2022

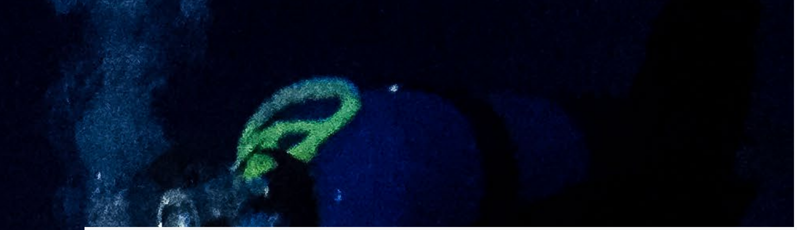
Sustainable Investing Principles

Fidelity INTERNATIONAL

Contents

About Fidelity International

Fidelity International (also "Fidelity" or "FIL") is one of the largest asset managers in the world. It is a privately owned global investment and retirement savings business with operations in 25 countries, serving more than 2.4 million customers around the world. Established in 1969 as the international arm of Fidelity Investments in the US, Fidelity became an independent organisation in 1980. Today, it is owned mainly by senior management and founding family interests, with charities making up the balance. Our clients range from central banks, sovereign wealth funds, large corporates, financial institutions, insurers, and wealth managers, to private individuals. As at 30 September 2022, Fidelity International managed $613.3bn on behalf of our clients. This combines headline client asset figures (under management and administration) for Fidelity International and Fidelity Canada; it should be noted that the financial results of Fidelity International and Fidelity Canada are not consolidated from a financial reporting perspective.



A. Purpose of the Sustainable Investing Principles

The Sustainable Investing Principles document (SI Principles) aims to set out the guiding principles and minimum requirements for sustainable investing activities across Fidelity. It is reviewed and updated on a regular basis.

The SI Principles start with our Sustainable Investing Beliefs: the foundation of Fidelity's approach to sustainable investing. The SI Principles build on our beliefs to set out our sustainable investing frameworks, our approach to sustainable client solutions, exclusions, investment stewardship and engagement, the integration of ESG risks and opportunities across our investment management process, and an overview of compliance with regional sustainability regulations.

The information presented in the SI Principles is supplemented by additional web-based materials that can be accessed via Sustainable Investing | ESG Funds | Fidelity or the in-line links in this document.

Scope

The SI Principles aim to address our sustainable investing approach across Fidelity's asset classes and the regions in which we invest. This includes all our actively or systematically managed financial products.

This document and associated frameworks and procedural documents are applicable to FIL and its subsidiaries except for the FIL Canada affiliates.

The SI Principles may not apply to Fidelity's purely passively managed "tracker" funds and funds that Fidelity do not manage but which may be available on one of our investment platforms such as FundsNetwork.

The approach outlined in this document forms the basis for Fidelity funds and our segregated mandates and investment advisory function, where we are able to leverage this approach to help clients meet their sustainability objectives, in a customisable manner. Segregated mandates follow this approach unless otherwise disclosed independently in relation to those specific mandates.

Where Fidelity International is delegating the investment management to external managers, notably Fidelity Investments and Geode (referred to as sub-advisors), these sub-advisors are not required to follow Fidelity International's SI Principles and may have different policies in place to address their sustainable investing approach. As part of the selection process for external sub-advisors, Fidelity International considers such sub-advisors' policies on sustainability and requires sub-advisors to integrate sustainability as part of their investment decision-making process. Fidelity International also conducts ongoing due diligence on whether such sub-advisors integrate sustainability in a similar manner to Fidelity International.

B. Sustainable Investing at Fidelity

Our purpose is to work together to build better financial futures for our clients. We strive to be a trusted partner, delivering innovative investment solutions that meet our clients' objectives. Investing sustainably is key to achieving these goals.

At Fidelity International we consider the longer-term consequences of our actions in both financial and societal terms. Increasingly, this means protecting and enhancing our client returns in a way that helps create a more sustainable financial system for society as a whole. As global investment managers, how we hold investee issuers to account today will help shape how sustainable tomorrow will be.

Delivering outstanding results for our clients requires us to constantly evolve. This evolution is reflected in our Sustainable Investing Beliefs, which inform the approach and activities outlined in this document:

1. **Sustainability integration leads to better long-term financial, environmental and social outcomes for clients and a broad set of stakeholders.** As active investment managers, we integrate material sustainability considerations into our fundamental research because we believe it can drive better decisions and outcomes, which are integral to the financial futures of our clients.
2. **Effective stewardship combines bottom-up, thematic, and system-wide approaches.** Our approach to stewardship is grounded in the fact that as a large and diversified investment manager across multiple geographies, sectors, and asset classes, we are exposed to systemic environmental and social issues. Effective and outcomes-focused stewardship combines bottom-up corporate engagement, top-down thematic engagement, and system-wide stewardship.
3. **Blending a global mindset and local understanding helps us to deliver insightful research and positive stewardship outcomes.** Stewardship and integration of sustainability issues must take into account local context to be effective, and respect differences in geographic, economic, social and cultural factors. As a global firm with a local presence in many markets, we are well positioned to navigate these challenges and generate differentiated insight and outcomes.

Our beliefs reflect the fact that ESG factors impact long-term value creation at the issuers we invest in or lend to. They inform what we aim to achieve, specifically:

1	2	3	4	5
The integration of environmental, social and governance factors in our fundamental bottom- up investment research and security selection process, resulting in a more complete view of the true price of an issuer's externalities.	An understanding of the non-financial impacts of our investment decisions on investee issuers and their broader stakeholders, including employees, suppliers, customers, regulators and communities.	A local approach to our sustainable investment process, recognising the differences in economic systems, market structures, societal norms and business models across all the jurisdictions in which we operate and invest.	Measurable improvements in the behaviour of the issuers we invest in or lend to, both directly and in collaboration with our peers and clients, by leveraging our tools of selection, engagement and voting.	Mitigation of system-level risks through active ownership and policy advocacy.

Source: Fidelity International, 2022

Our beliefs also reflect the fact that long-term value creation is affected by system-wide sustainability themes. For example, climate change is increasingly acknowledged as a systemic risk to capital markets. It therefore requires responses at multiple levels. We have developed an influence framework to help us identify where and how we can align and further our efforts. Below is an illustration of how these distinct levels of influence relate to climate change, with examples at each level.

Level of influence in relation to climate change	Description	Examples of Fidelity's actions
System-wide	Our economic, social and ecological systems are interconnected, and affected by climate change in ways that are not yet fully understood but that have wide-ranging implications for capital markets.	Net zero alignment commitment (see Section C).
		Active engagement in development of market standards, regulatory consultations and industry groups (Chair of the Engagement and Policy working group for the Asia Investor Group on Climate Change (AIGCC), signatory to the Global Standard on Responsible Climate Lobbying) (see Section H).
Industry, sector and/or portfolio	Climate mitigation, adaptation and solutions are already informing change across industries, particularly in high-emitting sectors, and require collaborative efforts in response to accelerate the necessary transition.	Thematic engagements, undertaken individually and in collaboration (see Section D).
	Recognition of the distinct influence of the financial sector (banks, insurers) as intermediaries who in turn influence industries/sectors.	Finance sector-specific thematic engagements.
Firm, entity	Capital allocation, engagement and voting inform company behavioural change.	Systematically applied tools that inform capital allocation and active ownership (ESG Ratings, Climate Ratings - see Section C).
Individuals	Individuals' knowledge, skills and experience are key to affecting and informing change.	Internal and external training on climate (see Section C), including in relation to how we manage our own corporate footprint and climate-related risks (see Section F).

Source: Fidelity International, 2022

As a fundamental, research-led active manager, our principal influence is through our investment processes. Our longstanding corporate relationships provide us with significant capability and understanding with regards to individual company and sector trajectories.

Integrating sustainability factors into our investment process has the potential to positively impact the short and long-term value of issuers and can protect and enhance investment returns. The thesis, simply put, is that considering and managing environmental and societal impact, and seizing associated opportunities, can help support resilience and long-term value creation.

Our approach starts with integrating sustainability factors into our fundamental bottom-up research, which can lead to more complete analysis and better-informed investment decisions. We then help issuers progress on sustainability matters by exercising our ownership rights and actively engaging with investee issuers individually and through collaboration. In this way, Fidelity seeks to help issuers and the broader financial system become more sustainable, resilient, and inclusive.

In relation to our investments in third party funds, Multi Asset Manager Research analysts will analyse each fund on its sustainability merits and this ESG analysis is systematically integrated into the investment process for all multi-asset funds.

The strengths of our approach

1. Our approach to integration is driven by fundamental research and insights. Our tools include our proprietary ESG Ratings, Climate Ratings and our Sustainable Development Goals (SDG) tool, which enable us to gain a forward-looking, holistic view of an issuer's sustainability profile.

2. As a family and management-owned company, we think generationally in terms of the services we build and provide, as well as the way in which we invest on our clients' behalf, over the long term.

3. As a large, global investment manager, we leverage our deep corporate access to drive outcomes. By exercising voting rights and engaging issuers, we seek to improve how they manage ESG issues, with the aim of lowering investment risk over time and reducing the negative - and improving the positive - effects of the issuers in our portfolios.

Governance of Sustainable Investing

The review and oversight of sustainable investing matters are vested in the Sustainable Investing Operating Committee (SIOC). Accountability for sustainable investing sits across all levels of Fidelity's governance structure.

Fidelity International Limited Board (Board)

The most senior decision-making body within Fidelity International is the Board, which is responsible for the company's overall strategy and oversight. Its mandate is to:

- Set corporate and strategic objectives.
- Set and maintain Fidelity International's high ethical standards and reputation.
- Protect Fidelity International's brands.
- Approve major initiatives and expenditures.
- Set Group policies effective in all jurisdictions in which we operate.
- Ensure that a robust system of internal controls exists throughout Fidelity International.
- Ensure the financial stability of the firm.

The Board meets at least four times a year and otherwise as required.

The Board exercises oversight of sustainability issues through input from Fidelity International's senior executives and groups within the firm including the Chief Executive Officer (CEO), the Audit and Risk Committee (ARC), and the Sustainable Investment Operating Committee (SIOC).

Global Operating Committee

The GOC is chaired by the CEO and consists of department heads across the Investment Solutions and Services business, the Workplace and Personal Financial Health business and Corporate Enabler functions. Its role is to ensure the day-to-day implementation of Board decisions across the Financial Services business. On sustainable investing matters, the GOC is supported by the Sustainable Investing Operating Committee and other key governance committees.

Sustainable Investing Operating Committee

The review and oversight of sustainable investing matters are vested in the Sustainable Investing Operating Committee (SIOC). SIOC sets policies and objectives for sustainable investing and monitors progress across Fidelity's business units. Its responsibilities include:

- Oversight of the SI Principles and related frameworks and procedures as they pertain to sustainable investing (including ESG frameworks, analytical tools, and exclusion lists).
- Oversight of the execution of Fidelity's ownership rights in investee issuers, including engagement and proxy voting activities.
- Monitoring of client requirements and expectations including Fidelity's positioning in relation to client needs.
- Oversight of Fidelity's sustainable investing investment management capabilities.
- Monitoring the policy and regulatory environment as regards sustainable investing and ESG risks and facilitating compliance with local regulations.
- Receiving and reviewing updates on sustainable investing initiatives across the firm.

SIOC meets monthly and is co-chaired by the Global Head of Stewardship and Sustainable Investing and the Global Head of Investment Research. It comprises senior executives from across investment management, distribution, product, operations, human resources and general counsel functions.

The work of SIOC is supported by technical experts comprised of the following working groups:

- Thematic Engagement Oversight Group
- Exclusions Advisory Group
- Proxy Voting Advisory Group
- Sustainable Product, Mandates, and Services Working Group
- Portfolio Manager Advisory Council
- Sustainable Investing Change Oversight and Controls Forum

Sustainable investing-related regulatory and business change is supported by the Sustainable Investing Portfolio Office (SIPO). SIPO provides regular reporting to SIOC on the progress and execution of key regulatory and strategic change initiatives.

FIL Audit and Risk Committee (ARC)

ARC has specific responsibility delegated to it by the Board for oversight of the risk strategy and risk profile (including the ESG risk profile), the scope and coverage of internal and external audits, relevant regulatory, tax and legal matters, including ensuring all external reporting obligations are met.

Investment Risk Committees (IRCs)

IRCs are responsible for management oversight of investment risks including ESG-related risks. They include representatives from risk, compliance, trading, representatives of the Management Company and the Chief Investment Officer. The IRC is a shared First (1LOD) and Second (2LOD) Line of Defence Risk Oversight Committee. The primary objective is to ensure that portfolios are being run appropriately and in line with their stated objectives. For example, its responsibilities include making sure that ESG metrics are appropriately considered within portfolios.

From a 1LOD perspective, the IRC has an objective to assess that FIL portfolio strategies are managed in line with client expectations and in accordance with fiduciary duties. The committee also serves as evidence of the oversight of the investment process within the 1LOD.

Additionally, the IRC acts as a 2LOD oversight forum designed to review and confirm the adherence of funds to their risk profiles, to provide independent challenge and ensure that all material risk positions in any given mandate are understood, intentional and appropriate.

The IRC will escalate concerns as well as thematic issues for noting to the Investment Solutions & Services Risk & Compliance Committee (ISS RCC) and the Investment Management Committee (IMC) at a global level, and country-level Risk and Compliance Committees at the local level. The ISS RCC is the top-level risk and compliance committee for Investment Solutions & Services. The ISS RCC implements overall risk management in line with relevant risk policies and frameworks defined by the 2LOD and embedded in the 1LOD by reviewing material risks, controls and defining appropriate remediation actions with the support of specialist committees.

In addition, 2LOD oversight of fund ESG risks is performed by Investment risk. The oversight exercise is performed via dedicated reports and dashboards containing selected metrics for individual constituent components for environment, social and governance factors. Each metric is assessed against set thresholds which differ depending on the type of funds in scope. Results and exceptions are shared with members of Senior Management and further escalations are performed as part of wider (global) Investment Risk Committees (IRC), where necessary.

Other Governance Channels

Product Governance: European Product Review Group (EPRG) and Asia Pacific Product Review Group (APPRG)

The EPRG and APPRG are forums that focus on approving the readiness of the firm to proceed in launching / amending a product. The forums include representatives from across the business including operations, legal, compliance, risk, finance, investments, board delegates, and distribution. All sustainable funds and funds disclosing in line with SFDR (see Section C) are reviewed by these forums before launch. These forums are supported by the Sustainable Product, Mandates, and Services Working Group.

C. Sustainability integration, tools, and solutions

Fidelity's Sustainable Investing Framework

Integration of sustainability within Fidelity's investment process is covered by a three-layered framework that is designed to be modular in nature to enable Fidelity to deliver investment solutions to clients and manage ESG risks borne by our products, while responding to the evolving demands of the regulatory environment. The three layers are outlined below.

1. **Frameworks and standards:** The foundation of robust sustainable investing practices consists of data, frameworks and standards. This provides a common language to mobilise efforts across Fidelity International to work together in building sustainable financial futures. Within this layer, we establish frameworks for the sustainability classification of our funds and aim to align standards with relevant sustainability legislation or sustainability labels, as required. We also aim to integrate client requirements, Investment Management (IM) and Risk teams' considerations.
2. **Tools:** Building on the data, frameworks and standards created in the first layer, the second layer consists of different sustainability tools and modules that will evolve to meet dynamic requirements. This involves building digital tools to support effective analysis, integration and reporting of sustainability factors in our investment and risk management processes. This captures Fidelity's proprietary ratings, engagement, voting, research, fund monitoring, and reporting.
3. **Communication, products, and services:** The final layer builds on the frameworks, data sets, tools, and modules to deliver a robust, consistent, and transparent range of investment products and solutions to clients while also providing relevant training and support to internal and external partners when approaching sustainability.

Overview of key frameworks and standards

The framework for Fidelity's sustainable investing product architecture aims to provide a consistent and transparent set of criteria upon which a fund can be established, assessed by compliance, and communicated to clients. The framework has three categories:

1. **Sustainability Monitored** - Performance on sustainability issues is monitored and our proprietary ESG insights are integrated into the investment process. Beyond the application of our firm-wide exclusions, investment decisions remain discretionary. Funds disclosing under SFDR Article 6 fall into this category.
2. **Sustainability Managed** - Funds are managed to a range of specific binding sustainable investment criteria including values-based exclusions. This category includes 'best-in-class' sustainability strategies and may include funds disclosing under SFDR Article 8.
3. **Sustainability Targeted** - Funds target specific sustainability outcomes through either a thematic or impact investment objective and include values-based exclusions. Funds disclosing under SFDR Article 9 will be in this category, as will thematic focused funds disclosing under SFDR Article 8.

This high-level framework is complemented by modules for compliance with specific requirements including the Sustainable Finance Disclosure Regulation (SFDR) in Europe, Fidelity's internal Sustainable Family (SF) range of funds, and external sustainability labels.

Approach to SFDR

SFDR focuses on sustainability-related disclosures in the financial services sector. There are requirements for Fidelity at both the entity and product level including pre-contractual disclosures and ongoing disclosures for financial products. Fidelity's approach at the fund level is set out below, for more information on Fidelity's approach please refer to our publicly available disclosures.

Summary of requirements under Articles 6, 8 and 9

SFDR includes specific disclosure requirements for funds that integrate sustainability risks (Article 6), promote environmental or social characteristics (Article 8), or have a sustainable investment objective (Article 9). Fidelity has developed a framework and set of minimum standards for these requirements which are summarised below:

	SFDR Definition	Fidelity's Approach
Article 6	Products integrating sustainability risks into investment decisions.	ESG Ratings and climate risk analysis are considered by investment teams alongside fundamental research ratings. Ratings are provided to facilitate analysis of risks and opportunities, however investment decisions remain discretionary.
Article 8	Products promoting, among other characteristics, environmental and/or social characteristics and (as applicable) investments which follow good governance practices.	Funds must have >=50% of net assets in issuers with 'good ESG characteristics', incorporate norms-based exclusions, controversial weapons exclusions and other exclusions, and, as applicable, all holdings must follow good governance practices.
Article 9	Products with a sustainable investment objective. Investments need to contribute to an environmental or social objective, do no significant harm to any of those objectives and (as applicable) follow good governance practices.	Funds must have a sustainable investment objective and invest only in Sustainable Investments as determined by Fidelity, or cash and hedging on an ancillary basis, and subject to minimum safeguards. All Sustainable Investments must do no significant harm, have good governance characteristics (as applicable), and contribute to the sustainable investment objective.*

* Paris-aligned carbon reduction funds are carved out from Fidelity's standard Article 9 assessment. Article 9(3) of the SFDR requires a fund with a carbon reduction objective consistent with the ambition of the Paris Agreement to make disclosures under Article 9, and adopt a Paris-Aligned Benchmark or Climate Transition Benchmark.

Consideration of Principal Adverse Impacts (PAI)

SFDR describes PAIs as "negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity." Technical guidance under SFDR provides a list of mandatory and optional quantitative metrics relating to investee companies, sovereigns and supranationals, and real estate.

Fidelity's funds that disclose under Article 8 and 9 consider PAI as defined in Article 7 of SFDR, through the following tools and channels:

1. **Integration – ESG Ratings**: Fidelity's ESG Ratings have been created to explicitly include PAI indicators and topics. Importantly, this means that an assessment of the materiality of PAI for each sector has been undertaken as part of the Fidelity ESG Rating process, and each issuer has been scored on the relevant PAI indicators or on metrics covering similar issues. As a result, consideration of PAIs is a critical and inseparable part of Fidelity's approach to ESG integration and assessment of ESG risk.
2. **Integration – Quarterly Sustainability Review (QSR):** Fidelity has introduced a mandatory QSR for all funds

under SFDR Article 8, Article 9 or Fidelity's SF. The QSR is held by the relevant CIO and aims to provide a comprehensive assessment and discussion of a fund's qualitative and quantitative sustainability characteristics. The QSR includes a section on PAIs with performance on each Principal Adverse Sustainability Indicator (PASI) vs. the benchmark.

3. **Exclusions:** Fidelity's exclusion policies help reduce the potential for PAIs by excluding business activities or issuers with a track record of behaviour that have material negative effects on sustainability factors. For example, Fidelity's behavioural exclusions explicitly target issuers in breach of the principles of the UN Global Compact and other norms-based standards. Fidelity's Article 8, Article 9 and SF range of funds have sector exclusions that help minimise potential exposure to industries with material PAIs including tobacco, thermal coal and weapons producers.

4. **Stewardship – Active ownership**: Fidelity's investment teams and sustainable investing analysts engage with investee companies to better understand their sustainability characteristics, PAIs and where relevant, advocate for enhancing performance on key sustainability metrics. Engagements are undertaken independently and through collaborative initiatives such as Climate Action 100+ and Investors Against Slavery and Trafficking, APAC with the assistance of the Sustainable Investing team.

5. **Stewardship – Voting and divestment:** Fidelity's proxy voting guidelines provide Fidelity's expectations for investee companies on topics including climate change related disclosure, board level diversity, and corporate governance. If an investee company fails to meet our expectations we will inform the company, seek to engage where appropriate and may escalate by voting against the election of a director, or in certain circumstances by divesting from the company.

Optional PAI indicators are selected based on considerations including data availability, materiality, and integration into Fidelity's ESG Ratings. The process is run by the Sustainable Investing team in consultation with internal stakeholders and presented to SIOC for validation.

Sustainable Investments

SFDR defines 'Sustainable Investments' as an investment in an economic activity that must have a material contribution to an environmental or social objective, provided that the investment does no significant harm to any environmental or social objective, meets minimum safeguards, and that investee companies have good governance practices.

Fidelity's approach to identifying sustainable investments under SFDR is as follows.

Fidelity has identified two ways in which economic activities can contribute to an environmental or social objective:

1. An assessment of economic activities under Fidelity's proprietary UN Sustainable Development Goals (SDG) mapping tool and using the EU Taxonomy criteria (where data is available). This provides a method of identifying products and services that contribute to an environmental or social objective by contributing to achieving the SDGs. If an entity has a material contribution to the SDGs, we consider that the entire entity contributes to an environmental or social objective.

2. A review of whether an issuer's decarbonisation strategy is consistent with the ambition of the Paris Agreement. Fidelity will consider an entity that: a) has set a validated Science Based Target Initiative (SBTi) target that is consistent with a 1.5 degree or lower warming scenario; or b) a Fidelity Climate Rating of Achieving Net Zero or Aligned to Net Zero, is contributing to a positive environmental outcome.*

Fidelity's approach to determine eligibility as a 'Sustainable Investment' under SFDR also incorporates:

- **Do No Significant Harm** - Fidelity assesses entities through: 1) controversy screens; 2) screens for involvement in activities with material negative impacts; 3) a quantitative screen based on the PASIs; 4) fundamental due diligence including consideration of ESG Ratings and engagements.
- **Minimum standards** - Evaluating whether investments meet minimum safeguards by screening against norms-based principles such as OECD guidelines, UN Guiding Principles and others.
- **Good governance** - Evaluating governance practices though controversy screens and consideration of ESG Ratings and fundamental analysis.

* Note that an SBTi-validated target and the Fidelity Climate Rating are an entity-level assessment (it applies across a whole firm), whereas the EU Taxonomy and SDG Tool (explained under 'Overview of key tools' later in this section) apply on a revenue-based assessment.

Sustainable Family range of funds

In 2019 Fidelity launched the SF, a cross-asset class fund range with a focus on environmental, social and governance (ESG) factors. The SF funds' investment universe is driven by selecting issuers with favourable and/or improving ESG characteristics, whilst aiming to achieve compelling long-term financial performance and outperformance of their benchmarks.

The SF fund range includes sustainable best-in-class vehicles, sustainable thematic investments, sustainable research exchange-traded funds (sustainable ETFs), sustainable solutions & multi asset funds (SF S&MA), money market funds and real estate funds.

The SF range of funds includes both qualitative and quantitative requirements to help promote a robust and consistent approach to Fidelity's sustainable investing product range.

Quantitative requirements

There are four requirements that are quantitatively measured:

1. Absolute ESG Rating or ESG trajectory
2. Net Zero Alignment
3. SF Exclusion Framework
4. Divestment

1. Absolute ESG Rating or ESG trajectory

All funds in the SF are required to have ≥70% of investments in issuers with 'favourable ESG characteristics' (across both corporate and sovereign holdings) defined as:

1. Issuers with MSCI ESG Ratings from AAA – BBB for developed markets and AAA - BB for emerging markets;
2. If the issuer is not rated by MSCI, Fidelity ESG Rating with ratings from A-C.

Issuers that do not meet the absolute rating threshold above will remain eligible for investment by SF funds (up to 30% of investments) if they are assessed as possessing or demonstrating potential for improvement.

There must be a formal engagement plan with the issuer which demonstrates the potential for improvement, provided that this engagement must result in an improvement in the ESG characteristics of the issuer within 18 months of the initial purchase of the security (disregarding subsequent trading activity). This requirement does not apply to sustainable ETFs or SF S&MA funds.

Specific fund types such as money markets funds, multi-asset funds, ETFs, private credit and real estate funds have alternative treatments to reflect their respective investment strategies and asset class; however, all follow the overall philosophy of Fidelity's SF of predominantly having investments in issuers with favourable or improving ESG characteristics.

2. Net Zero Alignment

By 2030, the aim is for all SF funds to be invested in issuers on a trajectory to achieve net zero in 2050, as determined by Fidelity's in-house Climate Rating (see page 18). Each SF fund will set individual fund targets appropriate to its investment strategy and universe.

The Climate Rating is key to reaching the SF funds' net zero emissions plans by utilising Fidelity's fundamental research capabilities to identify climate-related risks, net zero investments and targets for engagements focusing on transition plans.

The SF funds will be monitored and assessed against their net zero targets and more broadly on portfolio climate risk and carbon emissions profile through the QSR process (see page 19).

3. SF Exclusion Framework

The SF Funds are subject to the SF Exclusion Framework which sets out the basis upon which certain issuers may be excluded from the investment universe of the SF funds. Equity and corporate bond issuers may be excluded from the SF funds for two reasons:

- for failure to conduct their business in accordance with accepted international norms (behavioural exclusions) or,
- for their involvement in activities or product categories which are unsustainable and cause significant harm (fundamental exclusions).

Exclusion Category	Scope of Exclusion
Behavioural Exclusions	Issuers which fail to behave in a way which meets their fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption as aligned with international norms including those as set out by the Ten Principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, Responsible Business Conduct and International Labour Organization (ILO) Conventions.
Tobacco	All tobacco producers, and distributers/retailers/suppliers/licensors with more than 5% of the revenues coming from tobacco sales.
Controversial Weapons	All controversial weapons manufacturers, intended use components, exclusive delivery platforms and smart weapons.
Semi-Automatic Weapons	All manufacturers, and retailers with more than 5% of the revenues coming from the sale of semi-automatic firearms.
Thermal Coal	All issuers that derive more than 5% revenue from the mining of thermal coal and its sale to third parties, and issuers that derive more than 5% revenue from thermal coal-based power generation. We will allow an exception to this exclusion if an issuer has less than 30% revenue from thermal coal related activities and if one of the following exceptions applies: · The issuer's revenue share from renewable energy exceeds revenue share from thermal coal activities. · Where the issuer has made an effective commitment to a Paris Agreement aligned objective based on approved SBTs or alignment with a Transition Pathway Initiative scenario or a reasonably equivalent public commitment. Evidence of issuer engagement and/or commitment must be logged.
Conventional Weapons	All issuers that derive more than 5% revenue from the production of conventional weapons.
Oil Sands	All issuers that derive more than 5% revenue from oil sands extraction.
Arctic Oil & Gas	All issuers that derive more than 5% revenue from the production of arctic oil & gas.
Sovereign Exclusions	Countries that are performing poorly on three principles relating to governance, respect for human rights and foreign policy.

The sustainable solutions & multi asset funds will adhere to the SF Exclusion Framework on a look-through basis for FIL strategies and we expect an alignment between the FIL exclusion categories and the exclusion categories of third-party strategies.

4. Divestment

A portfolio manager will be required to divest from an issuer in the fund under the following circumstances:

- if the issuer is put on an exclusion list,
- if the issuer's ESG characteristics have not improved after engagement over an 18-month period since purchase of the issuer or since the fund became part of the SF, or
- if the MSCI ESG Rating or Fidelity ESG Rating has been downgraded below what is considered as having favourable ESG characteristics, and the issuer is not assessed as possessing or demonstrating potential for improvement.

Divestment must occur as soon as practicable and in any event within three months. Exceptionally, a longer divestment timetable for large and/or illiquid positions may be allowable upon internal approvals and agreement that this would be in the best interests of fund holders. The reason for divestment must be communicated to the issuer once divestment is completed.

Qualitative requirements

A set of qualitative requirements have been established to help ensure that SF funds comply with the spirit of the SF fund range and not just the letter of the requirements. These include ESG integration, engagement, and reporting.

These qualitative requirements are typically evaluated at fund inception (or reclassification to the SF range) and presented in the data pack for discussion during the Quarterly Sustainability Review.

ESG Integration

SF funds integrate ESG factors into the investment process through Fidelity's robust internal research process. This includes consideration of Fidelity's ESG Ratings and Fidelity's active ownership approach, including individual and collaborative engagements, and voting.

At fund inception, an assessment should evaluate the suitability of the investment universe for a strategy promoting sustainability characteristics. On an ongoing basis, the SF portfolio manager should consider potential risks regarding the sustainability characteristics of investments through fundamental research and evaluating controversies flagged by external data providers to determine if they represent a material risk to either the investment case or reputationally.

Engagement

Engagement on SF funds is driven by research analysts through their ESG Rating, portfolio managers and the Sustainable Investing team who may identify good candidates for engagement, and issuers that do not currently meet the absolute ESG Rating threshold but are eligible in the fund due to their potential for improvement. All engagement must be logged on our internal ESG application and must include objectives and milestones/outcomes for each engagement topic. Engagement is only a feature for fundamental actively managed funds, and not for ETFs or money market funds within the SF fund range.

Reporting

To provide greater transparency on the sustainability performance of our SF funds, we will provide a non-financial disclosure report. This report includes fund-specific information on the ESG Rating profile of the fund, our engagements, and our voting history on the fund.

In addition, we have selected key environmental, social and governance performance indicators (KPI) using a third-party research provider to provide further disclosure of how the fund is managing key sustainability risks versus its benchmark. The environmental KPI looks at the carbon footprint of the fund (using a weighted average carbon intensity calculation) and how it compares to the benchmark. The social KPIs assess whether the fund has been exposed to any severe controversies or events relating to customers, labour rights, the supply chain, and human rights. We also include a KPI specifically focusing on the fund's performance on gender diversity versus the benchmark.

External Sustainability Labels

Sustainable fund labels are a mechanism to certify that a fund has a dedicated sustainability strategy. The aim of these labels is to define the minimum requirements for sustainable funds to be labelled sustainable while leaving flexibility for the investor's objectives. Most labels on the market are local in nature and promoted by national authorities.

We believe it is important for the strategies in our SF fund range to maintain credible external certification of their sustainability characteristics as provided through the labelling system of independent national agencies. Currently, a number of our SF funds receive labels and we regularly review our existing labels.

The process for approving a label on our SFs is as follows:

1 Interest	2 Analysis	3 Approval	4 Application
Label requirements for SF are identified through relevant team members including Business Distribution	Where requirements are stricter than the fund's framework – initiate assessment of eligibility / portfolio manager appetite for the label	Portfolio manager confirms the fund's compliance with label requirements. Implementation of ongoing portfolio monitoring	Request for proposal team coordinates application process (content creation with input from investment directors, ESG team, portfolio monitoring, marketing)

Source: Fidelity International, 2022

Exclusions

We believe Fidelity has a privileged ability to influence issuers because of our size and strong reputation as a research-driven investor with long investment horizons. We have over 190 analysts with deep insight into around 4,000 issuers worldwide. These attributes give us excellent access to investee issuer managements globally and have allowed us to forge long-standing relationships. We believe this puts Fidelity in a position to have constructive dialogues with corporates and work towards superior ESG outcomes. Therefore, our preferred course, as active owners, is to engage rather than exclude.

That said, Fidelity will consider the exclusion of issuers from our investment universe based on specific sustainability criteria. We adopt a principles-based approach to sustainability matters, and as part of this, we place issuers which we regard as unsuitable investments on a Firmwide Exclusion List. When deciding on whether to exclude an issuer we are guided by international conventions, guidance from the United Nations, and other global regulations which uphold ESG principles. The Firmwide Exclusion List covers issuers with involvement in controversial weapons the use of which is prohibited by international treaties or conventions.

All funds actively managed by Fidelity International are subject to Fidelity International's Firmwide Exclusion List.

The list is reviewed every quarter on a standing basis, with ad hoc assessment as required in the event of a change in circumstances. Further details are outlined within our Firmwide Exclusion Policy.

As part of our Multi Asset sustainability approach, when we assess third-party managers, we will also assess their exclusion policies and their alignment to the Fidelity Firmwide Exclusion Policy.

Fidelity also has an exclusion framework for individual investment strategies such as the SF and funds disclosing under SFDR Article 8, which excludes issuers in activities with challenging ESG characteristics. By excluding such issuers, we can help mitigate the PAIs of our investee issuers by ensuring they meet certain minimum standards and behave in a manner consistent with responsible investment values.

Fidelity has established the Exclusions Advisory Group (EAG) to provide expert advice to SIOC on updates and/or amendments to the Fidelity International Firmwide Exclusion Policy and the SF Exclusion Framework (together the "Exclusion Frameworks").

The EAG is also responsible for presenting to SIOC for consideration and approval, any potential additions and/or removals from the Fidelity International Exclusion Lists, including the Firmwide Exclusion List, Behavioural Exclusion List and SF Fundamental Exclusion List (together the "Exclusion Lists").

In addition, the EAG works with the Sustainable Investing team to:

- Oversee the implementation of the Exclusion Lists on a quarterly basis, based on information provided to them by the Sustainable Investing team and the IM Research teams across all relative asset classes.
- Advise on the introduction of new themes/sectors to the Exclusion Lists and ensure it is in line with the Exclusion Frameworks and general objectives of Fidelity's Sustainable Investing Policies.
- Track industry developments, regulatory requirements, and client requests in relation to demands for additional exclusions.
- Oversee the technical enhancements being introduced to streamline the process to update the Exclusion Lists.
- Advise on any risk, compliance and legal requirements that may come about from time to time in relation to the Exclusion Frameworks and Exclusion Lists, as required.

Overview of key tools

There are four key ratings and tools that sit at the heart of Fidelity's sustainable investing approach. They build on Fidelity's heritage of fundamental research, the contribution from over 190 investment analysts and the expertise of the Sustainable Investing team. In this section, we provide an overview of:

- ESG Ratings (an assessment of management and mitigation of ESG risks),
- SDG Tool (an assessment of positive contribution),
- Climate Ratings (alignment to net zero by 2050), and
- Quarterly Sustainability Review (an ex-post assessment of ESG integration and framework compliance).

These tools and processes are key components of delivering effective implementation of our sustainable investing ambition, alongside our financial research and rating processes.

Source: Fidelity International, 2022

1. ESG Ratings

The Fidelity ESG Rating aims to provide a forward-looking assessment of the extent to which an issuer's performance on material sustainability issues either supports, or is likely to impair, long-term value creation for shareholders. The ratings are differentiated in their forward-looking emphasis and their use of company interaction and due diligence by Fidelity's fundamental analysts as the main input to identify and assess the material ESG risks impacting an issuer.

Our ESG Ratings are integrated into Fidelity's investment process and are available to all members of the investment team on our internal research platform. They serve as an additional source of insight and as a tool to support investment decisions.

Ratings are comprised of a combination of E, S and G indicators that aim to address the most material issues in each sector, providing a holistic, forward-looking view of a company's ESG practices. In 2021 we launched the second iteration of our framework, building on the success of the first. The ratings methodology reflects the evolution of Fidelity's ESG integration approach, founded on the principle of double materiality, focusing on ESG both from a business risk and in terms of the environmental and societal implications of the company's operations.

The framework is founded on four key principles:

1. **Measuring absolute impacts and embedding principles of 'double materiality'**
   Our rating is clearly defined to measure how an issuer manages negative ESG externalities and business risks associated with its business. As issuers progress from

'aware', to managing for the short term, to managing for the long term, their respective score increases. By considering an extended time horizon (10 years), the materiality mapping for each subsector aims to capture a broader range of external material impacts, embedding the principle of 'double materiality' alongside 'financial materiality'. The focus on absolute impacts allows for comparability of scoring across sectors and geographies.

2. **Combining quantitative and qualitative inputs to give a forward-looking perspective**
   We source specific and comprehensive quantitative inputs to conduct our sustainability assessments. We then supplement and enrich these typically backward-looking quantitative assessments with qualitative input from our expert fundamental and sustainable research analysts. This helps ensure that our sustainability assessments are forward looking and focus on the issues that matter.
3. **Materiality & indicator selection driven by issuer fundamentals**
   We have created customised materiality mappings for over 127[1] individual subsectors. Each map is formed from a unique selection and weighting of individual ESG indicators. The aim of this granularity is to create more focused and relevant sets of indicators for each subsector.
4. **Flexible output for different use cases**
   Individual scores at the indicator level are aggregated to the pillar E, S, and G level, which are then combined to give an overall ESG score at the issuer level and trajectory ratings. These are made available to our investment managers alongside the wealth of underlying qualitative and quantitative inputs driving the scores, which allows for the easy integration of complex and detailed sustainability data into a variety of investment processes.

In addition to our own proprietary ratings, we use external research and rating providers such as MSCI and ISS to complement our internal research process and for the construction of our sustainability funds.

Our Multi Asset division's Manager Research team use an in-house rating system to establish fund or strategy level sustainability scores based on a manager's ability to add value through navigation of ESG risks and opportunities. When assessing a strategy's sustainability, analysts query four pillars: 1) the investment policy; 2) the integration of ESG research with the investment process; 3) the quantitative ESG profile of the portfolio; and 4) the quality of the investment manager's engagement with companies, issuers and investments. All strategies covered by analysts are assigned an ESG Rating from A to E using this framework.

2. SDG Tool

FIL's SDG Tool aims to provide an assessment of a company's positive contribution to environmental and social outcomes. It is intended to complement FIL's ESG Ratings which provide an assessment of an entity's management of adverse impacts arising from ESG issues.

We aim to provide a separate analysis of the positive and negative issues a company may be exposed to, to help prevent the signal value from identifying a risk being offset by an unrelated positive contribution (e.g., poor corporate governance and a catastrophic tailing-dam failure are not mitigated by selling products that help the energy transition).

Primary use cases for the output of the model are:

- **Company and entity-level assessment -** The model provides an assessment of the percentage of an issuer's revenue that contribute to each SDG. This can be used as the input to help define a thematic investment universe.
- **Sustainable Finance Disclosure Regulation (SFDR) -** Under SFDR, we are required to identify issuers that make a positive contribution to an environmental or social outcome. The SDG Tool is a key input in this process.
- **Reporting -** The SDG Tool provides the ability to report the contribution of a fund's investments to the SDGs to our clients on a consistent and scalable basis.

There are 3 main steps performed by the SDG Tool:

1. **Identify 'investable' SDG targets and indicators**
   Out of the 169 targets and 231 indicators that support achievement of the 17 SDGs, we identified 51 targets and 66 indicators that we believe corporates can contribute towards through their products and services. This forms the set of objectives or outcomes against which we assess an entity's activity.
2. **Match ESG targets and indicators to FactSet RBICS revenue categories**
   Fidelity has evaluated and mapped the >1,800 activities in the FactSet Revere Business Industry Classification System (RBICS) to the list of 'investable' SDG targets and indicators identified in Step 1 above. This process resulted in each activity being mapped to one of five classifications:

[1]As of 30 September 2022

1. Contributing - Contributing to the SDGs in all circumstances.

2. Conditionally contributing - Contributing to the SDGs in select countries / geographies where a significant gap remains to achieving a given SDG.

3. Potentially Contributing - May contribute to the SDGs, but the revenue category either isn't granular enough to provide a definitive assessment of contribution, or the activity's contribution is subject to adopting sustainable practices. In both cases, issuer-specific qualitative confirmation is required.

4. Not contributing - Not contributing to the SDGs.

5. Harming - Harming achievement of the SDGs (e.g., Tobacco).

3. **Aggregation of activity level contributions for each entity**
The final step in the process is to aggregate the contributions from each individual activity for each entity. This is calculated as the revenue weighted sum of each activity and results in a statement that 'x% of an entity's activities contribute to the SDGs'.

The principles behind our approach are modelled upon and informed by the EU Taxonomy and are outlined below:

1. **Material contribution -** We seek to identify issuers that make a material contribution to the targets and indicators for each of the SDGs. This influences our preference for a focus on products and services (what an entity does) when determining an entity's contribution, as opposed to operational alignment (how a company operates).
   - For example, our model treats products such as medical devices as having a more material and deliberate contribution to SDG 3 (Good health and wellbeing) than an operational contribution such as proving a safe working environment for employees which is considered as a minimum standard for appropriate corporate behaviour.
   - We recognise that in some cases operational alignment is consistent with achieving an SDG target (i.e. promoting gender equality, inclusive employment practices) and in specific circumstances may consider a company to be contributing to an SDG based on how they operate on a case-by-case basis.
2. **Targets and Indicators -** The SDGs are broad in scope and include targets and indicators that require government or policy level intervention. We therefore only consider a subset of indicators as suitable for corporates to contribute towards.
3. **Economic Activity -** We evaluate an entity's contribution to an SDG on a proportionate basis at an activity level. This is consistent with the approach undertaken by the EU Taxonomy and will result in the statement that "x% of an entity's activities contribute to achieving the SDGs".
4. **Revenue -** We use revenue as the default approach to map activities to SDGs, however, we recognise that capex or opex may give better insight into an issuer's future contribution to SDGs in some cases. Capex or Opex contribution to SDGs can be manually calculated and used where this is more insightful.
5. **Value Chain -** We consider issuers that are critical component or raw material providers for an end use that enables an SDG as also contributing to that SDG. For example, module / semiconductor manufacturers for solar PV.

Integrating qualitative insights

Quantitative classification models are a helpful tool to identify contribution to the SDGs and facilitate coverage of a large number of entities. However, a quantitative SDG model is constrained by imperfect data and insufficiently granular revenue decomposition. This introduces the need to incorporate qualitative insights from investment analysts and portfolio managers to enhance the accuracy of the model.

Green and thematic bonds

Green and thematic bonds are subject to an alternative assessment based on use of proceeds and do not rely solely on an assessment of the issuer. If thematic bonds (green, social) meet the minimum standards for use of proceeds (SDG alignment / decarbonisation), for verification / second party opinion and for their issuer, they are considered as Sustainable Investments.

Sustainable Linked Bonds with general use of proceeds will be assessed based on the issuer's overall revenue composition and ESG characteristics.

3. Climate Rating

To facilitate our assessment of an issuer's net zero transition, we have developed a Climate Rating that assesses an issuer's alignment to the objectives of the Paris Agreement.

Assessment criteria cover three key areas:

- **Current emissions:** This assessment will consider whether the issuer has published its scope 1 and 2 greenhouse gas (GHG) emissions, whether it intends to report on its material scope 3 emissions, and whether the issuer's current emissions intensity performance is consistent with global net zero emissions by 2050.

- **Net Zero:** This assessment will concentrate on the issuer's net zero GHG emissions ambitions, targets and carbon reduction targets.
- **Governance:** This assessment will analyse executive remuneration plans linked to climate ambitions; governance responsibilities for climate at executive level; and board committees with responsibility for oversight of climate change policies.

For high impact sectors, additional criteria may be included to tailor to the unique requirements of certain hard-to-abate sectors in achieving net zero.

The Climate Rating does not rely on a single climate change model or scenario and the assessment undertaken takes into account a wide range of data sources including: current and projected emissions, inputs from the Carbon Disclosure Project, ISS Climate data, MSCI Climate Data, the Science-Based Target initiative, the Climate Action 100+ Benchmark, and the IEA Net Zero Emissions by 2050 scenario released in 2021.

Once all relevant data is collected and analysed for each of the criteria, it is used to determine the extent to which an issuer is aligned to net zero based on the scale below:

1	2	3	4	5
Achieving or enabling net zero	**Aligning to a net zero path**	**High transition potential to net zero**	**Low transition potential to net zero**	**No evidence of transition potential to net zero**
Issuers already have current emissions intensity performance at, or close to, net zero emissions or issuers are critical enablers to the transition to net zero through the products they provide	Issuers have committed to robust targets in line with a net zero emissions trajectory with an appropriate governance and investment plan to achieve that goal	Issuers have demonstrated a commitment towards reducing carbon emissions but these still lack credibility to align to net zero	Issuers demonstrate some level of climate awareness but fall short of credible commitments to achieve carbon reduction objectives	Issuers show no indication or willingness to align emissions and business model to a global net zero world

Source: Fidelity International, 2022.

An assessment of a fund's holdings under the Climate Rating, as well as fund level carbon footprint and carbon intensity, are included in the Quarterly Sustainability Review for funds disclosing under SFDR Article 8 or 9, as well as for the SF range of funds (see the section above for more detail).

4. Quarterly Sustainability Reviews (QSR)

Individual portfolios are 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. As mentioned earlier in this section, we have introduced Quarterly Sustainability Reviews (QSR), also run by senior management/CIOs together with the Sustainable Investing team, to ensure portfolio managers are held accountable by their CIO as to how sustainable investing forms part of their investment decision making and risk management processes.

The QSR is a quantitative and qualitative review of a fund's sustainability achievements (past) and aspirations (forward-looking), intended to measure and monitor progress of the fund and the managers on the integration of sustainability factors. The objective of the QSR process is to demonstrate how sustainability is incorporated into fund portfolio construction and how it influences investment decisions. The portfolio manager will be asked to provide reasons if it is not meeting sustainability objectives and the outcomes of the QSR process will help facilitate client reporting and disclosure. With this in mind, the QSR aims to provide a 'dashboard' of sustainability metrics that can be used for: 1) a sustainability health check based on internal requirements; 2) risk exposure for compliance with external labels and regulatory requirements; and 3) to prompt discussion on reputational risk and understand potential areas of inquiry from clients.

The targeted scope of the QSR process includes all SF funds, all funds disclosing under SFDR Article 8 and Article 9 and may be extended to cover specific sustainable mandates.

D. Stewardship, influence and proxy voting

At Fidelity, we recognise that maintaining our privileged position as one of the largest asset managers in the world is contingent on our ability to continue meeting and exceeding investors' growing expectations for sustainable investing. To this end, our size and scale provide us with a deep level of corporate access, and we see it as our fiduciary duty to use this to influence corporate behaviours for better long-term investment outcomes. In line with our Sustainable Investment beliefs referred to earlier, we believe more sustainable corporate behaviour drives better financial outcomes in the long term, and we have developed a set of guiding principles and best practices that we expect issuers to adopt. These embed the principles of double materiality; businesses must understand and manage their exposures, as well as their impacts. Our approach and expectations of corporates on broad topics are detailed below.

Engagement

Engaging with issuers on financially material environmental, social and governance issues reflects our belief that active ownership can contribute to the long-term sustainability of an issuer and help generate positive investor returns. Engagements are undertaken for the following reasons: to gain a deeper understanding of an issuer's ESG practices to better inform our investment decisions; to identify, mitigate, or avoid PAIs of investee issuers (see Section C); and to use our influence to improve the sustainability practices of the issuers we own or lend money to.

For our Multi Asset funds, engagement takes place at strategy level through the Manager Research team and the portfolio managers. They look for evidence of proactive engagement across ESG matters with measurable outcomes.

Identifying engagement opportunities

We maintain an ongoing dialogue with management of investee issuers. Formal meetings involving both portfolio managers and analysts are typically held with investee issuers at least twice a year. Aside from these regular issuer meetings, there are a variety of opportunities for dedicated ESG ad hoc engagements, including:

- Responding to a controversy or adverse event, or a concern flagged by our investment analysts or portfolio managers (e.g., of a strategic or governance nature).
- Firms flagged by our analysts during the ESG Rating assessment as good candidates for engagement (e.g., exposure to sustainability risks, or poor performance on PAI indicators).
- Issuers held in our range of sustainable products and strategies are subject to a more systematically targeted programme of engagement.
- Our Sustainable Investing team conducts thematic engagements on particular sustainable investing issues. We choose the topics primarily based on the urgency of the issues concerned, alignment with our sustainable investing strategy, and input from clients and the investment team.
- Issuers may request engagement on a specific corporate event (e.g., mergers and acquisitions or IPOs). Our investment legal team and capital markets team provide support on engagements where there is a risk of receiving material non-public information.
- We may also proactively engage issuers on shareholder voting-related issues that arise during our voting process, or we may reactively consult with issuers on voting-related matters.

- In fixed income, engagement may occur at the pre-investment phase. For 'use of proceeds' bonds such as green and social bonds, we may engage to ensure responsible allocation of capital, while we may engage with issuers following the issuance of sustainability-linked bonds to discuss the ambition of the associated KPIs and their progress towards them, and to encourage issuers to increase the ambition of their sustainability strategy.

How we engage

Once we have identified an engagement opportunity, we believe that the best approach is to engage in constructive dialogue with issuers to explain our beliefs and expectations and to encourage shifts in long-term behaviour. Fidelity's reputation as a research-driven investor with long investment horizons affords us privileged access to issuers globally, which has allowed us to forge long-standing relationships, enabling us to have constructive dialogues and work towards superior ESG outcomes. We therefore believe that engagement through constructive dialogue is often a better course for us to drive change than exclusion and is more likely to lead to better outcomes for our clients.

Our engagement process is designed to be well-defined and transparent, and will regularly include the objectives, milestones, timelines and outcomes for measuring success.

Monitoring progress

Engagement is an ongoing process of constructive dialogue with an issuer. In order to monitor progress overtime, we record all engagements on our internal research platform, which is available to all of the investment teams to access. This transparency allows us to learn from engagements across sectors, themes and asset classes, enriching our depth of knowledge.

Engagements can have various time frames depending on the materiality and urgency of the ESG topic under discussion, and the outcomes (or lack of outcomes) from our engagements are reflected by our analysts in our ESG Ratings.

Thematic engagement

In addition to engagements with individual issuers, we also identify sustainability issues that are relevant to multiple issuers or to sectors. The Sustainable Investing team launched a thematic engagement programme in 2018 to accelerate progress on priority ESG issues affecting multiple issuers in which we have current or potential investment interests. Each theme is underpinned by specific objectives and milestones that are tracked over time. The ESG thematic engagement strategy is focused on sustainability themes where we feel there is a strong investment case for improved performance; for instance, ESG issues that exhibit high financial materiality or are subject to strong legislative momentum. This includes themes that pose system-wide risks, and as such, require portfolio-wide engagement.

In 2022, we formed a 'Thematic Engagement Oversight Group' (TEOG) to oversee Fidelity's thematic ESG engagement activities. TEOG is composed of senior members of the research and sustainable investment teams, representatives from other business areas, and engagement leads. As a working group, TEOG provides input into SIOC to help monitor progress on engagements, identify future engagement priorities, share best practice, and raising awareness of Fidelity's engagement activities internally and externally.

Collaboration

Fidelity maintains close relationships with a wide spectrum of stakeholders to help us guide our investee companies. Where legally permitted we are willing to consider collective engagement initiatives, often through collaborative bodies. Relevant factors in determining whether to participate in a collective engagement include the identity of the other leading investors, the relative size of their investment and whether a collective approach will help to achieve a satisfactory outcome. Topics that may be suited to a collective engagement include the need for management and/or board change, strategy, capital structure, M&A, shareholder rights, addressing climate risk, as well as social issues such as digital inclusion, diversity and modern slavery.

As one of the world's largest investment managers, our team also works closely with policymakers, industry groups and non-governmental organisations to improve sustainable behaviours by businesses around the world. This may take the form of direct dialogue, responding to public consultation requests, or other consultation forums.

Fidelity is a member or licensee of a wide range of associations and initiatives (see Section H), including:

- **Corporate Governance -** We hold positions in the Investment Association, the Panel on Takeovers and Mergers, the Confederation of British Industry and sit on the board of the International Corporate Governance Network (ICGN).
- **Modern Slavery -** We sit on the Steering Committee and co-chair Workstream 2 (engagement) at Investors Against Slavery and Trafficking Asia Pacific (IAST APAC).

- **Climate Change -** We are active lead investors on collaborative engagements under Climate Action 100+ and chair the Engagement and Policy working group for the Asia Investor Group on Climate Change (AIGCC).
- **Industry associations -** We sit on the board of the Responsible Investment Association Australasia (RIAA) and co-chair the Asia Asset Management ESG Committee at Asia Securities Industry & Financial Markets Association's (ASIFMA).

We are also a signatory to the United Nations-supported Principles for Responsible Investment (PRI), the UK Stewardship Code, the EFAMA Stewardship Code, the Japanese Stewardship Code, Taiwan's Stewardship Principles for Institutional Investors and the Hong Kong Principles of Responsible Ownership.

Proxy Voting

How we vote

The execution of ownership rights, including voting, can improve the performance and lower the risk of investments over time. We seek to vote all equity securities in which we are invested wherever possible. On rare occasions we may determine not to submit a vote where the cost in our view outweighs the associated benefits. We will also take account of the particular circumstances of the investee issuer concerned and of prevailing local market best practice. Our 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.

Our Sustainable Investing team 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 fund. When there is a conflict with our own interests, we will either vote in accordance with the recommendation of our proxy advisors, Institutional Shareholder Services (ISS), or if no recommendation is available, we will abstain or not tender a vote. Please see our Fidelity Conflicts of Interest Policy for more information.

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.

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 limited stock lending programme through a third-party provider. While we will not generally recall stock for routine votes, we will recall stock when it is in clients' interests to do so. This may include votes of significant economic or strategic importance, votes which are anticipated to be close or controversial, votes where we disagree with management or votes where we do not have sufficient forward visibility to make a timely and informed judgement. We do not borrow stock for the purpose of gaining additional votes.

Our updated Voting Principles and Guidelines introduced new global policies on climate change and gender diversity, reflecting our belief that these pose system-wide risks and therefore require a portfolio-wide active ownership response, involving collaboration wherever possible. Our policy is designed to support the implementation of the Paris Agreement and limit global warming to well below 2°C and also to encourage gender balanced boards and takes into account the recommendations of key initiatives on female representation. These are global issues that requires a portfolio-wide response, involving collaboration wherever possible. We engage with companies on these specific issues, which are, in our view, material environmental and social concerns that need urgent and significant improvement. We will not support boards where companies do not meet our expectations.

Expectations of corporates

Environmental Responsibility

We expect issuers to manage the environmental dependencies and impacts that affect their businesses in a responsible manner, to be able to identify the factors that are material for their business. Environmental responsibility includes a broad subset of topics, including climate change, biodiversity and principles of the Just Transition

Climate change

Climate change is one of the most important risks facing the world today. It impacts the very nature of major industries in which we invest, and as such must be high up on the agenda of all issuers.

It is not only about avoiding risks; the transition to a low carbon society provides a plethora of new opportunities for issuers and innovative technologies. Successful asset managers will identify issuers that help society mitigate or adapt to climate change versus those that are not transitioning sufficiently.

We expect investee issuers to have policies in place to reduce carbon and other greenhouse gas (GHG) emissions. They should also have the ability to meet potential regulation on climate change, e.g. via the management of their energy mix (the proportion of energy provided by fossil fuels, renewables, nuclear and other energy types), a strategy to reduce scope 3 emissions (GHG emissions beyond an issuer's direct control but within its value chain), and carbon price assumptions.

Our Voting Principles and Guidelines explicitly identify minimum standards that we expect issuers to adhere to, including setting and reporting on ambitious targets aligned to the UN's Paris Agreement on climate change (Paris Agreement). The expectations captured in our climate voting policy are applicable to all issuers in which we invest, extending to asset classes beyond equity, such as fixed income and private assets, where we may not have voting rights.

Fidelity is a member of the Net Zero Asset Managers Initiative and has committed to halve the carbon footprint of our investment portfolios by 2030, from a 2020 baseline, and to reach net zero by 2050 (for our equity and corporate bond holdings, we have set specific emissions reduction targets for real estate and our default workplace retirement solution FutureWise). This target is consistent with a 1.5 degree pathway in line with the goals of the Paris Agreement. We have developed a climate investing policy to help us get there. We believe it will be effective in mitigating climate-related risks and reducing real-world emissions, working alongside the clients who entrust us with their capital and the companies in which we invest.

See also our Climate Ratings in Section C.

We have also committed to achieve net zero emissions across Fidelity's own corporate operations by 2030. Fidelity has published its second group-level Task Force on Climate-related Financial Disclosures report building on an initial baseline laid down at the end of 2020. The report covers the four pillars of TCFD: Governance, Strategy, Risk Management and Metrics and Targets. It discusses how various climate change risks and opportunities affect financial markets, product development, and corporate operations across the short, medium, and long term. The report highlights three areas in which Fidelity has made particular progress:

- Fidelity's Climate Investing policy, which sets out our climate-related commitments and targets, focused on traditional asset classes;
- Integration of climate change risks and opportunities into our real estate investment franchise;
- Development of a research framework for assessing the macroeconomic impact of climate change and factoring it into asset allocation.

Just Transition

The transition to a low-carbon society provides a plethora of new opportunities but also risks leaving many behind. As allocators of capital, we must provide transition financing that takes into consideration the effects of the transition on those who are most vulnerable: workers, communities and consumers, particularly in emerging markets.

Fidelity favours allocation of capital to climate solutions alongside engagement over divestment in high emitting sectors to help guide companies to an orderly transition, in a way that leaves no one behind. We are targeting the highest emitters through transition engagement, initially focusing on thermal coal as it presents the single biggest opportunity to reduce carbon emissions over the next decade and extending to utilities and power generators reliant on thermal coal. We commit to phasing out thermal coal exposure across our portfolios by 2030 for OECD markets and by 2040 globally.

The private sector has a key role to play in facilitating the shift to clean energy, and in a way that scales genuine alternatives for baseload power generation in the many countries that remain dependent on fossil fuels while also addressing the social challenges for workers, communities and consumers impacted by the transition.

Biodiversity

Our economic system and the benefits we derive from it are highly dependent on the Earth's natural capital, from which we derive key ecosystem services. Natural capital is a complex dynamic system in which biodiversity interacts with the non-living environment defined by hydrological, geological, chemical, climatic and geographical parameters.

Ecosystem services encompass the benefits that natural capital provides humans, including provisioning services, regulation, cultural and supporting services. Examples of these critical services on which the global economy depends, include nutrient cycling, water cycling, biomass production, and habitat provision. Traditional economic models have failed to effectively reflect the value of these services, leading to overexploitation, to the extent where, in some cases, these services are depleted.

Biodiversity, the variety and number of living species on earth, is a key element of natural capital. Since 1970, there has been an estimated 68% decline in biodiversity. On the flipside, it is estimated that approximately 50% of global GDP is moderately or highly dependent on nature.

Hence the preservation of biodiversity and ultimately the reversal of this loss is critical to ensuring the long-term prosperity of the world's global economy. Moreover, biodiversity loss and climate change are closely linked. Climate change is one of the major threats to biodiversity and is expected to become the dominant driver in coming decades, acutely so in tropical regions. On the other hand, preserving biodiversity and natural capital can play a key role in mitigating climate change.

Given the dependence on ecosystem services for the functioning of the global economy, we expect issuers to understand their dependencies and impacts on biodiversity. Issuers must conduct biodiversity impact assessments of their operations and supply chains and where relevant commit to achieve zero deforestation within clear timeframes. This extends across the supply chain, from producers of key deforestation risk commodities, such as palm oil, beef or soy, timber and pulp, to food manufacturers, FMCGs, as well as key enablers, such as financial institutions. Where applicable, we expect companies to seek certification from - or otherwise support - relevant multi-stakeholder sustainability standards, such as FSC (Forest Stewardship Council) or RSPO (Roundtable on Sustainable Palm Oil).

Biodiversity is complex to measure and aggregate at the issuer level. Unlike climate change which can be measured using GHG emissions data, there is no standard, single metric currently available to measure biodiversity. Biodiversity is a location specific, multifaceted concept, which encompasses a range of pressures, impacts and dependencies across a company's supply chain, all of which must be considered to fully understand the exposure. Critically, biodiversity must be viewed from a dual perspective: understanding both the impacts and dependencies a company has on natural capital through their supply chain. Biodiversity dependencies refer to the ecosystem services a company relies on to maintain its business model, products, and services. Impacts refer to the consequences of the over exploitation of these critical ecosystem services.

Biodiversity is explicitly captured within our proprietary ESG Ratings framework for those sectors where our fundamental analysts deem that it represents a material risk. Furthermore, other contributing factors that impact biodiversity are also considered in our investment approach and decision-making. We expect portfolio issuers to minimise the negative externalities caused by their businesses, including but not limited to, water usage and sound water stewardship, waste management, product quality, chemical safety and deforestation.

Along with Fidelity's biodiversity-related commitments (e.g. commitment to use best efforts to eliminate forest-risk agricultural commodity-driven deforestation activities at the companies in our investment portfolios and in our financing activities by 2025), we have launched several biodiversity related thematic engagements with companies in sensitive sectors (e.g. beef, soy, paper and pulp, palm oil, single-use plastics) to assess risks and best practices to further develop target setting and biodiversity integration. Through these engagements we aim to raise a number of topics with investee companies:

- The evaluation of nature-related materiality across the supply chain.
- Improved monitoring and traceability of supply chains, including the installation of technology in operations to improve efficiency and monitoring.
- Setting time bound commitments, underpinned by clear and comprehensive policies on biodiversity.

Circular Economy

The prevailing global industrial model is a one-way linear model of production and consumption, or "take-make-waste". Economic expansion is fuelled by extracting and processing materials from the earth to produce goods that are sold to consumers. Once these goods are used, they are discarded or incinerated as waste. This model is wasteful, in fact, it is estimated that two thirds of extracted materials are wasted or lost in the production process and only 8.6% of total extracted resources are recycled. Crucially, there are also significant hidden costs within this linear system such as pollution and climate change, which are not effectively priced today. A more circular economic system offers the solution, and this transition is pivotal to net zero ambitions. Indeed, a more circular system can redefine growth, decoupling economic activity from the consumption of finite resources, and thus its environmental and societal impact. Fortunately, government and regulatory support for the circular economy is also building.

We expect issuers to minimise negative externalities by adopting more circular business practices. For example, companies should design for circular production processes to limit natural resource depletion and waste, they should design products with durability in mind and they should plan for product end-of-life. It is not just about managing the risk though. We believe the transition to a more circular economy offers significant investment opportunities, not just at the end of a product's lifecycle through recycling and waste management, but throughout the value chain.

We have launched a plastic pollution engagement with companies to target both the negative biodiversity impacts of plastics polluting our ecosystems and to encourage a more circular approach. We believe companies that adopt these circular business practices will be better placed to create value over the long term.

Societal Responsibility

Issuers should manage their relationships with all their key stakeholders. Social issues have moved up the agenda in recent years, supported by a greater awareness and understanding of the benefits gained from improved social practice, including diversity, contrasted by the material negative impacts from poor social practice, including reputation risks, group think and heightened inequality. We are experiencing a systemic review of how enterprises are run and for what purpose.

Diversity

We believe that welcoming and inclusive organisations that hire, foster, promote, and remunerate employees on merit and without regard for gender, age, ethnicity, religion, sexual orientation, economic background, disability, or other factors make better use of their human capital. Moreover, an increasing body of research has shown that organisations that promote diversity are more productive and better performing. Portfolio issuers are therefore encouraged to establish comprehensive and effective non-discrimination policies and actively ensure that these policies are upheld. They are also encouraged to regularly review their hiring and promotion practices to ensure against bias, and to set ambitious diversity targets appropriate to the business.

We expect issuers to demonstrate alignment with our belief that diversity helps deliver long-term shareholder value. These principles are integrated into our gender voting policy, which sets out minimum expectations for all our investee issuers.

Human rights and supply chain management

We believe an issuer that manages its supply chain in relation to social and environmental matters can add competitive value and improve its organisational performance in the long run. Inadequate management of an issuer's supply chain can open it up to reputational, operational and legal/regulatory risks as well as hidden and uncontrollable risks, such as human rights abuses and corruption. In addition, an environmentally sustainable supply chain can help to reduce costs, manage risks and improve corporate image.

We expect issuers to practice fair treatment of workers, including contractors and sub-contractors, and to allow for decent wages, collective bargaining policies, freedom of association and grievance mechanisms. We expect issuers to adhere to the UN Global Compact and to international labour standards as outlined by the International Labour Organization's Fundamental Conventions, practicing fair treatment of workers, including contractors and sub-contractors, and allowing for decent wages, collective bargaining policies, freedom of association and grievance mechanisms. These expectations also apply to issuers' supply chains, to the extent that they should take responsibility, and be able to account for both the human and materials/produce sourcing side of their supply chains. Issuers should have measures in place to ensure suppliers meet a code of conduct, applicable to tier 1 and 2 (at the minimum with a plan to apply it to beyond tier 2) suppliers, with robust policies and training in place to help find and mitigate against instances of modern slavery.

We also encourage companies to examine the risks of modern slavery and the broader risks of labour exploitation, as this is a leading indicator of modern slavery, by running a risk-based mapping exercise of their supply chain that could help companies to achieve better visibility of the supply chain across sectors and geographies and identify the more at-risk suppliers to prioritise their focus.

Digital ethics, data privacy and security

We expect issuers to adhere to high standards of digital ethics and to promote digital inclusion, in the transition to a more digital economy. This includes handling customer data with extreme care and deploying robust, transparent policies and practices regarding the use of that data. Issuers must have the ability to identify and manage data privacy risks and cybersecurity threats. We also expect issuers to deploy responsible use of digital artificial intelligence, which protects against discriminatory practices which could lead to greater inequality and unintended consequences. It is also important that issuers provide the training and upskilling needed to help their workforce adapt in the digital transition.

Health and safety

The provision of safe working conditions and managing health and safety risks is fundamental to an issuer's license to operate. Failures and incidents can have far reaching consequences, including irreparable reputational damage and destruction of shareholder value. We expect issuers to have effective policies in place to minimise health and safety risks for all employees, contractors and sub-contractors. These should include safety procedures, training and linkage with executive compensation.

Corporate governance

We expect issuers to have a robust corporate governance framework that can define long-term, innovative strategies and implement them for the benefit of all stakeholders. Vision and effective oversight are key to building an issuer with sustainable long-term success.

Board effectiveness

Effective boards play a critical role in the strategic direction of an issuer, overseeing both business risk and management. Boards have a duty to serve the interest of shareholders. We expect the majority of board members to be independent with the suitable skills to fulfil supervisory duties as well as provide guidance and constructive challenges to executive management. We expect boards to reflect, or demonstrate a plan towards improving gender, ethnic and cognitive diversity.

Corporate culture and behaviour

Issuers should promote an ethical culture and code of conduct that permeates throughout the organisation. Corrupt business practices represent a significant investment risk and create negative externalities for the broader economy and society. The board should ensure that the issuer fosters a culture of acting lawfully, ethically and responsibly. To this end, the board should ensure that the issuer has adequate whistle blower, antibribery and corruption policies in place and is actively monitoring the application of those policies.

Remuneration

A well-designed remuneration structure can incentivise senior managers to deliver on the issuer's strategy while aligning with the interests of shareholders and other key stakeholders.

Setting appropriate remuneration levels is primarily the responsibility of the board. We look for an appropriate vertical alignment between the remuneration and pension benefits of executive directors with that of the broader workforce. We encourage broad-based share ownership in the workforce. For executive directors and other senior managers, we expect equity awards to have appropriately challenging vesting criteria and we require a share retention period of at least five years. We expect the remuneration policy to be consistent with effective risk management, including sustainability risks.

Shareholders' rights

Shareholders are entitled to ownership rights in proportion to equity commitment. We expect issuers to treat all shareholders fairly and have one vote per share to ensure alignment between capital risk and ownership responsibility. Shareholders should have the right to ask questions to the board and management, elect members of the board, approve their remuneration and to remove them. They should also have a commensurate say in material changes to the business, including mergers and acquisitions and changes in corporate purpose. We also expect shareholders to be able to vote on matters that could result in the dilution of their share ownership.

Transparency

Issuers should be open and honest about their objectives, strategy and financial and non-financial position. We expect adherence to all relevant accounting practices, transparency about material weaknesses and fairness in their tax policies. We also expect issuers to adhere to latest best practice with respect to sustainability reporting. The board should ensure the independence of the audit function with a clear policy on auditor rotation and the tendering process. Fidelity actively engages with issuers, often to promote and guide them towards achieving these standards. These expectations and beliefs form the foundation of our proprietary ESG Rating framework.

E. Regulatory landscape

Fidelity monitors regional sustainability regulations and guidelines across the globe and endeavours to comply with all relevant legislation that impacts the company and funds. The aim of this section is to provide a snapshot of the key requirements of applicable regulations and guidelines as they relate to sustainable investing. This list is not exhaustive.

Fidelity's investment beliefs also include the need to constantly evolve, adjusting our investment approach, including in relation to changing regulation. We have strengthened our sustainability proposition with a firmwide sustainability approach that adds credibility for our clients, captures their different sustainability appetites and aligns our external messaging. As noted in the previous section, we have broadened the ways in which we try and influence sustainable outcomes for clients. We have increased our engagement with company value chains on material sector risks and with policymakers on system-wide risks such as climate change and biodiversity loss.

European Union - Key Requirements

Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) focuses on sustainability-related disclosures in the financial services sector. There are requirements for Fidelity at both the entity and product level including pre-contractual disclosures and ongoing disclosures for funds:

Entity-level:

SFDR requires Fidelity to make entity-level disclosures on how it considers the PAIs of investment decisions on sustainability factors and to provide information on policies in relation to those impacts, taking account of our size, nature and scale of our activities and the types of financial products Fidelity makes available. It also requires Fidelity to report annually on PAI and measures taken to mitigate these impacts.

For more information on Fidelity's firm-level approach, please refer to our publicly available disclosures.

Product-level:

For more information on Fidelity's approach to SFDR at the product level, please refer to Section C.

EU Taxonomy Regulation (Regulation (EU) 2020/852)

EU Taxonomy Regulation (Regulation (EU) 2020/852)

The purpose of this regulation is to provide a science-based classification system that provides guidance for us as asset managers to identify genuinely green activities

and practices. It seeks to provide clarity for companies, capital markets, and policy makers on which economic activities are sustainable.

Fidelity will incorporate the EU Taxonomy in two ways:

- Fidelity's Sustainable Investment classification which prioritises the EU Taxonomy classification set - this will only be used when covered by the EU Taxonomy and when data is present.
- Where data is not available through the EU Taxonomy, our proprietary SDG Tool explained in Section C will determine the SFDR 'Environmental' contribution of the activity to Sustainable Investments.

MiFID II

Directive 2014/65/EU, commonly known as MiFID II, is a legal act of the European Union. Together with Regulation No 600/2014 it provides a legal framework for securities markets, investment intermediaries, and trading venues. An enhancement to the MIFID II Directive came into place in 2022 and requires investment firms to account for client's sustainability preferences. The directive requires financial advisors to expand their suitability assessments of their clients' needs before recommending a product, to include sustainability preferences as an essential part of this assessment.

The EU breaks assessments down into three categories of sustainability preferences:

1. A financial instrument in which the client determines a minimum proportion is invested in environmentally sustainable investments as defined by the EU Taxonomy;
2. A financial instrument in which the client determines that a minimum proportion is invested in sustainable investments as defined by the SFDR; and
3. A financial instrument that considers PAIs on sustainability factors.

Fidelity provides the required data under MIFID II under the European ESG Template (EET). The template will provide granular detail of our sustainability processes and frameworks for each individual fund, as well as information on the governance process of the sustainability aspects of the fund and demonstrate the framework of our sustainable products.

Delegated Regulation (EU) 2021/1255 - AIFMD & Delegated Directive (EU) 2021/1270 - UCITS Directive

The European Commission has proposed amendments to UCITS (Undertaking for Collective Investment in Transferable Securities) Directive (applicable to Management Companies, or "ManCos") and Alternative Investment Fund Managers (AIFM) AIFM Directive with regard to integrating sustainability risks and sustainability factors into the existing framework. The current requirement for Alternative Investment Fund Managers (AIFMs) and ManCos to assess financial risks has now been extended to include relevant sustainability risks as part of their duties towards investors. To do so, AIFMs and ManCos are required to embed these concepts in their daily duties as part of their internal procedures and organisational arrangements.

Fidelity has made the required changes to integrate sustainability risks and factors into our existing internal procedures in line with the Directives.

Autorité des Marchés Financiers (AMF) Recommendation[2]

The AMF Recommendation provides that only collective investment schemes which comply with specified requirements can make non-financial characteristics a key aspect of communication.

The Recommendation sets out specific requirements for funds whose non-financial communication is based on a significantly binding approach (identified as Category 1 Funds). Fidelity has focused on two methods by which a fund can be classified as 'Category 1'. SF Best-in-Class funds and SF Thematic funds may comply with either the "Rating Upgrade" approach or the "Selectivity Approach".

The sustainable ETFs, sustainable solutions & multi asset funds, SF money markets and SF real estate funds will not align with AMF requirements.

Singapore

MAS Environmental Risk Management Guidelines

In 2020, the Monetary Authority of Singapore (MAS) released its final Guidelines on Environmental Risk Management (the Guidelines) for banks, insurers and asset managers. The Guidelines aim to enhance the resilience of financial institutions to environmental risk and strengthen the role of Singapore's financial sector in supporting the transition to an environmentally sustainable economy. The Guidelines address environmental risk across five pillars:

- Governance and Strategy
- Research and Portfolio Construction
- Portfolio Risk Management
- Stewardship
- Disclosure

Fidelity, as a fund manager registered in Singapore, will comply with all requirements of the Guidelines.

MAS Disclosure and Reporting Guidelines for Retail ESG funds

In 2022, the MAS released disclosure requirements for retail ESG funds. The guidelines aim to mitigate the risk of greenwashing and enhance disclosures to allow investors to make more informed investment decisions. The guidelines prescribe additional disclosure requirements regarding an ESG Fund, its manager or index provider should be disclosed to investors or prospective investors on the manager's website or by other appropriate means.

Fidelity, as a fund manager registered in Singapore plans to comply with all requirements of the Guidelines.

Hong Kong

SFC Unit Trusts and Mutual Funds

In 2021, the Securities and Futures Committee (SFC) of Hong Kong set out its expectations on disclosure of retail funds' ESG-related product features. The purpose of this disclosure requirement is to assist investors' understanding and assessment of whether a fund's features align with their investment needs.

[2]AMF Position - Recommendation DOC-2020-03 - Information To Be Provided By Collective Investment Schemes Incorporating Non-Financial Approaches

The SFC requirements state that:

- in addition to the disclosure in the ESG funds' offering documents, certain information be disclosed (and reviewed and updated from time to time) on the manager's website or by other means; and
- an ESG fund is expected to conduct periodic assessment and reporting as regards ESG at least annually.

The requirements have also recently been updated in line with the global regulatory developments.

The Fidelity funds that are in scope are following the SFC disclosure requirements and the relevant disclosures will be on our websites.

SFC Climate Risk Disclosure

In 2021, the SFC published new regulations and expected standards on the management and disclosure of climate-related risks by fund managers. The rules require fund managers in scope of to take climate-related risks into consideration in their risk management processes and to make appropriate disclosures. The requirements are split into four sections: governance, investment management, risk management and disclosure.

Fidelity maintains an active Risk Management Process Document (RMPD), which covers the effective risk management framework, and is regularly reviewed to comply with relevant regulatory requirements. This document has been enhanced to clearly articulate Fidelity Hong Kong's climate risk management practices in-line with the SFC's requirements.

MPFA Sustainable Investing Schemes

In 2021, Mandatory Provident Fund Schemes Authority (MPFA) published their "Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds" (the Principles). The Principles lay out an ESG integration framework for trustees of the Mandatory Provident Funds (MPF), the investment vehicles for the Hong Kong's mandatory retirement protection scheme, across four key elements: governance, strategy, risk management and disclosure.

Although there is no specific obligation on fund managers to demonstrate compliance with the MPFA's Sustainable Investing principles, Fidelity does have a responsibility to provide our trustees with the requisite data and information for them to demonstrate their compliance and we are working with our trustees to determine the specific information required from us and the best way to provide it to them.

Taiwan

Taiwan FSC Offshore ESG Fund Disclosures

Taiwan's Financial Supervisory Commission (FSC) announced updated disclosure rules for offshore ESG Funds in January 2022. The aim of these rules is to strengthen the integrity of ESG investment policies in the investor information summary of offshore ESG funds, as well as to align the supervision on offshore and onshore fund. Asset managers will have to disclose their ESG principles, as well as how ESG is embedded in their investment process.

Key points of information required to be disclosed in the investor information summary of offshore ESG funds include ESG investment objectives and measurement standards, investment strategies and methods used to achieve sustainable investment objectives, the minimum proportion of the fund's net asset value which is invested in ESG-related priority targets, reference performance benchmark (if the fund has set a benchmark for ESG performance), exclusion policy, and risk warnings for the funds' ESG investment priorities. For offshore funds already approved, this ESG information is expected to be disclosed retrospectively. If offshore funds do not conform with these disclosure rules, they cannot be marketed as sustainability or ESG-themed funds.

Asset managers are required to disclose this information to investors on the company's website within two months after the annual year end. More specifically, they will need to publish the following:

1. The fund's portfolio weight is consistent with the ESG investment strategy and screening criteria.
2. If there is a benchmark, a comparison for difference must be made between the selected ESG screening criteria for the offshore fund and that of the benchmark.
3. The stewardship policy implemented by the fund to achieve sustainable investment priority targets (e.g., engaging with company management, taking part in shareholder meetings and exercising voting rights)

Similar disclosure rules also apply to ESG/sustainability-themed onshore funds.

Fidelity intends to comply and disclose according to the new FSC regulations and has 3 onshore sustainable funds and 11 offshore sustainable funds recognised by the Taiwan Securities and Futures Bureau as Taiwan ESG funds (as of August 2022).

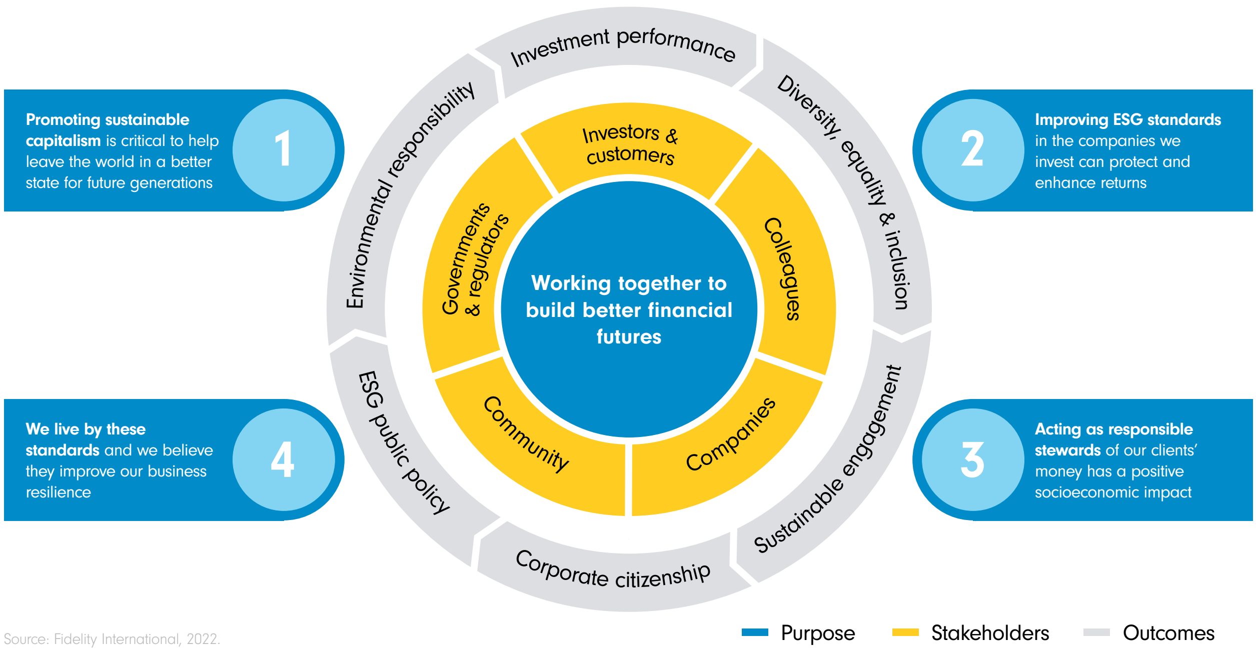
F. Corporate sustainability

As a sustainable corporate and investor, we recognise the responsibility and the impact we have on shaping the future of our society and the environment. While we set high standards for the companies in which we invest, both we and our stakeholders expect us to uphold the same standards within our own business. This means that in order for us to generate and deliver positive financial and societal outcomes, we must run our business in a responsible and sustainable way. We do this by taking into account the long-term real impact of environmental, social and governance (ESG) issues on our firm, our people, our supply chains, the communities and the environment in which we and our clients live and work.

Corporate sustainability philosophy

To deliver on our purpose of working together to build better financial futures, we have developed a corporate sustainability philosophy underpinned by four core beliefs.

Figure 1: Fidelity International's corporate sustainability philosophy



Source: Fidelity International, 2022.

The first three core beliefs (promoting sustainable capitalism, improving ESG standards and acting as responsible stewards) relate to our sustainable investing approach, ESG integration and our focus on stewardship to drive positive change, as detailed in previous sections. Our fourth and final belief is to live by the standards we set - we believe they improve our own business resilience. Our long-term dedication to raise our own ESG standards also empowers us to authentically ask investee companies to do the same.

Corporate sustainability priorities and goals

In addition to our long-term net zero carbon targets (2030 for operations, 2035 for our Real Estate Portfolio, 2050 for our investment portfolios), we set four key priorities, with specific short-term 2024 goals attached to each these priorities:

Improving our environment

To create a better future for the environment by minimising the impact of our business operations through meaningful business transformation.

ESG monitoring | Supplier diversity | Responsibility to suppliers

1	2	3	4
ISO 14001 environmental system certification	25% reduction in energy consumption	25% reduction in carbon emissions	25% waste reduction
5	**6**	**7**	**8**
25% reduction in water consumption	80% increase in recycling rate	50% reduction in paper usage	50% reduction in air travel carbon emissions

Strengthening our workplace

To create an environment where all employees feel welcomed, valued and supported to achieve their full potential.

Diversity | Equity | Inclusion

1	2	3	4
45% of board members to be women	35% of global senior management roles held by women	45% of global workforce to be women	Annual reduction in UK median gender gap report

5	6	7
Gather ethnicity data of global workforce and set new diversity goals	ISO 45001 health and safety management system certification	Evolve dynamic working programme to improve work life balance

Buying responsibly from our suppliers

To strengthen our supply chain by helping our partners to operate more sustainably.

ESG monitoring | Supplier diversity | Responsibility to suppliers

1	2	3
Modernise and optimise the way we purchase	ESG monitoring for 90% of our high risk suppliers and 80% or our annual spending	95% of suppliers with unsatisfactory scores put on improvement plans
4	**5**	**6**
95% of tenders include at least one diverse supplier	1,000 diverse suppliers engage in "How to do business with us"	Embed sustainability in procurement processes and tracking mechanisms

Creating resilient communities

To help create more resilient communities in which we operate through engagement, education, volunteering and financial support.

Financial | Volunteering | Payroll giving | Fundraising

1	2	3
25%+ participation role in workplace giving	Year on year increase in employee use of volunteering hours	200+ charities supported

Corporate sustainability governance

We have put in place a clear governance structure to ensure that sustainability issues are considered by our senior leadership when setting strategy and in day-to-day business decisions. Our Corporate Sustainability Committee (CSC) was established in February 2020.

The CSC is responsible for assessing the impact of Fidelity's business operations on society and the environment and developing a strategy that captures and delivers its corporate sustainability ambitions. This includes reviewing and identifying the suitability, adequacy and effectiveness of sustainability targets within Fidelity International, and reviewing the progress and performance of business units against those targets.

We report on our Corporate Sustainability progress on an annual basis. For more information, please refer to our publicly available 2021 Corporate Sustainability Report and 2022 Corporate Sustainability Update.

G. Glossary of terms

Term	Meaning
AMF	Autorité des Marchés Financiers doctrine
Climate Action 100+	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
ESG	Environmental, social and governance
ETFs	Exchange-traded fund
EUT	EU Taxonomy
FMCGs	Fast-moving consumer goods companies
GHG	Greenhouse gas emissions
Investors Against Slavery and Trafficking, APAC	An investor-led, multistakeholder project. It was established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing and preventing modern slavery in operations and supply chains
MIFID	Markets in Financial Instruments Directive (an EU directive which provides a legal framework for securities markets, investment intermediaries, and trading venues.
OECD	The Organisation for Economic Co-operation and Development (an intergovernmental organization with 38 member countries, founded in 1961 to stimulate economic progress and world trade.)
PAIs	Principal Adverse Impacts
PASIs	Principal Adverse Sustainability Indicators
SF	Sustainable Family
SFDR	Sustainable Finance Disclosure Regulation

H. Sustainability-related initiatives

In addition to being a signatory to various industry codes, as listed in Section D, we are (as of 30 September 2022) an active member of the following:

- 30% Club Australia
- 30% Club Investors Group
- 30% Club Japan
- 30% Club Hong Kong
- 40:40 Vision
- Asia Investor Group on Climate Change (AIGCC)
- Asian Corporate Governance Association (ACGA)
- Assogestioni
- CDP (formerly Carbon Disclosure Project)
- Climate Action 100+
- Climate Bonds Initiative (CBI)
- Coalition for Climate Resilient Investment (CCRI)
- Confederation of British Industry
- Corporate Governance Forum (CGF)
- Council for Sustainable Business (CSB)
- European Sustainable Investment Forum (EUROSIF)
- Farm Animal Investment Risk and Return (FAIRR)
- Finance for Biodiversity Pledge
- Finance Sector Deforestation Action (FSDA) initiative
- Find It, Fix It, Prevent It (FFP)
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Global Standard on Responsible Climate Lobbying
- Green Finance Industry Taskforce Singapore
- Green Praxis biodiversity measurement
- Hong Kong Green Finance Association (HKGFA)
- IFRS Sustainability Alliance (formerly SASB Alliance)
- Institutional Investors Group on Climate Change (IIGCC)
- International Corporate Governance Network (ICGN)
- International Regulatory Strategy Group
- Investment Association (IA)
- Investor Agenda (IA)
- Investor Forum (UK)
- Investor Group on Climate Change (IGCC)
- Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)
- Natural Capital Investment Alliance (part of Sustainable Markets Initiative)
- Net Zero Asset Managers Initiative (NZAMI)
- One Planet Asset Manager initiative (OPAM)
- Partnership for Carbon Accounting Financials (PCAF)
- Point Zero Carbon Programme
- Powering Past Coal Alliance
- Purposeful Company
- Shared Value Initiative Hong Kong
- Task Force on Nature-related Financial Disclosures (TNFD)
- Transition Pathway Initiative (TPI)
- UK Sustainable Investment and Finance Association (UKSIF)
- UN Global Compact
- World Benchmarking Alliance

Important Information

CL22121501