

# **Fidelity UCITS II ICAV**

## **Fidelity Sustainable Global High Yield Bond Paris-Aligned Multifactor UCITS ETF**

**26 July 2023**

(A sub-fund of Fidelity UCITS II ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C174793 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).

This supplement (the “Supplement”) forms part of the Prospectus dated 1 December 2022 (the “Prospectus”) in relation to Fidelity UCITS II ICAV (the “Fund”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the Fidelity Sustainable Global High Yield Bond Paris-Aligned Multifactor UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the Fund, represented by the Fidelity Sustainable Global High Yield Bond Paris-Aligned Multifactor UCITS ETF series of shares in the Fund (the “Shares”).

The Sub-Fund is an Actively Managed Sub-Fund and Shares in this Sub-Fund may be designated as ETF Shares or Non-ETF Shares.

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.

An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The Directors, as listed in the “*Management*” section of the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

### KEY INFORMATION

<b>Base Currency</b>	USD
<b>Basis of Distribution</b>	Net Income
<b>Business Day</b>	Any London Banking Day and/or such other day or days as the Directors may determine and notify in advance to Shareholders.
<b>Dealing Day</b>	Each Business Day will be a Dealing Day, except that any day on which market(s) on which the investments in the portfolio of the Sub-Fund are traded is/are closed and, as a result of which 25% or more of the portfolio of the Sub-Fund may not be traded, shall not be a Dealing Day. The Sub-Fund will have at least one Dealing Day per fortnight. The Dealing Days for the Sub-Fund are contained in a dealing calendar which is updated monthly and available from the Administrator.
<b>Dealing Deadline</b>	2:30pm (Irish time) on the relevant Dealing Day.
<b>Investment Manager</b>	FIL Investments International
<b>Fees</b>	<p>The maximum TER for each Class is set forth in the table in the “Classes” section below.</p> <p>A subscription fee of up to 5% of the Net Asset Value of Shares being subscribed and / or a redemption fee of up to 3% of the Net Asset Value of the Shares being redeemed may be charged by the Manager.</p> <p>The establishment expenses of the Sub-Fund will be borne by the Manager.</p> <p>Further information in this respect is set out in the “Fees and Expenses” section of the Prospectus, and below.</p>
<b>Settlement Deadline</b>	The second Business Day following the relevant Dealing Day
<b>Valuation</b>	The Net Asset Value per Share is calculated in accordance with the “Determination of Net Asset Value” section of the Prospectus, using the closing bid price published by the relevant Recognised Market on each Valuation Day for assets quoted, listed or traded on or under the rules of such Recognised Market.

<b>Valuation Day</b>	Every Dealing Day and, in the event it is not a Dealing Day, any day with the exception of Saturdays, Sundays, New Year's Day, Christmas Day and Good Friday and/or such other day or days as the Directors may determine and notify in advance to Shareholders.
<b>Valuation Point</b>	11:00pm (Irish time) on each Valuation Day.

The Fund is an umbrella UCITS. The other sub-funds of the Fund are those listed in the Prospectus and the Fidelity Global Government Bond Climate Aware UCITS ETF.

### Classes

Shares of the Sub-Fund may be divided into different Share Classes with different dividend policies and currency hedging exposures. They may therefore have different fees and expenses. The following Share Classes are available to launch at the discretion of the Manager.

Class Name	Share Class Currency	Currency Hedged Share Class	ETF or Non-ETF Shares	Dividend Distribution Policy	Maximum TER %	Initial Period	Offer	Offer Price
Acc	USD	No	ETF Shares	Accumulating	0.35	27 July 2023 to 26 January 2024		5 USD
Inc	USD	No	ETF Shares	Distributing	0.35	N/A*		5 USD
USD Hedged Acc	USD	Yes, Portfolio Hedge	ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024		5 USD
USD Hedged Inc	USD	Yes, Portfolio Hedge	ETF Shares	Distributing	0.40	N/A*		5 USD
EUR Hedged Acc	EUR	Yes, Portfolio Hedge	ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024		5 EUR
EUR Hedged Inc	EUR	Yes, Portfolio Hedge	ETF Shares	Distributing	0.40	N/A*		5 EUR
GBP Hedged Acc	GBP	Yes, Portfolio Hedge	ETF Shares	Accumulating	0.40	N/A*		5 GBP
GBP Hedged Inc	GBP	Yes, Portfolio Hedge	ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024		5 GBP
CHF Hedged Acc	CHF	Yes, Portfolio Hedge	ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024		5 CHF
CHF Hedged Inc	CHF	Yes, Portfolio Hedge	ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024		5 CHF
Unlisted P USD Acc	USD	No	Non-ETF Shares	Accumulating	0.35	27 July 2023 to		5 USD

						26 January 2024	
Unlisted P USD Inc	USD	No	Non-ETF Shares	Distributing	0.35	27 July 2023 to 26 January 2024	5 USD
Unlisted P EUR Acc	EUR	No	Non-ETF Shares	Accumulating	0.35	27 July 2023 to 26 January 2024	5 EUR
Unlisted P EUR Inc	EUR	No	Non-ETF Shares	Distributing	0.35	27 July 2023 to 26 January 2024	5 EUR
Unlisted P GBP Acc	GBP	No	Non-ETF Shares	Accumulating	0.35	27 July 2023 to 26 January 2024	5 GBP
Unlisted P GBP Inc	GBP	No	Non-ETF Shares	Distributing	0.35	27 July 2023 to 26 January 2024	5 GBP
Unlisted P CHF Acc	CHF	No	Non-ETF Shares	Accumulating	0.35	27 July 2023 to 26 January 2024	5 CHF
Unlisted P CHF Inc	CHF	No	Non-ETF Shares	Distributing	0.35	27 July 2023 to 26 January 2024	5 CHF
Unlisted P USD Hedged Acc	USD	Yes, Portfolio Hedge	Non-ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024	5 USD
Unlisted P USD Hedged Inc	USD	Yes, Portfolio Hedge	Non-ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024	5 USD
Unlisted P EUR Hedged Acc	EUR	Yes, Portfolio Hedge	Non-ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024	5 EUR
Unlisted P EUR Hedged Inc	EUR	Yes, Portfolio Hedge	Non-ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024	5 EUR

									2024	
Unlisted Hedged Acc	P	GBP	GBP	Yes, Hedge	Portfolio	Non-ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024	5 GBP
Unlisted Hedged Inc	P	GBP	GBP	Yes, Hedge	Portfolio	Non-ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024	5 GBP
Unlisted Hedged Acc	P	CHF	CHF	Yes, Hedge	Portfolio	Non-ETF Shares	Accumulating	0.40	27 July 2023 to 26 January 2024	5 CHF
Unlisted Hedged Inc	P	CHF	CHF	Yes, Hedge	Portfolio	Non-ETF Shares	Distributing	0.40	27 July 2023 to 26 January 2024	5 CHF

\*The initial offer period for this Share Class has closed and Shares in this Share Class will be issued at their Net Asset Value per Share on each Dealing Day.

## INVESTMENT OBJECTIVE AND POLICY

### Investment Objective

The investment objective of the Sub-Fund is to align with the Paris Agreement long-term global warming objectives by restricting the carbon emission exposure of its portfolio and to achieve income and capital growth.

### Investment Policy

The Sub-Fund aims to achieve its investment objective on an active basis by investing in a portfolio primarily made up of high-yielding, sub-investment grade corporate debt securities of issuers globally.

The reduction of carbon emission objective of the Sub-Fund will be aligned with the Solactive Paris Aligned Global Corporate High Yield USD Index (the "**Benchmark**"), as described below.

### *Summary*

The Investment Manager uses a combination of quantitative, fundamental and sustainability research to select securities which are: (a) weighted with a view to maximising portfolio return relative to Benchmark; (b) aligned with the carbon emission performance of the Benchmark; and (c) sustainable investments pursuant to the SFDR. The Sub-Fund is part of the Fidelity Sustainable Family and adopts a 'Sustainable Focused' strategy, investing in securities issued by companies that contribute to an environmental objective, do no significant harm, meet minimum safeguards and have good governance.

The Sub-Fund has a sustainable investment objective and, in particular, is aligned with the EU PAB Emission Reduction Requirements. In addition, the Sub-Fund also adheres to the Fidelity Sustainable Family Framework, further details of which are set out in the section of the Prospectus entitled "Fidelity Sustainable Family of Funds". The Sub-Fund is therefore subject to the disclosure requirements of article 9 of the SFDR.

### *The Benchmark*

The Benchmark tracks the performance of high yield, sub-investment grade corporate debt securities publicly issued globally while at the same time aiming to align with the Paris Agreement's climate targets on greenhouse gas emission reduction (the "**EU PAB Emission Reduction Requirements**"). The EU PAB Emission Reduction Requirements require the Benchmark to exhibit a level of emission intensity 50% lower than an equivalent global market universe (which does not integrate alignment with the Paris Agreement) at launch and subsequently to aim for a further year-on-year decarbonisation target, currently at an average rate of 7% per annum. As a result of complying with the EU PAB Emission Reduction Requirements and the minimum technical requirements for EU Paris-aligned benchmarks, the Benchmark will be labelled as an EU Paris Aligned Benchmark. In addition, the Benchmark excludes issuers based on their involvement in activities with significant externalities (tobacco, fossil fuels, controversial weapons etc.), breaches of international norms (such as United Nations Global Compact (UNGC) principles) and with a significant negative impact on certain sustainable development goals. Such exclusions ensure that the securities in the Benchmark and their issuers do not significantly harm sustainable objectives pursuant to the SFDR. Finally, the governance practices of issuers are assessed as part of the Benchmark construction process with the exclusion of companies with verified failure to respect established norms such as the UNGC principles, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises or UN Guiding Principles for Business and Human Rights. Such exclusions ensure that the issuers of securities in the Benchmark follow good governance principles pursuant to the SFDR. Further details regarding the Benchmark are available on the index provider's website at [www.solactive.com/indices](http://www.solactive.com/indices).

As a result of its aim of outperformance, the Sub-Fund will likely bear a close resemblance to the Benchmark and the risk characteristics (e.g. level of volatility) and carbon footprint of the Sub-Fund's

portfolio will be broadly similar to that of the Benchmark, but the Sub-Fund will be actively managed and will not attempt to replicate the Benchmark. Rather, the Investment Manager may overweight the securities which it considers have the highest potential to outperform the Benchmark and underweight or not invest at all in securities which the Investment Manager considers most overvalued. The Sub-Fund may also invest in securities which do not form part of the Benchmark in the following circumstances: 1) instruments that were previously constituents of the Benchmark may be held for a transition period after they fall out of the Benchmark in a manner appropriate to protect the best interests of Shareholders and will then be divested; and 2) for liquidity management purposes where inflows and liquidity levels require holdings in certain instruments that are not constituents of the Benchmark.

#### *Multifactor Approach*

The Investment Manager will use a multifactor approach by using financial data (e.g. information contained in published financial statements, credit spreads available from data vendors, and bond and equity prices available from pricing vendors) to allocate companies a “factor score” as defined by the Investment Manager’s research analysts. The “factor score” is higher for companies with: 1) a positive sentiment factor measured using metrics such as equity volatility and credit spreads; 2) a strong fundamentals factor measured by the financial health of the company using metrics such as profitability, the ability to service debt and levels of leverage; and 3) a strong valuation factor being the relative cheapness or expensiveness of the companies relative to others. The Investment Manager uses this score to weight and select securities, in addition to taking into account factors specific to the bond (as opposed to the issuer) which resulted in the score, as well as transaction costs and the size of bond and issuer weights, and sector, country, duration, issuer size and weights of the Benchmark in order to deliver out-performance of the Benchmark. As a result of these constraints, the extent to which the Sub-Fund will deviate from the Benchmark, in relation to both composition and performance, is likely to be limited. While the Sub-Fund does not track the Benchmark, the Investment Manager does not anticipate the tracking error to exceed 2%. Please note that this indicative tracking error is not binding on the Sub-Fund and the Sub-Fund may deviate from this.

#### *Fundamental and Quantitative Assessment*

In seeking to assess securities, the Sub-Fund will leverage the expertise of the Investment Manager’s fundamental and quantitative research analysis from its proprietary research platform which has a broad bottom-up asset class coverage, alongside global aggregation and top-down forecasting by sector and region, and macro and quantitative research.

#### *Environmental and Social Characteristics*

As described above, the Investment Manager seeks to ensure that the Sub-Fund’s portfolio is aligned with the carbon emission performance of the Benchmark. In addition, the Investment Manager maintains an ESG screening policy and applies exclusions and screens to the portfolio. Finally, the Sub-Fund’s portfolio is systematically tilted toward securities with higher ESG ratings so that there is a minimum of 70% of the Sub-Fund’s assets invested in securities with favourable ESG characteristics. Each of these elements of the investment strategy are further described in the section of the Prospectus entitled “*Sustainable Investing and ESG Integration*” and in the Sustainability Annex.

Details of the Sub-Fund’s portfolio and the Net Asset Value per Share are available on the Website daily.

As of the date of this Supplement, the Benchmark administrator has been included on the ESMA register of administrators and benchmarks.

#### *Asset Classes*

The Sub-Fund will primarily invest in a broad range of corporate debt instruments, including bonds, bonds with warrants, convertible bonds (which provide additional protection for the Sub-Fund when

compared to other types of subordinated debt as they may be converted into equity), corporate hybrid securities, subordinated bonds, asset-backed securities, debentures and notes (including freely transferable notes and freely transferable promissory notes). They will include fixed and floating rate securities and investment grade, sub-investment grade, high yield and unrated debt securities and may be of any maturity or no maturity, e.g. perpetuals, and will be issued by companies globally. The Sub-Fund will not invest in contingent convertible bonds and the asset-backed securities in which the Sub-Fund will invest will not include collateralised debt obligations, collateralised loan obligations or collateralised mortgage obligations.

Sub-investment grade fixed income securities are medium or lower rated securities, generally those rated below investment grade (Baa3, BBB- or above) by one or more recognised rating agency, sometimes referred to as “junk bonds”. The Sub-Fund may also invest in unrated debt securities. The Sub-Fund may invest up to 100% of its Net Asset Value in sub-investment grade, high yield and unrated debt securities. Under normal market conditions, it is not expected that the Sub-Fund will invest more than 10% of its Net Asset Value in unrated debt securities.

The Currency Hedged Share Classes will implement currency hedging in accordance with the “*Currency Hedging at Share Class Level*” section of the Prospectus.

The Sub-Fund may for efficient portfolio management purposes only, and in accordance with the conditions and limits imposed by the Central Bank, use forward foreign exchange contracts (including non-deliverable forwards), index futures and currency futures. Forwards and futures and their use for this purpose are described under “*Use of Financial Derivative Instruments*” in the “*Investment Objectives and Policies*” section of the Prospectus. Accordingly, while the Sub-Fund may be leveraged as a result of its use of FDIs, the primary purpose of the use of FDIs is to reduce risk and it is expected that such leverage, calculated using the using the commitment approach, will not exceed 100% of the Sub-Fund’s Net Asset Value.

With the exception of permitted investments in transferable securities and money market instruments which are unlisted, all securities invested in by the Sub-Fund will be listed, dealt or traded on Recognised Markets globally.

The Sub-Fund may also invest in other regulated, open-ended collective investment schemes as described under “*General Investment Techniques*” in the “*Investment Objectives and Policies*” where the objectives of such funds are consistent with the objective of the Sub-Fund. The Sub-Fund’s investments in other collective investment schemes will be limited to 10% of Net Asset Value.

The Sub-Fund may also, on an ancillary basis for cash management purposes, invest in money market instruments including bank deposits, fixed or floating rate instruments (including commercial paper), floating or variable rate notes, bankers acceptances, certificates of deposit, debentures and short-dated government or corporate bonds, cash and cash equivalents (including treasury bills) that are rated as investment grade or below or are unrated, subject to the limits and restrictions of the UCITS Regulations.

## **SFDR / EU Taxonomy Disclosures**

The SFDR and the EU Taxonomy require certain disclosures, as regards Sustainability Risks and other matters. The disclosures regarding Sustainability Risks are set out in the Prospectus (under the heading “*Sustainable Investing and ESG Integration*”), while the other disclosures are set out both in the section of the Prospectus entitled “*Sustainable Investing and ESG Integration*” and in the Sustainability Annex.

## **INVESTMENT RISKS**

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “Risk Information” section of the Prospectus and, in particular, the “Sustainable Investing Risk” risk disclosure and “Lower Rated/Unrated Securities” risks. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares.

The Sub-Fund is not expected to have an above average risk profile or high volatility as a result of its use of FDIs. For information in relation to risks associated with the use of financial derivative instruments, please refer to “*Derivatives Risk*” in the “*Risk Information*” section of the Prospectus.

## **INVESTOR PROFILE**

Typical investors in the Sub-Fund are expected to be retail and institutional investors who want exposure to the sub-investment grade corporate debt securities sector and benefit from the higher yields generally offered by sub-investment grade corporate bonds compared to investment grade corporate securities or government securities.

## **INVESTMENT MANAGER**

The Manager has appointed FIL Investments International to act as Investment Manager of the Sub-Fund. The Investment Manager is incorporated in the United Kingdom, with its registered office at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP, United Kingdom, and FIL Limited is its ultimate parent company. The Investment Manager is authorised and regulated in the United Kingdom by the Financial Conduct Authority. The Investment Manager acts as investment manager or investment adviser to a range of collective investment schemes.

The Investment Management Agreement provides that the appointment of the Investment Manager will continue in force unless and until terminated by either party providing six months’ prior written notice. The Investment Management Agreement may also be terminated forthwith without prior notice in certain circumstances, such as upon the insolvency of either party (or upon the happening of a like event) or upon an unremedied breach within 30 days of receipt of notice. The Manager may also terminate the appointment of the Investment Manager with immediate effect in certain circumstances, including where to do so is in the best interests of the Sub-Fund. The Investment Management Agreement contains provisions regarding the Investment Manager’s legal responsibilities. The Investment Manager is not liable for losses, liabilities, damages or expenses caused to the Sub-Fund unless resulting from its negligence, wilful default, bad faith or fraud.

The Investment Manager has the discretion to delegate all the powers, duties and discretions exercisable in respect of its obligations under the Investment Management Agreement as the Investment Manager and any delegate may from time to time agree. Any such appointment will be in accordance with the requirements of the Central Bank.

## **PRIMARY MARKET – SUBSCRIPTIONS AND REDEMPTIONS**

Shares in unlaunched Classes will be available during the Initial Offer Period (or such earlier or later date as the Directors may determine) at the fixed price detailed in the table in the “*Classes*” section above.

Shares in a given Share Class, following the closure of the Initial Offer Period of that Share Class, may be subscribed for and redeemed on each Dealing Day by making an application before the Dealing Deadline. Such Shares will be issued or redeemed at the Net Asset Value per Share plus an amount in respect of Duties and Charges and/or a subscription/redemption fee, where applicable.

Subscription and redemption orders in respect of the ETF Shares in the Sub-Fund will be processed in accordance with the *“Purchase and Sale Information – ETF Sub-Funds”* section of the Prospectus. Subscription and redemption orders in respect of the Non-ETF Shares in the Sub-Fund will be processed in accordance with the *“Purchase and Sale Information – Non-ETF Sub-Funds”* section of the Prospectus.

## **SECONDARY MARKET – SUBSCRIPTIONS AND REDEMPTIONS**

Investors may buy and sell ETF Shares in the Sub-Fund on a Secondary Market in accordance with the *“Purchase and Sale Information – Procedures for Dealing on the Secondary Market”* section of the Prospectus.

## **CONVERSIONS**

Notwithstanding the terms of the Prospectus, Shareholders are not entitled to convert their Shares in the Sub-Fund into Shares in another sub-fund of the Fund or to convert their ETF Shares in the Sub-Fund into Non-ETF Shares in the Sub-Fund or vice versa. Shareholders are permitted to convert their ETF Shares in one Share Class of the Sub-Fund to ETF Shares of another Share Class of the Sub-Fund.

## **DIVIDEND DISTRIBUTIONS**

In respect of Distributing Classes, and subject to Net Income being available for distribution, it is the current intention of the Directors, subject to any de minimis threshold, to declare dividends out of Net Income attributable to each of the Distributing Classes. Under normal circumstances, the Directors intend that dividends shall be declared on a quarterly basis in or around February, May, August and November of each year and paid on the last Thursday of that relevant month, or any such other Business Day that the Directors deem appropriate. However, Shareholders should note that the Directors may, in their discretion, decide not to make such payment in respect of a Distributing Class.

## **LISTING**

Application has been made for the ETF Shares to be admitted to the Official List and to trading on the Regulated Market of Euronext Dublin and to be admitted to trading on each of the Listing Stock Exchanges. The ETF Shares are expected to be admitted to listing on Euronext Dublin on or about the closure of the Initial Offer Period for the relevant Share Class.

**Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:**

Fidelity UCITS II ICAV - Fidelity Sustainable Global High Yield Bond  
Paris-Aligned Multifactor UCITS ETF

**Legal entity identifier:**

254900MS148ET4PT4191

**Sustainable investment objective**

**Does this financial product have a sustainable investment objective?**

☒ ☒ ☒ **Yes**

☐ ☐ ☐ **No**

☒ It will make a minimum of **sustainable investments with an environmental objective: 90%**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective:\_\_\_**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It promotes E/S characteristics, **but will not make any sustainable investments**



**What is the sustainable investment objective of this financial product?**

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

The sustainable investment objective of the Sub-Fund is to align with the Paris Agreement long-term global warming objectives by restricting the carbon emission exposure of its portfolio and to achieve income and capital growth.

The reduction of carbon emission objective of the Sub-Fund will be aligned with the Solactive Paris Aligned Global Corporate High Yield USD Index (the "Benchmark").

The Benchmark tracks the performance of high yield, sub-investment grade corporate debt securities publicly issued globally while at the same time aiming to align with the Paris Agreement's climate targets on greenhouse gas emission reduction (the "EU PAB Emission Reduction Requirements"). The EU PAB Emission Reduction Requirements require the Benchmark to exhibit a level of emission intensity 50% lower than an equivalent global market universe (which does not integrate alignment with the Paris Agreement) at launch and subsequently to aim for a further year-on-year decarbonisation target, currently at an average rate of 7% per annum. As a result of complying with the EU PAB Emission Reduction Requirements and the minimum technical requirements for EU Paris-aligned benchmarks, the Benchmark will be labelled as an EU Paris Aligned Benchmark.

The Sub-Fund considers that investment in a constituent of the Benchmark is an investment in economic activities with an environmental objective (that do not qualify as environmentally sustainable under the EU Taxonomy) and therefore investment in a constituent of the Benchmark is a sustainable investment.

### ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Sub-Fund uses the following sustainability indicators in order to measure the attainment of the sustainable investment objective:

- i) the percentage of the Sub-Fund invested in sustainable investments;
- ii) the percentage of the Sub-Fund invested in sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy; and
- iii) the percentage of the Sub-Fund invested in securities of issuers with exposure to the Exclusions (as defined below).

### ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

Within the construction of the Benchmark, sustainable investments are screened for involvement in controversies and activities that cause significant harm, including the exclusion of issuers based on their involvement in activities with significant externalities (tobacco, fossil fuels, controversial weapons etc.), breaches of international norms (such as United Nations Global Compact (UNGC) principles) and with a significant negative impact on certain sustainable development goals ("SDGs"), including SDG 12: Responsible Consumption and Production, SDG 13: Climate Action, SDG 14: Life Below Water and SDG 15: Life on Land.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

#### ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

Quantitative data (where available) on PAI indicators is used to evaluate whether an issuer is involved in activities that cause significant harm to any environmental or social objective.

#### ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?***

The Benchmark excludes companies with verified failure to respect established norms such as the United Nations Global Compact (UNGC) principles, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, or UN Guiding Principles for Business and Human Rights.



### **Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

☐ No

Consideration of the principal adverse impacts on sustainability factors of investment decisions (referred to as principal adverse impacts) is incorporated through a variety of tools, including:

(i) *Due Diligence* - analysis of whether impacts on sustainability factors are material and negative.

(ii) *ESG rating* - Fidelity references ESG ratings which incorporate consideration of material principal adverse impacts such as carbon emissions, employee safety and bribery and corruption, water management and, for sovereign issued securities, ratings used incorporate consideration of material principal adverse impacts such as carbon emissions, social violations and freedom of expression.

(iii) *Exclusions* - When investing directly in corporate issuers, the Sub-Fund applies the Exclusions (as defined below) to help mitigate the principal adverse impacts through excluding harmful sectors and prohibiting investment in issuers that breach international standards, such as the UNGC.

(iv) *Engagement* - Fidelity uses engagement as a tool to better understand principal adverse impacts and, in some circumstances, advocate for mitigating the principal adverse impacts. Fidelity participates in relevant individual and collaborative engagements that target a number of principal adverse impacts (i.e. Climate Action 100+, Investors Against Slavery and Trafficking APAC).

(v) *Voting* - Fidelity's voting policy includes explicit minimum standards for board gender diversity and engagement with climate change. Fidelity may also vote to help mitigate principal adverse impacts.

(vi) *Quarterly reviews* - monitoring of principal adverse impacts through the Sub-Fund's quarterly review process.

Fidelity takes into account specific indicators for each sustainability factor when considering whether investments have a principal adverse impact. These indicators are subject to data availability and may evolve with improving data quality and availability.

Information on principal adverse impacts will be available in the annual report of the Sub-Fund.



## What investment strategy does this financial product follow?

### The investment strategy

guides investment decisions based on factors such as investments objectives and risk tolerance.

The Investment Manager seeks to ensure that the Sub-Fund's portfolio is aligned with the carbon emission performance of the Benchmark, which in turn is aligned with the EU PAB Emission Reduction Requirements. As such, the Sub-Fund's investments are in an economic activity that contributes to an environmental objective, namely the reduction of carbon emissions.

In addition, the Sub-Fund will invest a minimum of 70% in assets with favourable ESG characteristics determined by reference to ESG ratings provided by external agencies and Fidelity ESG ratings.

The Investment Manager seeks to improve the portfolio's overall ESG profile compared to the Benchmark by increasing its exposure to securities with a higher ESG rating, weighted based on expected risk-adjusted return. In addition, the Investment Manager takes into account the size of bond and issuer weights, and sector, country, duration, issuer size and weights of the Benchmark in order to deliver out-performance of the Benchmark and align with the Benchmark's carbon emission performance.

The Benchmark complies with the EU PAB Emission Reduction Requirements and excludes issuers which meet any of the exclusion criteria set out in the minimum technical requirements for EU Paris-aligned benchmarks. In addition, the Investment Manager maintains an ESG screening policy and applies exclusions and screens to the portfolio. These screens are based on globally recognised standards and principles in areas such as environmental protection and human rights.

Key components of the investment strategy are:

- (i) Sustainable Investments; A minimum of 90% of the Sub-Fund's assets will be Sustainable Investments.
- (ii) Do No Significant Harm; The Sub-Fund applies the "do no significant harm" criteria, as set out above, to all direct investments held within the Sub-Fund.
- (iii) Minimum safeguards; The Sub-Fund excludes direct investments that fail to conduct their business in accordance with accepted international norms, including as set out by OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, UN Global Compact (UNGC) and the International Labour Organisation (ILO) Conventions.
- (iv) Good governance; All investee companies in the Sub-Fund will be screened for controversies, including tax and bribery and corruption screenings.
- (v) Exclusions; respect of its direct investments, the Sub-Fund is subject to:

(a) a firm-wide exclusions list, which includes cluster munitions and anti-personnel landmines; and

(b) a principle-based screening policy which includes:

- norms-based screening of issuers which the investment manager considers have failed to conduct their business in accordance with international norms, including as set out in the UNGC; and
- negative screening of certain sectors, companies or practices based on specific ESG criteria where revenue thresholds may be applied.

The above exclusions and screens (the "Exclusions") may be updated from time to time. Please refer to the website for further information [Sustainable investing framework \(fidelityinternational.com\)](https://www.fidelityinternational.com).

(vii) Ancillary investments; the Sub-Fund may invest in securities which do not form part of the Benchmark in the following circumstances: i) securities that were previously constituents of the Benchmark may be held for a transition period after they fall out of the Benchmark in a manner appropriate to protect the best interests of investors and will then be divested; and ii) for liquidity, hedging and efficient portfolio management.

***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Sub-Fund will invest:

- (i) a minimum of 90% in sustainable investments of which a minimum of 0% have an environmental objective which is aligned with the EU Taxonomy, a minimum of 90% have an environmental objective (which is not aligned with the EU Taxonomy) and a minimum of 0% have a social objective; and
- (ii) not more than 10% of its assets (a) in securities that were previously constituents of the Benchmark may be held for a transition period after they fall out of the Benchmark in a manner appropriate to protect the best interests of investors and will then be divested; and (b) for liquidity, hedging and efficient portfolio management;

provided that such investments do not significantly harm any other environmental and social objectives and that investee companies follow good governance practices.

The Sub-Fund will systematically apply the Exclusions as described above.

***What is the policy to assess good governance practices of the investee companies?***

The Benchmark construction process assesses the governance practices of issuers with the exclusion of companies with verified failure to respect established norms such as the UNGC principles, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises or UN Guiding Principles for Business and Human Rights. Such exclusions ensure that the issuers of securities in the Benchmark follow good governance principles.

To the extent the Sub-Fund invests in securities which do not form part of the Benchmark, such issuers are screened for controversies, including tax, bribery and corruption screenings to help meet good governance requirements for investee companies. In addition to these screens, governance practices of issuers are assessed using fundamental research including Fidelity ESG ratings, data regarding controversies and UN Global Compact violations. Key points that are analysed include track record of capital allocation, financial transparency, related party transactions, board independence and size, executive pay, auditors and internal oversight, minority shareholder rights, among other indicators.

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.



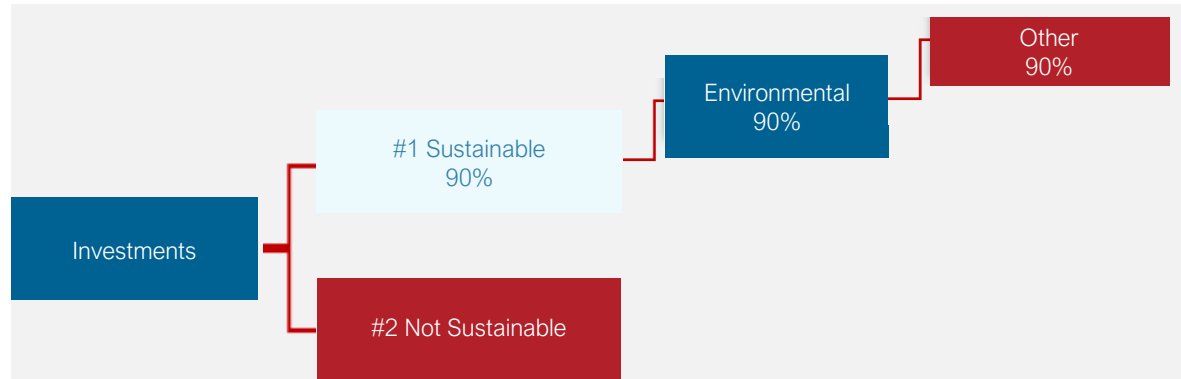
## What is the asset allocation and the minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**(#1 Sustainable)** The Sub-Fund will invest a minimum of 90% in sustainable investments **(#1A Sustainable)** of which a minimum of 0% will have an environmental objective which is aligned with the EU Taxonomy, a minimum of 90% will have an environmental objective (which is not aligned with the EU Taxonomy) and a minimum of 0% will have a social objective.



**#1 Sustainable** covers sustainable investments with environmental or social objectives

**#2 Not sustainable** includes investments which do not qualify as sustainable investments

### How does the use of derivatives attain the sustainable investment objective?

Where the security underlying a derivative is deemed to contribute to the sustainable objective of the Sub-Fund, the derivative may be used to contribute to the attainment of the sustainable investment objective.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund invests a minimum of 0% in sustainable investments with an environmental objective aligned with the EU Taxonomy.

The compliance of the investments of the Sub-Fund with the EU Taxonomy will not be subject to an assurance by auditors or a review by third parties.

The EU Taxonomy alignment of the underlying investments of the Sub-Fund is measured by turnover.

### Does the financial product invest in fossil gas and/or nuclear energy-related activities that comply with the EU Taxonomy<sup>1</sup>?

☐ Yes

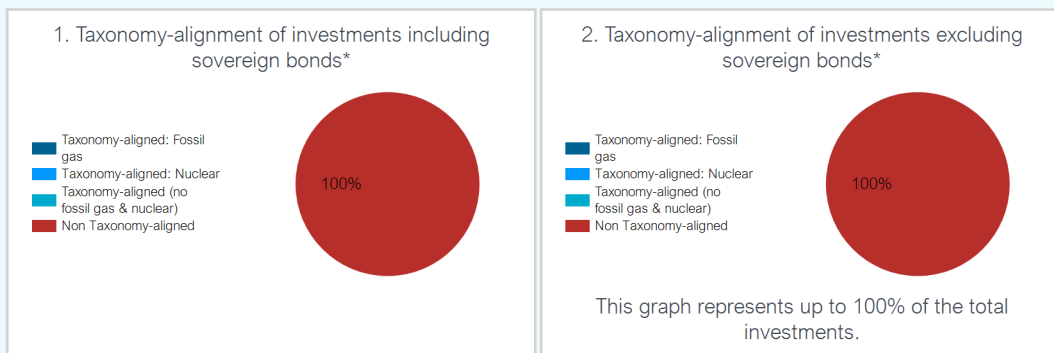
☐ In fossil gas

☐ In nuclear energy

☒ No

<sup>1</sup>Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in dark blue the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

### What is the minimum share of investments in transitional and enabling activities?

The Sub-Fund invests a minimum of 0% in transitional activities and a minimum of 0% in enabling activities.



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund invests a minimum of 90% in sustainable investments with an environmental objective that is not aligned with the EU Taxonomy.

Investments could be aligned with the EU Taxonomy but the Investment Manager is not currently in a position to specify the exact proportion of the Sub-Fund's underlying investments which take into account the EU criteria for environmentally sustainable economic activities. However, the position will be kept under review as the underlying rules are finalised and the availability of reliable data increases over time.



### What is the minimum share of sustainable investments with a social objective?

The Sub-Fund invests a minimum of 0% in sustainable investments with a social objective.



### What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Investments included under “#2 Not sustainable” may include:

(i) instruments that were previously constituents of the Benchmark which may be held for a transition period after they fall out of the Benchmark in a manner appropriate to protect the best interests of investors and will then be divested; and

(ii) cash, investments used for hedging and efficient portfolio management purposes.

In addition, all direct investments of the Sub-Fund must adhere to the Exclusions, do no significant harm to environmental or social objectives, have good governance practices and must not affect the delivery of the sustainable investment objective.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

The Benchmark has been designated as a reference benchmark to meet the sustainable investment objective.

### *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

The Sub-Fund's investment objective is to align with the Paris Agreement long-term global warming objectives by restricting the carbon emission exposure of its portfolio (ie, by adhering to the EU PAB Emission Reduction Requirements) and to achieve income and capital growth. As also described above, the Benchmark is labelled as an EU Paris Aligned Benchmark, which means it also adheres to the EU PAB Emission Reduction Requirements. As such, the Benchmark is consistent with the Sub-Fund's investment objective.

### *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

The Sub-Fund may only invest up to 10% in issuers that are not part of the Benchmark.

### *How does the designated index differ from a relevant broad market index?*

The Benchmark complies with the EU PAB Emission Reduction Requirements which means that it differs from a broad market index by exhibiting a level of emission intensity 50% lower than an equivalent global market universe at launch and subsequently aims for a further year-on-year decarbonisation target, currently at an average rate of 7% per annum. In addition, the Benchmark excludes issuers which meet any of the exclusion criteria set out in the minimum technical requirements for EU Paris-aligned benchmarks.

### *Where can the methodology used for the calculation of the designated index be found?*

Further details regarding the Benchmark are available on the Benchmark provider's website at <https://www.solactive.com/indices>.



## Where can I find more product specific information online?

More product-specific information can be found on the website:  
<https://www.fidelity.lu/funds/factsheet/IE0006OIQXE9/tab-disclosure#SFDR-disclosure>.