March 2023

Sustainable Finance Disclosure Regulation

Fidelity INTERNATIONAL

Contents

Introduction

Under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“**SFDR**”), some of the entities of Fidelity International in Continental Europe and the United Kingdom are required to publish entity and product-specific disclosures as soon as they meet the definition of Financial Market Participant or Financial Advisers. The purpose of this document is to publish some of these required disclosures.

Financial Market Participant (“FMP”) scope:

- FIL Investment Management (Luxembourg) S.A. based in Luxembourg;
- FIL (Luxembourg) S.A. based in Luxembourg;
- FIL Gestion based in France;
- FIL Investment Services (UK) Limited based in the United Kingdom; and
- FIL Pensions Management based in the United Kingdom.

Even though FIL Fondsbank GmbH, FIL Life Insurance (Ireland) DAC and Fidelity European Pension Plan are also under the FMP definition according to SFDR, they are not in scope of this document. The SFDR disclosure for these specific entities is available on their specific website.

Financial Advisers (“FA”) scope:

- FIL (Luxembourg) S.A. based in Luxembourg;
- FIL Gestion based in France; and
- FIL Pensions Management based in the United Kingdom.

At the time of disclosure, the UK is not a participant in (or subject to) the SFDR. The UK entities are only covered in this document for the purpose of the financial products sold in Europe.

Article 3 - Transparency of sustainability risk policies (entity level)

Article 3: FMPs and FAs shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process and investment advice.

This section sets out a summary of the policies of Fidelity International Ltd (“**FIL**”) including its affiliates FIL Investment Management (Luxembourg) S.A., FIL (Luxembourg) SA, FIL Gestion, FIL Investment Services (UK) Limited; and FIL Pensions Management (together, “**Fidelity in-scope entities**”) on the integration of sustainability risk in its investment decision-making process and/or investment advice.

In relation to any investment management or investment advisory services provided to a client on a segregated basis, the principles of relevant approach may not apply in all instances. In such cases, applicable provisions may be set out in the relevant client services agreement and/or any disclosures relating to such agreement. If you are a client for such services and would like further information, please contact your relationship manager.

Where Fidelity in-scope entities are delegating the investment management to external managers (referred to as sub-advisors), these sub-advisors are not required to follow the sustainability risks policy of the Fidelity in-scope entities and may have different policies in place in relation to the integration of sustainability risk into their investment decisions. As part of the selection process for external sub-advisors, the Fidelity in-scope entities consider such sub-advisors’ policies on the integration of sustainability risk when selecting such sub-advisors and requires sub-advisors to consider sustainability risks as part of their investment decision-making process. The Fidelity in-scope entities also conduct on-going due diligence in respect of on whether such sub-advisors manage sustainability risks in a similar and appropriate manner to the Fidelity in-scope entities.

This information provided in this section may be updated from time to time. In the event of any inconsistency between this information and the terms of any agreement or product-specific disclosures between the Fidelity in-scope entities and any of their clients, our **Sustainable Investing Principles** **https://fidelityinternational.com/sustainable-investing-framework/** or any other policy referenced in this document, such other document shall prevail.

Under the SFDR, “sustainability risk” means an environmental, social or governance (“**ESG**”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Our policies on the integration of sustainability risks are our Sustainable Investing Principles and our ERM Framework. These policies approach sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of our clients’ investments.

Material sustainability risks for our investments are managed within a broader risk management and oversight structure. Risks are monitored on a regular basis through a range of oversight processes and across investment and oversight teams which may include Quarterly Fund Reviews, Quarterly Sustainability Reviews, monthly investment oversight forums and weekly and/or daily risk monitoring.

Examples of sustainability risks which may be potentially relevant to a client’s investments include, but are not limited to, the following:

- environmental risks include the ability of companies to mitigate and adapt to climate change and the potential for higher carbon prices, exposure to increasing water scarcity and potential for higher water prices, waste management challenges, and impact on global and local ecosystems;

- social risks include product safety, supply chain management and labour standards, health and safety and human rights, employee welfare, data & privacy concerns and increasing technological regulation; and
- governance risks include board composition and effectiveness, management incentives, management quality and alignment of management with shareholders.
- physical risks resulting from climate change such as damages to real estate assets caused by extreme adverse weather conditions such as flooding, landslides or storms; and
- transition risks arising from changes in environmental laws and regulations which may result in additional costs incurred to ensure regulatory compliance of real estate assets, increased insurance costs, costs for the assessment, measurement and reporting of environmental impact.

At the specific product level, portfolio managers develop their views of sustainability risks relevant to their investment universe. We use external research and rating providers such as MSCI and ISS to complement our internal proprietary ratings and research process and for the construction of our sustainability funds. This ratings system was established in 2019 and provides for the assessments of specific ESG issues identified for issuers in each sub-sector, and covers a range of asset classes, including real estate. To help maximise the insight from the ratings, entities are divided into sub-sectors, and material ESG issues are identified and assigned weights through a sub-sector specific materiality mapping process involving the Sustainable Investing team and the relevant Investment Analyst. For example, climate change risk KPIs may be based on different metrics and have different weights for different sub-sectors. Each entity is scored on its engagement with material Environmental, Social and Governance risks, and these insights inform an overall ESG score that can impact the decision as to whether the company is investible.

The independent investment risk oversight for Fixed Income, Multi-Asset and Equities is focused on the detection and assessment of sustainability risks to the extent these would emerge as potential exceptions to the expected risk profiles based on mandate guidelines.

Utilising the information from our fundamental research, our Fidelity Sustainability Ratings, external providers of sustainability data and data sources such as independent benchmarks which measure sustainability performance for other asset classes, such as real estate, if relevant, portfolio managers manage sustainability risks within the parameters of the specific product and investment strategy. For real estate, this includes but is not limited to the identification and evaluation of sustainability risks on the basis of physical building assessments in the aim of establishing physical and transition risks, energy and water consumption, waste generation as well as carbon footprint.

Fidelity International’s approach to Risk Management: ERM Framework

The Enterprise Risk Management (“**ERM**”) Framework defines a holistic management of risk designed to support the effective identification of risks, potential events and trends that may significantly affect Fidelity International’s ability to achieve its strategic goals or maintain its operations. The ERM Framework sets out requirements for the management of the Operational, Strategic, Investment and Financial risk types; defines roles and responsibilities of key stakeholders in the ERM Framework; and defines governance and escalation pathways. The ERM Framework defines the principal requirements for an effective risk management framework throughout the organisation and is supplemented by additional documentation, including our Sustainable Investing Principles, which define the requirements for the management of specific risk types.

Fidelity International’s risk strategy is to ensure that effective risk management, including the management of sustainability risks, is embedded in all core operating and decision-making processes across the organisation and that existing and emerging risks are identified and managed within acceptable risk limits for financial risk and risk tolerances for non-financial risks. The risk strategy for operational, strategic, financial, and investment risks are defined in relevant risk-type policies. Fidelity International’s risk strategy is supplemented by an ESG risk appetite framework which includes risk appetite statements and related metrics which reflect the aggregated level of risk that the organisation is willing to assume or tolerate in order to achieve its business objectives. Risk appetite statements, risk limits and tolerances adopted will be included in the relevant risk-type policies.

While Fidelity International’s portfolio managers are provided with information on sustainability risks and are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent Fidelity International from making any investment.

Risk Governance

FIL’s governance structure extends to include Board sub-Committees or delegated Committees, regional legal entity Board(s) and Management Committees/Forums, formed to provide oversight and to inform the FIL Board of the risk profile and effectiveness of the risk management framework. Each Committee/Forum within the Risk Governance Structure is required to have documented terms of references specifying its composition and scope of responsibility including any responsibilities of delegated authority.

Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks (entity level)

This section sets out a summary of the policies of Fidelity International Ltd (“**FIL**”) including its affiliates FIL Investment Management (Luxembourg) S.A., FIL (Luxembourg) S.A., FIL Gestion, FIL Investment Services (UK) Limited; and FIL Pensions Management (together, “**Fidelity in-scope entities**”) on the integration of sustainability risk in its remuneration process.

For the Fidelity in-scope entities, the approach to remuneration has always been designed to support the long-term business interests of shareholders of the Fidelity in-scope entities (which in turn are based on delivering value to our customers over the long term), to reflect the asset management risk model and to deliver long-term sustainability. This model is consistently applied locally to each subsidiary entity in our international network. The compensation approach of the Fidelity in-scope entities:

- is globally consistent, underpinned by a common philosophy and guiding principles which is overseen and supervised by the Remuneration Committee.
- is consistent with and promotes effective risk management, including (amongst other things) sustainability risks
- is consistent with the interests of both our clients and our shareholders
- is in line with business results

Definitions

“Advisers” means those persons within the relevant entity providing regulated investment advice to clients by making recommendations in relation to specific financial instruments either presented as suitable or based on consideration of a client’s specific circumstances

All employees in Investment adviser roles participate in the discretionary annual bonus plan. The scheme is designed to ensure that there is no conflict of interest between the interests of advisers and the best interests of their clients. The discretionary bonus arrangements enable us to consider the overall performance including sustainability measures determining their variable pay award.

“Portfolio Managers” means those persons within the relevant entity to whom day to day responsibility for managing a Product has been allocated.

Fidelity’s compensation structures are designed to align the interests of its portfolio managers with the interests of the strategies they manage and that of the clients. A large part of Portfolio Manager remuneration is aligned to the performance of their strategies. Individual performance is measured over a longer-term duration (typically over 3 to 5 years) which incorporates an evaluation of measures of sustainability, balanced view on the investment process followed, long term investment performance delivered for our clients and several other financial and non-financial measures. We consider sustainability risks including (amongst other things) compliance with applicable policies, fund governance requirements and procedures, including our disclosures in relation to sustainability risks.

Important information

The information presented in this document is for information only. It is a general disclosure on the investment approach and should not be considered as (i) investment advice, (ii) an endorsement or recommendation in a financial product or service, (iii) an offer to sell or a solicitation of an offer to purchase any securities or other financial instruments. Unless otherwise stated all views expressed are those of Fidelity International.

Europe:

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

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