

August 2016

Principles of Ownership

A. Introduction

These Principles of Ownership provide information on how Fidelity International* undertakes investment stewardship as well as our underlying investment process. The Principles seek to explain what we expect from our investee companies and what those companies can expect in return from us. Information is provided on how we vote our shares and also our attitude towards takeovers and returns to investors. We describe our approach to remuneration and our full Proxy Voting Guidelines are attached as an Appendix.

B. Stewardship Responsibility

Fidelity pursues an active investment style through portfolio management decisions, voting on resolutions at general meetings and maintaining an ongoing dialogue with the management of investee or potential investee companies. Our primary objective is to deliver investment performance to our clients and in order to do so we seek a long term understanding of all aspects of the companies in which we invest. The intensive analysis which accompanies an initial investment continues throughout and beyond the life of the investment itself.

Fidelity believes that high standards of corporate responsibility will generally make good business sense and have the potential to protect and enhance investment returns. Our investment process takes environmental, social and governance (“ESG”) issues into account when, in our view, these have a material impact on either investment risk or return. We seek to gain an understanding of the relevant ESG issues applicable to our investments through our internal research process and to identify those issues which may potentially threaten the value of our investment. Our ESG integrated approach is applied across all the asset classes, sectors and markets in which we invest.

We do not screen out companies from our investment universe purely on the grounds of poor ESG performance but rather adopt a positive engagement approach whereby we discuss these issues with the management of the companies in which we invest or are considering investing on behalf of our clients. We use the information gathered during these meetings both to inform our investment decisions and also to encourage company management to improve procedures and policies. We believe that this is the most effective way to improve the attitude of business towards corporate responsibility.

* Fidelity International (“Fidelity”) refers to the independent group of privately owned companies which form the global investment management organisation that provides products and services in designated jurisdictions outside of North America.

ESG analysis is carried out at analyst level within the equity, fixed income and real estate teams and our portfolio managers are also active in analysing the potential effects of these factors when making investment decisions but there is also a specialist in-house ESG team which coordinates Fidelity's approach to ESG and the implementation of our voting policies (see section D below). Fidelity subscribes to external governance and sustainability research and the ESG team provides the investment team with quarterly reports and alerts on ESG-related topics as well as thematic ESG analysis.

The investment team is also supported by a corporate finance team who reside behind an information barrier. The corporate finance team acts as a point of contact for all external parties who wish to engage with the investment team outside of the routine investment process. These external parties include company chairmen, independent directors, other shareholders, company advisers, customers, media and other agents of corporate change.

The information barrier facilitates a full and open dialogue and means that there is no information which Fidelity in principle cannot accept. In this context we encourage companies to consult at an early stage when they are contemplating major strategic or corporate initiatives.

As a general policy we aim to support the management of the companies in which we invest but our dialogue with companies is a robust one and we will form our own views on the strategy and governance of a business. On occasion our views may differ from those of management or the Board and this may give rise to an escalation in our engagement. Factors taken into account prior to an escalation include an assessment of the materiality of the matter in dispute, the size of our shareholding, the timeframe of the investment thesis and the ownership profile of the business in question, as well as the stewardship and composition of the board. Escalation can also occur when we become aware of differences between directors. Our specific response will always be determined on a case by case basis and there will be instances when we choose to sell our shares.

When escalation is deemed appropriate our first step is often to make contact with other significant shareholders to determine whether they share our views or concerns. Following these conversations we will speak to the company's advisers and/or independent directors for a further exchange of views. Our strong preference is to achieve our objectives in a consensual and confidential manner but when differences with a company remain, we may consider joint engagement with other shareholders, escalating concerns to regulators and more public forms of dissent, although as a general policy we do not favour using the media to help achieve our objectives. If differences with a company remain unresolved we may vote against the Board in a general meeting or even requisition an extraordinary general meeting to enable all investors to vote on the matter in dispute. We would not normally intervene on an operational matter but topics which have given rise to escalation in the past include the need for management and/or Board change, strategy, capital structure, M&A, protection of shareholder rights, remuneration and other governance issues.

Members of Fidelity's ESG team are involved in numerous, external governance-related organisations and hold positions in the Investment Association, the Panel on Takeovers and Mergers, the Confederation of British Industry and the International Corporate Governance Network. Fidelity is a signatory to the United Nations Principles for Responsible Investment ("UNPRI"), the UK Stewardship Code and the Japanese Stewardship Code. We are also active members of the Asian Corporate Governance Association, Assogestioni, the UK Sustainable Investment and Finance Association, the UK Investor Forum, the Japanese Investor Forum and many other trade and industry bodies around the world.

Fidelity's full ESG policy can be found at

<https://www.fidelityinternational.com/static/pdf/about-fidelity/esg-policy.pdf>

C. Investment Process

Fidelity's investment analysts act as the hub for our communication with companies and they undertake extensive quantitative and qualitative analysis of potential investments. Formal meetings involving both portfolio managers and analysts are held with investee companies at least twice a year covering a range of subjects with the objective to satisfy ourselves that our longer term investment thesis remains intact. In addition to financial and strategic matters, discussion will cover a wide range of related investment topics including, but not restricted to, corporate governance, business sustainability and management motivation.

Meetings are supplemented by further due diligence such as site visits and ad hoc calls, and research analysts are also encouraged to develop knowledge of a broad range of industry experts across the value chain in their chosen coverage fields. Research may encompass customers, suppliers, competitors, external industry experts, sell side investment analysts and other shareholders, both directly and through intermediary networks. The investment analysts are responsible for producing most of our company research but for some of our larger holdings this research is complemented by in-depth due diligence reports prepared by senior investment professionals. In addition to internally produced research we also from time to time commission bespoke research from external agencies.

We believe that the more we can learn about our investee companies the better we can hold them to account for delivering on their strategy, and to this end there are numerous internal weekly, monthly, and quarterly reviews designed to pool knowledge of our investee companies and to identify opportunities and matters for attention. Individual portfolios are also subject to an in-depth quarterly review with senior management, in which every aspect of the fund in question is examined, including risk profile, volatility, performance and fund positioning as well as the individual investments of the fund in question.

Where there are particular issues giving rise to concern or when we want a broader perspective of a company's business we will often seek meetings with Chairmen and/or independent directors. There is no automatic cycle for meetings of this nature and they take place when there is deemed to be a need for them. Meetings with Chairmen and/or independent directors almost always involve senior portfolio managers in addition to the investment analyst and representatives of the corporate finance team, and very often contain a strong governance content. In addition to a review of strategy, the proper operation of the Board is a key focus and discussion will cover matters such as Board effectiveness and balance as well as succession planning. Sometimes these meetings are one-off in nature but in other cases we will hold meetings with a particular Chairman and/or independent director on a regular basis until the matter under discussion has been satisfactorily resolved. We will also occasionally ask to see the Chairman of the Audit Committee to discuss audit and risk-related matters.

The ESG team is responsible for the exercise of Fidelity's votes at company meetings and the ESG team conducts its own analysis of investee companies to determine whether or not they are compliant with our voting guidelines. The ESG team also hold their own meetings and calls with companies and these discussions focus primarily on corporate governance and ESG-related topics such as remuneration and Board independence. The investment analysts are encouraged to participate in these discussions so as to ensure that the investment and ESG teams give an integrated message to companies. Fidelity uses a number of external research sources that provide governance and sustainability research which supplements our own analysis. Our investment teams have direct access to this information and it forms part of our assessment of investment opportunities.

D. Voting

As described above, Fidelity maintains a specialist in-house ESG team who coordinate the approach to ESG matters and implement our voting policies. Information to inform the voting process is derived from a variety of sources and includes material provided by the company, proxy voting advisory services, internal and external research. Discussions may also be held with investee companies themselves.

All votes are cast in accordance with Fidelity's established voting policies after consultation with the relevant portfolio managers where appropriate. We will vote all equity securities where there is a regulatory obligation for us to do so or where the expected benefit of voting outweighs the expected costs. Some markets are still subject to share-blocking where if shares are voted they are blocked from trading for a period of time before a general meeting, but we will still seek to vote at least 50% of our shareholding in these markets provided the value of the shareholding exceeds our minimum size criteria. We will also take account of the particular circumstances of the investee company concerned and of prevailing local market best practice. Fidelity's approach and policy with regard to the exercise of voting rights are in accordance with all applicable laws and regulations as well as being consistent with the respective investment objectives of the various portfolios.

The corporate finance group is responsible for monitoring possible conflicts of interest with respect to proxy voting. 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 specific fund in question and in instances where there is a conflict with Fidelity's own interests, we will either vote in accordance with the recommendation of our principal third party research provider or if no recommendation is available we will either abstain or not vote. We do not vote at shareholder meetings of any Fidelity funds unless specially instructed to do so by a client.

We encourage boards to consult with investors in advance rather than risk putting forward resolutions at general meetings which 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 and resolve differences. Where this is not successful and we decide to abstain or vote against a company, for all of our larger holdings we will generally ensure that management understands the reason for our opposition. We abstain when we have insufficient information to form our view, and where there are restrictions that do not permit us to cast our vote, but in some markets we also abstain where we wish to give a cautionary message to a company. Our guiding principle is that voting rights should always be exercised in the best interest of investors.

It is not our usual policy to attend general meetings but if circumstances warrant we will on occasion vote in person and may additionally make a statement explaining our position. In exceptional circumstances we may also submit a resolution for a shareholder vote at a general meeting. We encourage those companies that still undertake voting by a show of hands to move towards implementing poll voting.

We disclose our voting record for the preceding 12 months on our website and this information is updated on a quarterly basis. Quarterly voting reports are provided to institutional clients as well as a more in-depth annual governance and engagement report.

Fidelity operates a very limited stock lending programme through a third party provider. Stock is only lent for dividend arbitrage purposes and may be lent up to agreed thresholds. The ESG team receive a daily report on all outstanding stock loans and if there is a sensitive vote scheduled in the period of an outstanding loan then the stock is recalled.

E. Takeover Bids

Our general policy is to support incumbent management in good standing but we reserve the right to support hostile bids when either the management has consistently failed to achieve our reasonable expectations for shareholder return or where, in our judgement, the level of a bid fully recognises the future prospects of the company in question. We will always try to give a fair hearing to the arguments of both sides before determining a course of action. As a general rule we will not sign irrevocable undertakings to accept an offer.

We regard corporate acquisitions as amongst the most risky but potentially rewarding steps that a management can take and in these instances we will expect companies to have investigated both the operational and financial consequences of any acquisition in exhaustive detail. Where we are a significant shareholder and where the transaction is material in the context of our investment we encourage direct consultation (with our corporate finance group if necessary) at an early stage. In mergers between two companies we encourage the non-executive directors of both companies to meet together at an early stage and to have a meaningful role in determining the composition of the management of the combined group.

Management buy-outs can be an effective means of delivering value to shareholders but they also give rise to serious conflicts of interest. In these instances we look to the independent directors on a board to take control of the process at an early stage and to ensure that it is as transparent and non-exclusive as possible. Specifically, we recommend a competitive tender process before any particular financial backer is granted exclusivity and where possible we encourage boards to validate any proposal by seeking competing offers from third parties. In instances where we are a significant shareholder we once again encourage direct consultation at an early stage.

F. Returns to Investors

In circumstances where risk adjusted returns exceed a company's cost of capital we encourage companies to invest, subject to maintaining appropriate controls and capital structure. The potential returns from investment in the business should also be tested against dividends or share repurchases to determine the optimum return for shareholders. We regard dividends as an integral part of shareholders' reward for investing in a business and we therefore also encourage the payment of a dividend as a validation of the cash flow of the business, even where companies are sustaining high growth rates and/or high internal rates of return on projects.

When a company cannot find projects generating a return which exceeds the cost of capital we favour a capital distribution either by enhanced dividend payments or by share repurchases. In our view this does not imply any lack of strategic vision but rather reflects what is best for shareholders at a given moment in time. The taxation position of both the company and shareholders should be taken into account when determining the precise course of action in this regard.

G. Board of Directors

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 in protecting shareholder value.

We strongly support companies assessing, and where relevant improving, the balance of independent representation on the board. Additionally, the board should be cognizant of optimising its performance through considerations of other criteria such as diversity in the directors' background, age, gender. The board should also hold individual directors accountable through performance evaluations on an ongoing basis.

H. Remuneration

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 and will be a market-based judgement although all remuneration arrangements should be aligned with the interests of the shareholders and be proportionate to the contribution of the individuals concerned. Companies should also seek to achieve an appropriate balance between the rewards to management and the returns to shareholders.

We support the concept of variable remuneration and believe that properly crafted incentive schemes play a role in aligning the interests of management and owners. We encourage management ownership of shares and over time we expect executive directors to build a shareholding in the company which is material in relation to their remuneration such that over time dividend income can become a meaningful component of their remuneration.

The remuneration committee should play a key role in ensuring the correct balance between the potential rewards for management and the dilution of shareholders' interests. Incentive schemes should be voted on by shareholders and should be designed to ensure that the rewards reflect genuine outperformance and the creation of additional shareholder wealth by the executives. All relevant information should be disclosed to enable shareholders to reach an informed decision on the likely costs and benefits of a proposal and unnecessary complexity should be avoided. Once a scheme has been approved by shareholders and brought into operation, there should be continuing disclosure of how it is working in practice relative to its original benchmarks.

We strongly support the use of performance driven vesting criteria and believe that these should incorporate a combination of absolute and relative return targets and a direct linkage with share price performance. There should also be a period of mandatory retention once a share award has vested and over time we expect all companies to move towards a minimum guaranteed share retention period of at least five years from the original date of grant. Remuneration to independent directors should always be appropriate in nature. Consideration should also be made to ensure that the independent directors' remuneration arrangement does not potentially undermine or compromise their independent oversight role.

Boards should not sanction rewards for failure and should seek to mitigate termination costs. Ex-gratia payments to directors should always be the subject of a specific vote of approval from shareholders and as a generality we do not support rolling service contracts for executive directors of more than twelve months in duration.

August 2016



Contact Details

Corporate Governance or Proxy Voting (EMEA and America)

Trelawny Williams

Head of Corporate Finance
(44) 207 961 4873

Rebecca Vine

Associate Director, Corporate Governance
(44) 207 961 4201

Corporate Governance or Proxy Voting (Asia)

Ben White

Associate Director, Corporate Governance
(65) 6511 2270

Environmental, Social and Governance

Marion O'Donnell

ESG Senior Manager
(44) 207 074 5235

I. Appendix

Proxy Voting Guidelines

I. General Principles and Application

- A. Voting shall be carried out by the Fidelity International (“Fidelity”) proxy voting teams with non-routine proposals or other special circumstances also being evaluated by the appropriate Fidelity analyst or portfolio manager. All votes are subject to the authority of the Chief Investment Officers of Fidelity.
- B. Fidelity will vote all equity securities where there is a regulatory obligation for us to do so or where the expected benefit of voting outweighs the expected costs.
- C. Except as set forth in these guidelines Fidelity will usually vote in favour of incumbent directors and in favour of routine proposals.
- D. Fidelity will vote to abstain on proposals if it is deemed to be in the best interest of investors or when the necessary information has not been provided. In certain limited circumstances Fidelity may also vote to abstain in order to send a cautionary message to a company.
- E. In instances where there may be a conflict with Fidelity’s own interests we will either vote in accordance with the recommendation of our principle third party research provider, or if no recommendation is available, we will either not vote or abstain in accordance with local regulations.
- F. Fidelity’s proxy voting group will not vote at shareholder meetings of any Fidelity funds unless specifically instructed by a client.
- G. Voting decisions will be made on a case by case basis and will take account of the prevailing local market standards and best practice.

II. Shareholder Authority

- A. Fidelity will vote against any limitation on shareholder rights or the transfer of authority from shareholders to directors. Likewise we will support proposals which enhance shareholder rights or maximise shareholder value.
- B. Fidelity will vote against unusual or excessive authorities to increase issued share capital and particularly in respect of proposed increases for companies in jurisdictions without assured pre-emptive rights.

- C. Fidelity is supportive of the principle of one share, one vote and will vote against the authorisation of stock with differential voting rights if the issuance of such stock would adversely affect the voting rights of existing shareholders.
- D. Fidelity will generally vote against anti-takeover proposals including share authorities that can be used in such a manner.
- E. Fidelity will generally support cumulative voting rights when it is determined they are favourable to the interest of minority shareholders.
- F. Fidelity will support proposals to adopt mandatory voting by poll and full disclosure of voting outcomes.
- G. Fidelity will support proposals to adopt confidential voting and independent vote tabulation practices.
- H. In general Fidelity will only support related party transactions which are made on terms equivalent to those that would prevail in an arm's length transaction.

III. Board Composition and Independence

- A. Fidelity favours a separation of the roles of Chairman and Chief Executive and will vote in favour of this outcome when the opportunity arises.
- B. Fidelity will consider voting against the election of directors if, in our view, they lack the necessary integrity, competence or capacity to carry out their duties as directors.
- C. Fidelity favours robust independent representation on Boards and on occasion Fidelity will consider voting against the election of nominees as independent directors if, in our view, they lack sufficient independence from the company, its management or its controlling shareholders.

IV. Remuneration

- A. Fidelity will support proposals to give shareholders the right to vote on executive pay practices.
- B. Fidelity will generally vote against remuneration proposals when payments made to executives are considered excessive or too short term in their orientation.

- C. Fidelity strongly encourages the long term retention of shares. For shares awarded as part of a remuneration package we will have particular regard for minimum required retention periods. Practice in this regard differs around the world but over time we expect all companies to move towards a minimum guaranteed share retention period of at least five years from the date of grant.
- D. Remuneration proposals are evaluated on a case-by-case basis but in addition to the factors described above Fidelity will generally vote against incentive arrangements if:-
 - i. the dilutive effect of shares authorised under the plan is excessive; or
 - ii. material changes to arrangements are permissible without shareholder approval; or
 - iii. the potential awards are uncapped; or
 - iv. options are offered with an exercise price of less than 100% of fair market value at the date of grant or if re-pricing is subsequently permitted (employee sharesave schemes may be supported provided the offering price of shares is not less than 80% of the fair market value on the date of grant).
- E. In addition, subject to local market standards and best practice Fidelity will generally vote against incentive arrangements if:-
 - i. there are no performance conditions attached to any of the incentive awards; or
 - ii. there is no disclosure of the performance measures to be used; or
 - iii. the performance targets are insufficiently challenging; or
 - iv. performance retesting is permitted (if performance targets for a given year are not met then awards for that year should be foregone).
- F. Fidelity will consider voting against the re-election of the Chairman of the Remuneration Committee if we vote against the Report of the Remuneration Committee for the second year in a row (assuming no change in personnel in the interim).

- G. Fidelity does not support the presence of executive directors on the Remuneration Committee (or its equivalent) of the companies which employ them and we will vote against the remuneration report in these instances when given an opportunity to do so.

V. ESG

- A. Fidelity will evaluate ESG proposals on a case-by-case basis considering whether the adoption of the proposal in question is likely to have a material impact on either investment risk or returns.



FIL Limited and its subsidiaries are commonly referred to as Fidelity or Fidelity International. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. Any person considering an investment should seek independent advice.

Investment involves risks. This material contains general information only. It is not an invitation to subscribe for shares in a fund nor is it to be construed as an offer to buy or sell any financial instruments. The information contained in this material is only accurate on the date such information is published on this material. Opinions or forecasts contained herein are subject to change without prior notice. Reference to specific securities mentioned within this material (if any) is for illustrative purpose only and should not be construed as a recommendation to the investor to buy or sell the same.

The material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Futures Commission ("SFC").