Fidelity Sustainable Investing Framework

Overview

The Fidelity Sustainable Investing Framework (FSIF) provides a common language for developing products that aim to meet clients' traditional investment and sustainability preferences. The FSIF includes modules that classify our products by their degree of sustainability commitments and aims to align with the standards of relevant sustainability legislation or sustainability labels, as required.

While our FSIF aims to provide a global baseline for our approach to sustainable investing, product, market, and asset class specific adaptations exist to meet local requirements and legacy product ranges. More information, including our sustainable investing beliefs and overall approach, is detailed in the Sustainable Investing Principles document (SI Principles) which can be found on our website.

For details on the implementation of our framework, please refer to product specific disclosures available on the relevant product website.

Clarification of selected high-level principles that guide our FSIF are set out below.

1. Notes on calculating "better than benchmark or investment universe" tests

Where a product aims to achieve a higher ESG score than its benchmark or investment universe the following principles are typically applied:

- The weighted average ESG score of the portfolio is measured against the ESG score of the benchmark or investment universe using either a weighted average or equal weighted method of calculation. Unrated entities, cash and instruments held for hedging are excluded from the calculation.
- To score the portfolio and investment opportunity set, Fidelity ESG ratings and MSCI ESG ratings may be used based on a common 0-9 scoring scale. Issuers that are included within the ESG Tilt Exclusion list are assigned the lowest ESG score of 0.
- By default, a product's performance benchmark is used as the relevant benchmark or investment universe for this test, and a weighted average method of calculation is used.
- The above principles also typically apply for certain funds that refer an aim to achieve an ESG score of its portfolio greater than that of its benchmark or investment universe after excluding 20% of assets with the lowest ESG ratings in the benchmark or investment universe.

Exceptions to the general principles apply including:

- The use of equal weighting for the investment opportunity set when a product has a concentrated benchmark or a high "Active Share".
- The use of a custom or proxy investment universe for products with non-investible (e.g. rate-based), non-representative (e.g. certain thematic products) or unavailable benchmarks (e.g. Real Estate).
- Where a custom or proxy investment universe is unavailable or not meaningful, products may be required to have a minimum percentage of assets with ESG scores or characteristics above a defined threshold.

- Asset class specific rules or alternative tests may be adopted.

2. Issuers with low but improving ESG characteristics

Products may reference investing in issuers with "low but improving ESG characteristics". Within the FSIF, this is typically defined as follows:

- <u>ESG Ratings:</u>
  - Fidelity:

    Low ratings

    A B C D E

  - MSCI:

    Low ratings

    AAA AA A BBB BB B CCC

- <u>Improving Trajectory:</u>
  - An improving trajectory means the issuer is rated as having an "improving" Fidelity ESG trajectory score which is a measurement of the outlook for an issuer's ESG performance; or
  - Where the portfolio manager has identified potential for improvement, supported by engagement with the issuer where practicable. In the absence of improvement within 18 months of the initial purchase of the security, the portfolio manager will be encouraged to revisit its ESG improvement case, which may lead to divestment from the position.

Important Information