August 2024

Fidelity Climate Investing Framework

Fidelity INTERNATIONAL

Executive summary

The transition to a low-carbon economy is a complex one. At Fidelity International (Fidelity), we have carefully considered the different ways in which managing climate risks and accelerating the low-carbon transition could be made integral to our investment and stewardship processes. This document sets out the approach we have chosen. We aim to help contribute towards mitigating climate-related risks, maximising opportunities and reducing real-world emissions, working alongside the clients who entrust us with their capital and the companies in which we invest.

This framework covers our approach to investments we make on behalf of our clients. This is where we have material risks and opportunities as Fidelity. The emissions that are related to our investments are of a far greater magnitude (millions of metric tonnes) than those generated by our own business operations (thousands of metric tonnes).

Scope

Fidelity International is a global investment management firm with two key businesses: Investment Solutions & Services (ISS)[1] and Global Platform Solutions (GPS).[2]

The Climate Investing Framework aims to address the relevant approach of ISS. The document also includes an overview of the climate targets of our default workplace retirement solution, FutureWise, under GPS. GPS has a separate governance structure from ISS.

Fidelity's net zero emissions targets

Fidelity has set the following emissions targets for its **investments**:

- Halve the Scope 1 and 2 the carbon intensity of our investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and reach net zero for holdings by 2050. This is called the 'carbon footprint' measurement.[3]
- We aim to assess transition potential and align 35% of our funds to a 'net zero by 2050' pathway with interim targets for 2025 and every five years after this.
- We have set emissions reduction targets for some of our real estate products, some systematic fixed income products, and our default workplace retirement solution, FutureWise.

[1] ISS offers wholesale, institutional and other professional investing businesses with funds in which they and their clients can invest, or segregated mandates which are bespoke solutions.

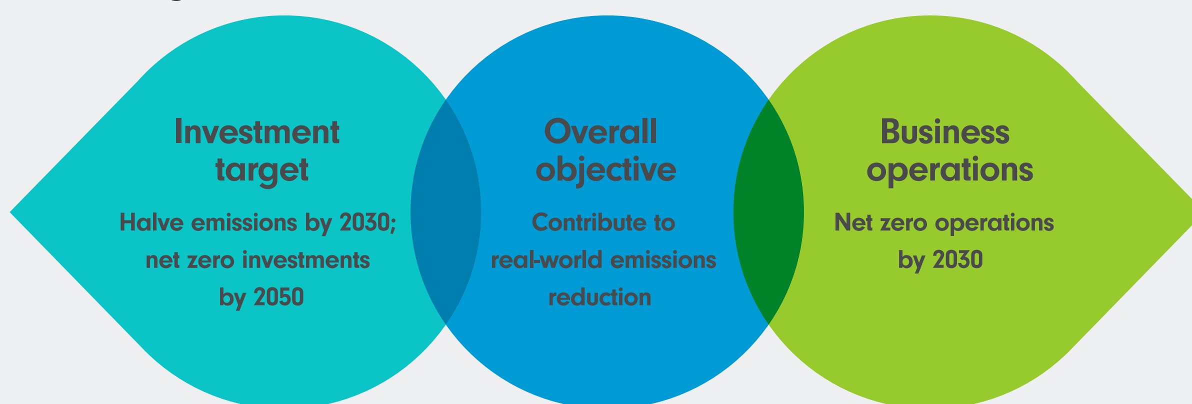
[2] GPS includes workplace investing and personal investment and advisory businesses, including our UK Life subsidiary. The following businesses are out of scope of this framework: Fidelity Canada; and sub-advisors that sit outside of Fidelity International which we may appoint, which include Geode, Fidelity Management Research (FMR), and Fidelity Institutional Asset Management (FIAM).

[3] The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets and the quality of Scope 3 emissions data for investments.

As a business, we have committed to achieve net zero across Fidelity's own business operations by 2030. This covers Scope 1 and 2, and operational control Scope 3 categories. To date, we have focused our targets on areas over which we have operational control. This is to say we operate the buildings we occupy and control the purchase of electricity and heating, or where we make decisions on business travel.

We see it as important to commit to transitioning our business operations. As a large investor, we set an example to the companies that we invest in. We believe this allows us to more effectively engage with these companies, with the aim of reducing their emissions, meeting emissions targets, and mitigating the effects of climate change.

Two core pledges



Source: Fidelity International, 2024.

Our three Climate Levers

We use three pillars, or 'levers' to integrate climate-related risks and opportunities within our investments. We carefully apply the specifics of these three levers in a way that's relevant to each asset class, integrating it into investment processes.

1. **Integration:** Identifying and integrating material climate risks and opportunities into our investment processes and our sustainable product offering. Integration is supported by the use of Fidelity's proprietary Climate Rating (see page 14) to assess issuers' net zero transition and inform a portfolio's alignment to a 'net zero by 2050' pathway.
2. **Stewardship:** Engaging with our investees and our operational value chain, as well as those who make the policies and set the standards. We identify and engage with the largest contributors to our financed emissions.[4] We target them with time-bound engagement to make progress on the transition, with divestment as the ultimate sanction for inaction.
3. **Solutions:** Enabling our clients to achieve their climate goals by offering sustainable product solutions, including climate-oriented products.

As the pace of innovation and technological development increases, we will continue to review our targets to make sure we remain flexible and able to respond to significant developments in this space.

[4]Note: Sectors are categorised as material in-line with the IIGCC Net Zero Investment Framework (NZIF) 2.0, covering NACE codes A-H and J-L. NACE refers to the statistical classification of economic activities in the European Union.

Contents

Introduction	05
Getting to net zero	10
Fidelity's Climate Rating	14
Transition engagement	16
Appendices	19
Appendix 1 - Calculating net zero targets	19
Appendix 2 - Glossary	22
Appendix 3 - Cautionary Statement	23

Introduction

Achieving net zero emissions by 2050 requires collaboration

Climate change is a threat to human wellbeing and planetary health. There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all. The consequences for humanity are already being felt and are likely to worsen.*

*The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. IPCC Climate Change March 2023 Synthesis Report.

Countries around the world have pledged to act. But despite this, current policies will result in to 2.7°C or more of warming by 2100.[5] To achieve Paris Agreement targets of net zero emissions by 2050 or sooner and keep warming levels in check will require a huge collaborative effort from policymakers, business, technology advances, investors, and civil society.

The Purpose of this Climate Investing Framework

The purpose of this document is to give our clients and stakeholders an introduction to climate change, how we consider our role in the transition to a low-carbon economy, and an overview of our Climate Investing Framework.

[5]Source: Temperatures | Climate Action Tracker

What are Greenhouse Gas (GHG) emissions?

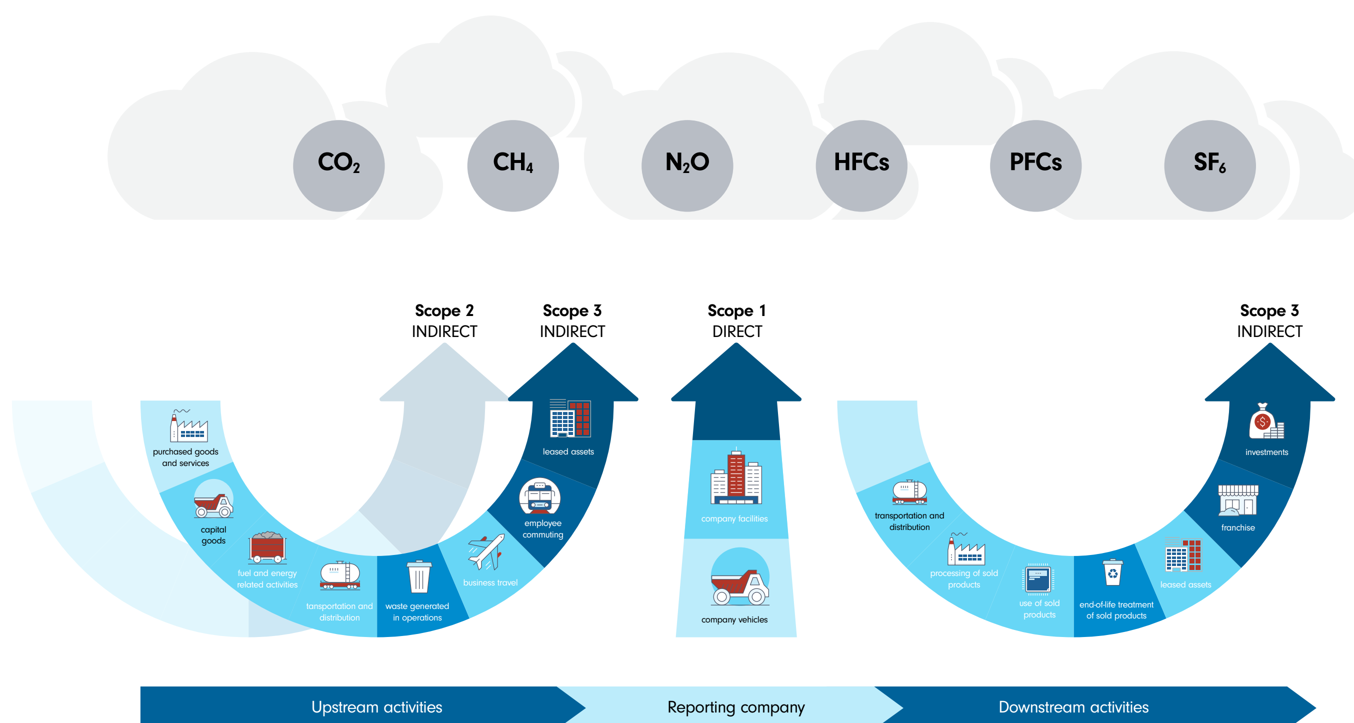
Greenhouse Gases (GHG) are gases that contribute to global warming. They get their name because they trap heat and energy from the sun, just like a glass greenhouse. GHG emissions don't just come from carbon dioxide. They can also come from other gases such as methane and nitrous oxide.

The GHG Protocol is a widely used tool for measuring and managing greenhouse gases. It puts the sources of GHG emissions into three scopes:

- **Scope 1 emissions** - These come from equipment directly owned or controlled by an organisation. It includes all the fuel the company has burned on site using boilers, furnaces, vehicles, or other machinery.
- **Scope 2 emissions** - These are from bought electricity heat, steam, and cooling.
- **Scope 3 emissions** - These are the other emissions through the value chain that are not in the two scopes above:

  - They include upstream emissions which occur before the product or service is sold. These could be emissions released by getting raw materials out of the ground, or transporting them to the company's factory.

  - They also include downstream emissions which occur when a product is sold, stored, used, or disposed of.



Note: CO_2 = Carbon dioxide, CH_4 = Methane, N_2O = Nitrous oxide, HFCs = Hydrofluorocarbons, PFCs = Perfluorinated compounds, SF_6 = Sulphur hexafluoride
Source: GHG Protocol on page 5.

To limit global warming to 1.5°C, we need to work towards 'net zero'. This is when we reduce our emissions to zero, or as close to net zero as possible. Net zero will happen when the amount of GHG produced is balanced by the amount removed from the atmosphere. Removal means there is a need to protect and rejuvenate the natural systems that remove and store GHG – forests and mangroves for example. So, the approaches to Nature and Climate are inter-related.

Assessing our GHG emissions as an asset manager

As an asset manager, our greatest exposure to climate risks and opportunities comes from the investments we make. These are called **'financed emissions'**. We measure them by calculating how much of our clients' money is invested in each company, and the GHG emissions of each of these companies.

'Financed Scope 3 emissions' come under Category 15 of the GHG Protocol, a category that is material for us as an investment business. We aim to be net zero by 2050. In the interim (2030) we consider these emissions on an intensity basis, and set our target to reduce them on a GHG per US$ million of Assets under Management. This is called the 'carbon footprint'.

We also have emissions which relate to operating our business. For example, those from our buildings, or our employee business travel and commuting. These are known as **'operational emissions'**. For our business operations, Scope 1 and 2 emissions are part of our planning and reporting. Where possible Scope 3 emissions that don't come from the companies we invest into, are also included in our planning to achieve net zero across our own business operations by 2030.

The types of climate-related risks and opportunities

Transition risks and opportunities

These risks are caused by changes in regulation, policy, laws and technology, which will influence the speed and timing of the transition to a low carbon economy. These can all create risks as the economy transitions to lower carbon. Depending on the region, or type of business activity, transition risks can affect our investments in the short, medium and longer-term.

These changes will create climate-related opportunities, such as resource efficiency, energy sourcing, products and services, markets and resilience.

Physical risk categories

Source: Preventionweb, Fidelity International, June 2024.

As our planet continues to warm, it is well documented that there will be a growing impact on the economy. Physical risks include droughts, wildfire hazards, severe weather patterns and sea level changes. Fidelity's business operations and our clients' investments may be affected.

The risks are expected to grow over the medium and longer term if global emissions reductions aren't on track, or if there is a delay moving to a lower-carbon economy.

Every company we invest into is exposed to climate change in some way, and in certain cases, it could significantly influence an investment decision.

The transition to a low-carbon economy

The speed and timing of the transition to a low-carbon economy are influenced by many global and local socio-economic factors, such as elections. This makes it difficult to forecast exactly how regulation and policy which can drive the transition, will evolve over the medium and longer term out to 2050. Yet an 'Orderly transition' to 1.5°C, which is co-ordinated amongst all countries and sectors is recognised as the most cost effective global transition in the longer term.[6]

The physical risks will be greater and more disruptive in a 'Current Policies', or sometimes referred to as a 'hot house world' scenario, under which no further climate policies are introduced by governments and 2.7°C or more of warming is modelled to occur by 2100. Warming will be higher, and cause more frequent and severe weather events, rising sea levels, and affect human health, labour and agricultural productivity.

Transition risks will be more prevalent in the disorderly scenario, under which the response to achieve 1.5°C net zero is delayed until 2030, followed by a rapid reduction in emissions which acts as a shock to the economy. Any delay in global emissions reductions will serve to compress emissions reductions into a shorter span and exacerbate transition risks to limit warming to around 1.5°C. Each scenario sees a trade-off between transition and physical risks.

Please refer to our TCFD-aligned Climate Report 2023 for details.

Fidelity's Transition Strategy

Getting to net zero requires collaboration, and the success of our climate plan is dependent on broader system level change. That means we need a broad range of stakeholders to collaborate towards solutions if we are going to achieve our shared ambition of getting to net zero.

Integration: Our fiduciary role is to safeguard and enhance the investments that we manage. In the context of climate change, this means understanding the material climate-related risks and opportunities and their potential impact on our clients' investments.

Every company we invest in is exposed to climate change in some way, and in certain cases, it could significantly influence an investment decision. And that's why we consider these climate-related risks and opportunities across the investments we make on behalf of clients, when they are material.

[6] Further information for Professional Investors is available here also showing the emissions and carbon price evolution for each scenario. NGFS Climate Scenarios for central banks and supervisors - Phase IV | NGFS

Stewardship: We take a long-term approach which is to engage with and influence the companies into which we invest. We engage with them to integrate material risks and opportunities into their business decisions. For example, we encourage them to manage and reduce their emissions. By doing this we aim to help contribute towards reducing real world emissions and increasing their resilience in the face of climate change. This approach aims to help us maximise our climate-related opportunities, and in turn the investment performance we are able to deliver to our clients.

Divestment and exclusion can be useful tools in the right circumstances, but can result in unintended consequences such as carbon-heavy assets falling into the hands of those interested only in profit. Engaging with some of the world's heaviest emitters often bears more fruit. When we act alongside other investors, such engagement can be more influential. We also collaborate with policymakers and clients wherever possible to help drive the transition.

Solutions: We aim to help our clients meet their climate and financial goals with a range of sustainable product offerings. Examples include funds that invest in either climate solutions, the transition, or sustainability leadership.

Getting to net zero investments

Fidelity's climate targets

As an asset manager, our greatest exposure to climate risks and opportunities comes from the investments we make on behalf of our clients. However, we believe it is also important to decarbonise our own business operations.

In addition to our investment-related targets, we have committed to achieve net zero across Fidelity's own business operations by 2030. With this dual objective, we aim to contribute towards reducing real world emissions and associated risks.

Fidelity's Net Zero Targets

Public Markets

A public market investment is one that's traded publicly on exchanges or other marketplaces. All publicly traded companies have their shares and or debt listed on any of the stock exchanges that allow the trading of their shares to the public. Corporate debt can also be listed. This means that anyone can buy or sell the shares and bonds of these companies.

We have set the following climate targets for our investments:

1. Halve the Scope 1 and 2 carbon intensity of our investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and reach net zero for holdings by 2050. This is called the 'carbon footprint' measurement.[7] (see Appendix 1 for further information); and
2. We aim to assess transition potential and align 35% of our funds to a 'net zero by 2050' pathway with interim targets for 2025 and every five years after this.

Private Markets

Private markets are investments that are bought and sold through a process of negotiation and contract between a private buyer and seller. Examples include real estate, private credit, and 'securitised lending' where debt is secured against an asset owned by the borrower.

Real Estate

We have set decarbonisation targets for some of our real estate funds and also have climate-related objectives which are operational, or relate to specific assets or funds.

[7] Our target for-investment related emissions was initiated in 2020 and covers our Scope 1 & 2 financed carbon emissions intensity of our equity and corporate bond holdings (Carbon Footprint), and net zero on these holdings by 2050. The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets and the quality of Scope 3 emissions data for investments.

We aim to decarbonise our portfolio in two phases:

1. Phase One
A commitment to be net zero carbon by 2035 for the landlord-controlled operational emissions of our real estate investments (Scopes 1 & 2). Operational net zero is defined as the amount of carbon emissions associated with a building's operational energy on an annual basis.

2. Phase Two
A commitment to be net zero carbon by 2050, and to incorporate all emissions created through the use of a number of our real estate assets. This additionally covers Scope 3 operational emissions by tenants. Achieving this target will require greater partnership with occupiers of our property assets in the future.

Default Workplace Scheme

FutureWise is our default workplace retirement solution and is a key product of our UK Life business. We have set the following climate targets:

- We aim to halve the Scope 1 and 2 carbon footprint (intensity) by 2030, from a 2020 baseline.[8]
- We aim to achieve net zero by 2050.

Fidelity's Climate Levers

Fidelity uses three climate levers to help meet its emissions reduction targets:

1. **Integration:** Identifying and integrating material climate risks and opportunities into our investment processes and our sustainable product offering. We use analysis and investment tools to identify and integrate material climate risks and opportunities into our investment processes. These include:
   - Fidelity ESG Ratings: Climate change and its impacts are considered under the environment pillar. For more information, see the Sustainable Investing Principles.
   - Fidelity Climate Rating: This assesses an issuer's progress towards aligning to the objectives of the Paris Agreement based upon a combination of data and research (see here).
   - Quarterly Sustainability Reviews (QSR)[9]: The QSRs are forums where we review and discuss sustainability-related opportunities and risks related to the investment process and portfolio holdings. They are run by senior management and Chief Investment Officers (CIOs) together with Portfolio Construction Advisory and Research,he Sustainable Investing team, and the

[8]The 2020 baseline contains 2019 carbon emissions data and issuer financials.
[9]QSRs were launched in 2022. In 2023, they were extended to cover a range of sustainable funds.

portfolio manager. Elements related to climate risk in a typical QSR may include a portfolio's carbon footprint or carbon intensity, or Implied Temperature Score and characteristics as assessed by Fidelity's Climate Rating.

2. **Stewardship:** Engaging with our investees and our operational value chain, as well as those who make the policies and set the standards.

   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.

   Key climate-related areas of focus include:

   - **Minimum expectations:** Fidelity's Sustainable Investing Voting Principles and Guidelines sets out our expectations for issuers regarding climate to limit global warming to well below 2°C. We expect our investees to:
     - Take action to manage climate change impacts and reduce their GHG emissions.
     - Make specific and appropriate disclosures around emissions, climate targets, risk management and oversight.

   If issuers fail to meet these expectations, we may communicate our expectations to the issuer. We will exercise our voting rights in-line with our voting principles, which may include voting against the election of a director.

   - **Transition engagement:** is a key undertaking to help achieve our net zero target in public markets. We aim to focus our engagement efforts on issuers contributing the most to our financed emissions, and where our influence is greatest. This includes four categories:
     - **Top contributors to our financed emissions:** We aim to engage with issuers representing the top 70% of our Scope 1 and 2 financed carbon emissions in material sectors to improve target setting and transition plans, as well as the top 25 contributors to our Scope 3 financed carbon emissions (FCE).
     - **Thermal coal engagements:** We place a particular emphasis on thermal coal-related engagements, given our plan to phase-out exposure to unabated thermal coal by 2030 in OECD markets and 2040 globally.
     - **Collaborative engagements:** We participate in industry collaborative engagements with select high emitting issuers through organisations like Climate Action 100+.
     - **Transition finance:** We engage with financial institutions that have a critical role to play in aligning the global economy with the goal of the Paris Agreement.

3. **Solutions:** Enabling our clients to achieve their climate goals by offering sustainable product solutions.
   - **Climate solutions:** Fidelity has developed a

range of investment strategies to meet investors' climate needs, including strategies investing in climate enablers, climate transition strategies and strategies decarbonizing in line with the objectives of the Paris Agreement.

- **Climate-related exclusions:** Fidelity has implemented different levels of climate-related exclusions for its product categories, based on their level of sustainability focus. This is to meet client and regulatory expectations. This includes thermal coal exclusions, subject to transition criteria (see Additional thermal coal exclusions here).
- **Custom climate solutions:** Working with clients to provide opportunities to invest in climate-focused mandates or apply custom climate requirements across asset classes that meet their individual climate targets and or ambitions.

Fidelity's Climate Rating

Fidelity's Climate Rating is a key plank of our net zero emissions plan. To facilitate our assessment of an issuer's net zero transition, we have developed a Climate Rating that assesses an issuer's operational and value chain alignment to the objectives of the Paris Agreement (to limit global average temperature rise this century well below 2°C and to drive efforts to limit the temperature increase even further to 1.5°C above pre-industrial levels). The Climate Rating is designed to be used in conjunction with our other ESG and climate tools to provide a more holistic view of an issuer's exposure to climate-related risks and opportunities.

Fidelity's Climate Rating: Covering three key areas

Carbon emissions disclosure

- This assessment focuses on disclosure of Scope 1, Scope 2 and material Scope 3

Emissions reduction targets

- This assessment concentrates on the issuer's current emissions, net zero GHG emissions ambitions, and carbon reduction targets

Climate governance

- This assessment analyses 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

The Climate Rating analyses firms across three core areas: carbon emissions disclosure, emissions reduction targets, and evidence of climate integration within corporate governance. Each area consists of underlying assessment factors. For material sectors, additional criteria may be included to take into account the unique requirements of certain hard-to-abate sectors in relation to achieving net zero.

The Climate Rating can be used in conjunction with our other ESG and climate tools to provide a more holistic view of an issuer's exposure to climate-related risks and opportunities, and EU taxonomy tools.[10]

[10] Further information is available here SI Principles.

The Climate Rating does not rely on a single climate change model or scenario. The assessment undertaken takes into account a wide range of data sources including issuers' disclosures, inputs from Carbon Disclosure Project (CDP), Institutional Shareholder Services (ISS) Climate Data (e.g. Implied Temperature Rise) and the Science Based Targets Initiative (SBTi). 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 the scale below.

On top of informing our assessment of an issuer's exposure to climate-related risks and opportunities, issuers' Climate Ratings can be aggregated to inform a portfolio's alignment to net zero. This can enable transition targets to be set at both portfolio and individual issuer level, and allow resources to be directed towards the biggest emissions reduction opportunities in terms of investment and engagement.

Issuers are placed into one of five categories based on their assessment

Fidelity's Climate Rating

Not Disclosed	Disclosure	Integration	Management	Transitioning to a Net Zero Pathway
The company has not disclosed key climate related information	The company has disclosed key climate related metrics	The company has included climate related elements in business plans and governance structures	The company has ambitious commitments and is actively reducing its impact on, and exposure to, climate change	The company has committed to targets that are aligned to achieving net zero by 2050

Transition engagement

Our transition engagement approach is crucial to meeting our investment portfolio emissions targets. We focus our engagement efforts on issuers contributing the most to our financed carbon emissions and where our influence is greatest, and pursue intensive, time-bound engagement to encourage progress on transition. Within this group, we also focus on issuers with thermal coal activities to phase-out exposure to unabated thermal coal by 2030 in OECD markets and by 2040 globally, with divestment as the ultimate consequence for inaction. The approach applies to all in scope Fidelity products[11]. Strategies promoting environmental and social characteristics and those with a key investment focus on sustainability apply additional exclusions. (see here)

Transition engagements

Our transition engagement approach has three steps:

- We identify candidates for intensive engagement based on their contribution to our financed emissions and where our influence is greatest. This may include:
  - Issuers in material sectors representing the top 70% of our Scope 1 and 2 financed carbon emissions that are not transitioning to a net zero pathway, assessed using the Climate Rating. This approach is aligned with the recommendations set out by the IIGCC's Net Zero Investment Framework 2.0.
    In addition, we also engage with issuers representing the top 25 of our financed carbon emissions across Scope 1, 2 and 3.
  - Issuers in the thermal coal value chain.
  - High emitting issuers in collaborative engagements.
  - Financial institutions that play a critical role in aligning the global economy with the goal of the Paris Agreement.
- We conduct time-bound engagement to achieve transition milestones under the Climate Rating framework, encouraging companies to have a credible transition plan in place.
  - For all issuers in scope we integrate the following expectations into stewardship engagements:
    - Carbon emissions disclosure;
    - Presence of emissions reduction targets; and
    - Evidence of integration into corporate governance.

[11]This approach applies to all Fidelity actively or systematically managed products and strategies in all asset classes with the exception of investments in third-party managed funds. Segregated mandates follow this approach unless otherwise disclosed independently in relation to those specific mandates. This approach does not apply to funds and segregated mandates managed by Fidelity Canada and its affiliates; Fidelity International's purely passively managed 'tracker' funds; products and and segregated mandates sub-advised to another entity including Fidelity Investments/Fidelity Institutional Asset Management/Geode; products that we do not manage but which may be available on one of our investment platforms like FundsNetwork.

- If companies show no progress after a predetermined timeframe or if we see activity that would undermine their progress on climate, then we may seek to escalate the engagement. Escalation options include voting against directors, filing shareholder resolutions and potentially divestment.

Collaborative engagements

- In addition to one-on-one issuer engagements, we also collaborate with other organisations seeking to support the low-carbon transition. Examples of such organisations include:
  - Responsible Investing Frameworks: PRI Signatory, Ceres, IIGCC, IGCC, AIGCC and GFANZ APAC.
  - Engagement: Climate Action 100+ signatory, leading on multiple collaborative engagements.
  - Disclosure: TCFD supporter, CDP member.
  - Sovereign: Sovereign Debt PRI working group, knowledge sharing and contribution.

Thermal coal engagements

The burning of coal to generate electricity is the single largest source of energy-related emissions (41% in 2022)[12] and is a major contributor to global warming. Its use and expansion are therefore incompatible with the objectives of the Paris Agreement. But until energy storage becomes cost effective and scalable, developing markets in particular will continue to rely on coal as a baseload, even if they increase their renewables capacity.

We have therefore prioritized this sector for transition engagement, focusing on issuers that generate material revenue from thermal coal power generation or mining.

> We focus our engagement efforts on issuers contributing the most to our financed carbon emissions (FCE) and where our influence is greatest, with particular focus on issuers in the thermal coal value chain.

We seek to engage intensively with such issuers to adopt our climate expectations to address material climate risks and incorporate into their business decisions.

If issuers remain unresponsive or show no progress in meeting our requirements and further engagement is unlikely to have an impact, we may pursue divestment.

Thermal Coal Phase-out

Our transition engagement approach forms part of Fidelity's plan to phase-out issuers exposed to thermal coal in OECD markets by 2030 and non-OECD markets by 2040, in line with the International Energy Agency's 'Net Zero by 2050' scenario.

Our transition engagements, recently enhanced thermal coal exclusions, and alignment of funds towards a net zero by 2050 pathway are anticipated to achieve a gradual reduction in aggregated holdings of issuers involved in thermal coal.

Over time, we will consider phasing out other activities that are not considered compatible with the net zero transition beyond specific deadlines.

[12]Source: CO_2 emissions by fuel - includes Coal, Oil, Gas, Cement, Flaring and Other industry. - Our World in Data.

Additional thermal coal exclusions

Fidelity's Sustainable Investing Framework groups products into three high-level categories:

ESG Unconstrained	ESG Tilt	ESG Target
This category includes products that aim to generate financial returns and may, or may not, integrate ESG risks and opportunities into the investment process.	This category includes products that aim to generate financial returns and promote environmental and social characteristics through a tilt towards issuers with stronger ESG performance than the product's benchmark or investment universe.	This category includes products that aim to generate financial returns and have ESG or sustainability as a key investment focus or objective, such as investing in ESG leaders (issuers with higher ESG ratings), sustainable investments, a sustainable theme or meeting impact investing standards.

These categories apply different levels of exclusions, aligned with the incremental level of focus on sustainability, from ESG Unconstrained to ESG Target.

Please refer to our Sustainable Investing Principles for further details.

Fidelity applies different levels of exclusions related to thermal coal for strategies in its ESG Tilt and ESG Target categories, each with transition criteria aligned with Fidelity's transition engagement. Issuers that meet the transition criteria outlined below will remain eligible for investment.

	ESG Tilt	ESG Target
Thermal coal revenues exclusion criteria/threshold	■ Extraction/mining (>=5%) ■ Power generation (>=20%)	■ Extraction/mining (>=5%) ■ Power generation (>=5%)
Or		
Thermal coal transition list criteria	■ The issuer is not planning to develop new thermal coal assets; **AND** ■ for thermal coal mining, the issuer demonstrates a downward trend in thermal coal output / or thermal coal power, the issuer demonstrates a plan to transition towards low-carbon power generation.	**ESG Tilt criteria as referred to the left** **AND** ■ <30% revenue from thermal coal **AND EITHER:** ■ Committed to phasing out thermal coal activities in line with the International Energy Agency 'IEA' Net Zero 2050 scenario (2030 for Organisation for Economic Co-operation and Development 'OECD' Countries, 2040 for non-OECD countries); **OR** ■ Effective commitment to a Paris Agreement aligned objective based on approved Science Based Targets or alignment with a Transition Pathway Initiative scenario or a reasonably equivalent public commitment.

Any issuer on our Thermal Coal Transition Lists is subject to an annual review process to assess status and may be subject to an engagement plan depending on materiality to Fidelity. If an issuer on a Transition List no longer meets our eligibility criteria, it will be placed onto the relevant exclusion list. Please refer to Fidelity's Exclusion Framework for details.

Our approach will continue to evolve as the transition accelerates and efforts to mitigate climate change become more focused.

Appendices

Appendix 1 - Calculating net zero targets

Data Limitations

A key challenge is data availability. We rely upon our data providers for these.

We have good data coverage for our public market investments across equities, corporate, and sovereign debt holdings. However, not all issuers report, or report a complete set of carbon emissions. There are data gaps and data quality issues in particular for Scope 3 emissions and across private issuers and assets (those that are not traded on a public exchange).

Where issuers do not report, we rely upon our data providers' estimations. These are proprietary models and each provider has their own approach. These can also be incorrect.

As more companies report and work on improving their processes, this can cause volatility in emissions reporting. For example with restatements and estimation changes (where data provider models are updated on the basis of more current information). This is especially relevant for Scope 3 emissions at the time of writing, and we advise that these should be used cautiously.

Globally, new regulations are expected to support improved disclosure and quality of emissions and should help feed through into improved coverage and quality of our emissions data over the coming years.

Calculation of Metrics

The industry standard is the Partnership for Carbon Accounting Financials or "PCAF". These set standardised formula for calculations. Fidelity leverages these formulae for our calculations. We are working to fully align the final inputs to PCAF's approach.

Calculating the Carbon Footprint

Our investment climate target references Scope 1 and 2 'Carbon Footprint' in US$.

The carbon intensity or 'Carbon Footprint' of a portfolio is a derived from two calculations, first the Financed Carbon Emissions which are financed by the portfolio, and then secondly by dividing by the Assets Under Management or size of the portfolio.

STEP ONE - Financed Carbon Emissions (Scope 1 & 2)

Metric		
Total Carbon Emissions The GHG emissions of a portfolio.	**Methodology/ formula**	$MtCO_{2e} = \sum_{n}^{i}\left(\frac{Investment\ value\ i}{EVICi}\ X\ GHG\ Emissions\ of\ Corporate\ i\ (tCO2e)\right)$
	Usage	Calculates the absolute GHG emissions financed by a portfolio using a proportional approach. This metric is related to our climate transition risk in our debt and equity holdings.
	Limitations	Cannot be easily compared or benchmarked against due to the link to the size of the portfolio. Scope 3 has lower data quality driven by the need to estimate, and when holding many companies across sectors, there will be double counting across supply chains as outlined by the GHG Protocol.

STEP TWO - Introducing intensity - dividing by the size of the portfolio (US$m)

Metric		
Carbon Footprint Measures a portfolio's emissions intensity divided by the value of the portfolio.	**Methodology/ formula**	$tCO2e/\$m\ invested = \frac{\sum_{n}^{i}\left(\frac{Investment\ value\ i}{EVICi}\ X\ GHG\ Emissions\ of\ Corporate\ i\ (tCO2e)\right)}{Sum\ of\ Portfolio\ Value\ \$m}$
	Usage	Enables the comparison of portfolios of differing sizes irrespective of assets under management (AUM). **We use this to track our investment climate target.**
	Limitations	Sensitive to rising or falling portfolio values.

Suite of Climate Metrics:

Fidelity recognises that no single climate metric is without its drawbacks. We also consider the following metrics which we measure and track.

Metric		
Weighted Average Carbon Intensity (WACI) Measures the exposure to carbon-intensive companies.	**Methodology/ formula**	$tCO2e\ per\ \$m\ of\ revenue =$ $\sum_{n}^{i}\left(\frac{Corporate's\ GHG\ emissions(tCO2e)}{Sales\ i\ \$}\ X\ \frac{Investment\ Value\ i}{Portfolio\ Value}\right)$
	Usage	Useful to compare portfolios.
	Limitations	Limited to publicly listed equities and corporate debt.
Sovereign Carbon Emissions Sovereign emissions divided by the Purchasing Power Parity-adjusted Gross Domestic Product	**Methodology/ formula**	$MtCO_{2e} = \sum_{n}^{i} \frac{Outstanding\ loan\ x\ Country\ emissions(tCO2e)\ i}{PPP\ Adjusted\ Gross\ Domestic\ Product\ i}$
	Usage	Calculates the absolute GHG emissions financed by a portfolio using a proportional approach.
	Limitations	Sovereign portfolios invest in the debt of countries, and so have large absolute emissions and cannot be compared easily with equity or corporate debt. Purchasing Power Parity adjusted for GDP is not a perfect proxy for 'fair share' normalising for the size of a country's economy. The value will increase as the size of the portfolio increases.
Portfolio Alignment/ Climate Targets Proportion of an investment portfolio that is invested in companies with climate targets	**Methodology/ formula**	External data provider which leverages data provided by the Science Based Targets Initiative and its assessments.
	Usage	Useful as an indicator to track alignment over time for a portfolio using a forward-looking indicator of underlying companies setting climate targets. Portfolios with a higher share of assets in entities with science-based targets which are committed to reducing future emissions (assuming companies deliver on their plans).
	Limitations	Climate targets can vary in scope and alignment to Paris goals, and can be challenging to independently evaluate.
Implied Temperature Score It is a forward-looking indicator of alignment to a future global warming temperature (in °C).	**Methodology/ formula**	External data provider which leverages the climate scenarios of the IEA (International Energy Agency) - the Sustainable Development scenarios (SDS).
	Usage	The Implied Temperature Score metric provides an indication of how companies and investment portfolios align to global climate targets. This can be viewed as another indicator of transition risk when viewed over periods of time.
	Limitations	The model should be used cautiously given the challenges of data quality and target setting quality, and complex modelling involved.

Appendix 2 - Glossary

AIGCC: The Asia Investor Group on Climate Change is an initiative to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing.

Ceres: Is a non-profit organisation working to accelerate the transition to a more sustainable economy.

Climate Action 100+: A collective investor initiative to engage with the world's largest corporate greenhouse gas emitters to improve their climate-related governance, disclosures and transition plans in order to create long-term shareholder value.

CDP: A not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Fidelity International reports annually to CDP.

Environmental, Social and Governance (ESG): ESG is used as shorthand for a range of factors considered by companies, investors, public sector and other organisations in a wide range of decision-making processes and situations including, but not limited to, strategy, purpose financing, issuer reporting and supply chain management. By way of illustration, environmental factors include climate change, resource depletion, waste, pollution and deforestation. Social factors include human rights, modern slavery, child labour, working conditions and employee relations. Corporate governance factors include bribery and corruption, executive pay, board diversity and structure, political lobbying/ donations and tax strategy.

GHG Protocol: The Greenhouse Gas Protocol is a standard which provides requirements and guidance for companies and other organisations preparing a GHG emissions inventory.

GFANZ: The Glasgow Financial Alliance for Net Zero is a global organisation of financial institutions which work to develop the tools and methodologies needed to turn financial institutions' net zero commitments into action.

IGCC: The Investor Group on Climate Change is the leading network for Australia and New Zealand investors to understand and respond to the risks and opportunities of climate change. It is the parent of The Asia Investor Group on Climate Change (AIGCC). IGCC co-ordinates with peer networks via the Paris Aligned Investor Initiative and also runs collaborative initiatives with CDP, PRI, etc.

IIGCC: The Institutional Investor Group on Climate Change is an investor membership body that is focused on developing supportive investment practice and policies to help asset managers and asset owners navigate the implementation of climate risks and opportunities into investment decisions, advance the broader climate policy environment, and the effective stewardship of corporates on climate topics.

IPCC: Intergovernmental Panel on Climate Change. This is the United Nations body for assessing the science related to climate change.

ISS: We rely on Institutional Shareholder Services the third-party data provider, for our climate emissions data, including their models to estimate emissions when they are not reported.

Net Zero Asset Managers Initiative: Fidelity International is a founding signatory of the Net Zero Asset Managers Initiative. it is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, in a way which is consistent with their fiduciary duty.

Network for Greening of the Financial System (NGFS): A group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

OECD: The Organisation for Economic Co-operation and Development is a forum and knowledge hub that works with over 100 countries. It aims to shape better policies for better lives through its standards, statistics and analysis, platforms for dialogue and support to policy reform. The Organisation aims to inform and shape public policy and policy debates by providing evidence-based analysis and standards.

Paris Agreement: The international treaty that came into force in November 2016. The agreement is to limit the global rise in temperature from pre-industrial levels to below 2°C this century, and ideally below 1.5°C.

The United Nations PRI: The Principles for Responsible Investment is a membership body aiming to advance the principles and adoption of Responsible Investment practices globally.

PCAF: The Partnership for Carbon Accounting Financials is a global standard for financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Science Based Targets initiative: The SBTi sets a recognised standard in science-based climate target setting. It offers a range of resources and guidance, and independently assesses and approves companies' targets in line with its set criteria.

Stewardship: Stewardship is the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend.

Task Force on Climate-Related Financial Disclosures (TCFD): Created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

Appendix 3 - Cautionary Statement

This framework, and its information, should be treated with special caution, as it requires a significant amount of data, methodologies, assumptions, judgements and estimations to be made at a given point in time. Our understanding of climate change effects, data, metrics and methodologies and its impact continue to evolve. Indeed, there are no clear market standards and these standards, as well as regulations, are evolving. This may lead to large scale revisions of reported data, targets and make them incomparable to previous reports on a like-for-like basis. Judgements are made on, but not limited to, financed carbon emissions, business operations emissions, the effectiveness of engagement in influencing issuers, the effectiveness of climate rating tools and processes, and the timing and degree of a transition to a low-carbon economy.

Our statements on materiality rely upon a greater number of assumptions and estimates than those in financial reporting. The quality of data relied upon to produce climate-related information is not of comparable quality to that of financial reporting. Where a judgement has been exercised, the estimates or assumptions used may subsequently turn out to be incorrect. The longer time horizon of certain information make the assessment of materiality inherently uncertain.

A significant amount of forward-looking statements are included in this report, such as, but not limited to:

- the government policies being implemented in accordance with climate treaties, such as the Paris Agreement and the timings of these changes;
- climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets);
- the effectiveness of climate and ESG ratings, tools and processes in identifying material climate-related risks and opportunities in the complex topic of the transition to a low-carbon economy;
- effectiveness of our climate transition engagements with issuers and the extent to which they increase resiliency and are able to reduce real-world emissions;
- the environmental, social and geopolitical risks;
- the Group's commitment to continue to deliver good customer outcomes;
- the Group's ability with governments and other stakeholders to manage and mitigate the impacts of climate change effectively; and
- the Group's transition plan.

Such forward-looking statements and other financial and/ or statistical data involve risk and uncertainty, because they relate to future events and circumstances that are beyond the Group's control. Therefore, they should not be regarded as complete and comprehensive. In order to produce this report, we relied upon external climate data providers, their climate and financial related sources, methodologies, and modelling (specifically emissions estimation modelling). Each of these is subject to ongoing modifications beyond our control. These models can be highly sensitive to and affected by the assumptions and a wide

range of factors including process followed and the quality of the data being used. As such, these will affect the accuracy and may heavily influence outputs. As the worldwide understanding of climate change effects, data, metrics and methodologies and its impact continues to evolve, the Group's materiality assessment and transition plan will continue to evolve, as does the ability to analyse and report information on climate. As a result, we expect that certain climate disclosures made in this report are likely to amended, be updated, recalculated or restated in the future. Given the limitations mentioned above, the outcomes may be materially different to our forward-looking statements and targets.

Important Information

This material must not be reproduced or circulated to any other party without the prior permission of Fidelity.

This material does not constitute a distribution, an offer or solicitation to engage the investment management services of Fidelity, or an offer to buy or sell or the solicitation of any offer to buy or sell any securities in any jurisdiction or country where such distribution or offer is not authorised or would be contrary to local laws or regulations. Fidelity makes no representations that the contents are appropriate for use in all locations or that the transactions or services discussed are available or appropriate for sale or use in all jurisdictions or countries or by all investors or counterparties.

This communication is not directed at, and must not be acted on by persons inside the United States.

All persons and entities accessing the information do so on their own initiative and are responsible for compliance with applicable local laws and regulations and should consult their professional advisers.

This material may contain materials, or links to, from third-parties which are supplied by companies that are not affiliated with any Fidelity entity (Third-Party Content). Fidelity has not been involved in the preparation, adoption or editing of such Third-Party Content and does not explicitly or implicitly endorse or approve such content. Fidelity International is not responsible for any errors or omissions relating to specific information provided by third parties. Third-party trademark, copyright and other intellectual property rights are and remain the property of their respective owners.

Fidelity International refers to the group of companies which form the global investment management organization that provides products and services in designated jurisdictions outside of North America. Fidelity, Fidelity International, the Fidelity International logo and F symbol are trademarks of FIL Limited. Fidelity only offers information on its own products and services and does not provide investment advice based on individual circumstances, other than when specifically stipulated by an appropriately authorised firm, in a formal communication with the client.

Europe

Issued by FIL Investment Services (UK) Limited, FIL Investments International, FIL Pensions Management and FIL Investment Advisors (UK) Limited, authorised and regulated by the Financial Conduct Authority in the United Kingdom, FIL Investment Management (Luxembourg) S.A. and FIL (Luxembourg) S.A., authorised and supervised by the CSSF, Commission de Surveillance du Secteur Financier in Luxembourg, and FIL Gestion, authorised and supervised by the AMF (Autorité des Marchés Financiers) N°GP03-004, 21 Avenue Kléber, 75016 Paris in France.

Asia-Pacific

In Hong Kong, this material is issued by FIL Investment Management (Hong Kong) Limited and it has not been reviewed by the Securities and Futures Commission.

In Singapore, FIL Investment Management (Singapore) Limited (Co. Reg. No: 199006300E) is the legal representative of Fidelity International in Singapore. This document / advertisement has not been reviewed by the Monetary Authority of Singapore.

In Taiwan, independently operated by Fidelity Securities Investment Trust Co. (Taiwan) Limited 11F, No.68, Zhongxiao East Road, Section 5, Taipei 110, Taiwan, R.O.C. Customer Service Number: 0800-00-9911.

In Korea, this material is issued by FIL Asset Management (Korea) Limited. This material has not been reviewed by the Financial Supervisory Service, and is intended for the general information of institutional and professional investors only to which it is sent.

In China, Fidelity China refers to FIL Fund Management (China) Company Limited. Investment involves risks. Business separation mechanism is conducted between Fidelity China and the shareholders. The shareholders do not directly participate in investment and operation of fund property. Past performance is not a reliable indicator of future results, nor the guarantee for the performance of the portfolio managed by Fidelity China.

In Japan, this material is prepared by FIL Investments (Japan) Limited (hereafter called “FIJ”) based on reliable data, but FIJ is not held liable for its accuracy or completeness. Information in this material is good for the date and time of preparation, and is subject to change without prior notice depending on the market environments and other conditions. All rights concerning this material except quotations are held by FIJ, and should by no means be used or copied partially or wholly for any purpose without permission. This material aims at providing information for your reference only, but does not aim to recommend or solicit funds / securities.

In Australia, this document is issued by FIL Investment Management (Australia) Limited ABN 34 006 773 575, AFSL No. 237865 and FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL No. 409340 which are members of the FIL Limited group of companies commonly known as Fidelity International. Although the information contained in this document has been prepared with reasonable care and is derived from sources reasonably believed to be accurate, current and reliable, no responsibility is assumed or liability is accepted by FIL Investment Management (Australia) Limited or FIL Responsible Entity (Australia) Limited for any liability arising from its use to the maximum extent permitted by law.

For information purposes only. Neither FIL Limited nor any member within the Fidelity Group is licensed to carry out fund management activities in Brunei, Indonesia, Malaysia, Thailand and Philippines.

CL24081501

Fidelity INTERNATIONAL