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FIDELITY PROXY VOTING GUIDELINES 2021

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On February 1, 2021, Fidelity Investments (FMR) issued its **2021 Proxy Voting Guidelines**. Fidelity's 2021 guidelines are largely unchanged from 2020, with the revisions from last year's guidelines focused largely on its board composition and overboarding policies. There is a new section clarifying how Fidelity proceeds with shares it has on loan.

This report summarizes Fidelity's 2021 Proxy Voting Guidelines. We have also provided insight into Fidelity's historical annual meeting voting activity.

2021 Proxy Voting Guidelines

As with last year's guidelines Fidelity begins with an introductory section that lays out the purpose and intended use of the polices and details how the guidelines are animated by two fundamental principles the firm adheres to in voting proxies:

1. Putting first the long-term interest of customers and fund shareholders
2. Investing in companies that create long term value

Fidelity also refers to remaining focused on maximizing long-term shareholder value, but now more closely taking into consideration potential environmental, social and governance (ESG) impacts. To emphasize this, it has added a reference to its Stewardship Principles as the basis for its proxy guidelines. The Stewardship Principles cover six basic concepts that Fidelity uses to underpin the logic for their proxy guidelines. These concepts are accountability and transparency, alignment, shareholder engagement, independent oversight, board diversity, and shareholder rights. More details about the Principles can be found **here**.

Director Elections

Historically, Fidelity has generally supported director nominees in elections, as showcased in the data below. The table details Fidelity's frequency in voting for director elections for companies in the S&P 1500 over the last four proxy years.[1]

Investor	2017	2018	2019	2020
Fidelity Management & Research Co. (FMR)	98.9	99	98.9	98.9

This year Fidelity has implemented a more clearly defined process by which they will vote against the election of particular directors in certain instances, a move away from their historical use of withholding voting authority.

In its 2021 updated guidelines, Fidelity amended the section on election of directors, providing further insight into what might cause the investor to oppose the election of all or particular director nominees up for (re)election. These details are split into two unique sections detailing when a vote against a director may be warranted.

The first section covers Fidelity's concerns about board composition. An against vote may now be warranted in the instance(s) of:

- Boards with inside or affiliate directors that are also not comprised of a majority of independent directors; this was listed as a consideration of board actions in the 2020 guidelines but has been moved here for the 2021 version.
- There are no women on the board or, in the case of boards with at least 10 directors, there are fewer than 2 women on the board
- Directors that are also CEOs of public companies and sit on more than two unaffiliated boards

The second section covers Fidelity's concerns about board actions. As mentioned above, board independence has now been moved from this section to board composition considerations instead. An against vote may now be warranted in the instance(s) of:

- Attendance concerns, attending less than 75% of meetings in the prior fiscal year
- The company fails to act on a commitment to modify a proposal or practice
- Anti-takeover provision is introduced without shareholder approval
- Compensation concerns Fidelity has communicated to the issuer are not addressed, or certain compensation actions were taken without prior shareholder approval

Environmental and Social Issues

Fidelity made a slight change to the section "Environmental and Social Issues." It again references its Stewardship Principles as the basis for its proxy guidelines, presumably to emphasize environmental and social welfare being at the heart of its investment approach. This evolution is further evidenced in Fidelity's recent voting history. However, no further specifics are given in how this will be reflected in its proxy votes over the coming year.

Fidelity Proxy Voting History on Environmental and Social Issues

As detailed in **Georgeson's 2020 Annual Corporate Governance Review (ACGR)** report, Fidelity returned to their historical level of support for E&S issues. The table below details Fidelity's voting history on selected climate change proposals for companies in the S&P 1500 since 2017. Fidelity typically supports these type of shareholder proposals about a third of the time . However, it is noteworthy that the level of support in 2020 is in stark contrast to 2019 and also above the historical norms in 2017 and 2018. This combined with its emphasis on its Stewardship Principles in this year's proxy guidelines suggests that Fidelity might be more willing to support such E&S proposals in 2021.

Shareholder Proposal Proxy Voting History: Select Climate Change Proposals[2]

Investor	For (%)			
	2017	2018	2019	2020
Fidelity	31.1	33.3	13	36

Diversity was a particular focus for Fidelity in 2020 – it voted in favor of nearly half of the board diversity shareholder proposals presented in the 2020 proxy season, according to our ACGR research. Support for workforce diversity proposals was even more prominent, with two-thirds of the proposals voted on by Fidelity garnering a "for" vote. This could be a portent for what is to come in 2021, especially with Fidelity emphasizing its Stewardship Principles in this year's proxy guidelines.

2020 Shareholder Proposal Proxy Voting History: Board and Workforce Diversity[3]

Investor	Board Diveristy		Workforce Diversity	
	# Supported	# Voted	# Supported	# Voted
Fidelity	3	7	8	12

Updates to Policies Regarding Shares on Loan

Fidelity has also added language to its 2021 proxy voting policies regarding securities it has out on loan. It states that shares of portfolio companies out on loan will remain as such with certain key exceptions. If there is an instance of a contested voted (i.e. a "proxy fight") or if there is a vote on a merger or acquisition that Fidelity deems as particularly important, then the shares might be recalled. Otherwise, Fidelity believes that the income derived from the shares out on loan is of greater value than the ability to vote them itself. Other considerations might also lead Fidelity to leave the shares out on loan, such as the timing and machinations required to recall the securities or the lack of available information ahead of the vote.

If you have questions or comments, please email info@georgeson.com or call 212 440 9800.

[1] *Data provided by Proxy Insight Ltd.*

[2] *Data provided by Georgeson's 2020 Annual Corporate Governance Review, in partnership with Proxy Insight Ltd.*

[3] *Data provided by Georgeson's 2020 Annual Corporate Governance Review, in partnership with Proxy Insight Ltd.*