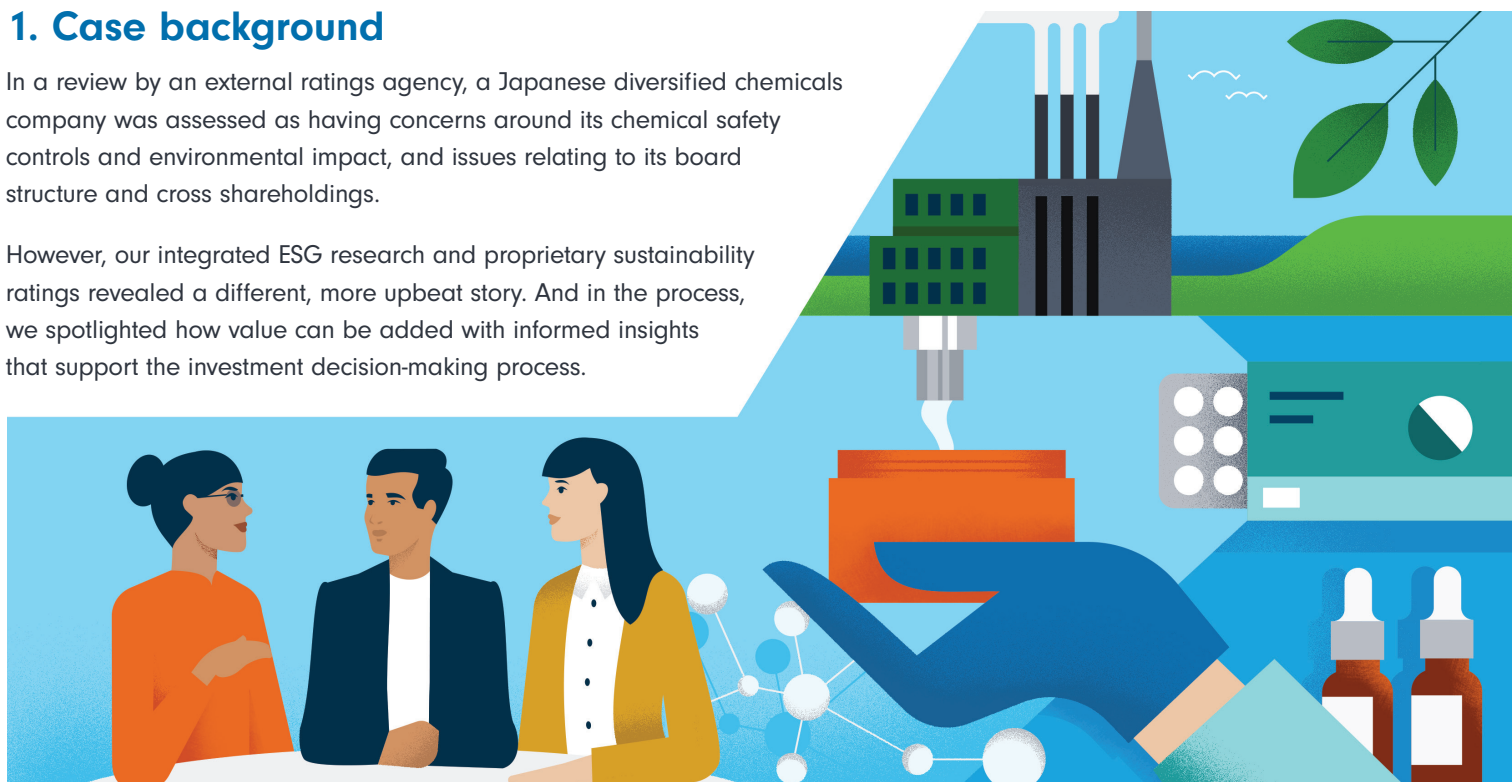


# The turnaround of an 'evil' chemical company: how a closer inspection by Fidelity's ESG process reveals the true picture

## 1. Case background

In a review by an external ratings agency, a Japanese diversified chemicals company was assessed as having concerns around its chemical safety controls and environmental impact, and issues relating to its board structure and cross shareholdings.

However, our integrated ESG research and proprietary sustainability ratings revealed a different, more upbeat story. And in the process, we spotlighted how value can be added with informed insights that support the investment decision-making process.



### Fidelity's research and sustainability ratings

- ✓ Our conversations with the company revealed evidence of appropriate safety controls in line with industry and international standards.
- ✓ A commitment to safety and sustainability was recognised by the Japanese government and evidenced by its participation in several collaborative initiatives.

### External research and ratings agency

- ✗ Concerns about chemical safety controls and their subsequent environmental impact.
- ✗ Issues relating to board structure and cross shareholdings

## 2. Our focus on engagement



The company's limited public disclosure led to misperceptions about its commitment to ESG factors and overall achievements.



We engaged with the senior management team on disclosure and governance, encouraging ESG disclosure and the publication of targets.



The business is rated 'B and improving' by Fidelity International.

# The turnaround of an 'evil' chemical company: how a closer inspection by Fidelity's ESG process reveals the true picture (cont.)

## 3. Tangible results for investors

Since the publication of its first integrated sustainability report, the company's share price has seen remarkable growth.

Fidelity's ESG research and sustainability ratings showed that the company's growth path was strong, underpinned by robust fundamentals and improved ESG ratings. Indeed, it has since become a core holding across some of our equity funds and delivered tangible results to our investors.

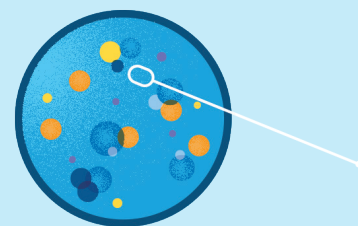
Share price (Japanese Yen) of a Japanese diversified chemicals company



Source: Fidelity International, 2022. For illustrative purpose only.

## 4. Case takeaway

Our ESG research process is independent of public and third-party disclosures. The forward-looking insights provided by our proprietary sustainability ratings, combined with active engagement, are key differentiators that helped create value – both to the investee company as a whole and our portfolios.



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