For investment professionals only

Sustainable Investing at Fidelity

Fidelity™ INTERNATIONAL

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Foreword

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Global Head of Stewardship and Sustainable Investing

Fidelity International enjoys a privileged position as one of the largest asset managers in the world. Our size and scale provides us with a level of corporate access that very few enjoy. As we face some of the largest environmental and social issues the world has ever seen, this is more important today than ever.

Our clients expect us to use our access to influence corporate behaviours that will help build and protect investment returns. Our success as shareholders and asset managers in communicating the importance of a sustainable business agenda is crucial to enhancing our clients' long-term returns and maintaining our own reputation.

As trusted allocators of capital, we must also anticipate the headwinds that could compromise good returns. In the current climate, these headwinds are numerous and varied.

Each investment decision we make has consequences for client portfolios and for society as a whole. Their potential long-term financial and societal implications must therefore be considered.

In the years since the 2008 global financial crisis, society's threshold for tolerating bad corporate behaviour has evaporated. Today, our clients expect us, as the stewards of their capital, to steer companies towards the right business decisions.

Environmental concerns have also grown, with investors being increasingly aware that their investments can have a direct impact on, for example, climate change and water scarcity.

A widening gap in society between the 'haves' and the 'have nots' has also been recognised on a global scale. Increasingly, our clients look to us to present their views to corporate leadership teams on matters of governance, ethics, regulation and corporate best practice.

We have responded to our clients' demands in recent years by substantially developing our in-house resources to scrutinise and map sustainability risks. Most recently, this has seen the implementation of our proprietary ratings system, Fidelity Sustainability Ratings, and the launch of our Sustainable Family fund range.

Over the period ahead, we will continue to work to develop a more comprehensive and quantifiable approach to sustainable investment. Our focus will be on encouraging greater numbers of companies to improve their sustainability reporting and examine an even broader menu of themes, building on our work already conducted.

Ultimately, our clients' goals are fundamentally aligned with those of society and it is our place to ensure we represent them in the best way possible.

ESG – what does it stand for?

ESG stands for Environmental, Social and Governance. Analysing ESG factors can be a key way to assess the sustainability and social impact of an investment in a company or a business.

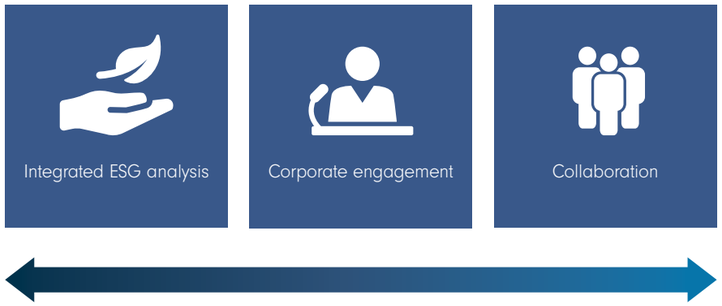
On the **environmental** side, this means the impact that companies have on their surroundings and anticipating how global themes such as climate change, water scarcity and the transition to a circular economy may impact their business models over the long term. This is referred to as 'dual materiality' between the company and environment as they impact each other.

Companies should also consider **social** issues if they are to ensure they are insulated against business risks. They must understand that their business relationships with suppliers and employees carry reputational and regulatory consequences. Corporate supply chains, for example, have been the source of much scrutiny by media, lobbyists and politicians over recent times. It is important that companies comprehend the importance of having full oversight of their supply chain; ideally, independent audits will become the norm.

While **governance** issues have long been a focus of investors, today's clients expect investment managers to play a key role in ensuring that investee companies operate to the highest standards. This is achieved by educating organisations of the benefits of strict and transparent accounting practices, diverse and inclusive leadership teams, and remuneration and incentive plans that align the goals of the company with those of the board.

At Fidelity, we use the term 'sustainable investing' to encompass ESG issues and related topics in this continually evolving area.

Sustainable investment approach



At Fidelity, we have developed an approach to sustainable investing that is built on three related elements:

Each of these elements is designed to help identify companies which operate with high standards of corporate responsibility. Different funds will have varying levels of focus on sustainability within the investment process, with the strongest application of the approach within our Sustainable Family of Funds.

We believe that these three elements complement each other and increase our likelihood of success in enhancing investment returns for our clients.

- Through our bottom-up research process we gain an in-depth understanding of sustainability issues at a company level. Our assessment of companies' sustainability metrics is **integrated throughout the investment process** across our key investment teams including equities, fixed income, multi asset and real estate.
- We believe **engagement is key** to improving issuer behaviours over the long-term.
- It is only by **collaborating with others** that we can deliver improved sustainability outcomes for our investors.

Integrated sustainable investing analysis

Our sustainable investment approach is founded on the core elements that make up Fidelity's investment DNA. Our approach has always been built on rigorous research and engagement to truly get under the skin of every investment opportunity. For us, sustainability considerations are another research metric. But to be truly effective from a sustainable investing perspective, we must dig deeper than ever before. Investors are increasingly expecting a more rigorous, more critical evaluation of the sustainability profile of issuers, across all asset classes and in all geographies. For this to be possible, we believe it is essential to operate an integrated sustainable investing approach that is as relevant to equities and corporate bonds as it is to real estate assets.

Equities

We have aligned our sustainable investment approach at an analyst level to ensure that every team assessing equity investment opportunities is equipped to spot sustainability-based issues that may impact our clients' portfolios.

When a stock review is completed, analysts record their findings in a central research management system that is accessible to investment colleagues anywhere in the world. Every time an analyst combs through a company's credentials, they can record any specific sustainable investment issues that may affect a company's long-term performance.

Fixed income

In our view, considering sustainability metrics is vital to assess the credit worthiness of fixed income investments, whether from corporate, sovereign or quasi-governmental issuers.

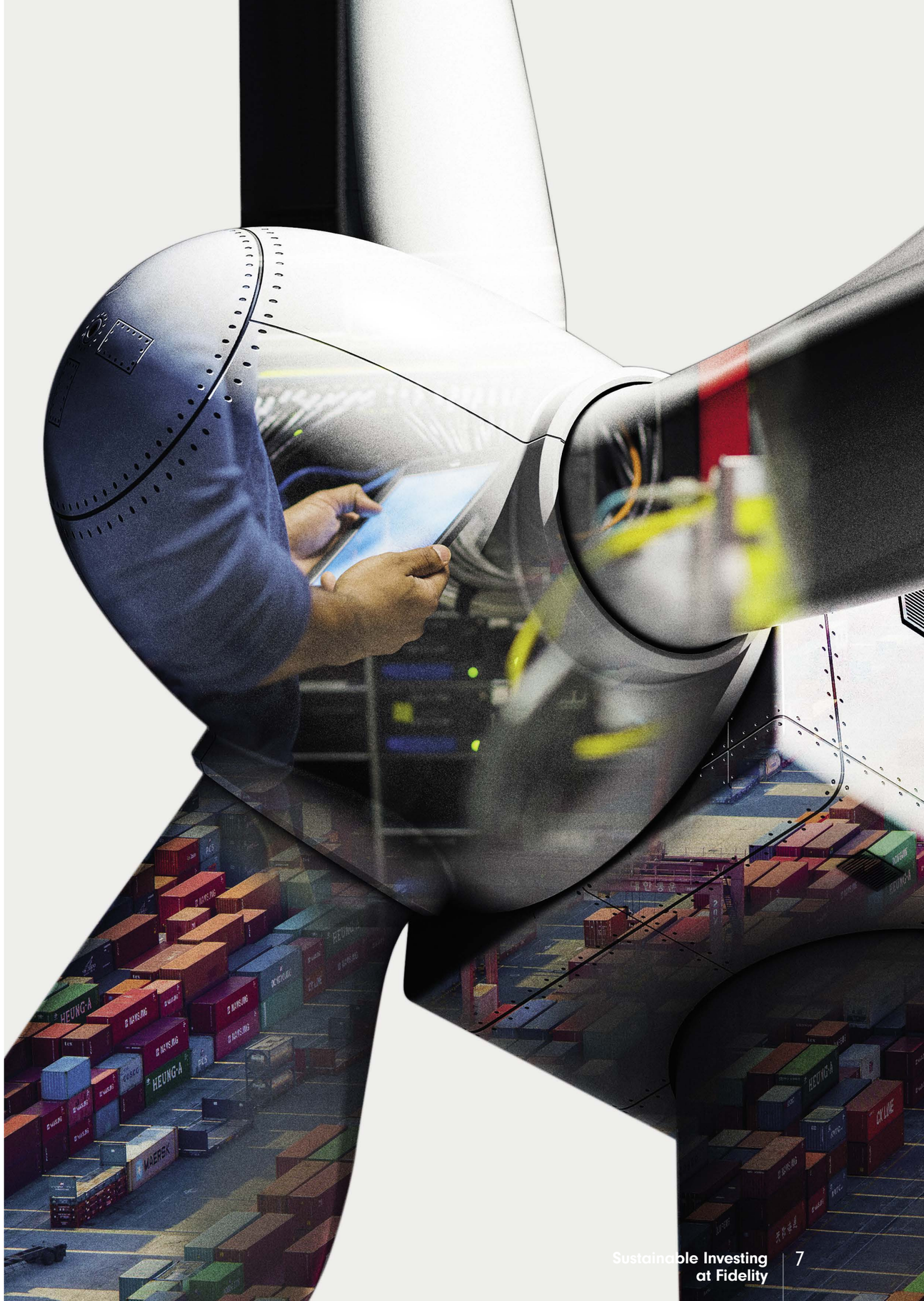
In the corporate bond market, we truly believe that a company's creditworthiness is linked to the way it behaves. From its governance structure to corrupt behaviour and its impact on the environment and society, all of these factors affect how it will perform. Fixed income investors can be hit hard from legal and reputational events, so it is essential to assess the sustainability metrics of an individual issuer within a standardised framework prior to investment.

We believe that engagement with sovereign issuers is just as important for investors as it is for corporates, as we believe there is a clear link between an issuer's sustainability credentials and their default risk. Bond investors often have less sway with sovereign issuers when it comes to engagement. Nevertheless, our team of sovereign analysts goes to great lengths to engage with central banks to try to influence sustainability factors, as well as with key policymakers.

Multi asset

Our Multi Asset Team consider the sustainability of investments extremely important. When looking to hold underlying strategies for the long-term, we aim to understand all elements of risk, including non-financial factors such as sustainability. We actively engage with third-party providers in order to understand their process for assessing the sustainability policies of companies and issuers. When assessing the broad universe of managers, we recognise that there is no single 'correct' approach from a sustainable investment perspective. It goes beyond a straightforward negative screening process or having an awareness of potential risks - and our analysts look for clear evidence that underlying managers or providers are considering sustainability in their approach.

The process carried out by Fidelity Multi Asset's dedicated Operational Due Diligence (ODD) team questions the sustainable investment considerations throughout the firm's investment process, as well as governance and control oversight and transparency and investor education. This includes gaining an understanding



of the underlying managers' own active ownership approach, the development of their sustainable capabilities and the resources they have dedicated to principles of sustainability.

Real estate

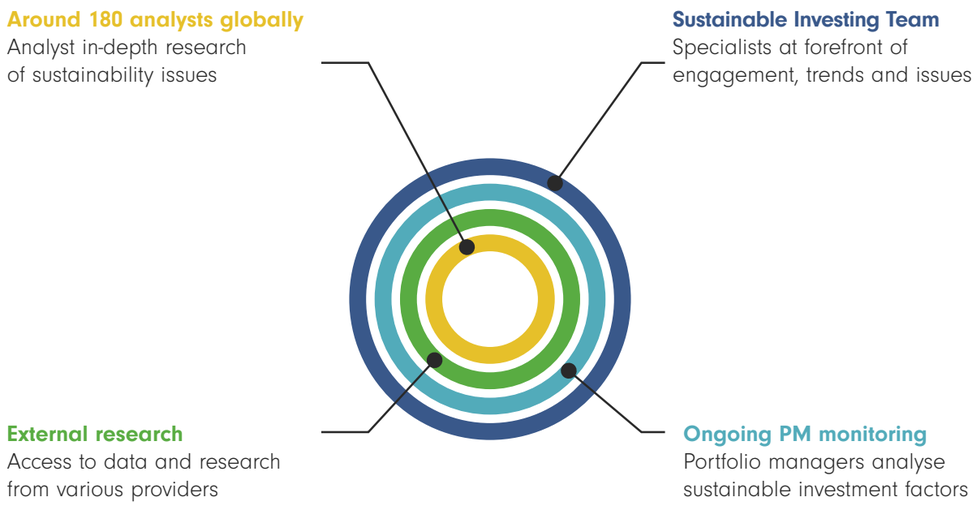
Sustainability encompasses a broad range of issues that have a material impact on the risk/return characteristics of property investments. We see profitability and sustainability considerations as being inexorably linked.

By managing property (Alternative Investment Funds only and segregated mandates investing in non-listed real estate) in line with sustainable investment considerations, we can increase the appeal of a property to both tenants and investors, while also reducing operational costs and risks, with the result being improved risk-adjusted returns. The long-term value of a property investment is strengthened by increasing its climate change resilience and limiting the risk of regulatory non-compliance or the erosion of its competitive position in the market.

To ensure that the above principles are met, we have established an environmental management system (EMS) that is aligned to the international standard ISO 14001. This framework brings together our sustainability objectives and targets and will assist in the development and continual improvement of environmental performance to the benefit of the business, stakeholders and ultimately, society at large.

Across the asset classes

There are four important inputs into our sustainable investment analysis of the companies we research: our analysts, our specialist Sustainable Investing Team, external research and our portfolio managers, who actively consider sustainability issues in their investment decisions. Our teams work together to assess the sustainability of each company we invest in.



Source: Fidelity International, 2019

Through our bottom-up approach, we start with a detailed review of the sustainability issues affecting each individual asset at the security level. Our analysts are encouraged to explore any material differences between their internal ratings of companies and the external ESG ratings provided by third-party research agencies. For new or emerging trends, or support on regional specifics, our dedicated Sustainable Investing Team will add additional input where necessary.

We have invested considerably in developing our proprietary **Fidelity Sustainability Ratings** system, which gives our teams a comprehensive and unique mine of information, from analyst insights to engagement reports from the work we do with investee companies. The system covers a universe of over 3,000 issuers in equity and fixed income.

Where helpful, to complement this proprietary analysis, we also have an extensive array of additional research and ratings information available, which we source from external third parties.

Fidelity Proprietary Sustainability Ratings

Fidelity's commitment to assessing companies on sustainable investment issues took a huge step forward in 2019 with the launch of our proprietary Sustainability Ratings system[1]. These ratings are solely for the use of Fidelity's investment teams and are informed by more than 180 analysts around the world who participate in around 16,000 company meetings a year.

The ratings system leverages Fidelity's unique research capabilities and corporate access to generate a forward-looking assessment of a company's ESG performance and future trajectory. It builds on the core elements of our sustainable investment approach:

- **Integration:** the ratings are embedded in our internal research platform to help portfolio managers across asset classes integrate sustainable investment factors into analysis and decision making.
- **Engagement:** the ratings form the base for company engagement to gain enhanced insights and mitigate risk by influencing positive corporate change, with ongoing monitoring of outcomes.
- **Collaboration:** between portfolio managers, sector research analysts, ESG analysts and companies to foster improvements against agreed milestones and timelines. We also collaborate with industry bodies and other external groups.

The system allows analysts and portfolio managers to explore a proprietary sustainability database that covers a universe of over 3,000 issuers in equity and fixed income. The investment universe has been segmented into 99 distinct sub-sectors, each with industry-specific criteria upon which each issuer is assessed, relative to their peers.

1. The Fidelity Sustainability Ratings were launched in June 2019. The system covers a universe of over 3,000 issuers in equity and fixed income.

To understand how a company approaches sustainability issues, you need to uncover the right information. We have developed a series of qualitative questions designed to capture how well a company proactively manages the sustainability issues that are the most material to its business. This helps us to determine which companies are following best practice and which are laggards.

To that end, we believe a 'best practice' sustainable company has the following attributes:

- It discloses relevant sustainability information, key performance indicators, milestones and targets at least annually;
- It has effective management systems in place to address sustainability risks, including external certifications and audits;
- It considers strategic sustainable opportunities;
- It has not been involved in significant sustainability controversies or risk events; and
- It has strong management oversight and understanding of material sustainability risks and opportunities.

A 'laggard' sustainability company, on the other hand, will likely display the following characteristics:

- It has limited sustainability disclosure, if any, and does not provide sustainability KPIs or targets;
- It does not have sufficient systems and policies in place to address and mitigate sustainability risks, perhaps evidenced by frequent involvement in controversies; and
- It has limited management oversight of sustainability issues.

Fidelity Sustainability Ratings

A research-based solution to evidence our commitment to sustainable investing integration.

Assessing the sustainability profile of a company

After we have gained an understanding of how a company manages sustainability issues, we then grade it on a scale from A to E. Ultimately, we use our judgement to evaluate how companies deal with the risks associated with sustainability issues. Our focus is on awareness, action, results and direction of change.

A	The company acknowledges and understands the current and future levels of risk it is exposed to and manages them effectively. It has limited probability of an adverse event that would have financial impact.
B	The company acknowledges and understands the current and future levels of risk it is exposed to and has managed risk effectively following historical events or controversy. It may have some probability of an adverse event that may have a financial impact.
C	The company acknowledges and understands the current level of risk it is exposed to; however, it is not aware of future risks and its risk management system is not adequate to minimise the impact of future risks. The company is currently working on plans to deal with controversies and it has some probability of an adverse event that could have a financial impact.
D	The company acknowledges the risks it may face; however, it does not understand its current and future levels of risk. It has a light touch risk management system and faces controversies that it is yet to understand or take action on. There is a probability these risks could have an adverse financial impact.
E	The company is not aware of the risks it is facing and has no management plan in place. It is currently facing controversies and has no plan to address them. There is a high probability that the company faces risks that could have a financial impact.

This new ratings system provides our clients with a forward-looking view of the factors that are influencing a company's sustainable investing performance. In addition to our Fidelity Sustainability Ratings system, our investment team will continue to have access to quality external data sources that allow them to verify the market consensus on a company's sustainability characteristics.

The new Fidelity Sustainability Ratings tool[2] will add further firepower to our bottom-up fundamental research process, providing us with the best way to harness and augment the exceptional levels of corporate access that we enjoy.

2. The system covers a universe of over 3,000 issuers in equity and fixed income.

Assessing the sustainability profile of a company

Policies	Programmes	Performance
Is the company aware of its material risks? Are commitments to address these risks institutionalised across its operations?	How well does the company implement its policies to address key risks/take advantage of opportunities?	How effective are the company's policies and programmes in practice?
What do I look for? General statement addressing material ESG issues Policy addressing material ESG issues Group-wide policies addressing material ESG issues (including contractors, vendors, suppliers)	**What do I look for?** Programmes to manage material ESG issues (e.g. health and safety management systems, green procurement) Certified Management Systems (e.g. ISO 14001, ISO 9001)	**What do I look for?** Controversy record: Severity, pattern, management response Performance goals, targets and metrics (e.g. carbon intensity, lost time incidence rate) Management and/or board oversight of ESG performance
Where might I find it? Provisions in corporate code of conduct Stand-alone policies on corporate website Corporate engagement	**Where might I find it?** Annual Report Corporate Sustainability Report/web pages PDFs of certifications on corporate website Corporate engagement	**Where might I find it?** Corporate sustainability report/ web pages News coverage Annual report Corporate governance documents Corporate engagement

Least advanced disclosure type → Most advanced disclosure type

Corporate engagement

As active stewards of capital, we believe the most effective way to improve investor outcomes is by influencing corporate behaviour through engagement. Fidelity's size and scale grants us superior levels of corporate access, while our extensive resources mean we can thoroughly assess a company's attributes.

For engagement to be meaningful, it must go beyond simply sending an email to a generic company inbox. Our approach adds value by demanding direct dialogue with leadership teams, working closely with other stakeholders for maximum impact and where necessary, employing the use of proxy voting and shareholder resolutions to improve practices.

Similarly, by closely monitoring corporate behaviours and responses to our requests, we are able to plot when progress is not being made. Where companies fail to improve against agreed goals or develop a pattern of deteriorating sustainability scores, we would consider reviewing our holding. We believe this kind of impactful stewardship can lead to better risk mitigation and enhanced outcomes for investors.

We always seek to vote with the only exceptions being where we are restricted by regulation, or where the cost to do so outweighs the benefit.

Corporate engagement and voting

Active engagement forms an integral component of our sustainable investing strategy. Indeed, there is evidence that non-financial risks – such as those related to sustainable principles – can have a significant financial impact on a company over time.

As a result, we hold the view that following such a strategy is the best way to positively influence corporate behaviour and add real value for companies and our investors. When we make investment decisions, we believe engagement, rather than exclusion, creates better results for shareholders and society.

There are several ways we engage with companies. It can be through direct dialogue with management and directors, collaboration in coalition with stakeholders to make a greater impact, or the efficient use of proxy voting and shareholder resolutions to effect change within a company. This does not always take place in isolation either. We may also engage with companies in collaboration with other shareholders. In certain circumstances, we may also co-file shareholder proposals with other stakeholders.

This strategy enables us to raise any concerns we may have about a company's impact on the environment or how it affects society. It is only through this process that we can identify the risks and opportunities that do not show up on a company's balance sheet.

Our Sustainable Investing Team works with portfolio managers and analysts to identify the main issues and engagement objectives that they want to tackle, while also keeping track of progress. We may select companies for engagement based on a number of different factors. This may include a sustainability rating or a company's exposure to controversies or specific business risks.

Our active ownership approach

- Company Meetings and Formal Correspondence
- Collaborative Engagement
- Public Policy*
- Shareholder Resolutions
- Proxy Voting

* Refers to working with governments, regulators and exchanges on actively shaping the landscape of ESG regulation.

Through interaction with a company and its management team, we can gain a deeper understanding of how it operates and where it can make improvements and have a better impact. These can be qualitative and quantitative. For example, encouraging diversity and inclusion in both a company's board of directors and its workforce can have positive qualitative results, while companies that improve their corporate governance practices can realise reputational benefits that may translate directly to better share price performance.

Our priorities

Each year, we engage with a number of companies through several channels, including meetings and conference calls with company directors and advisers.

In 2018, we adapted our engagement strategy to more proactively address environmental and social issues. In general, we engage with companies where we believe there is scope for improved sustainable performance and where we can influence positive change.

In 2019, we launched our thematic engagement programme with the goal of accelerating the progress we are making on our priority sustainability issues across several of the companies in which we invest. Each engagement theme has a specific set of objectives and milestones that are tracked over time.

How we vote

The way we vote can have a major impact on a company. As an investment manager, we are entrusted with our investors' capital and therefore, we have a responsibility to make shareholder votes that are in line with our sustainable principles.

We have proxy voting teams based in strategic global locations including London, Singapore and Japan. The teams consult portfolio managers and analysts, with all decisions aligning with our voting policies as well as our responsible investment policy.

When we do so, we vote on behalf of all our Fidelity funds and all client funds where we have been given voting authority. We draw on our in-house team's analysis of each company as well as third-party research to supplement company disclosure. However, for the most part, our preference is to engage with boards of directors and senior management teams to effect change, rather than to vote against proposals at annual general meetings.

An area where we have seen shareholders increasingly voting against management recommendations is on the issue of executive remuneration.

Executive remuneration continues to be one of the main reasons for voting against management recommendations in Europe, largely because of our share retention guidelines. We believe companies should put in place longer holding periods for share rewards and we are seeing progress here, with most UK companies now having a minimum retention period of five years for shares granted to top executives. We believe this helps to ensure executive teams remain aligned with the interests of their company and its shareholders.

For more information on our activities please read our latest Sustainable Investing Report on our websites.

Our exclusion and responsible investment policies

While we do believe in engagement and active ownership, Fidelity has a formal exclusion list (which is a list of companies we will not invest in) for cluster munitions and anti-personnel landmines which falls under the broader Exclusion Policy Framework. This list is reviewed every six months by our ESG Oversight Group.

Fidelity's Responsible Investment Policy and Exclusion Policy Framework are available on our website.

Within Fidelity's Sustainable Family of Funds, additional exclusions apply. More information can be found in the Sustainable Family section of this document.

Collaboration

As one of the largest investment managers globally, our team works closely with policymakers, industry groups and non-governmental organisations to improve sustainable behaviours by businesses around the world. We are a signatory to the Task Force on Climate-related Financial Disclosures (TCFD), the UN-backed Principles for Responsible Investment (PRI) and members of EFAMA, the European Fund and Asset Management Association, as well as local industry associations working to ensure companies have a consistent set of standards with which to work towards.

We are actively working to encourage policymakers to make company sustainability disclosures the norm in every region of the world, although we appreciate that we will achieve this more quickly in some jurisdictions than others. We have already seen sustainable finance identified as a top priority in Europe and it is expected to stay this way following the new EU leadership.

Our approach to sustainable investment is widely recognised. As such, we are commonly invited to meet government ministers, policymakers and to speak at international industry conferences.

Industry collaboration

Investing for positive change comes from collaboration and involvement with key industry initiatives.

Members of Fidelity's Sustainable Investing Team work closely with external and collaborative sustainability-related bodies that seek to improve the way industries are regulated and companies are managed, as well as to promote sustainable investing and social development.

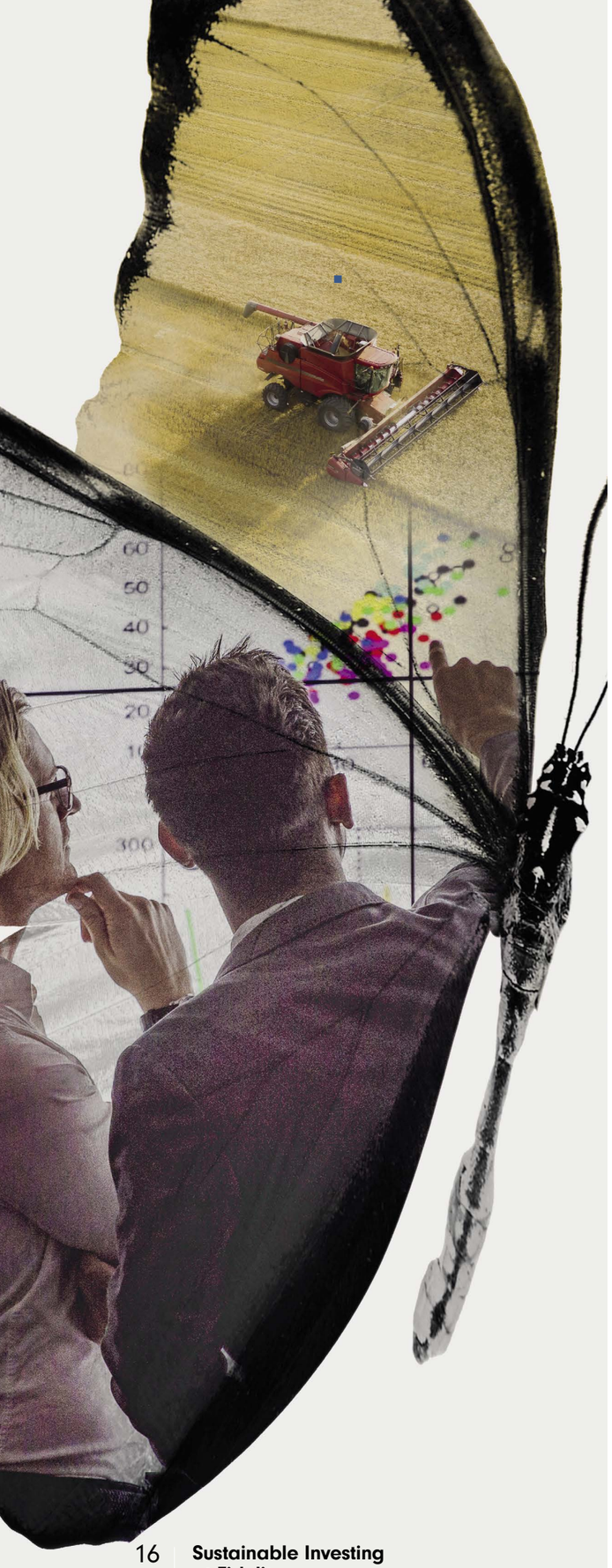
Our approach is to participate in sustainable investing-related consultations through our membership of these bodies, although we may also respond directly to consultations where our views are not reflected or where we hold a particularly strong view.

In addition to our memberships of major representative bodies, we are also signatories of the following:

- The UK Stewardship Code
- The Japanese Stewardship Code
- The Hong Kong Securities and Futures Commission Principles of Responsible Ownership
- The Taiwan Stock Exchange's Stewardship Principles for Institutional Investors

Our external memberships include:

- Asia Securities Industry and Financial Markets Association (ASIFMA)
- Asian Corporate Governance Association (ACGA)
- Association of British Insurers
- Assogestioni
- Carbon Disclosure Project
- Climate Bonds Initiative
- Confederation of British Industry Companies Committee
- Corporate Governance Forum
- EFAMA's Responsible Investment Working Group
- French Asset Management Association (AFG)
- Global Real Estate Sustainability Benchmark (GRESB)
- Hong Kong Investment Funds Association (HKIFA)
- International Corporate Governance Network (ICGN)
- Investment Association
- Investor Forums (in both Japan and the UK)



- LuxFLAG (Luxembourg Finance Labelling Agency)
- Panel on Takeovers and Mergers' Code Committee
- Principles for Responsible Investment (PRI)
- UK Sustainable Investment and Finance Association (UKSIF)
- VBDO (Dutch Association of Investors for Sustainable Development)

Fidelity's Sustainable Family of Funds

The section of the investment universe inhabited by Fidelity's Sustainable Family of Funds is driven by selecting companies with strong sustainable characteristics, whilst aiming to achieve compelling long-term financial performance.

Fidelity's Sustainable Family of Funds will offer two investment categories: best-in-class and sustainable thematic. The best-in-class funds will actively seek to select companies that are higher sustainability performers relative to peers, while the sustainable thematic funds will use an investment approach that contributes to addressing sustainability challenges or creates a positive value-add to society and the environment.

Initially, our sustainable family will consist of five products including water and waste and carbon reduction sustainable thematic strategies, as well as two best-in-class equity funds and one best in class fixed income fund.

Categories of ESG integration

What does 'Best-in-Class' mean?
Actively seeking to select companies that are higher ESG performers relative to peers or where we identify an improving outlook (i.e. an expected outperformer).
What does 'Sustainable Thematic' mean?
Actively uses an investment approach that contributes to addressing sustainability challenges or creates a positive value-add to society and the environment.

Source: Fidelity International, 2019

Our sustainable family adheres to the Fidelity Sustainable Investing approach described in this brochure and is further underpinned by a strong focus on **engagement**, **exclusion** and the depth of our **proprietary research**.

Fidelity's Sustainable Family of Funds – enhanced requirements

	Firm-wide ESG approach		Additional requirements for Sustainable Family*
Sustainable investment approach	ESG integration through investment process	+	Best-in-Class / Sustainable Thematic**
Engagement	Follow Fidelity general engagement programme	+	Enhanced engagement framework particularly for low rated holdings
Exclusions	Cluster munition and landmines	+	Additional product exclusions and behavioural violations based on UN Global Compact

* The Fidelity Sustainable Family of Funds is a minimum framework, individual strategies may have stricter rules.
** A minimum of 70% of the fund's net assets will be invested in securities that maintain sustainable characteristics.

Firm-wide sustainable investing approach

	Sustainable family - focused implementation of sustainable investing approach	
	Best-in-class	**Sustainable thematic**
Equity	■ Sustainable Global Equity Fund ■ Sustainable Eurozone Equity Fund	■ Sustainable Water and Waste Fund
Fixed Income	■ Sustainable Strategic Bond Fund	■ Sustainable Reduced Carbon Bond Fund

Source: Fidelity International, January 2020

A proactive engagement framework

We take an active ownership approach and strongly believe that fostering change is the most effective and lasting way to positively influence corporate behaviour. We engage with companies around sustainability issues on a systematic basis, especially with companies that are working towards a better sustainable investment profile.

Funds in Fidelity's Sustainable Family of Funds are required to invest a minimum of 70% of the portfolio in securities that maintain sustainable characteristics which may exclude, but are not limited to the securities the investment manager believes to have effective governance and superior management of environmental and social issues.

For the latter, the Sustainable Investing Team aim to engage proactively with the issuer and set up an engagement plan in collaboration with the portfolio manager and analysts which covers trackable milestones and time horizon. As each engagement differs, relevant metrics will be set on a case-by-case basis.

If an issuer does not improve against the agreed milestones within the set time horizon, or exhibits deteriorating sustainable characteristics, the portfolio manager will review and may ultimately sell holdings in the company in an orderly fashion.

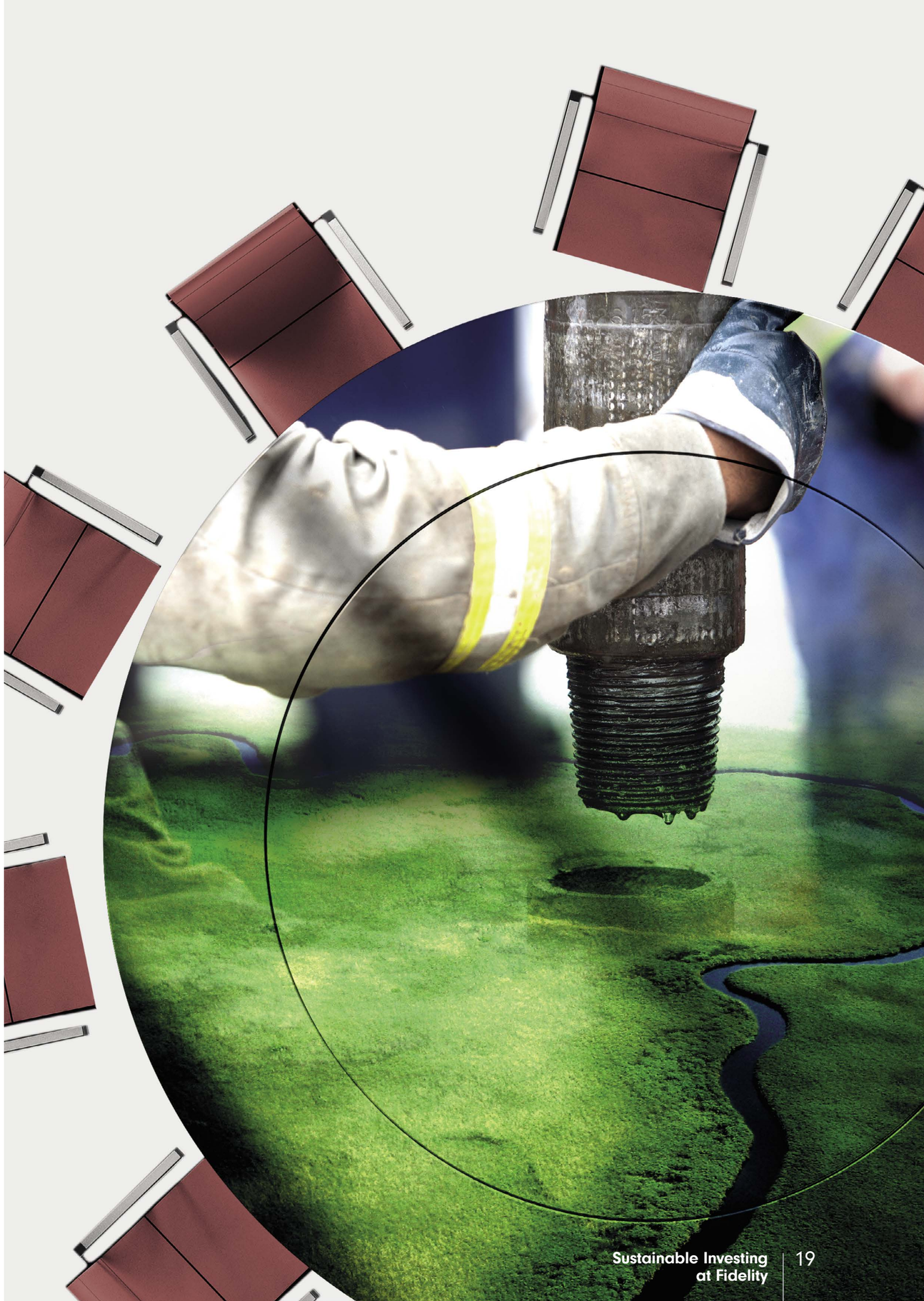
All engagement plans will be recorded in a new internal engagement database which is accessible to all investment professionals within Fidelity.

A principles-based exclusion framework

Fidelity's Sustainable Family of Funds and exclusion framework will be underpinned by an additional level of exclusions on top of Fidelity International's firm-wide exclusion list (cluster munitions and anti-personnel landmines). We have created a principles-based exclusion framework with the aim to ensure that issuers in which these funds invest meet certain sustainable standards and behave in a manner consistent with responsible investment values. The more stringent exclusion list will cover manufacturers of controversial weapons, civilian firearms and tobacco, as well as companies in violation of the 10 principles of the United Nations Global Compact and may include other initiatives as defined by our third-party screening partner.

Our proprietary research

An assessment of companies' sustainability metrics is integrated throughout our investment processes. We have a rigorous bottom-up research process where we gain an in-depth analysis of sustainability issues at a company level, using the expertise of more than 180 research analysts. This approach takes a forward-looking view on the issuer, leverages our analysts' unique insights and is supported by our specialist Sustainable Investing Team. This research includes our Fidelity Sustainability Ratings, as described in this document. The output of this research process is available to all of our investment teams. Different funds will have varying levels of focus on sustainability within the investment process, with the strongest application of the approach employed in our Sustainable Family of Funds.



Fidelity's Sustainable Family of Funds - key characteristics

Fund name	Sustainable Water & Waste Fund		Sustainable Global Equity Fund	Sustainable Eurozone Equity Fund	Sustainable Strategic Bond Fund	Sustainable Reduced Carbon Bond Fund
Fund legal structure	OEIC	SICAV	SICAV	SICAV	SICAV	SICAV
Launch date	9 December 2019	7 November 2018	30 October 2019	30 October 2019	30 October 2019	20 January 2020
Portfolio manager(s)	Bertrand Lecourt & Saurabh Sharma (Assistant Portfolio Manager)		Aditya Shivram	Vincent Durel	Tim Foster & Claudio Ferrarese	Kris Atkinson
Fund classification	Sustainable thematic		Best-in-Class	Best-in-Class	Best-in-Class	Sustainable thematic
OCF	0.90%	1.10%	1.10%	1.10%	0.76%	0.70%
ISIN	GB00BHR44F64	LU1892830081	LU1627197855	LU0318939419	LU1162107897	LU0417496105
SEDOL	BHR44F6	BF7JH36	BDFZT03	B27ZKZ6	BTN2878	BTN2878

Source: Fidelity International, January 2020. All data based on primary share class. The ongoing charges figures are estimated and actual expenses may be higher in the future. This figure may also vary from year to year.

The primary objective of the LuxFLAG ESG Label is to reassure investors that the Investment Fund actually incorporates ESG (Environmental, Social, Governance) considerations throughout the entire investment process. The eligibility criteria for the ESG Label require applicant funds to screen 100% of their invested portfolio according to one of the ESG strategies and standards recognised by LuxFLAG.

ESG LUXFLAG Label

Applicant ESG LUXFLAG Label

Important information

The value of investments and the income from them can go down as well as up and investors may not get back the amount invested.

For funds which invest in overseas markets, the value of investments can be affected by changes in currency exchange rates.

For funds which invest in emerging markets, these can be more volatile than other more developed markets. For the Fidelity Funds - Sustainable Strategic Bond Fund / Fidelity Funds - Sustainable Reduced Carbon Bond Fund: The investment policy of these funds means they can be more than 35% invested in transferable securities and money market instruments issued or guaranteed by an EEA State, one or more of its local authorities, a third country or a public international body to which one or more EEA States belongs.

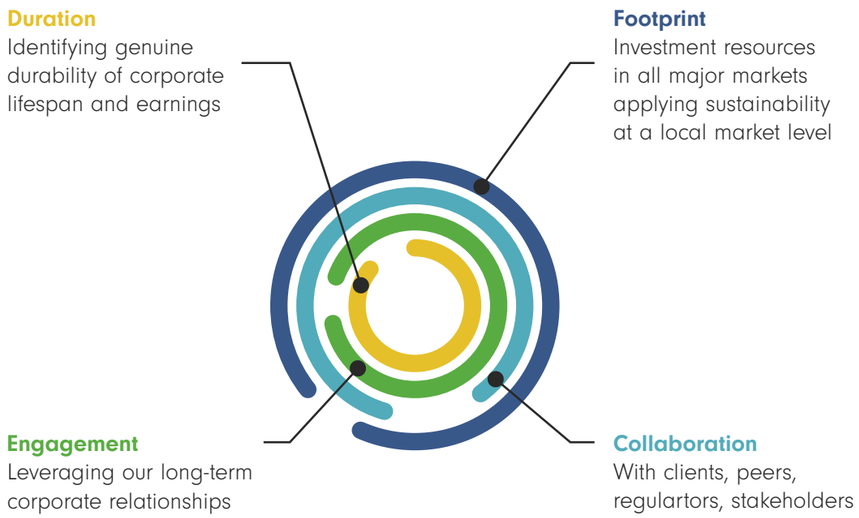
Some of these funds use financial derivative instruments for investment purposes, which may expose the fund to a higher degree of risk and can cause investments to experience larger than average price fluctuations.

There is a risk that the issuers of bonds may not be able to repay the money they have borrowed or make interest payments. When interest rates rise, bonds may fall in value. Rising interest rates may cause the value of your investment to fall. Sub-investment grade bonds are considered riskier bonds. They have an increased risk of default which could affect both income and the capital value of the Fund investing in them. Due to the greater possibility of default, an investment in a corporate bond is generally less secure than an investment in government bonds.

The Investment Manager's focus on securities of companies which maintain strong environmental, social and governance (ESG) credentials may result in a return that at times compares unfavourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security's ESG credentials can change over time.

The funds do not offer any guarantee or protection with respect to return, capital preservation, stable net asset value or volatility.

Summary: defining our approach to sustainability



Research	Engagement	Proxy voting
Analysis of sustainable investing factors integrated into proprietary bottom-up research	Use our access and scale to improve corporate behaviour	Vote at all the shareholder meetings where practicable

Exclusions	Public policy	Product development
Firm-wide exclusions of cluster munitions and landmines Additional exclusions for the Sustainable Family	Work with regulators to positively influence the direction of future sustainable investing regulation	Provide clients with the means and flexibility to meet their investment needs

Source: Fidelity International, 2019

Practicing what we preach

At Fidelity, we believe that the success of our business relies on the well-being of our employees. We are committed to adhering to the highest standards of corporate governance, encouraging a positive workplace culture and embracing diversity and inclusion at all levels of our company. As a steward of our clients' capital, we believe that it is just as important for Fidelity to achieve high performance against sustainable investment principles as it is for the companies in which we invest.

Environmental responsibility

We are working hard in each of the regions where we operate to minimise our environmental footprint and to promote sustainable business practices. In the UK, our environmental policy aims to reduce the amount of waste our operations produce and the energy we consume. We strive to exceed environmental standards in each of our offices in the UK and Europe and we are dedicated to reducing our use of plastics, paper and unnecessary office supplies.

We are in the process of rolling out a global environmental policy that will see all of our operations aligned to the same set of principles. This will help our business to significantly reduce its impact on the environment and align us with our ESG objectives.

Procurement

Fidelity recognises the importance of embedding corporate sustainability considerations in the procurement process. A Supplier Code of Conduct is published on our website and referenced in all contractual templates, while sustainability questions are included in our vendor selection process. Fidelity expects suppliers to respect the principles of sustainable procurement.

The plan for the coming years is to run a supplier diversity programme and improve supply chain transparency in order to mitigate risks and promote sustainability principles.

Fidelity has invested in video-conferencing equipment in order to discourage travelling. We are also looking into including CO_2 emissions in travel reports distributed to senior executives.

Employee engagement

We believe an engaged and healthy workforce leads to a positive corporate culture and improved outcomes. Our well-being programme, known as "Your Balance", aims to help staff members achieve the right balance between their private and professional lives. With the help of our flexible working initiative, employees can find the right balance of work and personal life to make their career work for them.

Corporate diversity

Diversity and inclusion is a key priority for Fidelity. We believe our workforce should be as representative of the population as possible, with diversity and inclusion being our main values. At present, we are seeking to put in place a global framework that seeks to meet specific targets. In the UK, we are committed to meeting or exceeding the target of having women in 30% or more of our senior management and board director roles.

Social responsibility

Within our social responsibility ambitions, we have three programmes in place to promote charitable activities among our workforce:

1. Charitable foundations

The Fidelity UK Foundation and the Fidelity International Foundation are registered charities that make grants to other charities that service beneficiaries in the UK and around the world. Their aim is to strengthen the long-term effectiveness of charitable organisations. By taking an investment approach to grant-making, our foundations fund strong charities where we feel we can add lasting, measurable value and support them in enhancing their services.

2. Fundraising and volunteering

We encourage our employees to get involved in philanthropic activities, whether they are volunteering or fundraising initiatives. We offer grant-matching for employees who raise money for charity and all staff members are given two days per year for volunteering purposes.

3. Supporting local charities

We also support a number of local charities each year through direct grants. These are determined by local committees in each of our geographic locations.

Fidelity™ INTERNATIONAL

Important information