



2024–2025

# Sustainable investing and stewardship update

## Foreword

We put our clients' interests at the heart of everything we do. That means investing in issuers who share our long-term vision for value creation. This philosophy guides both our investment decisions and our stewardship approach. We're deepening our commitment by offering clients meaningful choices across asset classes, investment styles, and strategies. Through active engagement on financially material issues—and with the support of our fundamental research, sustainable investment research, stewardship, and proxy teams—we're equipped to meet our fiduciary responsibilities with both rigor and insight.

Over the past year, we've continued to enhance our research capabilities and expand our proprietary datasets—building on our capacity to deliver customized investment strategies aligned with clients' financial and sustainability objectives. Among other initiatives, we launched new models to assess issuers' physical climate risk exposures. Our biodiversity model helps translate the complexity of nature-related risks into clear, quantifiable signals for investment teams, while our proprietary physical risk model evaluates common catastrophic events across sectors, enabling us to position portfolios more effectively to manage these risks where material.

Stewardship is a vital tool for managing financially material risks and opportunities across portfolios, helping to drive long-term value for our clients. Over the past year, we updated our [Stewardship Principles](#) and [Proxy Voting Guidelines](#) to reflect our evolving approach to sustainable investing and stewardship.

These updates make it easier for clients to understand how our voting policies apply to the issuers in our portfolios and how our teams approach engagement with those issuers. Globally, we cast approximately 52,000 votes at more than 4,700 company meetings during the 12-month period ended June 30, 2025. As in prior years, approximately 92% of global votes were cast in line with management's recommendations.

As always, our votes reflect our fundamental research and are informed by the breadth and depth of the conversations we have had with the company. At Fidelity, we take a long-term perspective when it comes to engagement. We aim to build relationships over time, allowing our dialogue on financially material topics to evolve as the landscape shifts. Our engagement efforts are driven by a clear objective: to deepen our understanding of the risks and opportunities facing issuers. From July 1, 2024, to June 30, 2025, members of our investment team conducted over 18,000 meetings with over 6,300 issuers. Of these, approximately 400 were stewardship-focused engagements and the investment team documented a positive outlook post-engagement 30% of the time. As our dialogue with issuers often spans a multiyear period, the topics in focus tend to be relatively consistent. Continuing from last year, our key areas of focus during this period included corporate governance, human capital development, and carbon emissions, with the addition of privacy and data security this year.

Looking ahead, we remain committed to deepening our expertise in sustainable investment research and stewardship—and we're excited to share our latest progress and priorities.

Unless otherwise noted, all data and statistics in this report are as of June 30, 2025. These figures reflect the resources of Fidelity Management & Research Company.



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## An update on sustainable investment research

Fidelity leverages our fundamental and quantitative research functions to ensure we stay abreast of the latest domestic and international developments. Fidelity Management & Research Company LLC's (FMR) proprietary environmental, social, and governance (ESG) ratings evaluate an issuer's management of financially material sustainability factors on a sector-relative basis, helping to uncover potentially unpriced risks and opportunities. These ratings assess how sustainability factors impact a company's earnings, business model, and strategy. The ratings are regularly updated, and our coverage of the investable universe adjusts as new data becomes available.

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 most important material factors for each industry and geography, creating materiality maps that provide the foundation for the ESG ratings. 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 and perspectives.

ESG ratings can be used in security selection and portfolio construction as part of the investment mosaic to provide an additional lens for portfolio managers assessing the risk-return profile of their investments. Our proprietary ESG ratings are also a valuable input in stewardship activities, highlighting areas for engagement and informing proxy voting. Finally, the ratings govern the investable universe for

many of our sustainable investment products.

Over the past five years, the availability, quality, and comparability of data on sustainability factors have improved dramatically. This has allowed for the development of more powerful analytical frameworks and sustainability factor models. Technological improvements have driven the development of our own proprietary datasets gathered from company disclosures, regulators, and other sources. Fidelity has historically evaluated risk and investment opportunities through issuer engagement, quantitative analysis, and fundamental research. These same three ingredients combine to power our ESG ratings.

Our corporate systematic models provide an initial assessment and score for over 10,000 corporate issuers across equity, fixed income, and high yield. Additional sector-specific models provide robust coverage of issuers of securities across sovereign, municipal, and securitized asset classes. Those scores may be adjusted in certain cases to account for any additional insights gathered during issuer engagement and fundamental research from the sustainable investment research team.

Through our history of engagement with issuers globally, we have developed a series of questions to capture how well an issuer proactively manages its most critical sustainability issues. When meeting with issuers, we prioritize engagement on financially material risks and opportunities identified by our research. These conversations help us to determine the leaders and the laggards in their respective sectors. Engagement provides us an opportunity to ask informed questions, provide feedback to the company, and monitor progress.

## 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 efforts to continue to incorporate new and emerging data into our analysis.

## Biodiversity

According to some estimates, more than half of global gross domestic product depends on ecosystem services including pollination, water filtration, soil fertility, and climate regulation.<sup>1</sup> These ecosystem services are widely recognized as declining due to ecosystem degradation, with land-use changes—primarily driven by agricultural expansion and commodity-based deforestation—emerging as the leading causes of biodiversity loss.<sup>2</sup> As regulatory and market scrutiny intensifies, companies with substantial biodiversity footprints or dependencies are likely to face growing risks including ecosystem and supply chain disruptions, regulatory penalties, and reputational damage. For investors, failing to account for these risks could result in significant financial underperformance over time.

### A world of color: Visualizing Earth's ecoregions

Ecoregions define the planet's ecological diversity, offering a lens into resource availability, climate risk, and conservation priorities—among the key factors for sustainability-driven investment strategies.



Source: Fidelity Investments, RESOLVE (Ecoregions 2017©Resolve), Esri, as of October 2025. An interactive map is available at [ecoregions.appspot.com](http://ecoregions.appspot.com)

1. World Economic Forum in collaboration with PwC. [“Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.”](#) January 2020. 2. Proceedings of the National Academy of Sciences (PNAS). PNAS is a peer reviewed journal of the National Academy of Sciences. [“Deforestation impacts soil biodiversity and ecosystem services worldwide.”](#) Vol. 121, No. 13. March 2024. [“Projected land-use change impacts on ecosystem services in the United States.”](#) Vol. 111, No. 20. May 2014. Environmental Development. [“Impact of land use change on ecosystem services: A review.”](#) Vol. 34. June 2020.

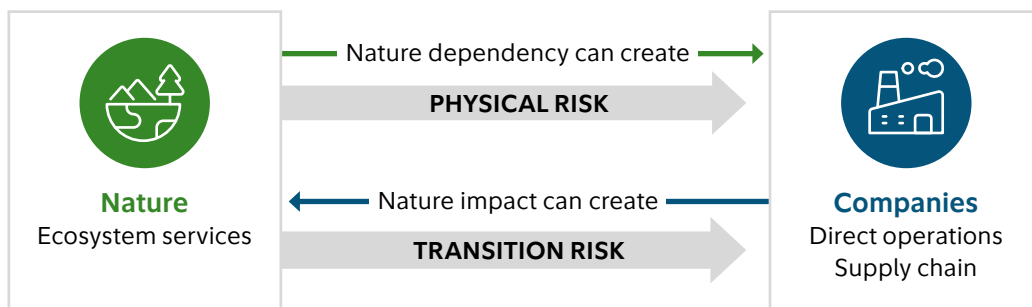
### How Fidelity assesses biodiversity risks

To better assess nature-related impacts and dependencies, our model aims to translate the complexity of biodiversity risk into a clear, quantifiable signal for investment professionals. At the company level, our model integrates physical asset data, geospatial mapping, biodiversity management metrics, controversy data, and supply chain intelligence. Our model then overlays this company information with detailed global ecosystem health maps to determine which issuers are dependent on or have an impact on sensitive ecosystems.

Unlike many other biodiversity frameworks, our model aims to capture a company’s near-term and long-term dependencies on fragile ecosystems, an essential but often overlooked dimension. This dual-lens approach can reveal hidden vulnerabilities and opportunities. Portfolio managers can use the model scores to reduce exposure to companies with high biodiversity risks or to tilt portfolios toward firms that are better positioned to manage nature-related challenges and benefit from a nature-positive economy.

For example, a large food manufacturing company scores “below average” on our model relative to its North American peers in the food products industry, reflecting a weaker biodiversity and raw material management strategy. Beef—a commodity linked to biodiversity loss—accounts for approximately 40% of its sales over the last 12 months. The company also has direct exposure to facilities located in regions of imperiled biodiversity, including central southern Canada and the mid-western and southern United States. These locations, particularly its Canadian facilities where localized biodiversity risk is high, may face operational disruptions that could impact performance. With this insight, we can engage directly with company management to assess the agility of its beef supply chain in regions less exposed to biodiversity-related risk.

### Integrating nature-related risks into investment analysis



Source: Fidelity Investments, BloombergNEF, and the Taskforce on Nature-related Financial Disclosures (TNFD), as of June 30, 2025. BloombergNEF and TNFD collaborated on a report “[When the Bee Stings: Counting the Cost of Nature-Related Risks](#),” December 2023. For illustrative purposes only.

## Physical risk

As investors, we analyze numerous sources of risk before making investment decisions, including financial, credit, and market risk. In recent years, risks due to extreme weather events have come to the forefront as a material factor impacting issuers. In 2024, the world experienced losses of \$320 billion due to natural disasters.<sup>3</sup> The United States experienced 27 major weather and climate disasters, each causing over \$1 billion in damages in 2024.<sup>4</sup> In the first half of 2025, there were 15 separate billion-dollar disasters in the United States, totaling \$151 billion in damages—with \$65 billion attributed to the Southern California wildfires in January alone.<sup>5</sup> As the frequency and severity of events fluctuates, modeling exposure to physical climate risks offers insight into the potential financial risks companies may face.

### How Fidelity assesses physical risk

We began work on the model in early 2024 to address the need for more sophisticated tools capable of modeling a range of physical risk exposures. We launched the model in January 2025. Our proprietary physical risk model makes it possible to analyze increasingly common catastrophic events across sectors, empowering our investment professionals to position portfolios to better manage these risks. Our physical risk model evaluates companies' exposure to seven key climate perils: wildfire, extreme heat, extreme cold, extreme precipitation, extreme wind, hurricane, and flood risks. At the core of the model is a geospatial database of over 2.5 million company assets globally. This database offers rich metadata describing corporate assets, including the type of business activity and number of employees working at each location.

We have begun to leverage large language models to analyze the asset metadata to determine the relative importance of each location to the company. This enriched database is then overlaid with hazard maps of both historic and projected frequencies of the seven covered climate perils. These seven climate perils are then combined into a single physical risk score at the location level and aggregated at the company level using our assessment of the importance of the associated location to the company's operations. The final outputs are location and company level scores that investment teams can visualize in geospatial tools, helping them to monitor exposures as they make investment decisions.

### The seven key climate perils

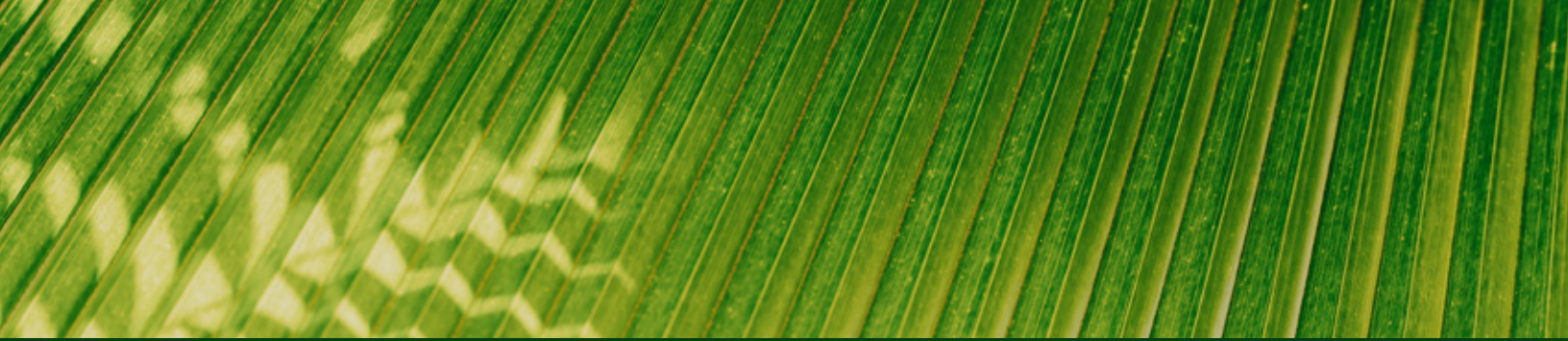


### Climate data

- All assets are overlaid with historic and 2050 projections of various climate perils
- Locations get scored on each peril and aggregated to the company level using revenue weights
- Perils are combined using a proprietary approach that accounts for the materiality of the hazard and magnitude of the risk

Source: Fidelity Investments. For illustrative purposes only.

**3.** Munich Re, NatCatSERVICE. [“Climate change is showing its claws: The world is getting hotter, resulting in severe hurricanes, thunderstorms and floods.”](#) January 2025. Munich Re’s NatCatSERVICE is a global database containing loss data from 1980 onward for all types of natural disasters, excluding drought and heatwaves. **4.** NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2025), <https://www.ncei.noaa.gov/access/billions/>, DOI: [10.25921/stkw-7w73](https://doi.org/10.25921/stkw-7w73). **5.** Gallagher Re. [“H1 2025. Natural Catastrophe and Climate Report Preliminary Overview.”](#) July 2025.



## GSK plc

<b>Material factor</b>	Access to health care
<b>Context</b>	<p>For issuers in the health care and pharmaceuticals sectors, a company’s ability to ensure broad access to its products and services, particularly for underserved markets or population groups, can aid in mitigating regulatory scrutiny and reputational risk while ensuring market access. Our assessment of access to health care focuses on companies that are expanding global access to key medicines, ensuring affordability and robust insurance coverage, and building out infrastructure and education in areas of high need. United Kingdom-based pharma company GSK’s portfolio is comprised of several vaccines and therapies that address the needs of significant patient populations. By focusing on these three pillars of access, the company helps maximize the number of patients reached, particularly in underserved populations and emerging economies.</p>
<b>Dialogue</b>	<p>We met with GSK’s head of global health strategy to better understand how the company’s access to health care initiatives may also benefit the bottom line. Over the course of the conversation, members of the GSK team outlined how their access to various health care programs in Africa helped them develop their AS01 adjuvant for malaria, receive priority review vouchers (PRV) with the U.S. Food and Drug Administration (FDA) that were used to expedite their HIV drug review, and increase scale and lower cost per unit by providing not-for-profit doses of critical medicines in low- and middle-income countries. An adjuvant is an ingredient that helps create a stronger immune response in people receiving a vaccine.</p> <ul style="list-style-type: none"> <li>• <b>Malaria</b>—GSK’s AS01 adjuvant system was originally developed through their malaria vaccine program in collaboration with PATH Vaccine Initiative and the Bill and Melinda Gates Foundation. As part of global health commitments, GSK produced the Mosquirix vaccine at no profit, designing the AS01 system to be scalable and low cost. The firm adapted this potent adjuvant for Shingrix, approved in 2017, which rapidly became one of the company’s top products. Shingrix achieved \$4.3 billion in sales in 2024.<sup>6</sup> AS01 was the key differentiator that allowed GSK to outperform a competitor’s vaccine, which lacked a similarly effective adjuvant. This offers a strong example of how investments in global health can also drive innovation and profitability for a pharma company.</li> </ul>

6. GSK plc. [“Full-year and fourth quarter 2024.”](#) February 2025.

### Dialogue (continued)

- **Priority Review Vouchers (PRV)**—GSK received FDA approval for Krintafel in 2018, a pioneering treatment for a certain relapsing form of malaria. As a reward for the impact created by developing a drug to address the widespread tropical disease, they received a PRV from the FDA. The FDA's PRVs are extremely valuable, reducing approval timelines from the typical 10–12 months to 6–8 months. On average, PRVs are worth approximately \$100 million due to their value in providing a fast track to market entry.<sup>7</sup> The firm strategically used this PRV to fast-track approval for Dovato, their marquee HIV drug that generated over \$2.9 billion in 2024.<sup>8</sup>
- **Scale**—Vaccines, HIV, and general respiratory treatments made up about 80% of GSK's sales in 2024;<sup>9</sup> these are all high-volume products sold worldwide. GSK has been able to provide medicines at cost to meet the needs of underserved patient populations by achieving significant scale in production; this scale drives down overall cost to manufacture and improves profitability in for-profit countries.

### Outcomes or progress

Following the engagement, Fidelity's assessment of the company and its prospects incrementally improved. The engagement contributed to a greater appreciation of how GSK's access to health care efforts have led to meaningful financial benefits through drug development, priority vouchers and economies of scale in drug manufacturing. Addressing health inequity is a core tenet of GSK's mission. By deploying thoughtful outreach and affordability strategies, the company has built a strong brand reputation and maintained long-term market access. The discussion highlighted the company's steadfast connection to their mission and clear impact on human lives, reaffirming our positive outlook.

7. Pharmaceutical Technology. ["Abeona secures cash runway with \\$155m priority review voucher sale."](#) May 2025. GlobalData is the parent company of Pharmaceutical Technology. KYBORA. ["Recent Facts & Figures related to Priority Review Vouchers Value—2020 to 2024."](#) December 2024. 8. GSK plc. ["Full-year and fourth quarter 2024."](#) February 2025. 9. GSK plc. ["Annual Report 2024."](#) February 2025.

## Heidelberg Materials AG

<b>Material factor</b>	Opportunities in clean technology
<b>Context</b>	<p>The cement sector in the European Union (EU) experienced a significant valuation de-rating between 2018 and 2023, driven by a combination of cyclical pressures and structural decarbonization headwinds. In our analysis, the EU’s Emissions Trading System (ETS) Phase IV, which increased capital intensity and compliance costs for carbon-intensive industries, was a key contributor to this de-rating. Under the ETS regime, free carbon allowances—initially granted to support the transition—are being phased out between 2026 and 2034, materially increasing the cost of cement production in the EU in the absence of full cost pass-through.</p> <p>With over 40% of its revenue derived from Europe, German building materials company Heidelberg Materials AG was particularly exposed to these regulatory and cost headwinds owing to its cement business; the stock experienced a ~50% share price decline between 2018 and 2023. However, our research suggested that companies with proactive decarbonization strategies—including investments in carbon capture and storage (CCS) and a growing portfolio of low-carbon products—should be better positioned to navigate this transition.</p>
<b>Dialogue</b>	<p>Over the course of the past year, we engaged with Heidelberg’s chief executive officer, investor relations, and sustainability teams across a range of meetings and site visits. Discussions with the sustainability team focused on the company’s carbon reduction road map, carbon capture initiatives, low carbon product portfolio, and strategic positioning within the evolving EU regulatory and market landscape. Heidelberg is at a pivotal point in its transition, with the launch of its first-ever net-zero cement plant in June 2025. During our site visit, the company emphasized a clear shift toward a value-over-volume strategy—focusing on developing lower-carbon product lines and unveiling its first carbon capture net zero cement, which commands a significant pricing premium over traditional cement, reinforcing the commercial viability of Heidelberg’s decarbonization strategy.</p>
<b>Outcomes or progress</b>	<p>Following our engagements, members of the Fidelity investment team came away with a growing confidence in the company’s decarbonization strategy and long-term value proposition. Through engagement, our analysts gained clarity on Heidelberg’s carbon capture strategy and its proactive management of EU carbon allowances—both critical to mitigating regulatory risk.</p>

Past performance is no guarantee of future results.



# Engagement

Engagement is the direct interaction with management, directors, and key constituents of an issuer. We seek to protect our customers’ interests through regular engagement with issuers to discuss matters that could affect long-term performance. When meeting with a company’s executives and directors, we prioritize engagement on financially material risks and opportunities identified by our research. When feasible, we aim to engage across the capital structure, as our experience shows 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 enhance their long-term investment characteristics, and increase transparency on oversight and process by providing investment decision-relevant information. In the 12 months ended June 30, 2025, members of the Fidelity investment team held approximately 18,000 meetings with roughly 6,300 different companies. Around 400 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 financially material sustainability factors or proxy items.

## Firm-wide engagement by the numbers

For the proxy year July 1, 2024–June 30, 2025

### Engagement activity

**~18,000**

Meetings held by members of the investment team

**~6,300**

Individual companies met with

**~400**

Stewardship-focused engagements

**30%**

Proportion of stewardship engagements with a positive outlook post-engagement

### Meetings by geography

**55%**  
Americas

**23%**  
Asia Pacific

**22%**  
Europe, Middle East, Africa

### Fidelity material stewardship engagement topics by frequency\*

- Corporate governance\*\*
- Human capital development
- Privacy and data security
- Carbon emissions

Source: Fidelity Investments, as of June 30, 2025.

\* 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.



## Argenx SE

<b>Material factor</b>	Human capital management
<b>Context</b>	Unlike industries where value may be more closely tied to physical assets or established supply chains, a biotech company’s valuation is often based on the potential of its intellectual property (IP) and its ability to execute on a long, high-risk development pathway. Attracting, retaining and developing skilled specialists for drug discovery, clinical research, and commercialization is core to the success of companies in this sector, making human capital management a key issue for biotech companies.
<b>Dialogue</b>	Compared to peers, at the time of initial engagement, Argenx was light on disclosures on many human capital-related areas and had mixed employee reviews on job review portals, contributing to a more cautious assessment of the company. Since human capital management is a core material factor for biotech companies in our assessment framework, our discussion focused on the company’s approach to managing employee turnover, benefits, training, and development. The company noted that they take a value- and team-based approach to talent acquisition and highlighted several initiatives (including leadership programs, personal development plans, and culture labs) for employee development and retention.
<b>Outcomes or progress</b>	Since our engagement, Argenx’s disclosures have markedly improved. Beginning in 2024, the company has reported with elevated granularity and transparency on executive incentives (such as short-/long-term incentive refinement), workforce data, pay equity and pay ratios (including adjusted pay gap metrics across job levels, such as individual contributors, managers, directors, and vice presidents). Alongside enhanced pay equity reporting, the Argenx team shared their aims to continue its efforts to improve the pay gap. Finally, the company highlighted that it expects further improvement in disclosures following the implementation of the EU’s Corporate Sustainability Reporting Directive (CSRD) requirements in the coming years. While the company does not perform employee engagement surveys, the discussion helped provide a more complete perspective on alternative measures the company uses to gauge employee sentiment (such as their situation behavior impact model, which helps to promote clear, constructive, and non-defensive feedback) and maintain industry-leading low employee turnover, building our confidence in the company’s approach. This dialogue, alongside the enhanced disclosures, contributed to a more positive outlook of the company’s human capital management, talent strategy, and thus their competitive talent moat.



## Trane Technologies

<b>Material factor</b>	Employment health and safety
<b>Context</b>	Technical expertise is essential in the heating, ventilation, and air conditioning (HVAC) industry, making talent acquisition and retention a strategic priority. As part of its broader workforce strategy, Trane Technologies (Trane)—a leader in the sector—invests in apprenticeship and technical training programs, while also reducing barriers to entry, such as eliminating four-year degree requirements for certain roles. A strong focus on employee and partner safety is also central to Trane’s culture, which is especially important given the physical risks of on-site HVAC work. On the surface, Trane screens worse relative to some HVAC peers across safety metrics—and over time poor safety practices could lead to loss of key talent while posing reputational and legal risks to the business.
<b>Dialogue</b>	In spring of 2025, we met with members of Trane’s team as part of our ongoing engagement efforts to discuss sustainability-related topics. A key focus of the conversation was gaining a deeper understanding of the company’s safety metrics, which look worse than some peers on an as-reported basis. The company explained that the appearance of poor performance is due to differences in reporting methodology, and that their incident rates are world-class among all industries. Trane provides a comprehensive view of worker safety and includes full- and part-time employees as well as contractors and temporary workers in their reported numbers, while most peers limit their reporting to direct employees. Trane also has a higher proportion of U.S.-based manufacturing, and thus a larger U.S. workforce, as compared with its peers. Importantly, Trane applies the stringent safety standards set by the U.S. Occupational Safety and Health Administration (OSHA) across all its global operations—a practice not consistently followed by its peers. This broader U.S. footprint, combined with the uniform application of high U.S. standards, means that Trane’s safety incidents are reported and categorized under more rigorous criteria. In contrast, jurisdictions with lower reporting standards—such as Mexico—often see underreporting, making Trane’s data more robust and transparent relative to peers that often follow less stringent safety standards.
<b>Outcomes or progress</b>	While our assessment was initially incrementally negative on Trane’s health and safety strategies because of higher reported safety incident metrics compared with peers, our engagement highlighted that the company uses a more robust methodology to assess total recordable incident rate and lost time incident rate. By raising this topic as an area of potential interest for investors, members of the sustainable investment research team indicated its importance in encouraging improved disclosure and in showcasing the comprehensiveness of the metrics and methodology. Our improved understanding of the methodology for reporting safety metrics, alongside incremental improvement in these metrics on a year-on-year basis, contributed to a more positive assessment of Trane’s positioning, building our confidence in the longer-term investment thesis.



## Proxy voting results

Fidelity's Proxy Voting Guidelines help our customers and the companies in which we invest understand how Fidelity votes in support of our customers' and fund shareholders' long-term interests. FMR's 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 for our exclusive use. Fidelity maintains the flexibility to cast individual proxies based on our assessment of each situation.

Fidelity's approach to proxy voting is consistent with our approach to investment decisions, which is to support proxy proposals that are reasonably likely to enhance the profitability of a company or mitigate undue risk and maximize long-term shareholder value. In the 12 months ended June 30, 2025, on a global basis, we voted with management 92% of the time. As in prior years, one of the most common types of management proposals that Fidelity opposed involved the adoption or amendment of equity compensation plans. These plans were commonly opposed by Fidelity in cases where a company's historical equity granting practices were considered excessive, the plan included evergreen provisions, or the plan allowed for repricing without shareholder approval.

In keeping with the trend we saw in the 2023–2024 proxy season, shareholder proposals that addressed governance, political, and lobbying-related topics increased in prevalence. 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 with proposals on other topics. This preference for strong board oversight extends to political and lobbying activities, and Fidelity generally supports proposals on these topics where disclosure related to oversight and use of company resources is lacking.

Proxy votes on shareholder proposals are an important fiduciary responsibility, but they do not represent the totality of our views on the investment merits of any specific topic. When we do not support a shareholder proposal, it is not necessarily a vote against the materiality of the topic addressed by the proposal. Through our engagement with company management, we seek to understand current and future plans to address material issues that could affect a company's future earnings growth. In our treatment of shareholder proposals, we seek to balance the perspectives of company management with our own independent assessment of the issue. While a vast majority of shareholder proposals evaluated in the most recent proxy season were deemed to lack value for investment purposes, we also saw an increase in shareholder proposals that our research suggested were not financially material and/or not disclosure oriented.

### Proxy voting: By the numbers

~52,000

Votes cast by Fidelity, compared with ~50,000 in 2024\*

~4,700

Company meetings voted (compared with ~4,600 in 2024)

93%

U.S./Canada votes cast in support of management, down from 94% in 2024

91%

International votes cast in support of management, in line with 2024

24%

Fidelity support for shareholder proposals submitted, vs. 21% in 2024

Source: Fidelity Investments, as of June 30, 2025.  
\* 2024 refers to 2023–2024 proxy year.



## UCB SA

<b>Material factor</b>	Corporate governance/executive pay
<b>Resolution April 2025</b>	Approve remuneration policy
<b>Context</b>	UCB SA is a global bio-pharmaceutical company that researches, develops, and commercializes medicines for severe neurological and immunological diseases. In December 2023, we met with UCB’s sustainability team and head of rewards to discuss several sustainability-related topics, including corporate governance and remuneration policy. At the time of our initial engagement, members of the Fidelity team noted potential enhancements to the remuneration policy, including introducing a shareholding requirement for non-executive directors and increasing shareholding thresholds for executives (to align with peers).
<b>Outcomes or progress</b>	In February 2025, Fidelity’s proxy team met with the executive team from UCB as a part of the company’s pre-annual general meeting corporate governance roadshow. The company noted some of their progress over the last few years. Among other things, they have defined a new peer group for executive pay purposes that they believe better reflects the company’s growth over the last few years, by focusing on size, complexity, and geography. This new peer group is more representative of a global biopharma group compared with the historically more European-focused one. The company also detailed enhancements to the remuneration policy, including implementing share ownership requirements for non-executive directors and increases to the ownership requirements for executives. The team concluded the enhanced share ownership requirements, alongside increases to the proportion of performance shares included in the long-term incentive plan, are likely to improve alignment of management with shareholders. Fidelity was supportive of the remuneration policy at the most recent annual general meeting.



## Citigroup Inc.

<b>Material factor</b>	Equity plan/governance
<b>Resolution April 2025</b>	Approve an amendment for additional shares under stock incentive plan
<b>Context</b>	<p>Citigroup Inc. is a diversified financial services holding company that provides financial products and services to consumers, corporations, governments, and institutions worldwide. Fidelity has been among the top holders of Citigroup for the last several years. In April 2025, the company held their annual meeting and requested that shareholders approve an amendment to their 2019 stock incentive plan. This proposal included an increase of an additional 30 million shares under the plan. The company provided background on the request, detailing that no shares were reserved for issuance and available under any other plan, and that the additional shares would allow the company to continue aligning employee and shareholder interests. As Fidelity reviewed the request, we noted that the rate at which the company grants stock options and equity awards puts them above what we are generally comfortable with for their size and industry. Members of Fidelity’s investment proxy research and investing teams engaged with Citigroup to better understand the equity plan proposal and structure.</p>
<b>Outcomes or progress</b>	<p>Through our engagement with the company, Fidelity was able to have a more in-depth conversation about the proposal, asking questions to gather additional detail for consideration. We noted that the plan is broad-based, and the company has a strong history of repurchases, along with a robust explanation of the impacts these buybacks make on the level of their cash reserves. This information, coupled with the trend of the company’s shares outstanding continuing to decrease year-over-year, helped mitigate our concerns, enabling support of the stock plan request.</p>



## Supporting the investment ecosystem

Fidelity participates in a range of industry-related groups to stay abreast of market trends and contribute to industry dialogue. We also regularly engage with policymakers and regulators to advance initiatives that support well-functioning and transparent capital markets.

### Council of Institutional Investors (CII)<sup>10</sup> Spring Conference

The 2022 U.S. proxy season saw a record number of say-on-pay failures.<sup>11</sup> Despite a reversal of this trend in recent years, say-on-pay voting at publicly listed companies has arguably had the opposite of its intended effect, driving up executive compensation and showing little relationship to long-term shareholder interests.

Fidelity participated in a member-hosted meeting on long-term executive compensation alongside panelists from Massachusetts Pension Reserves Investment Management Board (MassPRIM), Norges Bank Investment Management, PricewaterhouseCoopers (PwC), and FCLTGlobal at the Council of Institutional Investors' Spring Conference in March 2025 to explore this topic. The meeting brought together investor and corporate perspectives to discuss the evolving conversation around executive pay and performance. It highlighted emerging research and examined new approaches to compensation design and say-on-pay voting to better align with long-term performance goals.

### Select industry initiatives and affiliations

#### 1977

Fidelity joined the Investment Company Institute (ICI). Prior to 1977, Fidelity Funds were individual members of ICI.

#### 2005

Fidelity joined the Securities Industry and Financial Markets Association (SIFMA) and currently serves on the Board and Executive Committee.

#### 2014

Fidelity joined the Asian Corporate Governance Association (ACGA) and currently is a member of the working groups on India, Japan, and South Korea.

#### 2017

Fidelity became a signatory of the Principles for Responsible Investment (PRI) and a supporter of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

#### 2018

Fidelity joined the International Corporate Governance Network (ICGN).

#### 2019

Fidelity joined the Sustainability Accounting Standards Board (SASB) Alliance and Investor Advisory Group. Following the consolidation of SASB into the International Sustainability Standards Board (ISSB), Fidelity continues to participate in the ISSB's Investor Advisory Group.

#### 2023

Fidelity joined the Council of Institutional Investors (CII) and currently serves as a member of the Corporate Governance Advisory Council.

Source: Fidelity Investments, as of June 30, 2025. This is not an exhaustive list of all of Fidelity's affiliations.

<sup>10</sup> The [Council of Institutional Investors \(CII\)](#) is a nonprofit, nonpartisan association of U.S. public, corporate, and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments. <sup>11</sup> Semler Brossy. ["2022 Say on Pay Reports. S&P 500 and Russell 3000 Failure Rate & Pay Vote Analysis."](#) January 2023.



## Looking ahead

Our investment professionals are guided, first and foremost, by our fiduciary duty: the requirement to work in our clients' and fund shareholders' best interest to maximize long-term returns, consistent with each investment's mandate. Much of that work begins with our commitment to in-depth proprietary fundamental and quantitative research. We continuously aim to strengthen the tools, analytics, and strategies supporting our research and stewardship capabilities. As the investment landscape evolves, we remain focused on delivering investment strategies that meet our clients' expectations and preferences.

In the coming year, we plan to:

- Enhance our corporate ESG ratings to better target our fundamental sustainable investment research by leveraging the power of our advanced proprietary data and sustainability factor models.
- Make sustainability data more accessible to portfolio managers and analysts by developing and launching new tools and dashboards to more easily access and visualize the information.
- Assess the potential to extend and adapt our physical risk model to other asset classes, including municipal securities and private companies.
- Use global news and sentiment scores to develop a controversy model that evaluates the likelihood that emerging events may impact a company's forward performance.
- Continue to build our library of deep thematic research on topics, including clean power generation, political and lobbying activity, biofuels and alternative fuels, electrification, water stress, and health and well-being.

**Past performance is no guarantee of future results.**



## Index definitions

**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.

**Russell 3000 Index** is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the US equity market.

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Employee benefit plans may wish to consult with their ERISA counsel regarding the evaluation of investment or investment courses of action that incorporate non-pecuniary factors.

**Investing involves risk, including risk of loss. Past performance is no guarantee of future results.**

**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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