

Fidelity International and the Taiwan Stewardship Principles for Institutional Investors

“FIL Securities Investment Trust Co. (Taiwan) Limited’s (“SITE”) main business is to manage and offer securities investment trust funds, discretionary investment management and other businesses as approved by the regulator, and is an asset manager. SITE hereby represents to comply with “Stewardship Principles for Institutional Investors”. Compliance with the six principles is detailed below.

SITE is a member of the Fidelity International group of companies and “Fidelity” in this context refers to the independent group of privately owned companies which form the global asset management organisation that provides products and services in designated jurisdictions outside of North America.

Principle 1

Establish and disclose stewardship policies

Fidelity pursues an active investment policy 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 overarching 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.

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 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 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 consider 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.

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 Corporate Finance team which coordinates Fidelity's approach to ESG and the implementation of our voting policies. Fidelity subscribes to several governance research services as well as an external provider of sustainability research.

The investment team is supported by the Head of Corporate Finance who reports to the Chief Investment Officer and who resides behind an information barrier. The Head of Corporate Finance 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.

Fidelity's voting guidelines are contained in the Principles of Ownership which can be found [here](#) and our most recent Governance & Engagement Report can be found [here](#).

Principle 2

Establish and disclose policies on managing conflicts of interest

Fidelity is a privately owned, multiclass asset manager and has a documented policy for the management of conflicts of interest designed to ensure that conflicts between the interests of Fidelity and its clients or between clients of different types are managed appropriately.

The Fidelity Conflicts of Interest Policy addresses the obligations of Fidelity and its subsidiaries carrying on regulated business to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients. It applies to perceived as well as actual conflicts. Where it is a fiduciary, Fidelity owes a duty to its clients never to put itself in a position where its own interest results in an irreconcilable conflict with its duty to its clients or where its duty to one client results in an irreconcilable conflict with its duty to another client or clients. Fidelity is also under a regulatory duty to manage conflicts of interest fairly, both between itself and its clients and between different clients. To that end, Fidelity will identify, record, manage and, where required, disclose actual or potential conflicts of interests and have in place a policy relating to conflicts of interest.

Conflicts are identified through various means, including awareness training and internal reviews. All staff must adhere to the Conflicts of Interest Policy and the Code of Conduct and Associated Policies and they are made aware that clients' interests must always come before those of Fidelity or its staff.

Situations where conflicts of interest could arise in the context of stewardship include the following examples:-

i) Investing

Within Fidelity there are companies which invest as principal for investment purposes in equities and/or bonds in which Fidelity may also invest for our clients. Potential conflicts can occur during acquisition and disposal of securities, voting and the use of research. To manage these potential conflicts, decisions regarding Fidelity's investment portfolio are made independently of the investment management process which supports our clients' funds and accounts. Policies and procedures are in place to ensure that these principles are properly followed. It is also possible that a Fidelity fund or account will own securities issued by a client, but in all situations Fidelity's investment decisions will be guided by what we regard as the best interests of the relevant fund or account.

ii) Trade Allocation

When performing client transactions in securities, Fidelity will combine orders where this is in the best interests of the clients as a whole. If there is insufficient liquidity resulting in a partial completion of the order then the securities will be allocated across all clients participating in the block and it is possible that one client may receive a more favourable allocation over another client. To manage this potential conflict, Fidelity maintains a Trading Desk Policy which ensures the consistent and fair application of trade allocations. Allocations are performed on a pro-rata basis based on the size of the order, and the system allocation algorithm is automatically applied for every trade, subject to three lines of oversight – the Trading Desk supervisor, Compliance and Internal Audit/Risk.

iii) 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 abstain or not vote at all. We will not vote at shareholder meetings of any Fidelity funds unless specially instructed by a client. The Head of Corporate Finance is responsible for monitoring possible conflicts of interest with respect to proxy voting.

Principle 3

Regularly monitor investee companies

As described under Principle 1, Fidelity pursues an active investment policy 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 overarching 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'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 and these meetings focus on the drivers of long term performance, although shorter term issues are also relevant in the context of satisfying ourselves that the longer term investment thesis is still 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 an informal schedule of contacts 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.

The Corporate Finance team is responsible for the exercise of Fidelity's votes at company meetings and the Corporate Finance team conducts its own analysis of investee companies to determine whether or not they are compliant with our voting guidelines. 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. Further information on Fidelity's voting procedures is described under Principle 5 below.

The Corporate Finance 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.

As described under Principle 1, the Head of Corporate Finance resides behind an information barrier and will normally be the first point of contact for any price sensitive information. Whilst the Head of Corporate Finance may provide feedback on the matter in question, subject to the timeframe of the relevant information it may be shared with the investment team for their review and decision. The existence of an information barrier means that Fidelity is able to accept price sensitive information if a third party deems it necessary for us to do so and we encourage companies to consult with us at an early stage if they are contemplating major strategic or corporate initiatives.

Principle 4

Maintain an appropriate dialogue and interaction with investee companies

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. 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 advisors 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 and more public forms of dissent although as a general policy we do not favour using the media to help achieve our objectives. As described under Principle 5 below, 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.

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.

Further, we maintain close relationships with a wide spectrum of investors as well as other agents of corporate change. Where legally permitted we are willing to consider collective engagement initiatives. Relevant factors in determining whether or not to participate in a collective engagement will include the identity of the other leading investors, the relative size of their investment and a determination of whether a collective approach is necessary in order to achieve a satisfactory outcome. We seek to identify issues, both governance and otherwise, which are relevant to the

performance or valuation of the business in question. We would not normally intervene on an operational matter but as described under Principle 3 above, topics which can give rise to escalation and collective engagement include the need for management and/or Board change, strategy, capital structure, M & A, protection of shareholder rights, remuneration and other governance issues.

Fidelity is an active member of the Asian Corporate Governance Association and the Asia Securities Industry & Financial Markets Association and we maintain close links with other investors through numerous other investor gatherings and conferences. There are collective meetings and calls with other investors several times a month at which company specific and wider governance issues are regularly discussed.

Principle 5

Establish clear voting policies and disclose voting results

As discussed under Principle 1, Fidelity maintains a specialist in-house Corporate Finance team who coordinate our approach to ESG and implement our voting policies. Our voting guidelines are updated on a regular basis and can be found [here](#). Information to inform our voting process is derived from a variety of sources and includes material provided by the company, proxy voting advisory services and internal research. Discussions may also be held with investee companies themselves.

We subscribe to several proxy voting governance research services including: Institutional Shareholder Services and Glass Lewis. We have established a set of customised guidelines with our voting agent but all votes are cast in accordance with our 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. We will also take account of the particular circumstances of the investee company concerned and of prevailing local market best practices.

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 disclose our voting record for the preceding 12 months on our website which can be found [here](#). This information is updated on a quarterly basis.

Principle 6

Periodically disclose to clients or beneficiaries about status of fulfilment of stewardship responsibilities

We provide quarterly voting reports to our institutional clients including details of noteworthy votes within their portfolios. These reports include instances where we vote against management as well as an explanation for our voting decision together with a voting record of all meetings voted on behalf of the client in the previous quarter and a thematic ESG report. As described under Principle 5 above, we also disclose our votes on a quarterly basis on our web site. At the end of the year we prepare a more in-depth annual governance and engagement report which provides a detailed analysis of our voting activities for the year as well as a general update on our governance and stewardship related activities. Most of this report is posted on our web site and can be found [here](#).

Contact

If you would like to learn more about Fidelity's approach to stewardship in Taiwan then you should address your enquiry to Jenn-Hui Tan who can be reached at jenn-hui.tan@fil.com or on (852) 2629 2710.

FIL Securities Investment Trust Co., (Taiwan) Limited

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