capabilities.

4. **Sustainable investment solutions.** Fidelity's mission is to build a better future for Canadian investors and help them stay ahead. We offer investors and institutions a range of leading and trusted investment strategies to help them reach their financial and life goals. For clients seeking to align their values with their investments, Fidelity is committed to offering and developing a broad range of sustainable investment solutions to meet their aspirations and financial needs.

5. **Collaboration.** Fidelity has demonstrated a commitment to upholding and furthering the adoption and use of sustainable investment best practices by becoming a signatory to the United Nations-supported Principles for Responsible Investment. In addition, Fidelity is a member of the Responsible Investment Association and a participant in the Climate Action 100+. These collaborations keep us informed of relevant ESG-related industry developments and corroborate whether our efforts are moving in the right direction.

Integrating ESG into Fidelity's investment research process

Stewardship

Fidelity principally pursues active investment styles informed by rigorous bottom-up fundamental research. Our objective, first and foremost, is to deliver strong long-term investment performance to our clients. Accordingly, seeking a thorough understanding of all aspects of the companies in which we invest, including environmental, social and governance characteristics, is paramount to our success.

Fidelity believes that high standards of corporate responsibility make good business sense. The investment research process undertaken by our analysts and portfolio managers takes ESG factors into account when these have a material impact on either investment risk or return potential. Fidelity believes ESG factors are important inputs into the overall research process and can help identify companies that can drive long-term value creation for investors.

For non-ESG-focused funds, portfolio managers have full discretion in determining whether and how relevant and material ESG factors are to a company's evaluation, consistent with their investment objectives, investment strategies and investable universe.

Investment research process

ESG factors serve as one of many research inputs in security valuation and are important considerations in the overall research process. Fidelity incorporates the use of proprietary and third-party ESG/sustainability ratings to inform investment research. Fidelity's proprietary ESG/sustainability ratings are driven by fundamental inputs and determined by research professionals across the organization. Multiple data sources are leveraged, including public disclosures, company management engagements and third-party data, such as MSCI ESG research data, which in turn is used to supplement our own fundamental research. Companies are evaluated based on the ESG factors that are relevant and material to their operations and business over the long term. The proprietary ratings serve as a forward-looking assessment of how a company is incorporating ESG considerations into its business model, as well as its ESG performance and trajectory. The monitoring of ESG risks, factors and opportunities is undertaken as part of the fundamental research process, which includes the assessment of material financial and ESG factors for all the companies we cover, and which is updated on a regular basis.

For our active investment strategies, Fidelity's investment analysts are the primary point of contact between Fidelity and the companies in which we invest our funds, and they undertake extensive quantitative and qualitative analysis of potential investments.

Meetings are supplemented by site visits and ad hoc calls, when necessary. Research sources may include customers, suppliers, competitors, external industry experts, sell-side investment analysts and other shareholders, contacted both directly and through intermediary networks.

ESG integration

ESG analysis is primarily carried out at the analyst level within our investment teams. Our portfolio managers may also be active in analyzing the potential effects of material ESG factors when making investment decisions.

For our active investment strategies, our investment approach involves bottom-up research. As well as studying financial conditions and results, our portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers to develop a holistic view of every company in which we invest.

Examples of ESG factors that our investment teams may consider as part of their fundamental research process include:

- corporate governance (e.g., board structure, executive remuneration)
- shareholder rights (e.g., election of directors, capital amendments)
- changes to regulation (e.g., greenhouse gas emissions restrictions, governance codes)
- physical threats (e.g., extreme weather, climate change, water shortages)
- brand and reputational issues (e.g., poor health and safety record, cybersecurity breaches)
- supply chain management (e.g., increase in fatalities, lost time injury rates, labour relations)
- work practices (e.g., observation of health, safety and human rights provisions)

FIL's Sustainable Investing team works closely with Fidelity's investment management division, and plays a key role in assisting them with the implementation of FIL's sustainable investing framework, by:

- Working closely with the investment team globally, across asset classes, to help integrate ESG issues into the research process, where applicable.
- Engaging with investee companies on relevant ESG risks and opportunities, including climate-related factors.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.
- Providing internal ESG reporting, including analyst reports on current or emerging ESG themes and issues, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Implementing Fidelity's proxy voting guidelines.
- Client reporting on ESG integration and proxy voting, where requested.

As of December 31, 2022, FIL had 34 dedicated sustainable investing specialists.

Proprietary ESG ratings

The Fidelity ESG ratings methodology was designed by our colleagues at FIL and applies to all Fidelity-managed and FIL sub-advised funds. The ratings aim to provide a forward-looking assessment of the extent to which an issuer's performance on material sustainability issues either supports or is likely to impair long-term value creation for shareholders. The ratings are differentiated by their forward-looking emphasis and their use of company interactions and due diligence by Fidelity's fundamental analysts as the main input to identify and assess the material ESG risks affecting an issuer.

Our ESG ratings are integrated into Fidelity's investment process and are available to all members of Fidelity's investment management division through our internal research platform. They serve as an additional source of insight and as a tool to support investment decisions.

What do Fidelity's ESG ratings look like?

Fidelity's ESG ratings comprise a combination of E, S and G indicators that aim to address the most material issues in each sector, providing a holistic, forward-looking view of a company's ESG practices. In 2021, we launched the second iteration of our framework, building on the success of the first. The ratings methodology reflects the evolution of Fidelity's ESG integration approach, founded on the principle of double materiality: a focus on ESG both in terms of business risk and in terms of the environmental and societal implications of a company's operations.

Our analysts assign a rating of A (best) to E (worst) for each company we assess. An A rating represents a company that has clearly understood and is proactively managing the ESG issues that can affect the long-term shareholder value of the company. An E rating represents the inverse.

How does Fidelity's rating system give us a competitive edge?

Fidelity's ESG ratings are based on our bottom-up company research and our regular interactions with management teams and boards of companies within our universe of 4,000 issuers. We source specific and comprehensive quantitative inputs to conduct our sustainability assessments. We then supplement and enrich these typically backward-looking quantitative assessments with qualitative inputs from our expert fundamental and sustainable investing specialists. This helps to ensure that our sustainability assessments are forward-looking and focus on the issues that matter.

The ratings are assigned by Fidelity and FIL's team of investment analysts across the world. Our analysts work in collaboration with each other across asset classes, conducting more than 20,000 company meetings every year, and they update the ratings at least annually, as well as whenever a significant ESG event occurs.

We have created customized materiality mappings for over 120 individual subsectors. Each map is formed from a unique selection and weighting of individual ESG indicators. The aim of this granularity is to create more focused and relevant sets of indicators for each subsector.

Individual scores at the indicator level are aggregated to the pillar E, S and G level, which are then combined to give an overall ESG score at the issuer level and trajectory ratings.

We're looking for four things in particular: awareness, action, results and direction of change. That means we're concerned with a company's future ambitions just as much as its past action. It's important for us to know whether a company is heading in a "stable," "improving" or "deteriorating" direction. We're looking forward rather than backward: we believe that's where value lies for investors, and it sets our ratings apart.

In addition to our own proprietary ratings, we use external research and rating providers such as MSCI and ISS Climate Solutions data to complement our internal research process.

Active ownership

Fidelity's approach to active ownership comprises the engagement and proxy voting activity we undertake to gain a deeper understanding of a company's approach to ESG and the impacts of material ESG risks and opportunities on a company's business, and to ensure that their practices do not lead to unpriced material ESG risks.

This approach supports the responsible allocation of client assets in two main ways: by informing the investment process at the research and investment decision-making stages, and by leveraging our ownership position in companies to effect positive corporate change, such as the development of policies or targets, or the improvement of processes that are supportive of creating long-term value for stakeholders.

Active engagement forms an integral component of our sustainable investing strategy. We use information gathered from engagements to inform our investment decisions and to encourage company management to improve procedures and policies. We believe engagement is key to having a deeper understanding of an investee company's material ESG risks and opportunities and to improving issuer behaviour and investor outcomes over the long term.

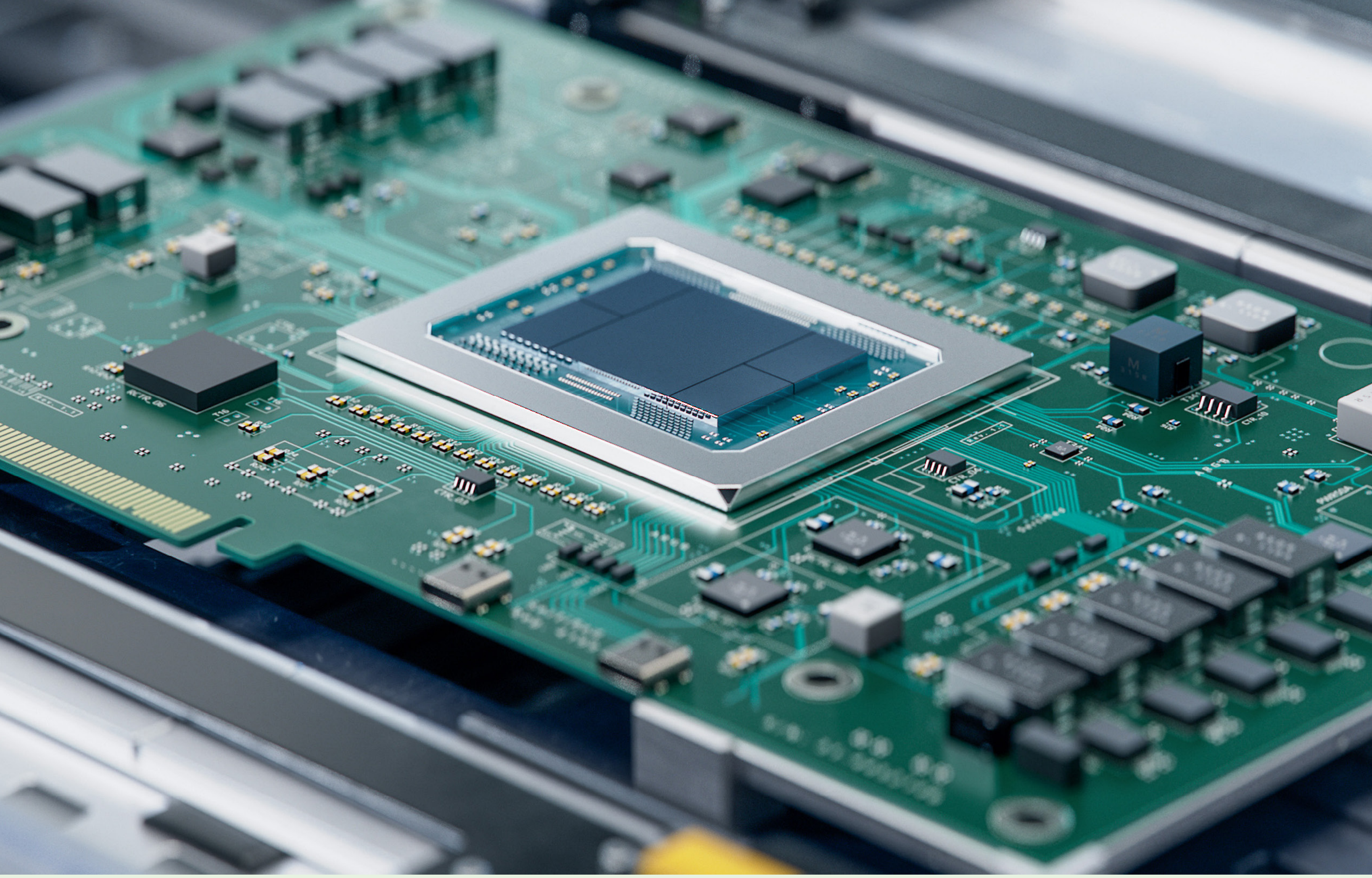
INVESTEE: Metals and mining company

Engagement topics: Diversity, environment, GHG emissions

Background: Throughout 2022, our engagements with the company focused on several topics, most notably board diversity, greenhouse gas emissions and environmental efforts.

Engagement focus: On diversity, during 2021 we had encouraged the company to seek greater female representation on its board, as we believe gender diversity can help enhance decision making and corporate performance. In 2022 the company was able to increase female board representation and reach our suggested threshold.

On the environment, and emissions specifically, given the nature of the industry, we were particularly interested in engaging the company about greenhouse gas emissions. The company has made notable progress in measuring its emissions and setting reduction targets. In particular, the company is targeting a significant reduction of Scope 1 and Scope 2 emissions by 2030. There have been efforts to shift away from sectors contributing to poor GHG emissions. Overall, we see the company's environmental efforts as above-average, compared with its peers. We are also focused on deforestation, given the environmental impact of mining activity, and accordingly have engaged the company on this topic. The company has made commitments to reforest affected lands.



INVESTEE: Electronics manufacturer

Engagement topics: Board diversity, ESG reporting, GHG emissions targets

Background: In 2022, we met with the company and engaged on several governance and environmental-related topics.

Engagement focus: Regarding governance, we discussed the company's board structure and highlighted the lack of gender diversity. We shared our perspective that a more diverse board can lead to enhanced decision making and the potential for better corporate performance. The company had already discussed the large number of members on its board and mentioned that addressing diversity was a high priority. Separately, the company had been involved in litigation. We questioned the company on how it would prevent future incidents, and the company advised that changes had been made to mitigate such situations.

Among environmental topics, we discussed ESG reporting and greenhouse gas emission targets. The company noted that customers are increasingly asking about its ESG practices and emission targets, and it acknowledged that its business could be affected if it did not continue to make progress on ESG practices and disclosures. Through 2022, material progress was made in the company's environmental efforts. The company had previously announced cuts to Scope 1 and Scope 2 emissions by 2030. More recently, the company announced intentions to achieve net zero by 2040, and that it expects to issue a recurring progress report. Although challenges remain, notably regarding Scope 3 emissions, we are satisfied with the company's efforts and believe that its efforts position it well to win additional business.

The engagement and proxy voting process at Fidelity

Identifying engagement opportunities

We maintain an ongoing dialogue with the management of investee companies. Formal meetings involving both portfolio managers and analysts are held with investee companies at least twice a year. In addition to these regular engagements, there are a variety of other opportunities for ad hoc engagements, including

- Responding to a controversy or adverse event (e.g., evidence of poor governance).
- Firms flagged by our analysts during the proprietary sustainability rating assessment as good candidates for engagement (e.g., exposure to sustainability risks).
- FIL's Sustainable Investing team may conduct a thematic engagement on a particular sustainable investing issue (e.g., supply chain management).
- Issuers may request engagement on a specific governance or corporate event (e.g., mergers and acquisitions) prior to its announcement.
- Through involvement with a third-party engagement forum (e.g., Climate Action 100+).

How we engage

Once we have identified an engagement opportunity, we believe the best approach is constructive dialogue with companies to explain our beliefs and expectations, and to encourage positive shifts in their practices and policies. Because of Fidelity's reputation for a fundamental and long-term approach to investing and our long-standing relationships with issuers worldwide, we believe we are well placed to use our influence on issuers to promote more sustainable practices. We therefore believe that engagement is often a better way for us to drive change than simply excluding companies from our portfolios.

Our engagement process is designed to be well defined and transparent, with the following components identified at the outset:

- Key issue areas: the themes for which the company has room for improvement (e.g., climate change)
- Objective: the ultimate desired outcome from engagement (e.g., reduced carbon emissions)
- Milestones: indications that the company is making efforts to achieve the objective we have communicated (e.g., setting a carbon reduction target)
- Key performance indicators (KPIs): a quantifiable measure of performance over time for a specific objective (it is important that there are measurable KPIs set against the milestones)
- Timeline: the timeframe in which we can reasonably expect a company to improve
- Status: a point-in-time measure of progress (e.g., no progress vs. some progress vs. success)

Monitoring progress

Monitoring the progress of engagements is as important as initiating them, to assess change and success against milestones and objectives. Our analysts, portfolio managers and sustainable investing specialists document all engagements with issuers in a centralized application platform that is available to the entire investment team. This transparency allows the team to learn across sectors, themes and asset classes, enriching our depth of knowledge. Engagements can have various timeframes depending on the materiality and urgency of the ESG topic in discussion, and the outcomes (or lack of outcomes) from our engagements are reflected by our analysts in our sustainability ratings framework.

INVESTEE: Financial institution

Engagement topics: Business strategy, sales practices, governance

Background: In the first half of 2022, we met with the company's chair and used the opportunity to engage on a range of topics including business strategy, sales practices and governance.

Engagement focus: Our discussions focused on the company's lagging performance metrics compared with peers, the root causes, and the company's plans to address these issues. In previous years the company has also experienced criticism of its sales practices and fees, so we questioned the chair on these issues. The company has undertaken a prudent approach to improving sales practices and ensuring a robust sales culture in recent years and stated that the above-noted issues have since been resolved. The company has also made changes to its fees to bring them in line with peers.

Recently, there have been several changes in management at the company. We engaged with the company to ensure that it had an appropriate succession plan that would be clearly articulated within the company, to ensure that the company's strategy remains intact.

We have also consistently engaged the company on climate-related issues for several years. The company has made noteworthy progress on climate-related initiatives, including setting a net-zero commitment and publishing more detailed plans on its pathway forward. We believe an emphasis on managing climate-related risks can help companies manage business risk, reduce the cost of capital and help protect the value of underlying assets. We will continue to engage with the company on a regular basis to monitor progress and encourage additional efforts on climate.

INVESTEE: Medical device supplier

Engagement topics: GHG emissions, energy consumption, water and waste management, governance

Background: Our engagement efforts with the company focused on environmental aspects, as it has generally performed well on social and governance metrics.

Engagement focus: The company has made meaningful progress in providing more transparency into its greenhouse gas emissions, and we expect that it may set mid- and long-term targets in the future. We will continue to monitor and encourage these developments. Other environmental engagement topics included energy consumption and water and waste management. Although the company does not currently have baseline measures on energy and water usage, we expect these will be disclosed in the near future. The company is actively pursuing efforts to reduce waste, notably with the lower-waste design of newer product versions, as well as goals to recycle products after use. Overall, there are opportunities for improvement in certain environmental-related aspects of the company's business, but it has made progress and is on a positive trajectory.

In terms of governance, the board members have remained steady, and we believe the company is well managed. We note that the CEO and chair are the same person, and although this is not considered a best practice, it tends to be common in this industry. The company has been diligent in how and where it appoints that person on committees to avoid potential conflicts. We continue to monitor this issue, but are comfortable with the company's governance practices, because it maintains a strong execution of its business strategy.

How we vote

The exercise of ownership rights, including voting and engagement, can improve the performance and lower the risk of investments over time. We seek to vote all equity securities in which we are invested wherever possible. On rare occasions we may determine not to submit a vote, where in our view the cost of voting outweighs the associated benefits. We will also take account of the circumstances of the investee company concerned and of prevailing local market best practices. Our approach and policy regarding the exercise of voting rights are in accordance with all applicable laws and regulations, as well as being consistent with the investment objectives of the respective portfolios.

The FIL Sustainable Investing team is responsible for monitoring possible conflicts of interest with respect to proxy voting, which applies to Fidelity-managed assets and FIL sub-advised assets. In instances where a fund holds an investment in more than one party to a transaction, we will always act in the interests of the fund. When there is a conflict with our own interests, we will either vote in accordance with the recommendation of our proxy advisors, Institutional Shareholder Services (ISS), or, if no recommendation is available, we will abstain or not tender a vote.

We encourage boards to consult with investors in advance of a vote rather than risk putting forward resolutions at general meetings that may be voted down. Subject to the size of our investment, where our views differ from those of the board, we will seek to engage with the board at an early stage to try to resolve differences.

Voting, a fundamental part of our engagement with investee companies, is underpinned by the objectives of upholding good corporate governance standards across our equity holdings, preserving shareholder rights and supporting companies that are sustainable, responsible and accountable to their shareholders. Our voting process is highly collaborative and draws on the experience of our wider investment team to inform our final decision. While voting is mostly limited to our equity holdings, the research and engagement process surrounding our voting activities is leveraged across our investment team.

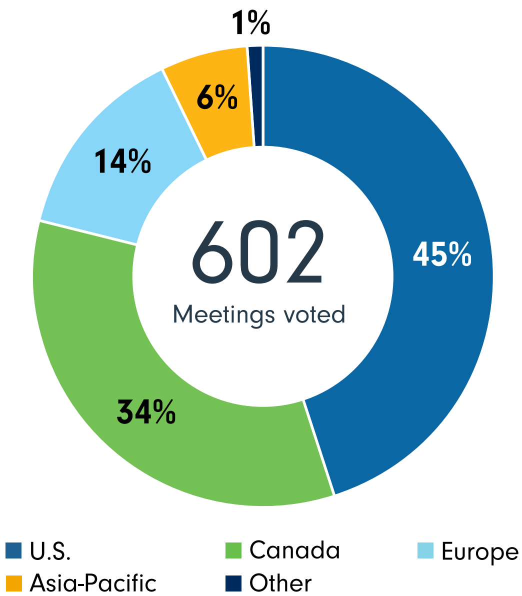
Proxy voting summary 2022

Proxy voting data provided in this report relate to assets managed by Fidelity's investment management division.

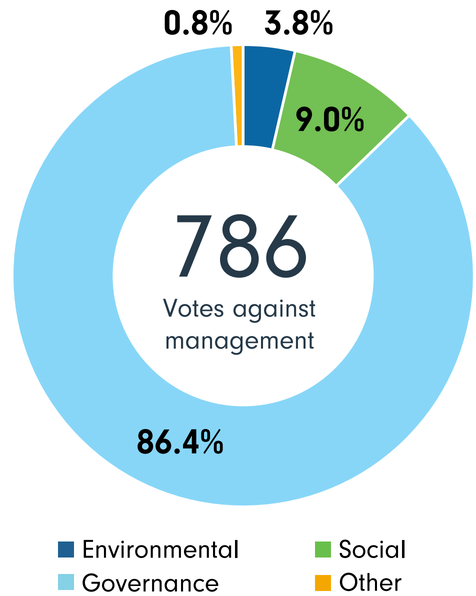
We aim to vote all our shares in the best interests of our clients, to support improved client returns, best-in-class business behaviour and our goal of building better financial futures. We will apply discretion in the application of our voting principles and guidelines to ensure that our approach to voting is effective but also aligned with the best interests of our clients.

During 2022, there were 609 votable company meetings with 7,214 votable items; we voted at 602 of those company meetings and on 7,058 items. Of the 602 company meetings where we voted, 391 (65%) were meetings where we had at least one vote against management. Of the 7,058 proposals voted, 6,272 (89%) were with management, while 786 (11%) were against management.

Voted meetings by geographical region



Details of votes against management



Of the 786 votes against management, 679 (86%) were in connection with governance-related themes, such as director election, remuneration, and audit and financial reporting. Social-related themes, such as diversity, equity and inclusion, and political spending, represented 71 (9%) of the votes against management. Environmental-related themes made up 30 (4%) of the votes against management, primarily focused on climate.

Governance-related topics

A well-functioning board is critical to the success and long-term sustainability of a company. Fidelity continually assesses the integrity, competence and capacity of individual directors. We believe that adequate independence on a board and its committees is critical to protecting shareholder value. Accordingly, we will generally vote against, for example, directors with a poor record of attendance, directors who are involved with too many external board mandates and/or directors whose independence is a matter of significant concern.

Regarding remuneration, we believe it is in the interest of shareholders that boards should have the ability to attract and retain the highest quality of executive directors. In our view, setting appropriate remuneration levels is primarily the responsibility of the remuneration committee of the board. Although this will be a market-based judgment, all remuneration arrangements should be aligned with the interests of shareholders and be proportionate to the contribution of the individuals concerned. We will generally vote against, for example, pay arrangements that we consider misaligned with shareholder interests, incentive arrangements where the dilutive effect is excessive and/or incentive plans that permit the immediate or short-term vesting of awards.

With regard to audit and financial reporting, we recognize the importance of all corporate reporting and seek to ensure company disclosures are clear, transparent, comprehensive, consistent, timely and accurate. We believe 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. As a result, we will generally vote against, for example, the reappointment of auditors when we have concerns about the quality or integrity of the audit.

INVESTEE: Fast-food company

Engagement topics: Executive compensation, climate change

Background: We engaged with executives and key staff at the company on several topics. Governance was the most prominent topic, specifically executive compensation. An additional topic was climate change.

Engagement focus: The company has made significant strides on governance. For several years, the company was operating with a disproportionate board that consisted of minority shareholders having majority control of the board. Through our discussions, we informed and educated the company on best practices and encouraged it to shift from this structure. After our engagement, the company announced a new executive chair who made constructive changes to the board.

We also engaged the company on executive compensation. Although the company was paying its executives at similar levels to its peers, the company's share price was significantly underperforming its peers. With the new incoming chair, the company has made changes to executive compensation that are better aligned with corporate performance. We conducted due diligence on the compensation packages and performance targets and were satisfied that they were aligned with shareholder interests.

From an environmental standpoint, we believe the company has opportunities to improve its carbon footprint, including through more transparency for its business operation emissions and, potentially, the implementation of formal emissions reduction targets. We will continue to engage and encourage a positive trajectory in the company's climate efforts.

Social-related topics

We believe that welcoming and inclusive organizations that hire, foster, promote and remunerate employees based on merit and without regard to gender, age, race, ethnicity, religion, sexual orientation, economic background, disability or other factors make better use of their human capital. Organizations that promote diversity may also be 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. Accordingly, we will generally vote against, for example, the boards of companies in developed markets that do not have at least 30% female representation.

Regarding political spending, we support robust disclosures of 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 when such lobbying activity conflicts with the interests of stakeholders.

Environmental-related topics

We recognize that climate change poses risks to the long-term profitability and sustainability of companies. Investors are exposed to downside risks due to climate change, including the direct physical effects of climate change (e.g., extreme weather events affecting agriculture and food supply, infrastructure, precipitation and water supply) and the impacts of policy measures directed at reducing greenhouse gas emissions from certain economic sectors. Accordingly, we seek to promote improved climate change-related corporate behaviour where applicable. Companies should meet minimum standards of climate change oversight, practice, disclosure and action. In addition, 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. We will generally vote against directors at companies that do not meet our minimum expectations regarding their management and oversight of climate change-related risks, transparency on climate change-related risks and opportunities, and strategy to reduce their climate impact.

INVESTEE: Electric utility company

Engagement topics: Climate change, GHG emissions, sustainability reporting, diversity, executive remuneration, cybersecurity

Background: Over the course of 2022, our analysts engaged with the company twice, once at the beginning of the year and once at the end.

Engagement focus: The engagement at the beginning of the year focused most on sustainability, with the second engagement being more focused on governance. Prominent themes during these discussions included climate change, GHG emissions, sustainability reporting, diversity, executive remuneration and cybersecurity.

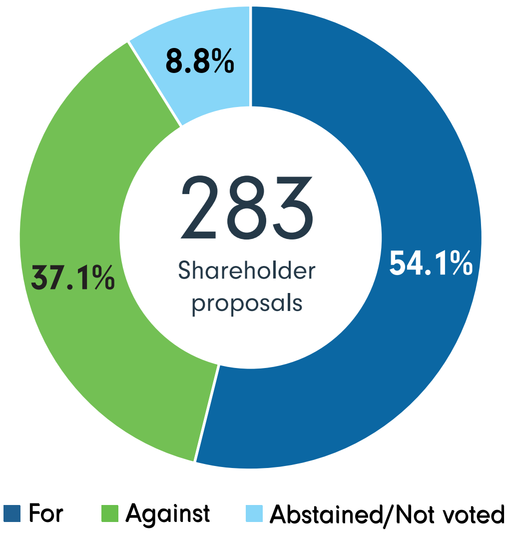
The company had set out ambitious emission reduction and net-zero targets. We engaged to ensure that there was adequate disclosure and clarity regarding the targets, their feasibility and the monitoring of those measures. The company continues to make progress on its environmental disclosure, leveraging widely recognized frameworks, such as SASB. Generally, our discussions with the company have been constructive, and we believe that the company's ESG efforts are above-average relative to peers.

From a diversity perspective, the company is comfortable with its current disclosures and policies on gender equality. However, the company acknowledged that more work can be done regarding visible minorities. We encouraged the company to collect data and make decisions on additional action following its analysis of company-wide metrics.

Based on our discussions, there are no material breaches of or concerns about cybersecurity, and the company's compensation is generally fair. We encouraged the company to increase the mix of certain incentives, such as long-term awards that are performance-based. We also discussed linking executive pay to climate objectives to hold individuals accountable.

Shareholder proposals

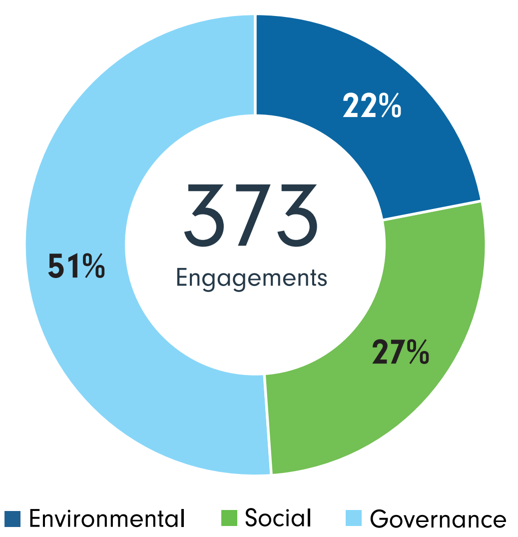
We generally consider management's recommendations and current practices when voting on shareholder proposals concerning environmental and social issues, because we believe that management and the board are in the best position to determine how to address these matters. In certain situations, where our views differ from those of a company's management or board, we may seek to engage with management or the board at an early stage to try to resolve differences. Where this is not successful, we may decide to abstain, or to vote against a company's recommendation. Our guiding principle is that voting rights should always be exercised in the best interest of our clients.

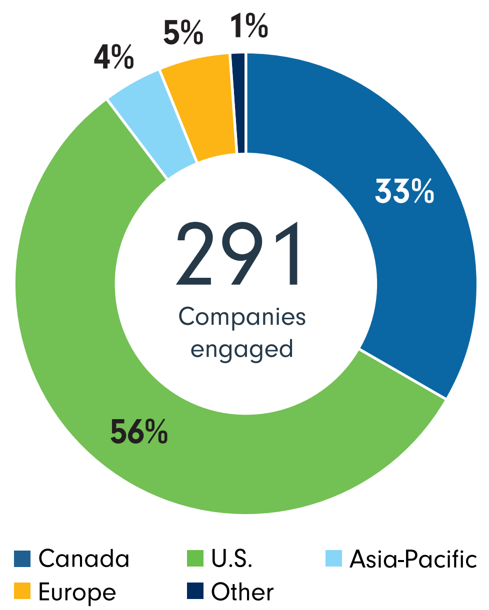


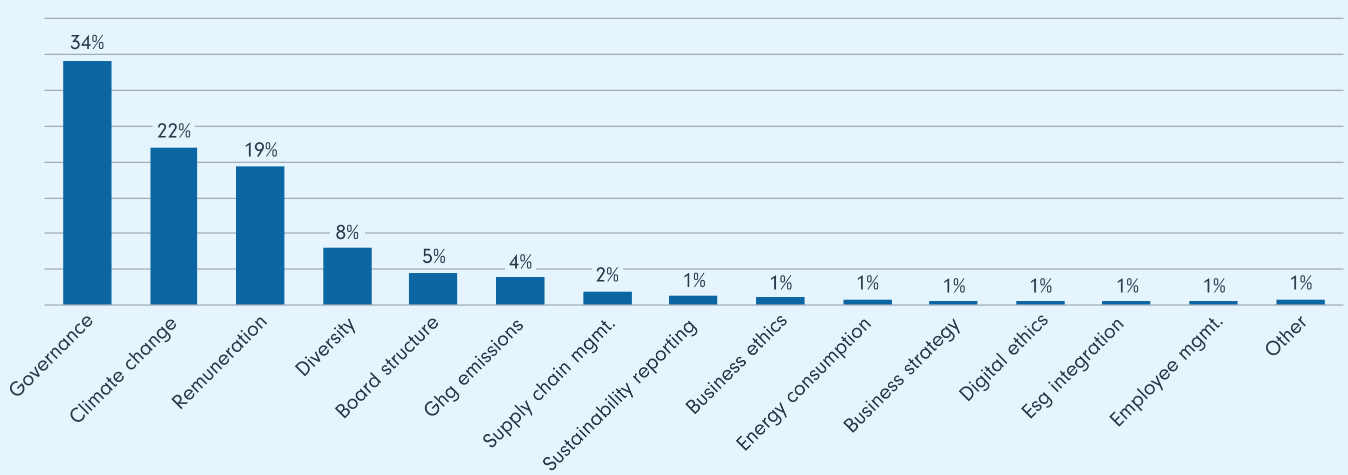
Engagement highlights 2022

Engagement data and examples provided in this report relate to assets managed by Fidelity's investment management division.

Over the course of 2022, we carried out 373 engagements across 291 companies around the world. Engagements refer to interactions with companies on ESG issues with the aim of influencing their ESG practices or improving their ESG disclosure. These interactions include meetings (in person or virtual) and written forms of communication. The engagements generally focused on corporate governance, while climate change and executive remuneration were also common themes.







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