2016

Governance and Engagement Report

Fidelity INTERNATIONAL

Introduction

A

Environmental, social and governance factors have continued to play an important and growing role in the investment process in Fidelity globally throughout 2016.

Over the course of 2016, Fidelity's Environmental, Social and Governance ("ESG") team actively engaged with 654 companies. This was supported by 160 related one-off meetings or conference calls with chairmen, independent directors or other advisers. 70% of these engagements related to governance and remuneration, 11% to board composition and structure, 8% to strategy and with the remaining 11% covering topics such as capital structure, mergers and acquisitions and environmental and social issues. The weighting towards governance and remuneration in 2016 reflects our continuing campaign to extend LTIP share retention time periods in Europe which is discussed in more detail later in this document. These statistics should be seen in the context of the 16,000 or so company meetings and visits which Fidelity conducted worldwide in 2016, many of which themselves contained ESG content as part of our mainstream investment process.

In 2016 the ESG team voted at 97% of the 3,708 company meetings we analysed. We did not vote our holdings at a further 3% of the meetings, the majority of these because they were meetings of Fidelity funds. During 2016 we cast votes against at least one of management's proposals at 28% of meetings and we abstained at 2% of the meetings.

ESG team configuration

B

During the year Fidelity restructured the London ESG team. Within the team of five there will continue to be a senior governance specialist and a senior ESG specialist managing the team, but the responsibilities of the team members themselves have been broadened to include all environmental, social and governance matters. This will enable Fidelity to flex resource at different times of the year, with more resources being dedicated to governance during the busy proxy voting season but with much more emphasis on environmental and social matters at other times of the year. This new structure will be kept under review to suit the needs of the business. In Asia the ESG team has six professionals based in Singapore and Tokyo who have blended responsibility for all ESG matters.

Activity overview

C

1. Voting

(i) 2016 vote summary

	Votes With Management	Votes Against Management*	Abstain*	Blocked	Took no Action	TOTAL
Americas	343	198	11	1	3	**556**
Asia	1258	60	19	0	11	**1348**
Europe	318	292	9	9	70	**698**
Japan	162	247	0	0	0	**409**
MEA	38	11	5	0	0	**54**
Australasia	151	51	10	0	0	**212**
UK	257	165	5	0	4	**431**
TOTAL	**2527**	**1024**	**59**	**10**	**88**	**3708**

* Includes all meetings where Fidelity voted against management or abstained in respect of one or more resolutions.

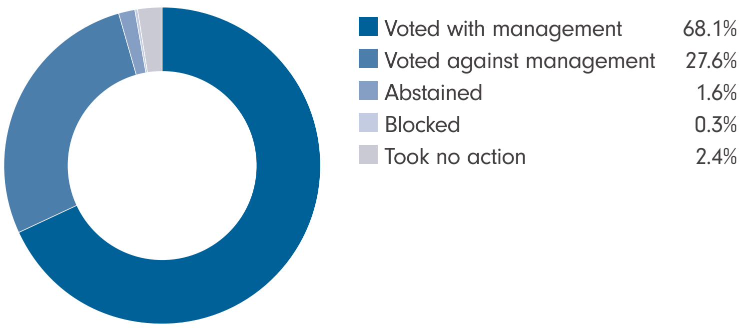
(ii) Percentage of votes against management by category

	Americas	Asia	Europe	Japan	MEA	Australasia	UK	TOTAL
Auditors	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	**0.1%**
Board	2.4%	**26.7%**	2.3%	85.9%	**7.7%**	**11.0%**	0.0%	**24.3%**
Bondholder	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	**0.1%**
Capital Structures	2.1%	**7.6%**	**19.9%**	0.0%	**7.7%**	0.0%	3.8%	**8.8%**
Charter Amendments	1.7%	**12.4%**	2.1%	1.8%	**7.7%**	1.0%	0.0%	**2.3%**
Remuneration	**45.3%**	**42.9%**	**70.0%**	5.6%	**76.9%**	**88.0%**	**94.0%**	**52.4%**
Routine Business	1.4%	2.9%	0.7%	0.4%	0.0%	0.0%	0.5%	**0.8%**
Shareholder Proposal	**43.6%**	4.8%	0.7%	0.4%	0.0%	0.0%	0.5%	**7.6%**
Strategic/Restructuring	1.0%	2.9%	0.4%	0.0%	0.0%	0.0%	1.1%	**0.6%**
Takeover Related	2.4%	0.0%	3.6%	**5.8%**	0.0%	0.0%	0.0%	**3.2%**

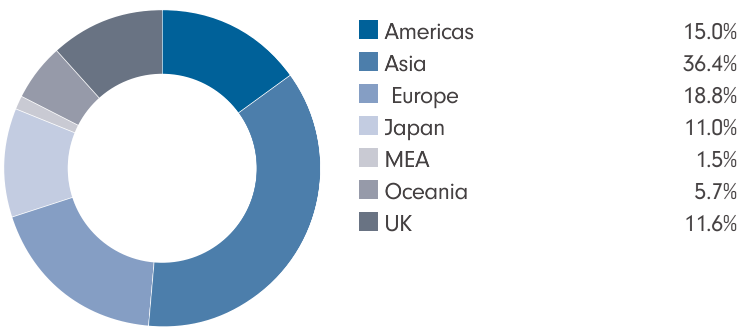
Key

- 20% or more of votes in the region
- Between 10% and 20% of votes in the region
- Between 5% and 10% of votes in the region

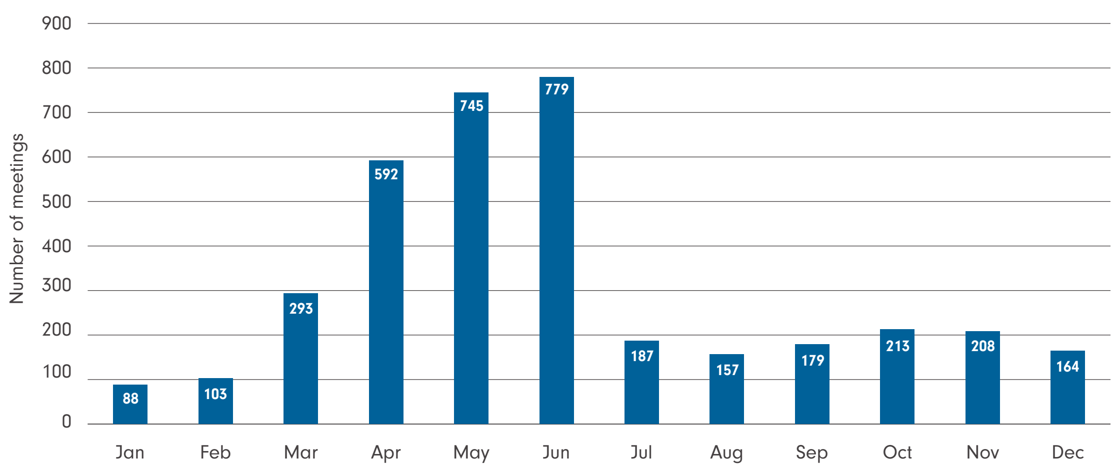
iii) 2016 summary of votes cast



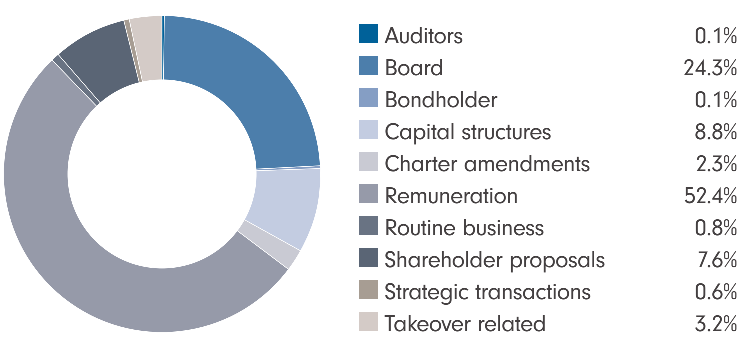
(iv) 2016 summary of meetings by region



(v) 2016 summary of votes per month



(vi) 2016 votes against management by category



(vii) Analysis

Fidelity voted in support of all meeting resolutions at 68% (2015: 68%) of the meetings which we analysed and we voted against at least one of management's proposals at 28% of meetings (2015: 27%). The most common reason for voting against management, as in previous years, was where incentive arrangements for senior executives were not in compliance with our proxy voting guidelines and where management had not been able to persuade us that there were compelling reasons for our support. In total, 52% of our votes against management were in relation to remuneration proposals, up from 43% in 2015. When analysed by region, this accounted for 94% of our votes against management in the UK, 70% in Europe, 45% in the US, 43% in Asia Pacific (ex Japan), 88% in Australasia and 77% in the Middle East and Africa.

The second most common reason for voting against management was in relation to the re-election of Directors which represented 24% of our total votes against management, down from 27% in 2015. The majority of these votes were in Japan where 86% of our votes against management were for this reason. In large part this was because we believed the proposed candidates were insufficiently independent from management.

The third most common reason for votes against management was increases in authorised share capital without pre-emptive rights which were not in line with our guidelines. This accounted for 9% of our total votes against management down from 12% in 2015. When analysed by region, this accounted for 8% of our votes against management in Asia Pacific (ex Japan), 20% in Europe and 8% in the Middle East and Africa.

The fourth most common reason for voting against management was in relation to shareholder proposals mainly at US-listed companies. Fidelity voted in support of a number of shareholder-sponsored proposals (against management's recommendation) including proposals requiring the chairman to be independent, giving shareholders the right to act by written consent in lieu of calling an EGM, reporting on lobbying payments and proposals calling for proxy access. This latter provision refers to the ability of shareholders to place their nominees for director on a company's proxy ballot. We believe that long-term shareholders that hold a significant percentage of the company's share capital should have the opportunity, when necessary and under reasonable conditions, to nominate individuals to stand for election to the board. In the US we will generally support proposals which require sponsors of candidates for election to the board to have a minimum ownership of 3% of the equity for at least three years with a 25% cap on the number of shareholder-nominated board candidates. Shareholder proposals accounted for 8% of our total votes against management and 44% of our votes against management in the US.

Fidelity abstained from voting on at least one of management's proposals in 2% of the meetings analysed in 2016 (2015: 2%). Similar to prior years, the abstentions related largely to companies where we did not receive complete information in a timely manner and had insufficient information on which to base an informed voting decision. We are continuing to work with our custodian banks and research vendors in an attempt to improve this process. There were a small number of cases in Australia where we abstained on a proposal due to legal requirements where we are unable to vote on a proposal related to a placing we had previously participated in. In Europe there were a few instances where we abstained on a company's remuneration arrangements when they did not meet our share retention guidelines. In these cases they were either newly formed companies or new Fidelity holdings and we decided to give them a year to make changes. Exceptionally we also abstained from voting in order to send a cautionary message to companies.

We did not vote our holding at 3% of meetings (2015: 3%). These mainly represented meetings held by our own Fidelity Funds where we view voting as a conflict of interest. There are a limited number of meetings where we submitted our vote but the vote was rejected. There were also a limited number of occasions where we did not vote due to shareblocking. Blocked markets are countries that impose prohibitions on trading should shareholders decide to vote their shares with the blocking period usually extending for seven to ten days prior to the meeting. Fidelity's current policy is to vote at least 50% of our shareholdings in blocked markets in those companies where we own a sizeable stake and so leaving some of the holding unfettered and available for trading.

2. ESG

In March 2016, Fidelity submitted our third report to the United Nations Principles for Responsible Investment ("UNPRI") which is a mandatory requirement as part of our signatory status. This year Fidelity has maintained its A score in Strategy and Governance and both equity modules, as well as improving the score from 2015 in each of the fixed income modules, as detailed below:

Module	2016 Fidelity Score*	2016 Median	2015 Fidelity Score	2015 Median
Strategy and Governance	A	B	A	B
Listed Equity – Incorporation	A	A	A	A
Listed Equity – Active Ownership	A	B	A	B
Fixed Income – Corporate Non-Financial	A+	C	A	C
Fixed Income – SSA	A+	C	B	E
Fixed Income – Corporate Financial**	A+	C	N/A	N/A
Fixed Income – Securitised**	A+	E	N/A	N/A

* The UNPRI assessment is broken out in to ten different asset classes and signatories are required to report on every asset class module that amounts to more than 10% of their total AUM. For Fidelity this means we report on four of the ten asset classes. Each module consists of "core assessed indicators" (mandatory to report) and "additional assessed indicators" (voluntary to report but can add a further opportunity to increase the overall score). Signatories receive a score for each indicator in every relevant module based on a 3-star system (zero stars for weak answers/3 for strong answers). The amount of stars received from each indicator within a module are then totalled and this total is then translated into the performance bands (A+,A,B,C,D, and E).

** New modules for 2016.

Fidelity initiatives

D

1. ESG

ESG Ratings and Integration Tracking

One of the core elements of Fidelity's ESG integration process is that individual companies are assigned an ESG Rating (A-E) provided by our external research provider and which are used in various forms to supplement our organic research process. During the year a new methodology for calculating these ratings was deployed across our internal research platform, in order that they more accurately align with methodology of the MorningStar Sustainability Ratings (referenced later in this section). Companies will continue to be rated on an A-E scale relative to their industry peers but now take greater account of high-profile ESG-related controversies such as environmental disasters, product safety recalls and bribery scandals.

We also rolled out a new feature within our internal research system which improves how we track the inclusion and discussion of ESG issues within our analysts' research notes. Enhancements in this area will streamline both our internal and external ESG reporting and assist with providing examples of ESG integration in response to specific client queries on the subject.

ESG-Related Research Team Collaborations

During the year Fidelity's Equity and Fixed Income Global Utility analysts continued their review of the impact of climate change and associated regulation on the industry. Most recently they published their conclusions from an in-depth project on the implication of climate change and associated regulation for energy efficiency and global electricity demand. Recognising that efficiency is the most straightforward way for companies to achieve the decarbonisation targets set out in the Paris Agreement, the investment team reviewed which sectors and regions these efficiencies will most likely be achieved and quantified the overall effect on projected regional energy demand going forward.

Fidelity's Global Autos and Chemical equity analysts also undertook a collaborative project to investigate the projected pace of electric vehicle (EV) adoption. They considered issues of demand pull by consumers, regulatory push from governments and the pace and necessity of technological change. The main conclusion was that although EV penetration will move from a linear adoption to a more parabolic curve, with the current regulatory and technological outlook, we are unlikely to reach a tipping point in EV adoption by 2025 as commonly thought. As part of the project those companies best positioned to benefit from this outlook were communicated to the investment team.

Responsible Investment in Real Estate

During the year Fidelity entered its UK-focused real estate portfolio into the Global Real Estate Sustainability Benchmark ("GRESB") Survey. GRESB is an industry-driven organisation that assesses the ESG performance of real assets globally, including real estate portfolios and infrastructure assets.

MorningStar Sustainability Ratings

In March 2016, MorningStar publicly released sustainability ratings for over 21,000 funds, with funds receiving a MorningStar rating of low, below average, average, above average or high relative to similar style funds in the same region. MorningStar calculates the fund rating based on the ESG scores of the underlying holdings provided by Sustainalytics, an independent provider of ESG ratings for which Fidelity is already a subscriber.

As of December 2016, 52% of Fidelity's assets under management were rated by MorningStar and the majority of these funds scored an average rating or higher. The ratings for our funds have remained largely unchanged since MorningStar launched their ratings in March. Fidelity has developed a diagnostic tool in which the key drivers behind the MorningStar ratings can be identified and the ESG team has undertaken analysis for portfolio managers in order for them to better recognise the ESG best-in-class and laggard companies in their funds.

2. Stewardship and Voting

Fidelity's UK Stewardship Code Statement

During 2016 the UK's Financial Reporting Council (the "FRC") conducted an exercise to review the Stewardship Statements of all of the signatories of the Stewardship Code. The FRC was keen to differentiate between those signatories who are actively undertaking stewardship and those whom are doing little beyond signing up to the Stewardship Code itself. The FRC made several suggestions with regard to Fidelity's Stewardship Statement as a result of which Fidelity's statement has been reworked. As well as including more information on Fidelity's conflicts of interest policy and investment process, the public disclosure of Fidelity's governance and stewardship activities has been increased and we now disclose our annual Governance and Engagement Report on-line. In November 2016 the FRC publically published signatory Tier statuses on their website and Fidelity has been awarded the top Tier 1 status.

Australian Voting Mechanics

Following our successful engagement in 2015 when we encouraged certain companies to conduct votes by poll rather than a show of hands, we decided to continue our dialogue on this issue with an expanded set of companies where we have acquired a significant position. During October and November 2016 we wrote to the chairman of these companies to encourage them to take a proactive stance ahead of their next annual general meeting and confirm that all voting at future meetings would be conducted by poll.

In our communication we acknowledged that voting by show of hands is allowed under the Australian Corporation Act and this approach may not have been used with any intent to misrepresent the voting result, but we also noted that voting by show of hands does not reflect market best practice. It is our view that voting by poll correctly reflects economic ownership and promotes stewardship by all investors.

We were pleased to again receive positive feedback to our letters and most of the companies we wrote to subsequently used poll voting at their 2016 AGM.

Voto Di Lista in Italy

At listed companies in Italy, board members are elected through a slate based voting process called the Voto Di Lista. This process allows minority shareholders to elect at least one director to the board or auditor to the board of statutory auditors. Shareholders are required to own a certain percentage of the total share capital of the company to put forward a slate. Through this process we often pledge our shares held in Italian companies in support of a slate for independent candidates to allow the proposal to be put forward for the vote at their AGM. During 2016 we pledged shares in support of 14 slates and 13 of these slates were successful in the election process.

3. Remuneration

Update on Fidelity's Share Retention Guidelines in the UK and Europe

Remuneration has continued to be a key area of focus in 2016 with a number of high profile votes against management. In 2014 Fidelity started voting against remuneration arrangements across the UK and Europe where long-term incentive plans ("LTIP") did not have a guaranteed minimum share retention period of over three years and the timeframe was increased to a minimum of five years from 2015. Fidelity has continued to vote against all remuneration reports and long-term incentive plans in the UK and Continental Europe which failed to satisfy this criterion irrespective of other aspects of the plan in question.

By way of background, at the start of 2013 only four FTSE 100 companies had a minimum LTIP share retention period of five years with a further 13 companies having a minimum share retention period of between three and five years. At the latest count, these figures have now risen to 50 FTSE 100 companies (2015: 44) with a minimum LTIP share retention period of five years and with a further 15 companies which have a share retention period of between three and five years.

Companies in the FTSE 350 are continuing to lag the progress of the FTSE 100 but currently 164 (2015: 152) companies have a minimum LTIP share retention period of more than three years. This compares with just 23 at the start of 2013. Of the 164 companies, 116 (2015: 95) now have a minimum LTIP shareholding of five years or more, compared with just six in January 2013. During 2016 Fidelity has voted against FTSE 350 management on at least one remuneration proposal at approximately 54% of AGMs (2015: 59%).

Whilst progress has slowed this year, it is anticipated that this will pick up again in 2017 as the majority of UK companies will seek approval of their binding remuneration policy. UK companies are required to seek approval for their forward-looking policy every three years, unless material changes are made in the interim. Early indications are giving grounds for encouragement that more companies will adopt our standard in the coming year and our policy has also now been adopted by the Investment Association in their own remuneration guidelines for companies.

Looking at the most highly capitalised blue chip companies in Europe, 38 companies (2015: 35) in the FTSE EuroTop 100 have a have a minimum share retention period of 5 years with a further 29 (2015: 30) with a share retention period of over 3 years. During 2016 Fidelity voted against management on at least one remuneration proposal at approximately 46% (2015: 44%) of AGMs on FTSE EuroTop 100 companies.

For the 2017 AGM season, Fidelity is taking its policy a step further and voting against the remuneration chairman (provided there has been no change of personnel) for companies that continue not to meet our guidelines. This is an authority we already have the power to use under the proxy voting guidelines but to date have not used for voting issues solely related to the LTIP timeframe.

Update on US Remuneration

Fidelity has a longstanding policy of encouraging companies to link long-term incentive awards to performance metrics and in many markets Fidelity requires 100% of awards to take this form. However, in the US, long-term incentive awards have typically comprised a combination of stock options, time-based awards and performance-based awards and in recognition of local market practice Fidelity has not objected to this structure. There has nonetheless been a gradual trend towards greater use of performance awards in the US and external research suggests that approximately 50% of long-term incentive awards in the S&P 500 are now performance linked.

In order to give additional impetus to the trend and in line with the more rigorous approach Fidelity has been taking towards directors' pay in the UK and Continental Europe, a minimum threshold has been introduced for the use of performance pay in US incentive schemes. In 2014, we informally required a minimum of 25% of total long-term incentive awards in the US to be performance linked but in 2015 a harder policy was introduced, requiring performance linkage for a minimum of 40% of any US long-term awards and in August 2015 we wrote to the chairmen of over 400 US listed companies explaining Fidelity's position on this issue.

During 2016 this policy has caused Fidelity to vote against at least one remuneration proposal in 18% (2015: 16%) of the US companies where a 'Say on Pay' vote was on the agenda.

Engagement with regulators and other stakeholders

E

Members of Fidelity's ESG team are involved in a number of external and collaborative governance-related bodies. These include the Chairmanship of the Investment Association's Governance and Engagement Committee, representation on the Code Committee of the Panel on Takeovers and Mergers, the Companies Committee of the Confederation of British Industry and the International Corporate Governance Network's remuneration committee. Fidelity is a signatory to the United Nations Principles for Responsible Investment, the UK Stewardship Code, the Japanese Stewardship Code, the Hong Kong Securities and Futures Commission Principles of Responsible Ownership and the Taiwan Stock Exchange's Stewardship Principles for Institutional Investors. We are also active members of the Asian Corporate Governance Association, the Association of British Insurers, the Corporate Governance Forum, Assogestioni, the UK Sustainable Investment and Finance Association, the Investor Forums in both Japan and the UK, the European Fund and Asset Management Association ("EFAMA") Responsible Investment Working Group and many other trade and industry bodies around the world.

Our general approach is to participate in governance-related consultations through the offices of these intermediaries but we may nonetheless also respond directly to consultations where our views are not reflected or where we hold a strong view.

1. Asian Stewardship Codes

Hong Kong and Taiwan Principles of Responsible Ownership

The development and introduction of new stewardship codes in Asia has continued during 2016. This mirrors the trend globally to promote responsible ownership with evolving obligations on investment managers and asset owners. Fidelity's policies in this respect are comprehensive and long established as outlined in its Principles of Ownership and Stewardship Statements.

In March 2016 the Hong Kong Securities and Futures Commission (the "SFC"), published their Principles of Responsible Ownership (the "Principles"). These Principles are non-binding and voluntary, similar to the UK Stewardship Code upon which they were modelled and use a comply-or-explain approach. Fidelity was involved in the consultation phase, submitting a response and comments during the development of the Principles, and welcomed the publication of the final version.

The overall objective of the Principles is to improve the governance of listed companies on the basis that effective engagement between shareholders and their investee companies can aid the long-term success of listed companies. Fidelity signed the Principles in September and will maintain our dialogue and engagement with the SFC on any future updates or other governance related matters.

Fidelity also engaged with the Taiwan Stock Exchange (the "TWSE") in relation to their consultation on the Stewardship Principles for Institutional Investors. Fidelity commented on potential issues relating to the application of the principles, including that in our view the code should be voluntary and disclosure should be on a comply-or-explain basis in order to encourage the broadest possible adoption. We signed the TWSE's Stewardship Principles for Institutional Investors in August.

In addition to the developments on the codes in Hong Kong and Taiwan this year, similar codes have been promulgated or considered in other Asian markets including South Korea and Singapore and we have engaged with stakeholders and regulators in both of these jurisdictions.

2. Corporate Sustainability Disclosure in Singapore

Taking its lead from Hong Kong, in June 2016 the Singapore Exchange ("SGX") launched guidelines for listed companies to conduct an annual review on issues and practices relating to sustainability. Companies are encouraged to identify the ESG issues they address and then outline the company's policies and performance relevant to these factors within their report. Companies are also encouraged to engage with shareholders to determine the material factors for the annual review.

The SGX requirements are intended to provide investors with improved insight on non-financial information of listed companies. The comply-or-explain framework takes effect with reports published in 2018 and companies must report, or explain their decision to not do so. Under the guidelines, responsibility is placed on the board to consider sustainability issues as part of its strategy and the board is required to sign off the sustainability report.

Another recent development in this market is the launching by the SGX of four new equity indices based on sustainability and ESG factors in May 2016. The launch of these indices and the related media coverage in Singapore illustrated the growing importance of ESG and sustainability issues in the Asian markets.

3. French Energy Transition Law

The Energy Transition Law for Green Growth was enacted into French Law in December 2015 with an overall aim to reduce greenhouse gas emissions, capping fossil fuel production and increasing the role of renewables in the country's energy mix. The legislation requires mandatory ESG reporting across the French investment industry, particularly on climate-related risks and the alignment between investment portfolios with French and international climate policies, albeit on a comply or explain basis.

Under the law Fidelity will be required by June 2017 to disclose publicly how such risks are integrated into the investment process and the environmental impact of certain investment portfolios that are domiciled in France as measured through carbon foot printing.

In anticipation of this legislation Fidelity has acquired the ability to carbon footprint our funds using a tool provided by a third-party data provider. In addition, we are currently testing this tool across all our funds globally as outside of France we have observed increased interest from clients to provide the carbon footprint of our funds in order that they can assess their environmental impact.

4. GC100 and Investor Group Remuneration Guidance

In September 2013, the GC100 and Investor Group, representatives of the GC100 and the Corporate Governance Forum including Fidelity, published guidance documents with the intention to aid companies in meeting the new remuneration disclosure regulations that were introduced in the UK in 2013. The group reconvened in early 2016 to look at updating the guidelines ahead of companies publishing their 2017 annual reports. The new regulations required UK companies to put provide a forward-looking binding vote of their remuneration policy at least once every three years. The majority of companies have not sought approval for a new remuneration policy since they received shareholder approval for their policy at their 2014 AGM and therefore will be required to seek shareholder approval for a new policy in 2017.

The updated guidance was published in August 2016 and reflects changes resulting from a review by the group of experience over the 2014-16 AGM seasons, and feedback from companies, investors, advisers, other market participants and government. Investors had continued to have concerns with some companies not sufficiently showing how remuneration links to remuneration strategy and the non-disclosure of targets on the basis they are commercially sensitive. The update provides further guidance in this area to make clear what investors are expecting in this regard as well as clarifying the guidance in other areas.

5. German Corporate Governance Code

In November 2016 the German Corporate Governance Commission opened a consultation on proposed changes to the Corporate Governance Kodex. Fidelity was supportive of all changes proposed and in particular we were very supportive of the suggestion that the Chairmen of Supervisory Boards be encouraged to make themselves available to investors in order to discuss Supervisory Board-related topics. We would regard this change, if adopted, as filling an important gap in the Corporate Governance Kodex and would be a major step in bringing German governance practices into line with global best practice. The shareholder Directors on the Supervisory Board are elected by shareholders to act as their representatives but we believe it is difficult for these Directors to perform their duties in an optimal manner if no one on the Supervisory Board is willing to engage directly with shareholders to hear their views. We also believe that on certain occasions it is important that contact between shareholders and the Supervisory Board can be conducted separately from management, particularly when sensitive governance matters are involved.

6. Japan Governance Evolution

Since the introduction of Japan's Stewardship Code in February 2014 corporate governance reform has been gaining momentum. The number of signatories to the Japanese Stewardship Code reached 214 as of December 2016, up from 201 at the end of 2015. Recent governance-related reforms in Japan include the introduction of the new stewardship code, the revision of the Corporate Governance Code and the introduction of a revised Companies Act. The key challenge now is to translate these initiatives from Form to Substance.

Fidelity is frequently asked by regulators such as the Financial Services Agency (the "FSA") and the Ministry of Economy, Trade and Industry (the "METI") to provide examples of best practice including stewardship activities, engagement with companies, effective corporate disclosure for long-term investment, ESG integration in company research and the investment decision process, assessment of business model innovation and intangibles and control of conflicts of interest in proxy voting.

Further reforms are planned and looking ahead the FSA is preparing to bring a Fair Disclosure Rule into force and to revise the stewardship code whilst METI intends to publish a guide for effective corporate disclosure and shareholder engagement. The Ministry of Justice is also planning to propose various amendments of the Companies Act in order to deepen reform. The direction of the Stewardship Code revision is likely to include enhancement of asset managers' own governance arrangements such as the management of conflicts of interest as well as the enhanced disclosure of voting results and self-evaluation of the effectiveness of asset managers' stewardship activities. Enhanced disclosure of voting results may require asset managers to disclose company-level data on a comply or explain basis.

7. Task Force on Climate-related Financial Disclosures

In late 2015 the Financial Stability Board, at the request of the G20, established a Task Force on Climate-Related Financial Disclosures ("TCFD") chaired by Michael Bloomberg with members including private providers of capital, major issuers, accounting firms, and rating agencies. It was originally tasked with developing voluntary, consistent, climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. This was later expanded to include developing recommendations for reporting by financial intermediaries and other capital market participants, including investors, asset managers, insurance companies and investment banks.

The TCFD's Phase I report was published in March, which set out the scope and objectives for the proposed work along with a set of fundamental disclosure principles. Fidelity participated in the consultation process and provided feedback on the content of the report as well as the latest draft of the Disclosure Recommendations. We expressed overall support for the initiative but emphasised that the most advanced disclosure requirements, such as scenario analysis, should not be required for those sectors where it was less relevant and could be an unnecessary burden.

The Phase II report was released in December, setting out recommendations on how boards should be kept abreast of climate issues, as well as disclosure guidelines on how climate issues impact strategic planning and how climate issues are identified as part of the risk management process. The report also dictates which metrics should be reported to describe environmental performance. High-level disclosure guidance was provided applicable to all sectors together with supplemental, sector-specific guidance. The guidance will be non-binding in nature in the first instance.

Fidelity is supportive of greater transparency and reporting consistency and we will continue to monitor the progress of this task force.

8. UK Implementation of the EU Non-Financial Reporting Directive

Originally agreed in 2014, the EU Non-financial Reporting Directive seeks to set a European wide standard for the disclosure of non-financial and gender diversity information by companies with more than 500 employees, with the requirement to transpose the Directive into national law by autumn 2016. In particular there is a requirement to include a non-financial statement in their management report explaining how these matters are integrated into the company's policies, due diligence processes, risk modelling and non-financial key performance indicators.

Fidelity engaged with the Department for Business Innovation and Skills ("BIS") (since renamed the Department for Business, Energy and Industrial Strategy) on their proposed implementation of the Directive into UK law. We expressed overall support for the Directive as it would improve the depth and uniformity of disclosure on non-financial factors across Europe but we cautioned against BIS' plans to allow a substantial portion of this information to be disclosed on a company's website rather than a more formal published (albeit electronic) report.

BIS' final response to the consultation was released in early November, with a commitment to introduce legislation to cover all companies in scope but to allow those at the boundaries to voluntarily comply with the EU requirements and to work with the Financial Reporting Council to encourage digital reporting and other innovative options as to how best to fulfil these requirements. The new regulations have now come into force.

9. UK Select Committee Governance Enquiry

The new UK Prime Minister has made commitments to overhaul corporate governance and in September the Business, Innovation and Skills ("BIS") Committee launched an inquiry following on from the corporate governance failings highlighted by their inquiries into BHS and Sports Direct earlier in the year. The inquiry focused on executive pay, director's duties, and the composition of boardrooms, including worker representation and gender balance in executive positions. Fidelity believes employees should have a voice and be represented at a senior level however we do not believe putting employee representatives onto the board is the right mechanism for doing this.

On the issue of executive pay we believe that initiatives such as our share retention guidelines have been an effective mechanism in bringing about change. We use the existing powers provided by current regulation effectively and do not currently believe additional powers are necessary at present. We are also fully supportive of any moves to further extend award retention periods and believe that this reduces the need for so much performance conditionality and complexity.

In November 2016 the Department for Business, Energy and Industrial Strategy published a Green Paper on corporate Governance Reform seeking views on Executive Pay, strengthening the voice of stakeholders and Corporate Governance in privately held companies. Fidelity has been involved in various discussions on the Green Paper with other investors and third parties and intends to submit a response before the deadline in February 2017.

Notes