Corporate Sustainability Report 2021

Living our company purpose

Children running with kite. (Photo by ESB Professional / Shutterstock).

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Foreword

2020 showed us that "business as usual" is a thing of the past. But changing established business practices to encourage more sustainable economic growth is a complex, global challenge that requires a substantial shift in mindset and behaviours - from customers, employees, suppliers, corporate partners and regulators who set the rules for commerce.

As stewards of our clients' assets, the asset management industry in particular has a weighty responsibility to ensure its capital allocation decisions reflect this transition to a more sustainable future. We cannot do it alone, but in collaboration with others, we can make a real difference.

At Fidelity International, we are lucky to be able to draw on the expertise in our investment teams, who have developed precise tools for assessing the sustainability profiles of the companies in which we invest. Over the years, this ability also has helped us to put our own house in order, by applying the same environmental, social and governance (ESG) standards to our operations. We have taken the same investment lens used to evaluate the companies in which we invest and applied it to our internal operations, scaling up our ambitions.

We reached our 30 per cent target for female representation in senior management roles one year ahead of schedule and have set a more ambitious goal of 35 per cent by 2024.

"As stewards of our clients' assets, the asset management industry in particular has a weighty responsibility to ensure its capital allocation decisions reflect this transition to a more sustainable future."

Similarly, we have accelerated our plans this year to cut operational carbon emissions to zero, advancing our deadline by a decade to 2030 from 2040 previously. This decision reflects both a better understanding of our global footprint through improved data collection, and lasting changes in working practices brought about by the COVID-19 pandemic.

Our aim is to have real-world impact, which is why we have a net-zero plan to deliver verifiable and additive emission reductions rather than relying on carbon offsetting.

To achieve this, we will have to be led by the data that shows the quickest and most efficient path to net zero. Around 90 per cent of the greenhouse gas emissions in our operations come from a combination of office energy usage and travel, so we're exploring options including more energy-efficient buildings, as well as using green energy to power them. We also want to reduce business travel, which will require substantial investments in technology such as virtual collaboration tools to enable us to continue delivering results that our clients expect.

We are also continuing to study how to calculate the environmental impact of our investment portfolios, the Scope 3 emissions among our suppliers and the energy used when working at home.

The transition to a net-zero economy poses many questions which we and others are working hard to answer. We hope that our first corporate sustainability report will show how better data collection and an improved understanding of our impact will help us to do our part for our customers, the environment and the society in which we all live.

By being more transparent about the similarities between the sustainability approach we take to our investment processes and the way we run our business, we also hope to inspire others to contribute in a similar way. The post-pandemic recovery is full of uncertainties, but ultimately, it will be shaped by our collective decisions and grounded in our core values.

Anne Richards
CEO, Fidelity International

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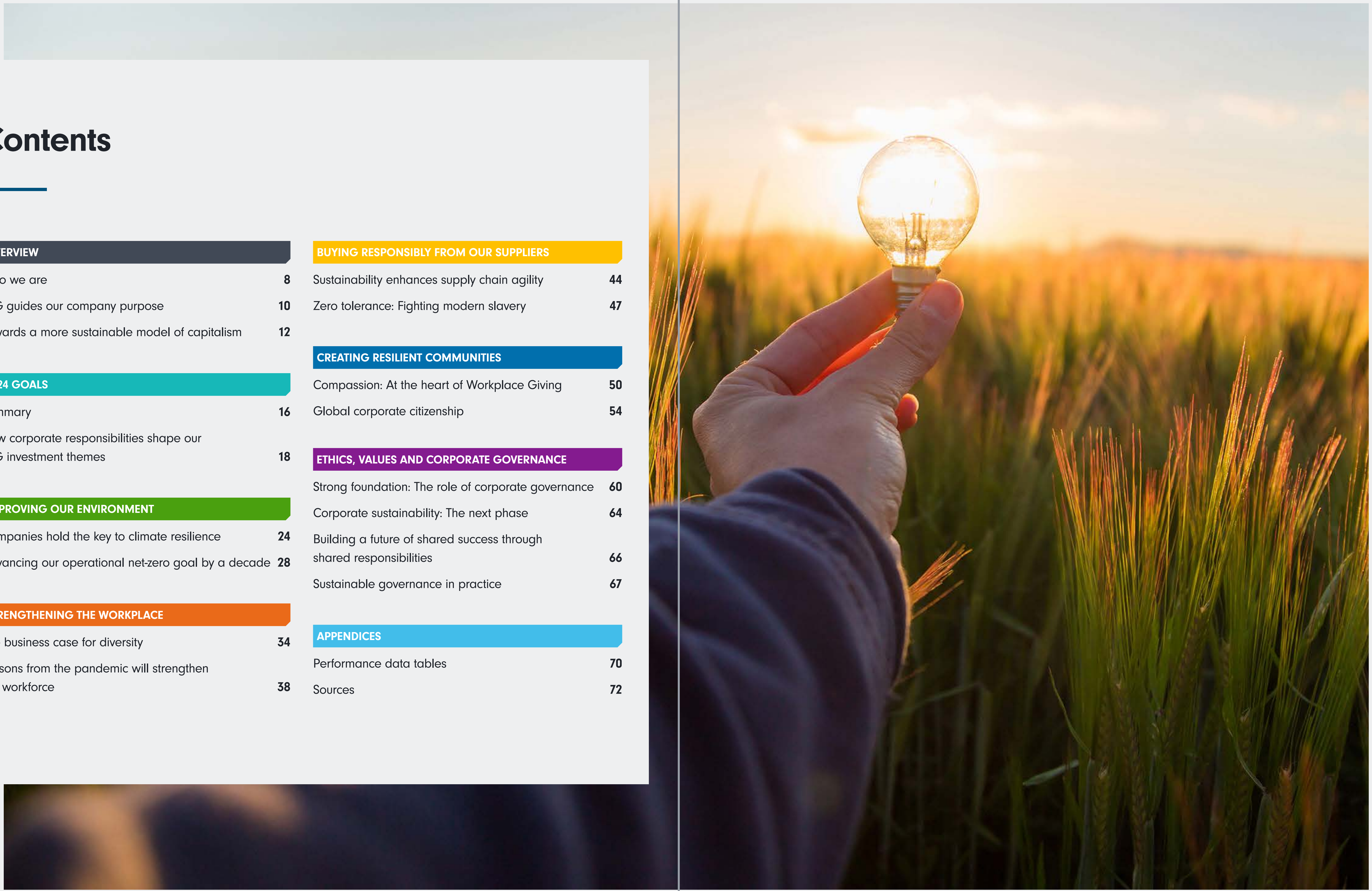
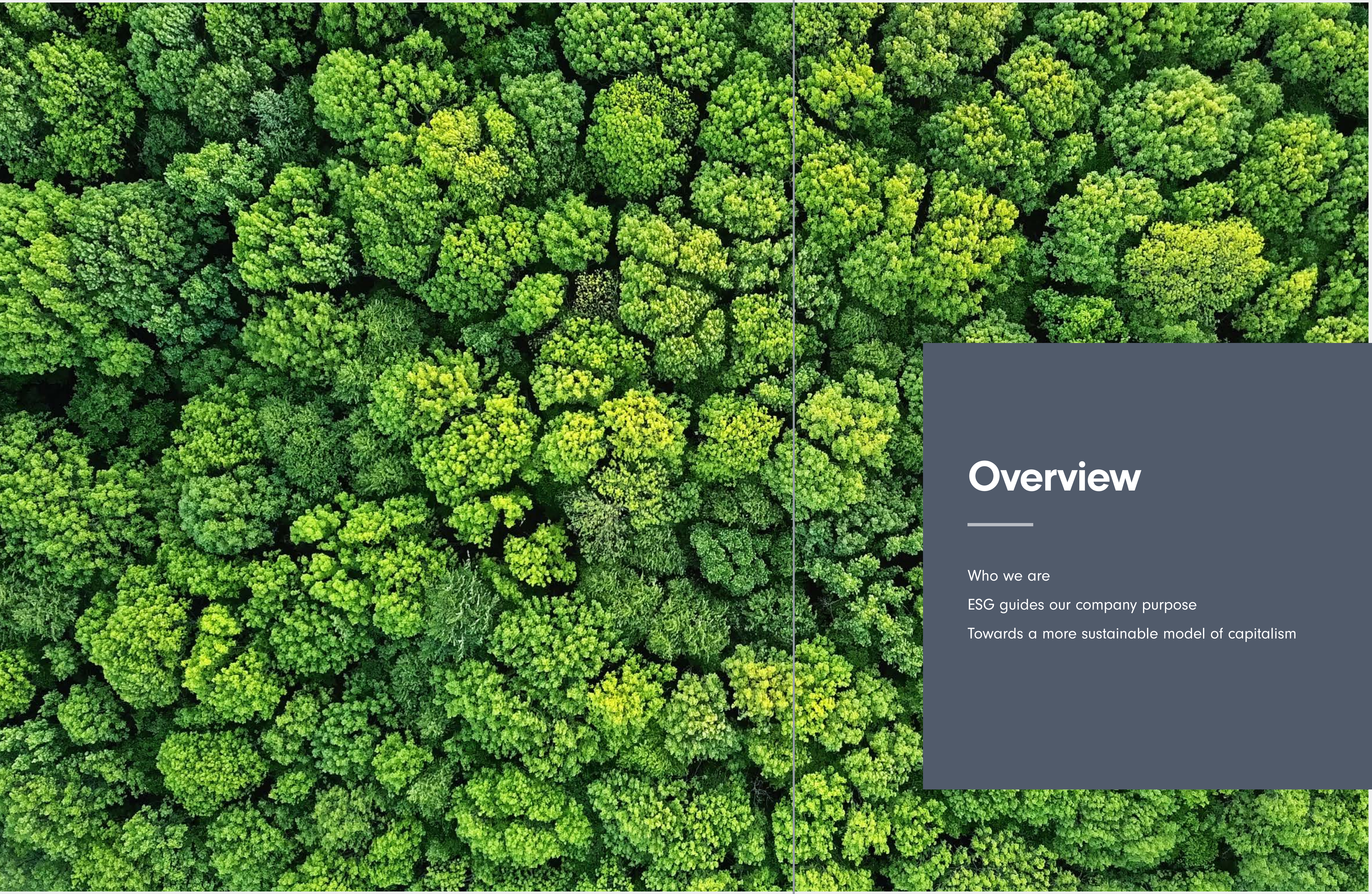


Light bulb illuminated by the sunset. (Photo by Artur Debat / Getty Images).



Top view of a young green forest in spring. (Photo by artjazz / Adobe Stock).

Overview

Who we are

Fidelity International offers investment solutions and services and retirement expertise globally. As a purpose-driven, privately-held company with a 50-year heritage, we think generationally and invest for the long term. We offer our own investment solutions and access to those of others, and deliver services relating to investing. For individual investors and their advisers, we provide guidance to help them invest in a simple and cost-effective way. For institutions, including pension funds, banks and insurance companies, we offer tailored investment solutions, consultancy, and full-service outsourcing of asset management to us. For employers, we provide workplace pension administration services on top of, or independently from, investment management.

US$706.3 billion* assets under management and administration	**2.52 million** clients worldwide	**8863** employees	**74** nationalities in our workforce	**400+** investment professionals	**A+ rating** by PRI

Note: All data as of December 31, 2020. Note: *Includes Canada, which is not covered in the goals and commitments made in the 2021 Corporate Sustainability Report and is therefore out of scope for this report.

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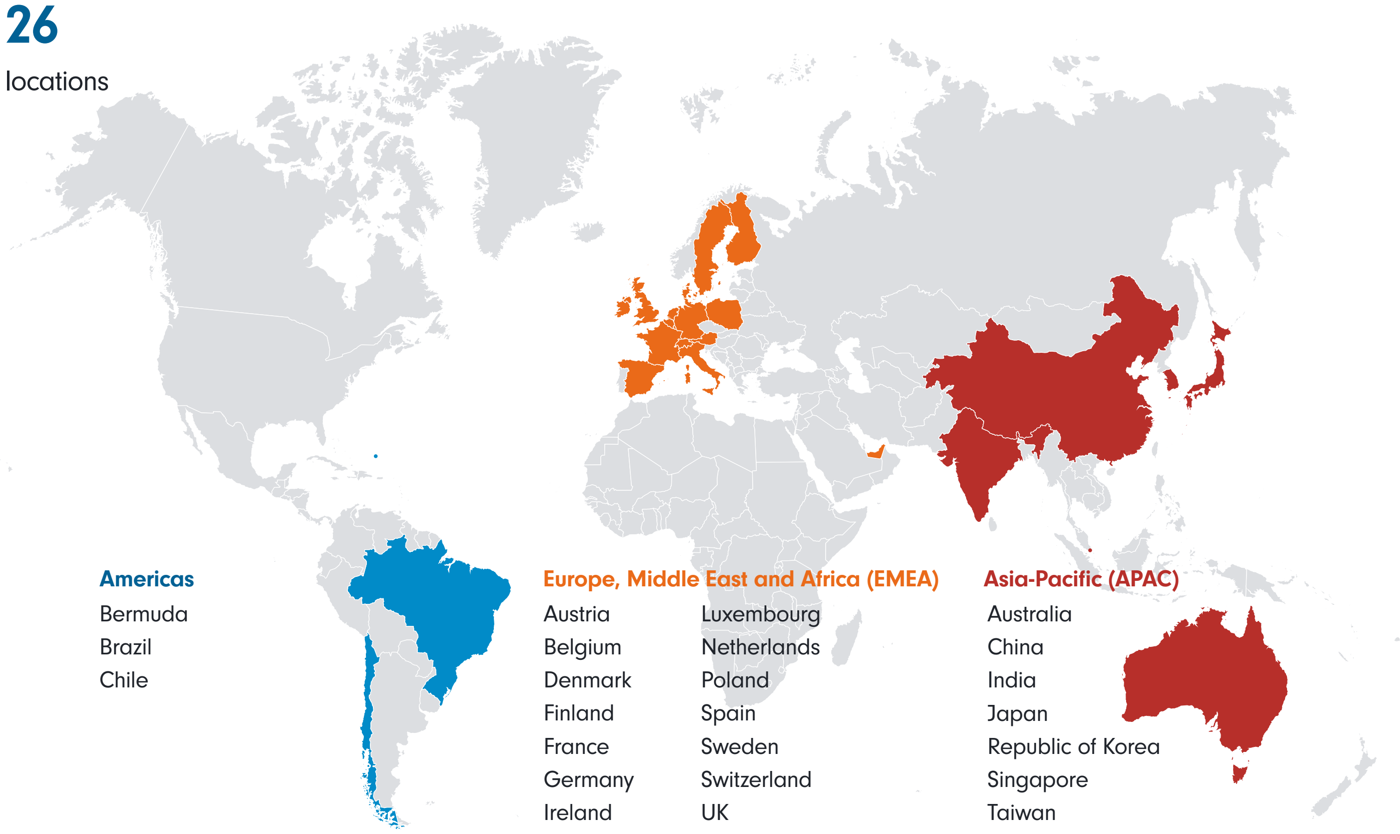
locations



Americas
Bermuda
Brazil
Chile

Europe, Middle East and Africa (EMEA)
Austria
Belgium
Denmark
Finland
France
Germany
Ireland
Italy
Luxembourg
Netherlands
Poland
Spain
Sweden
Switzerland
UK
United Arab Emirates

Asia-Pacific (APAC)
Australia
China
India
Japan
Republic of Korea
Singapore
Taiwan

Our corporate sustainability journey

2003
- Launch Principles of Ownership.

2010
- Adopt UK Stewardship Code.
- Establish UK energy monitoring and improvement programme.

2011
- Subscribe to third-party ESG data.

2012
- PRI signatory.
- Start five-year Long Term Incentive Plan (LTIP) campaign.

2013
- Establish ESG policy.

2015
- Rated 'A' in first PRI assessment.
- Third-party research integrated into global research platform.

2016
- Five-year plans endorsed as best practice in UK Corporate Governance Code.
- Establish UK environmental policy.
- Luxembourg office awarded Green Eco Certificate.
- HM Treasury Women in Finance signatory.
- Launch Fidelity 4 Everyone (F4E) to promote diversity & inclusion among employee networks and support groups.
- Introduce corporate citizenship committees worldwide and increase amount available for grant matching.

2017
- Establish ESG Oversight Group.
- Develop firm exclusion policy.
- Introduce New Horizon Returners programme.
- UN LGBTI Standards of Conduct in Business signatory.
- Begin offering two paid volunteering days per year to employees.

2018
- Launch five new thematic engagement campaigns.
- Install solar panels in Bermuda.
- Launch This is Me campaign to encourage mental health discussions.
- Introduce Mental Health First Aiders programme.

2019
- Introduce FIL Proprietary ESG ratings.
- Synthesise strategies within Sustainable Fund Family.
- Join ClimateAction 100+.
- Renewable energy contracts reached for all UK sites.
- Initiate global environmental sustainability policy and management system.
- Establish Global Diversity and Inclusion Leadership Council.
- Launch Supplier Code of Conduct.

2020
- Establish Corporate Sustainability Committee.
- Set operational net-zero goal by 2040 (which was moved forward to 2030 in 2021).
- Implement sustainability performance indicators for global operations.
- Publish inaugural TCFD report.
- Launch digital engagement platform.
- Enhance ESG client reporting.
- Install solar panels in the UK.
- Join Valuable 500, an initiative to promote disability inclusion.
- Become Race at Work Charter signatory.
- Publish Cultural Diversity Action Plan.
- Introduce equal parental leave for fathers and secondary carers.
- Launch Enable Network to connect employees in disability inclusion.
- Sign up to EcoVadis, a digital sustainability rating provider.
- Join Minority Supplier Development UK (MSDUK).
- Founding signatory to Net Zero Asset Managers initiative.

Source: Fidelity International, 2021.

Global conscience

ESG guides our company purpose

Just as the pandemic has forced individuals, communities and nations around the world to re-examine their core beliefs and how to live by them, companies are evolving their business strategies. At Fidelity International, we too have applied the lessons of 2020 to foster more sustainable growth.

Since our establishment in 1969, our clients have been at the heart of what we do. Every business decision we make has been in support of our purpose as a company - to work together to build better financial futures. COVID-19 has served to sharpen our focus to find better ways of implementing sustainable practices, whether by employing such practices ourselves or by encouraging them from others. In this inaugural corporate sustainability report (CSR), our intention is to be more transparent about how environmental, social and governance (ESG) standards relate to our business. We also set out clear goals and provide a roadmap to reach them, in order to hold ourselves and others accountable.

Supported by a governance committee that reports directly to our Global Operating Committee, we hope to create a future of shared success with all of our stakeholders through our collective responsibilities.

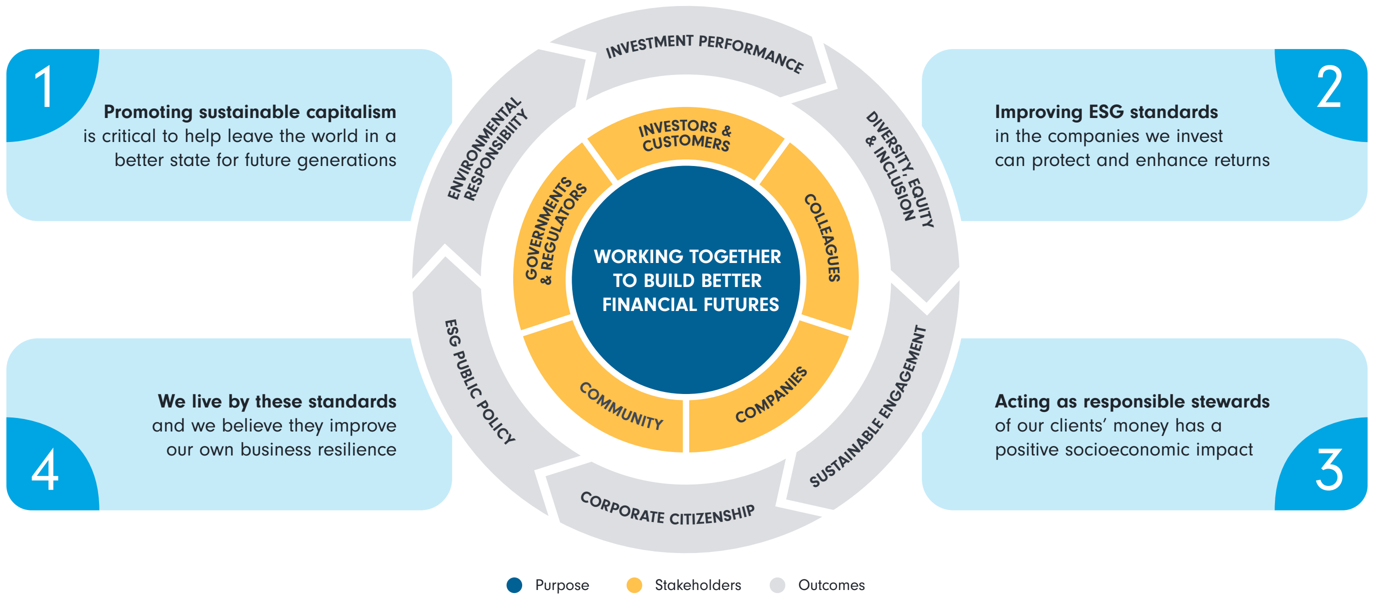
A more inclusive, equitable and sustainable future

Although there has been significant progress in some areas of sustainability in recent decades, in others, we are facing substantial crises. The most notable of these is climate change. The Paris Agreement, which aims to limit global warming to 1.5°C compared to pre-industrial levels, will not be met on the current trajectory of greenhouse gas (GHG) emissions. Other types of ecological damage such as pollution, biodiversity loss and ocean warming are also choking lives and livelihoods across the world and doing so at an uneven pace that is impacting the most vulnerable.

Rising inequality is another concern. Income inequality has fallen between countries as advances in technology, medicine and education have lifted emerging nations[1], at least before the pandemic. However, inequality has risen within countries[2], resulting in increasing levels of social resentment and political unrest among those who feel they have been left behind[3]. From an economic perspective, inequality tends to have a dampening effect, thwarting social mobility and discouraging skills accumulation at a time when it is desperately needed to grow the knowledge economy.

Issues such as these oblige individuals, companies and governments to ask how their actions will affect the world they are passing on to the next generation. With this in mind, we have developed a sustainability framework that is underpinned by four core beliefs as shown in Figure 1, starting with our ambition to promote sustainable capitalism.

Figure 1: Fidelity International's corporate sustainability philosophy



Source: Fidelity International, 2021.

Delivering ESG in the investment process

A decade ago, the aim of asset managers would have been to convince investors why they should consider ESG investing. This is no longer the case. Global ESG assets under management are on course to reach $53 trillion by 2025, representing more than a third of the total $140.5 trillion in global assets under management (AUM)[4]. The challenge today isn't whether to implement ESG investing, but how to do it better.

This leads us to our second core belief - improving the ESG standards in the companies in which we invest may protect and enhance returns. ESG risk and opportunities play an increasingly important role in investment performance, with some evidence that companies with higher ESG ratings - particularly in emerging economies - can outperform their respective benchmarks over the long term through greater top-level growth.

Those with higher ESG ratings also may be more resilient during market downturns, such as the coronavirus-driven dislocation in the first half of 2020. Lower downside risk not only helps cushion a company's stock during volatile periods but also improves its ability to borrow on more attractive terms and at lower costs. Finally, companies that outperform from an ESG perspective also tend to benefit from lower legal and regulatory risks. (To learn more about how Fidelity is advancing sustainability in the investment process, please read our 2021 Sustainable Investing Report.)

Responsible corporate citizens

As investors, we obviously seek the best possible outcomes for our clients. And as stewards of our clients' assets, we are in the privileged position of being able to enact change beyond the size of our business through active capital allocation. Our third core belief is that acting as responsible stewards of our clients' money can have a positive socioeconomic impact on society. Stronger communities, in turn, help businesses to thrive.

No company operates in isolation. The pandemic has demonstrated the importance of working together with all stakeholders - colleagues, other companies, communities, governments and our customers - to deliver value to broader society. It is encouraging that we are seeing organisations around the world cooperate to take a much more active responsibility on sustainability issues, particularly as public awareness, regulatory changes and disclosure rules encourage them to do so. More work is needed, though, and we will work to promote public policies, business practices and capital allocations that reward those organisations that can balance financial returns with social returns.

Walk the talk

Our fourth and final belief is to live by the standards we set - we believe they improve our own business resilience. Our long-term dedication to raise our own ESG standards also gives us more credibility when we ask investee companies to do the same.

In aligning our company purpose to our ESG standards, we will focus on our priorities for 2024:

- To create a better future for the environment by minimising the impact of our business operations through meaningful business transformation.
- To create an environment where all employees feel welcomed, valued and supported to achieve their full potential.
- To strengthen our supply chain by helping our partners to operate more sustainably.
- To help create more resilient communities in which we operate through engagement, education, volunteering and financial support.

Like many other organisations attempting to balance ESG considerations with other corporate risks, we are at the beginning of our journey. We also know the goals set in this report are not enough. However, that will not prevent us from acting now and challenging ourselves to broaden our commitments in the coming years.

Moving the dial

Towards a more sustainable model of capitalism

Paras Anand
Chief Investment Officer, Asia Pacific

The pandemic has amplified some of society's existing challenges, of which the environmental crisis and widening social inequality stand out as most crucial. The latter was made particularly evident and worsened by COVID-19. Typically, higher-paid workers in the knowledge economy who could work from home fared better than those in other sectors such as food, healthcare and other front-line services when social distancing measures took effect. Women and ethnic minorities not only tended to earn less before the crisis but are also projected to suffer higher unemployment in its aftermath.

Many of the environmental, social and governance (ESG) issues threatening to destabilise communities today - not only climate change and social dislocations, but also other trends such as how technology may impact the future of work - all have at their core the question about how market-based capitalism affects society. Like many other aspects of society, capitalism, particularly in Western economies, feels as though it is on the cusp of major change.

Shareholder capitalism under scrutiny

In her book Doughnut Economics, Kate Raworth reframed the classical model of economics to argue for one that is bounded by two circles of responsibilities - an inner circle to provide social wellbeing and an outer circle to protect the environment, as shown in Figure 1.

Used to support a series of 17 globally agreed targets known as the Sustainable Development Goals (SDGs)[1], the 'doughnut economics' model questions the shareholder primacy model of capitalism that has dominated for decades. Made famous by Milton Friedman in a 1970 essay, the shareholder primacy theory states that "the social responsibility of business is to increase its profits." However, what Friedman also stated that has gained less attention is that this must be done "while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."

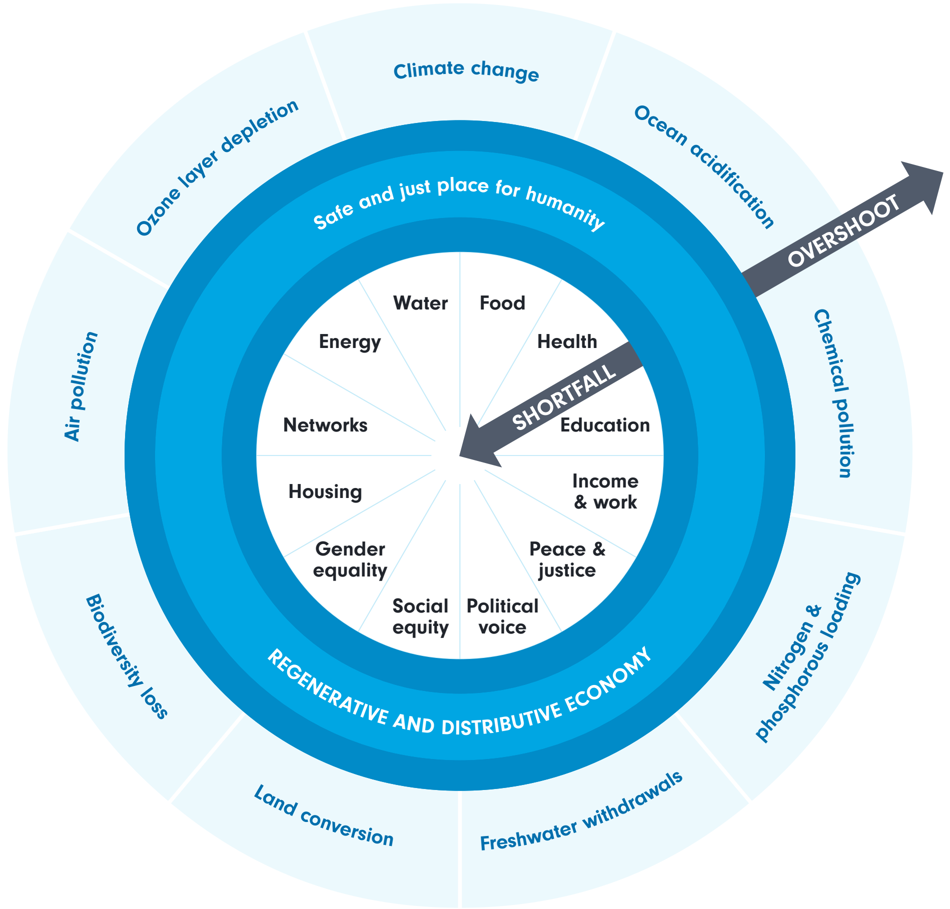
No one-size-fits-all model

Government policy and public expectations are not uniform across the world nor are they static, resulting in very different interpretations of the role of businesses within society. A typical company in Scandinavia, for example, has a different set of responsibilities to stakeholders to one based in the United States.

In China, there is yet another model that prevails, one in which the government plays a more dominant role in both the economy and capital markets. During the pandemic, China's top-down response proved more effective in containing the spread of the virus and the economic damage it caused than those of many other, less-centralised countries. It is therefore worthwhile to recognise that there isn't a one-size-fits-all model of capitalism that works for all countries in all instances. What may work in one nation does not in another.

Capitalism is also evolving within nations. In the United States, there is already greater deliberation to think about the outcomes and beneficiaries of capitalism in broader terms, as seen in 2019 when 181 U.S. Business Roundtable CEOs retreated from Friedman's shareholder primacy theory to commit to lead their companies for the benefit of all stakeholders - customers, employees, suppliers, communities and shareholders. US President Joe Biden, in a more recent speech, called for "an end to the era of shareholder capitalism. The idea the only responsibility a corporation has is with shareholders, that's simply not true. It's an absolute farce."[2]

Figure 1: Doughnut economics model



Source: Model of 'Doughnut Economics' adapted from book by the same title by Kate Raworth, 2017.

A fine balance: growth and sustainability

The shift is occurring globally, though it is happening from different starting points. Some friction will likely occur. Take the energy transition, which will ultimately benefit the environment and society in the long term. However, a decision to redirect all capital away from fossil fuel companies may carry several systemic risks that could be harmful in the short term. First, renewables alone cannot yet provide enough power to grow the global economy. Second, millions of workers in the fossil fuel industry may lose their jobs without the needed skills to transition to other sectors, including renewables, causing social and financial hardships. Third, pensioners and other shareholders remain dependent on the dividends paid by fossil fuel companies for income. It is vital to manage transitions carefully to optimise their results.

On the other hand, companies that choose to ignore the changing risk-return characteristics of the energy transition also may struggle. According to former Bank of England Governor Mark Carney, "There will be industries, sectors and firms that do very well during this process because they will be part of the solution. But there will also be ones that lag behind and they will be punished," he said. "Companies that don't adapt will go bankrupt without question."[3]

While Carney was referring to the energy transition, the same is true for the move towards stakeholder capitalism. Just as past investment performance is not always a good guide to the future, the shareholder primacy model of capitalism is unlikely to serve companies well in the coming decade. 2020 has given companies both a greater sense of responsibility and a greater sense of urgency. To flourish, they must respond to that calling by deploying their capabilities not only to deliver profits to shareholders, but also to contribute to wider society in a way that's unique to their organisation.

Canoeist navigating through rapids. (Photo by CasarsaGuru / Getty Images).

2024 Goals

2024 Goals

Summary

Globalisation and the resulting economic growth have linked the world together, but this has not come without a cost. Climate change, social inequalities and the future of work in the post-pandemic era are just a few examples of the issues we must tackle collectively if we are to build a more sustainable and inclusive global economy.

We aim to do our part in raising our own corporate environmental, social and governance (ESG) standards by setting public, meaningful and verifiable goals that hold us accountable. In pursuing these short-, medium- and long-term goals, we aim to continuously build enterprise resilience, improve the client experience and deliver better outcomes to all stakeholders and broader society.

The long-term commitments such as our ambition to reduce our operational carbon emissions to net zero by 2030 provide direction, while the short- to medium-term goals provide a roadmap. We believe it is imperative for us to be transparent not only about where we want to be but also how we intend to get there.

This report covers our corporate sustainability activities in 2020, unless otherwise noted. We began the year by establishing the Corporate Sustainability Committee and setting our 2024 goals, which are organised under four priority areas: the environment, the workplace, our supply chain and the communities in which we operate. In subsequent sections, we discuss why each of these goals is crucial to our business, our 2020 accomplishments and our 2021 plan to progress ESG standards. Finally, we explain how our actions relate to our long-term corporate sustainability strategy, which is underpinned by a sound corporate governance framework.

As a global active asset management company, we know we are in a privileged position to enact change. That's why we hold our portfolio companies responsible for their ESG impact on society. And in applying the same rigorous criteria to improve the ESG standards in our own business activities, we hope to demonstrate our commitment to our stakeholders.

2024 Goals

Improving our environment

Standardisation
Carbon footprint reduction
Conservation

- ISO14001 environmental management system certification.
- 25% reduction in energy consumption.
- 25% reduction in carbon emissions.
- 25% waste reduction.
- 25% reduction in water consumption.
- 80% increase in recycling rate.
- 50% reduction in paper usage.
- 50% reduction in air travel carbon emissions.

Strengthening our workplace

Diversity
Equity
Inclusion

- 45% of board members to be women.
- 35% of global senior management roles held by women.
- 45% of global workforce to be women.
- Annual reduction in UK median gender pay gap.
- Gather ethnicity data for at least 70% of global workforce and set new diversity goals.
- ISO 45001 health and safety management system certification.
- Evolve dynamic working programme to improve work-life balance.

Buying responsibly from our suppliers

ESG monitoring
Supplier diversity
Responsibility to suppliers

- Modernise and optimise the way we purchase.
- ESG monitoring for 90% of our high-risk suppliers and 80% of our annual spending.
- 95% of suppliers with unsatisfactory scores put on improvement plans.
- 95% of tenders include at least one diverse supplier.
- 1,000 diverse suppliers engaged in "How to do business with us" programmes and 10% onboarded.
- Embed sustainability in procurement processes and tracking mechanisms.

Creating resilient communities

Financial support
Volunteering
Payroll giving
Fundraising

- 20%+ participation rate in Workplace Giving.
- Year on year increase in employee use of volunteering hours.
- 200+ charities supported.

Source: Fidelity International, 2021.
All 2024 goals are measured against 2019 baseline where relevant, unless otherwise noted.

Setting the standard

How corporate responsibilities shape our ESG investment themes

Environmental, social and governance (ESG) covers a broad range of topics, such as reducing poverty, promoting health and nutrition, and building safer cities. While each of these is important, we have chosen to prioritise issues that matter most to our stakeholders; focusing our resources on these, we believe, will have higher potential to bring about real change with greater benefits in the long term.

In the following Q&A, Jenn-Hui Tan, Fidelity's Global Head of Stewardship and Sustainable Investing, discusses three sustainable investing themes for 2021 and how they apply to our own business.

What are Fidelity's sustainable investing priorities for 2021?

The three themes for this year are as follows:

1. Integrating nature-based risks as part of tackling climate change.
2. Looking after employees, supply chains and communities.
3. Redefining ethics for a digital world.

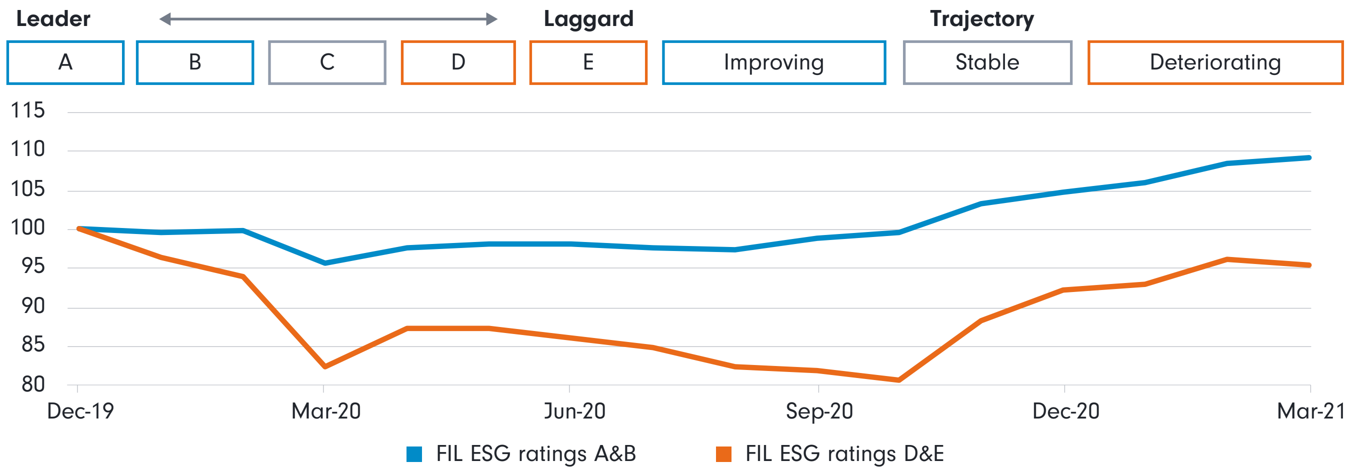
Of the three, climate change is the most critical. We need a stable climate to survive. There is no viable future for our customers, our business and our colleagues if we don't manage to slow the adverse effects of climate change. This is the existential question of our time.

What is the role of asset managers to be part of the solution?

The asset management industry has outsized influence as stewards of our clients' capital. That is what gives us leverage to foster change in the companies in which we invest. We seek to engage with companies to raise ESG standards and embrace these same practices ourselves - we think they create value for all stakeholders.

There is still a lot we don't know about the valuation impact of ESG on investment portfolios. Still, some evidence suggests these factors do matter. During the severe market disruptions between 19 February and 27 March 2020, companies with higher ESG ratings outperformed the benchmark, according to our proprietary research of 2,689 stocks. While results cover a relatively short period, they are important indicators because this was an unprecedented period of volatility in global markets. Additionally, the outperformance remained clear over a longer period of time (as shown in Figure 1) and mirrored broader industry research indicating how ESG can add value.

Figure 1: Companies according to Fidelity's ESG ratings vs. performance



Source: Fidelity International, 2021. Note: Data covers the period from 1 January 2020 to 31 March 2021. For illustrative purposes only.

What is Fidelity doing to address climate change?

One way to think about it is through our net-zero journey. By far, the most considerable part of our carbon footprint is in our investment portfolios, so we are continuously looking for better ways of measuring and managing the emissions in those portfolios. We do this in several ways. Firstly, we look to set appropriate top-down and bottom-up sector targets as well as promote investment into climate solutions. We prioritise engagement and stewardship with our investee companies to achieve real-world emissions impact while providing transparency to our clients on the climate characteristics of their portfolios. We have committed to investing aligned with net-zero emissions on or before 2050 as part of the Net Zero Asset Manager initiative, of which we are a founding signatory.

Second, as a business, we need to do our part to reduce our operational carbon footprint. Furthermore, what's good for the environment is also good for our business. For example, by reducing the amount of air travel we undertake, we reduce our carbon footprint and cut costs. These changes have the added benefit of helping us operate more efficiently. It's a two-pronged approach designed to address the totality of our Scopes 1, 2 and 3 emissions.

What about the other priorities?

We believe a more balanced society is needed, which means narrowing social divides where possible. From an investor's perspective, diversity and inclusion should be a core part of how companies create value. A diverse, engaged and inclusive work culture is critical to the long-term success of businesses, whether it is by promoting greater productivity, innovation or risk awareness. As a business, strengthening our workplace by valuing positive employee relationships, treating people fairly and helping them develop professionally are all things we do to help us outperform as a business. And that is equally true for the companies we invest in.

How does Fidelity help raise the ESG standards in the supply chain?

To that end, we actively engage with portfolio companies to improve ESG standards, such as labour conditions, not only within their businesses but also further along supply chains. We do this because we believe it improves resilience. Poor employment conditions, for example, may increase the risk of labour strikes and disrupt productivity. And we apply these same standards to our own business by monitoring and improving the ESG standards of our supply chain.

For example, we are working to extend more opportunities to businesses owned by women, ethnic minorities and other under-represented groups; this helps us reduce concentration risks and create a more robust supply chain.

Why is it important to support the communities in which Fidelity operates?

I see our work within our communities as pure corporate citizenship responsibilities. We also want to encourage our employees to volunteer and raise money for the causes they care about. It links back to our commitment to strengthen the workplace. We believe this helps foster employee engagement and wellbeing.

You mentioned technology as the third sustainable investing theme. How might that apply to Fidelity's own operations?

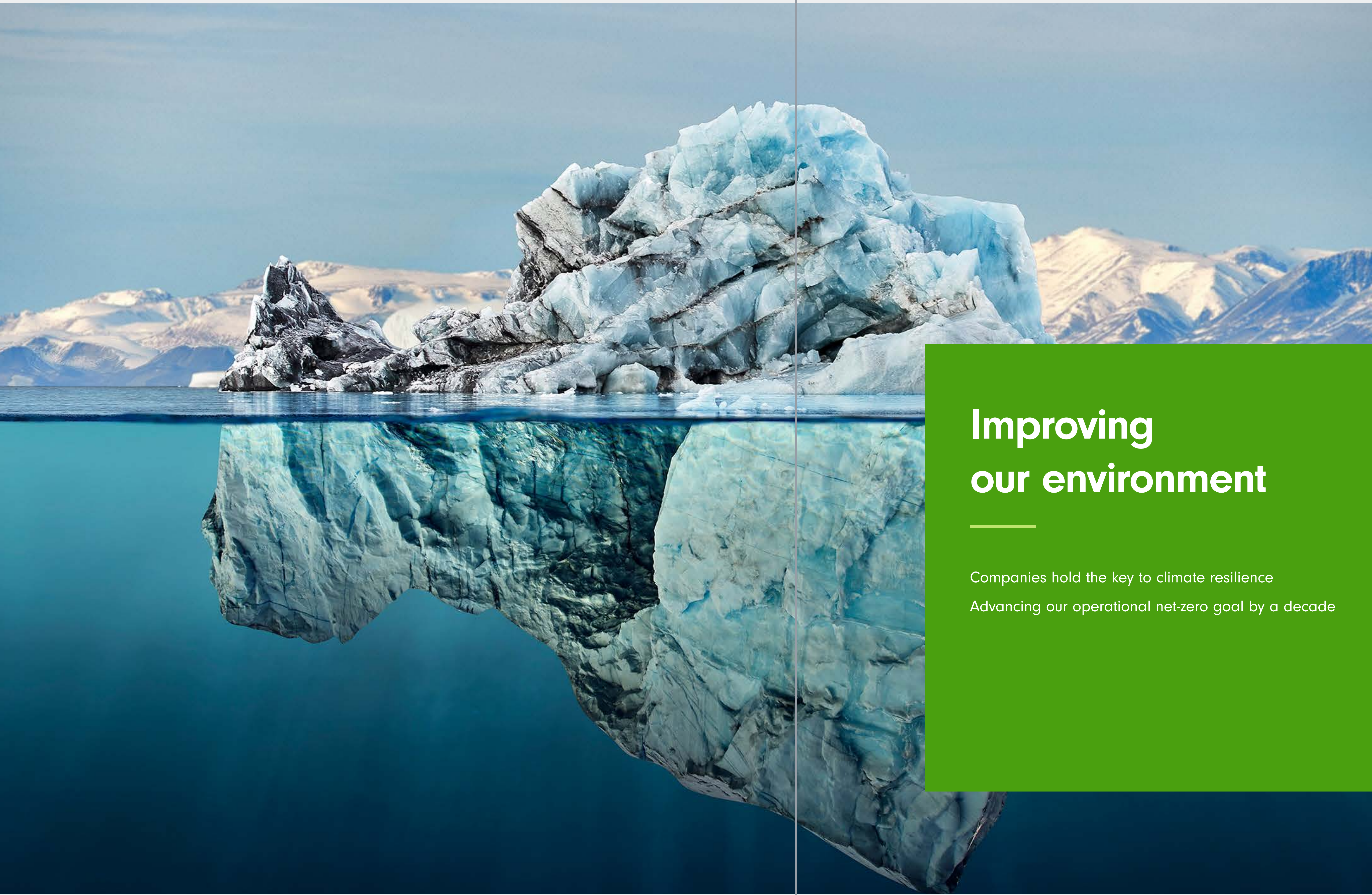
There are two components related to our technology theme. One is around digital inclusion and access to the internet. The other refers to the behaviour of people and companies on the internet. Both are critical aspects of what might be termed the emerging field of digital ethics.

COVID-19 has revealed our immense reliance on technology, and digital ethics is about how companies do the right thing in our increasingly digital world: are there policies and practices that consider ethical digital behaviour and outcomes? Are there disclosures and transparency to ensure that investors can understand the materiality and the risks of these issues?

Our sustainable investing framework for digital ethics incorporates six pillars: cybersecurity; data privacy and governance; ethical AI; misinformation; online welfare; and digital inclusion. We have been engaging on digital ethics topics with many of our investee companies, primarily but not exclusively those in the tech sector.

Within Fidelity, digital ethics is equally important. We are investing in security infrastructure and bringing together working groups dedicated to implementing the highest standards in these areas. In particular, we are paying close attention to matters relating to data privacy and governance, cybersecurity and ethical AI.

Man using a smartphone and a laptop while working from home.
(Photo by Moyo Studio / iStock).



Improving our environment

Iceberg with above and underwater view. (Photo by posteriori / Getty Images).

Environment

Companies hold the key to climate resilience

Governments alone cannot solve the climate crisis. Individuals, communities and most importantly - companies - will need to step up to make meaningful, lasting change to protect the planet.

The urgent need to mitigate the effects of human-induced climate change led to a worldwide call to action in 2015, with 196 nations pledging cooperative action to limit average global temperature rises to 1.5°C relative to pre-industrial levels. The Paris Agreement generated strong momentum among governments, including China and the US, the world's two largest carbon emitters, in enacting policies, providing incentives and investing in green technology to reduce greenhouse gas (GHG) emissions.

However, governments cannot do it alone. Individuals, communities and companies all have a key role to play. As one of the world's leading active asset managers, we recognise the importance of our own responsibility. As a result, we have committed to a net-zero emissions target by 2030 in our own operations. (See "Advancing operational net-zero goal by a decade".)

Before reaching that goal, though, we needed to establish where we stand. Our inaugural Task Force on Climate-related Financial Disclosures (TCFD) report helped us to assess the environmental risks and opportunities. In 2020, we also advanced our environmental sustainability policy and management system framework. This year, we are prioritising progress in three key areas: carbon reduction, conservation, and standardisation of data and best practices.

Improving our environment

2020 Highlights

- Advanced environmental sustainability policy and management system framework. This is designed to ensure pollution prevention, carbon reduction, waste minimisation, responsible use of resources and compliance with legislation through best practices and continuous improvement.
- Established a dedicated Health, Safety and Sustainability team.
- Published inaugural TCFD report.

2021 Plan

- Environmental evaluations for all managed buildings.
- 90% of employees completing environmental sustainability induction training.
- Better understand and measure Scope 3 emissions.
- Conduct energy audits at 10 largest sites.
- Improve energy efficiency.
- Review feasibility of onsite renewables.
- Investigate opportunities to purchase green energy.
- Set goals to reduce air travel.
- Conduct paper use audits.
- Implement 100% recycling programme.

Source: Fidelity International, 2021.

Carbon reduction: Leave no footprint behind

Our carbon dioxide (CO2) footprint is modest compared to many in our portfolio companies; we consume office services and do not have large-scale industrial operations or suppliers. Nevertheless, we believe every business is responsible for minimising their impact on the environment. In our case, the two main areas where we can make a big difference are by cutting the operational emissions from our buildings and reducing air travel.

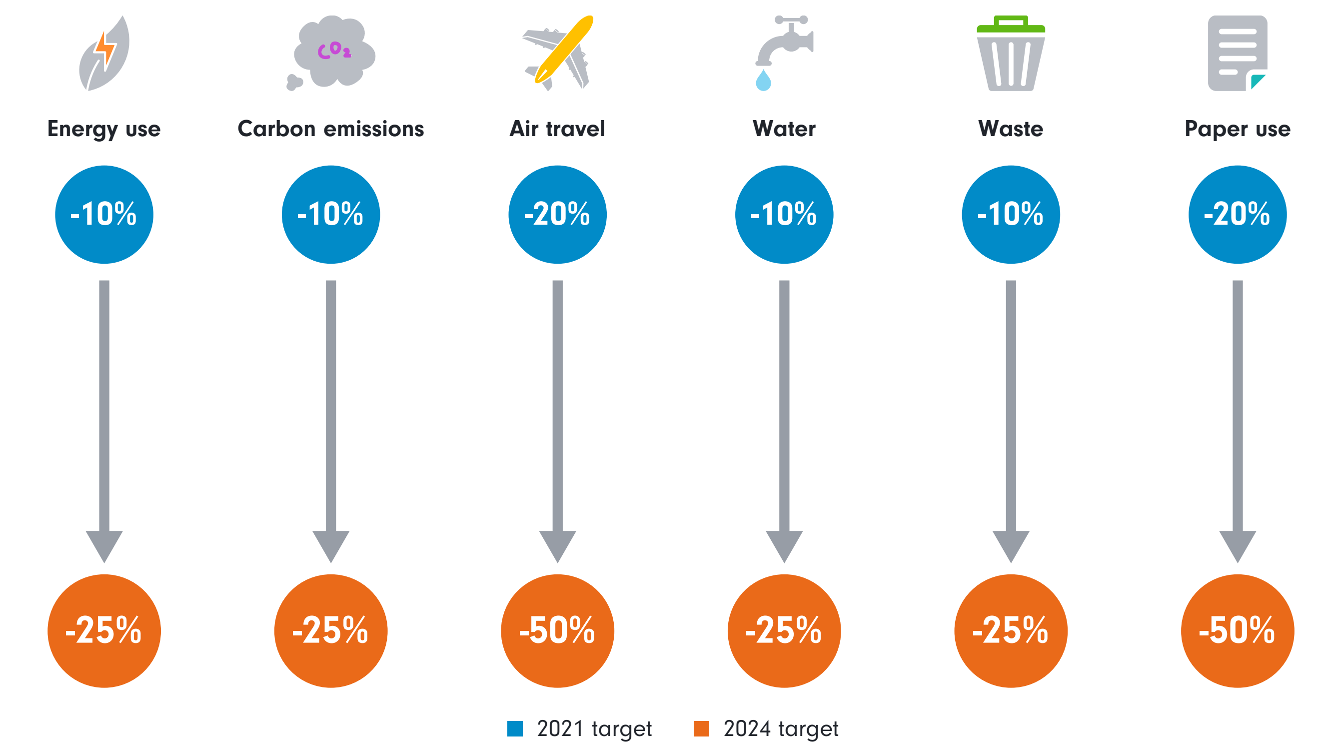
The electricity required to run our facilities is the largest contributor of CO2 emissions in our operations, accounting for about 53 per cent of our carbon footprint. We are committed to cutting emissions related to energy use by 25 per cent by the end of 2024 and have set an interim goal of a 10 per cent decrease this year, as shown in Figure 1. Since the pandemic caused disruptions that artificially lowered our emissions in 2020, we are using 2019 as the baseline for all our environmental commitments.

Technology is already helping us to do more with less. In 2019, we relocated our London office to a building rated 'Excellent' under the BREEAM energy certification system, the leading third-party sustainability assessment methodology for real estate and infrastructure assets. The rating considers factors like the design, maintenance, management and operation of the facility. When higher efficiency is combined with other initiatives, such as allowing employees to book their desks ahead of time to increase the building's utilisation rate, the energy consumption in kilowatt hours (kWh) halved in the first six months of occupation.

Building refurbishments may include a variety of energy saving features. For example, the 2020 renovation of our Surrey offices in the UK included the use of smart sensors that trigger automatic adjustments of lighting and heating. We also have installed more efficient LED lighting, low-energy chillers that reduce energy use by as much as 50 per cent, and heat recovery units via a thermal wheel. In the winter months, the latter helps conserve energy by allowing heat from expelled air to be recycled.

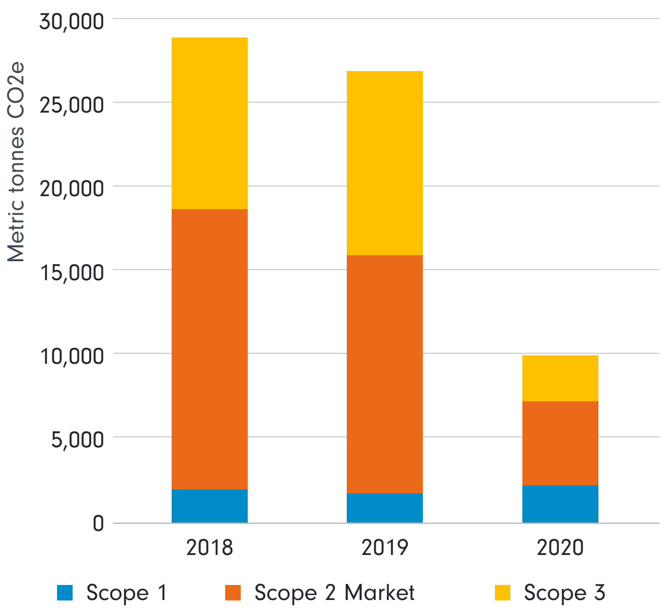
To help lower emissions further, we are pursuing a variety of methods to deploy alternative energy sources. For example, we now have renewable energy contracts in place for our UK, Ireland and Germany operations backed by Renewable Energy Guarantees of Origin. This initiative aims to match our projected electricity demand with electricity generated from renewable sources over the next five years.

Figure 1: Shrinking our carbon footprint



Source: Fidelity International, 2021. Note: All targets are measured against a 2019 baseline.

Figure 2: Fidelity International's Scopes 1, 2 and 3 operational GHG emissions



Source: Fidelity International, 2021. Notes: Scope 1 includes natural gas, liquid fuels, refrigerants, district cooling, district heating, company vehicles. Scope 2 includes electricity - market emission factor. Scope 3 includes water, waste, paper usage, air travel and grey fleet. Please refer to Appendix section for definitions of Scopes 1, 2 and 3 emissions.

Onsite solar panels are another option. In Bermuda, these are already providing an average of about 10 per cent of our office energy consumption. We have installed solar panels in the UK and will identify other onsite renewable opportunities. We are also considering corporate power purchase agreements (PPAs), which lock in an agreed price for both the purchaser and the energy provider and help foster growth in renewable energy projects.

In addition to cutting emissions from our buildings, we are aiming to reduce air travel by 50 per cent by the end of 2024. This is expected to help contain our carbon footprint nearer to its 2020 level, which was significantly reduced because of restrictions to manage the pandemic. (See Figure 2) Worldwide, aviation emissions are a relatively modest contributor to global GHG emissions at around 3.5 per cent[1]; however, this is expected to increase significantly in the coming decades, despite current pandemic-related travel restrictions. Furthermore, there is evidence that aviation emissions at higher altitudes may be more damaging to the atmosphere.

In 2019, air travel accounted for about 38 per cent of our own carbon footprint. We are implementing a new travel policy to reduce flights for internal meetings and urging more environmentally friendly options such as videoconferencing or rail travel, when possible. Stricter approval processes will be in place for business-critical flights, with a preference for longer visits instead of multiple trips.

Conservation: From take-make-waste to make-use-recycle

Our ambitions are much broader than simply reducing our carbon footprint. Ecological degradation affects us all, and we are taking a strategic approach to influence best practices worldwide. From office recycling to reducing our water usage, we are driving sustainability forward on many fronts. Our 2024 targets include a 25 per cent reduction in waste production, increasing onsite recycling rates to 80 per cent and diverting 100 per cent of our waste from landfills where regional waste management facilities allow.

We are also moving to a dynamic working model (see "Lessons from the pandemic will strengthen our workforce"). While the initiative may allow progress to be faster, we are careful to consider how work-related activities our employees are performing from home may impact the environment. There is not yet a practical and accurate way of measuring this, and we are working to understand how such emissions can be counted.

One way to mitigate our impact is by design. For example, we have limited printing when working from home. This obviously saves paper but is also advantageous in terms of security. When employees return to the office, we will continue to discourage printing, targeting a 50 per cent reduction in paper usage. We will also seek to reduce our use of plastic cups, office supplies and single-use water bottles. By the end of 2021, 90 per cent of our employees will have completed sustainability induction training. Our environmental commitments will be delivered by combining high-level strategy with bottom-up initiatives and behavioural changes.

Standardisation: What gets measured gets managed

Our approach to sustainability is driven by data, and we consider the publication of our first TCFD report in 2020 a key milestone within our broader strategy. While TCFD reports are voluntary, we see them as an essential way to increase environmental transparency and encourage all companies in which we invest to follow suit.

Since the publication of our TCFD report, we have initiated steps to improve our performance and expand the data we capture outside our UK operations. More precise measurements of our baseline global footprint covered data from 35 locations globally, accounting for over 98 per cent of our employees and over 96 per cent of our office space in terms of square footage. This exercise has enabled us to better define our baseline carbon emissions for 2019, so that we can gauge the progress made against our long-term target of reaching net-zero operational emissions by 2030.

To ensure continuous, real-world impact, one of our 2024 targets is to achieve ISO 14001 certification. This is an international standard that embraces a constant process of environmental improvement: assess, plan, improve and repeat. We are aiming to have the first site certified in 2022 and to progress with additional sites until coverage reaches 80 per cent of employees.

This idea of continual improvement is an important element of our sustainability drive, not just in terms of the environment, but in all areas relating to ESG. Even strategic, long-term goals such as our commitment to carbon net-zero are waypoints on a journey, not endpoints.

Continuous change is vital for lasting results. Our investment teams have been in a cycle of constant improvement since we were founded more than a half-century ago. By applying that mindset to the sustainability of our operations, we can help ensure that both our planet and our business will have a strong future.

About GHGs

Greenhouse gases (GHGs) are often used interchangeably with carbon dioxide (CO_2) or simply carbon to refer to a group of gases that trap heat in the atmosphere, including in this report. However, GHGs also include methane, nitrous oxide and fluorinated gases.

It is important to note that a certain level of GHGs occurs naturally; without these gases, the planet would be uninhabitable. However, human-induced (anthropogenic) activities have increased the concentration of GHGs to alarming levels. In this regard, CO_2 accounts for the majority of the human-induced GHG emissions and is therefore the focus to mitigate climate risks. All environmental targets are for GHGs in general and measured in carbon dioxide equivalents (CO_2e) against a 2019 baseline.

Working together: Some of our partnerships

SUSTAINABLE DEVELOPMENT GOALS | IIGCC The Institutional Investors Group on Climate Change | Climate Action 100+ | TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | PRI Principles for Responsible Investment

Roof top solar installation, Shenzhen China. (Photo by aaaaimages / Getty Images).

Carbon footprint

Advancing our operational net-zero goal by a decade

Not all net-zero goals are created equal. How each company chooses to reduce emissions to reach net zero can vary widely, and there is currently no global consensus. Here, we explain our approach.

When planning our net-zero journey, we must balance ambition with other factors that impact our business, such as cost, efficiency and risk management.

In 2020, when we established our Corporate Sustainability Committee, one of the first actions the committee took was to set out our net-zero emissions goal within our operations by 2040. At the start of our corporate sustainability journey, we believed this target would allow us to reduce our emissions meaningfully and to adapt to changing technology, industry trends and data-led best practices as they evolve.

Circumstances have changed dramatically, notably the impact of COVID-19 and increased understanding of our global footprint, leading us to alter our perceptions of what is possible. Therefore, we are better placed to be more ambitious in our commitment and have moved our net-zero emissions goal across our operations forward to 2030, 20 years ahead of the 2050 timeline set by the U.N. climate science panel to comply with the Paris Agreement.

First and most importantly, our net-zero path is data-led, and in the past year, we've been able to gather more information about our carbon footprint worldwide, giving us more evidence upon which to progress our environmental strategy.

Second, the pandemic forced us to sharply reduce our carbon footprint, for example, by severely limiting business travel. We fully expect some of these activities will resume in the post-pandemic environment. However, we have also introduced stricter policies, especially related to travel for internal meetings, to help manage emissions.

Third, advances in technology will also help us to cut carbon faster than anticipated. Online communication platforms are making it easier to collaborate across regions and time zones. Even if they don't completely replace face-to-face interaction, they have progressed a long way to help us engage with stakeholders while reducing our travel requirements.

While we are proud of advancing a more aggressive environmental goal, we know the hard work lies ahead in how we deliver that commitment.

'Net zero' vs. 'carbon neutral'

Net-zero emission goals are sometimes used interchangeably with carbon neutral targets. But some critical distinctions are worth considering because they could have long-term implications for the environment. The term 'carbon neutral' generally refers to the heavy reliance on carbon offsetting measures to reduce a company's carbon footprint. Carbon neutral goals gained prominence following the 1997 Kyoto Protocol.

Following the 2015 Paris Agreement, net-zero commitments began emerging to align environmental goals worldwide. The Science-Based Targets Initiative (SBTi) defines net zero as "a state of net-zero emissions for companies consistent with achieving net-zero emissions at the global level in line with societal climate and sustainability goals".[1] Furthermore, SBTi implies net-zero targets must meet two conditions:

- To align to the goal of limiting global average temperature rises to 1.5°C compared to pre-industrial levels. Companies must actively reduce Scopes 1, 2 and 3 greenhouse gas (GHG) emissions from business activities as close to zero as technically possible.
- To neutralise the impact of any source of residual emissions that remain unfeasible to be eliminated by permanently removing an equivalent amount of GHG emissions in ways that have long-term impact. For example, removing carbon from the atmosphere by restoring and protecting natural ecosystems will likely be a more permanent solution than purchasing carbon credits.

There are three key factors when assessing a company's net-zero ambitions: the range of emission sources and activities; the timeline; and the path to net zero emissions.

Our net-zero journey

Fidelity's business operations are guided by five principles (see Figure 1) to reduce emissions. Like many other companies, we have different priorities that evolve due to factors like changes in regulations, public expectations, and market and environmental risks.

Our path to net zero will prioritise avoidance and reduction over substitution and carbon removal. This is an essential tenet to a responsible carbon reduction hierarchy because it improves the prospect of meaningful corporate transformation (see Figure 2).

Our corporate sustainability policies support this hierarchy. An example of how we avoided nearly half of the emissions from energy use in our London office is by moving about 1,000 employees to a more energy-efficient building in 2019. Elsewhere, we have applied substitutes to minimise our carbon footprint. For example, in India, we switched to electric passenger cars from those that run on fossil fuels.

Figure 2: GHG reduction hierarchy

Avoid

- Short term - Avoid business travel through remote meetings.
- Long term - New business model and alternative operations i.e. site move or dynamic working model.

Reduce

- Efficient use of energy, vehicles, workspace.
- Increase resource efficiency per unit.
- Lower total/net energy demand.

Substitute

- Adopt renewables/low carbon technologies (on site, via procured energy or through vehicle fleet).
- Reduce carbon intensity of energy use.

Remove

- Invest in nature-based carbon capture.
- Invest in carbon capture technology.

Source: Fidelity International, 2021.

Figure 1: Five principles to net zero

Measurement, verification and disclosure

Energy efficiency (Targeting our offices)

Responsible business travel (Targeting air travel)

Renewable energy generation (Onsite and purchased)

Carbon removal (Remove emissions we can't eradicate)

2020 Advanced environmental sustainability policy and management system

2024 25% reduction in operational GHG emissions

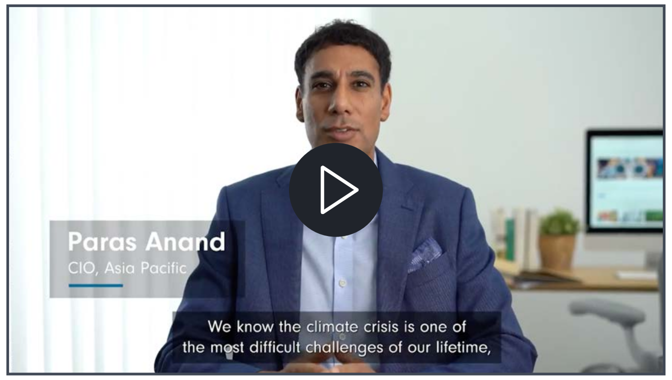
2030 Net zero across our operations

Source: Fidelity International, 2021.

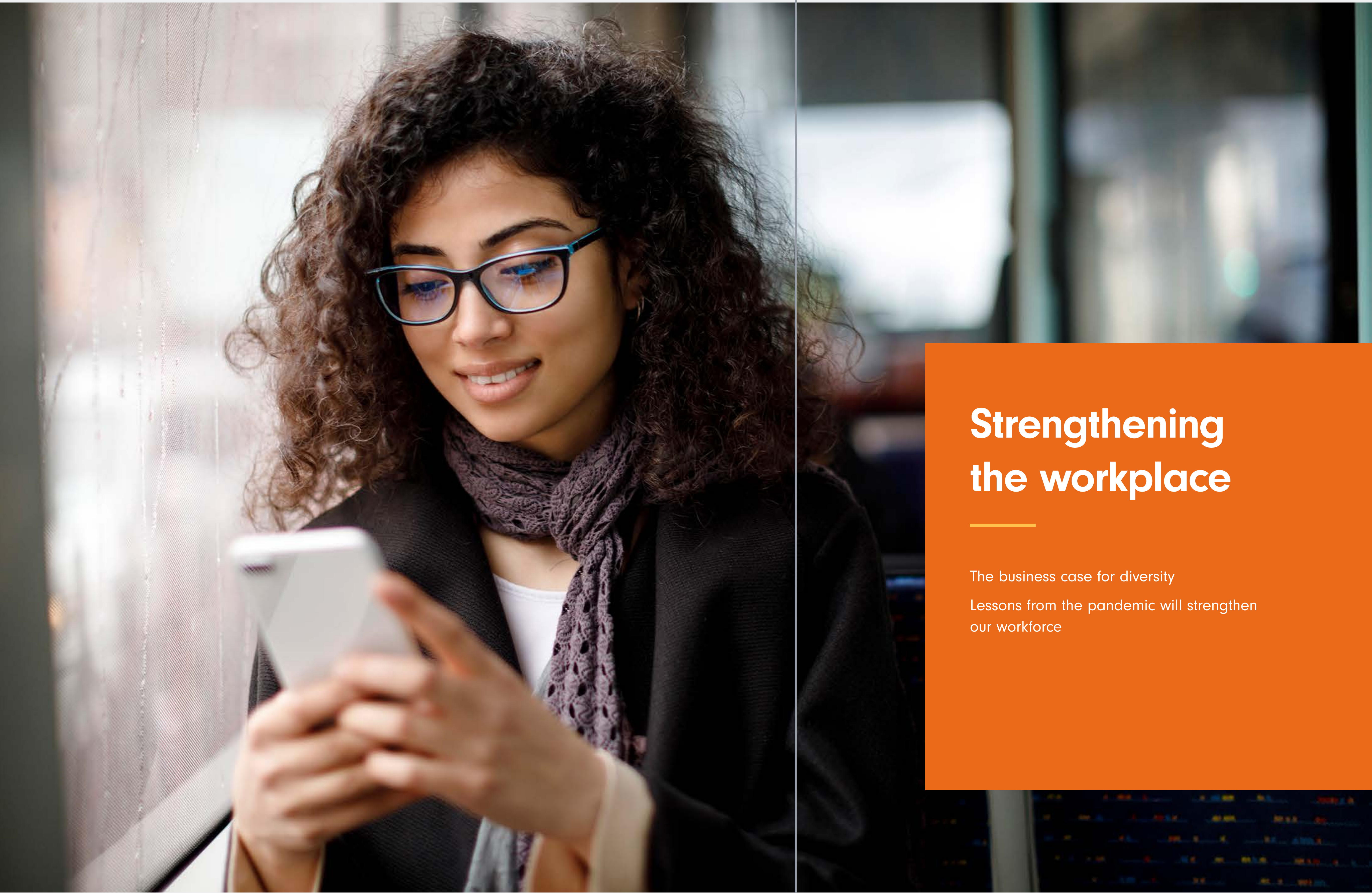
For the residual emissions we can't eradicate, we plan to implement carbon dioxide removal (CDR) measures to achieve net zero based on best practices. These include nature-based solutions or proven carbon capture technology. Carbon removal activities must pass the test of being genuinely permanent, are not double-counted and do not inadvertently result in higher emissions in another area. Therefore, we are considering third-party options to independently verify CDR activities.

As of July 2020, a quarter of global carbon emissions and more than half of the global economy were covered by net-zero commitments, according to the Race to Zero Campaign supported by the United Nations Framework Convention on Climate Change. Net-zero commitments are no doubt an important development to meet the goals of the Paris Agreement. However, that is just the beginning - how companies achieve these commitments may be more vital for a truly lasting impact. We want to continuously challenge ourselves, and we hope this will inspire others to stretch their environmental targets.

Zero is the goal



Looking up at the green tops of trees. (Photo by Aleh Varanishcha / Adobe Stock).



Smiling young woman traveling by bus and using smart phone. (Photo by damircudic / iStock).

Strengthening the workplace

Strengthening our workplace

The business case for diversity

Our purpose is to build better financial futures for our clients, and our employees provide the fuel to deliver on that promise. Without either, we would not exist as a company.

The ability to attract, develop and retain talent is vital to meet the future needs of clients and the business. Investors are placing a higher value on team-based approaches to asset management, emphasising collaboration with clients to deliver effective solutions. Therefore, building a work culture that values each employee for their unique contribution to the team is essential to demonstrate the value of active management through innovation, which draws upon a diverse workforce.

That's why we're taking the lessons from 2020 - a year marked by the pandemic, which served to highlight income, racial, gender and social inequality - to push ourselves further to create an environment in which everyone feels they belong and have the necessary support to do their best work.

Virtuous cycle: Diversity, equity and inclusion

Embedding diversity, equity and inclusion (DEI) in the workplace has a positive feedback loop of collaboration, innovation and better decision-making that helps businesses grow. As shown in Figure 1, research by global consultancy McKinsey found that diversity correlates highly with better financial performance.[1] It found that companies in the top quartile for racial and ethnic diversity are 36 per cent more likely to have financial returns above their respective national industry medians in 2019. And companies in the top quartile for gender diversity are 25 per cent more likely to have returns above national peer group averages during the same period. Companies with higher diversity representation also experienced a higher likelihood of outperformance.

Strengthening our workplace

2020 Highlights

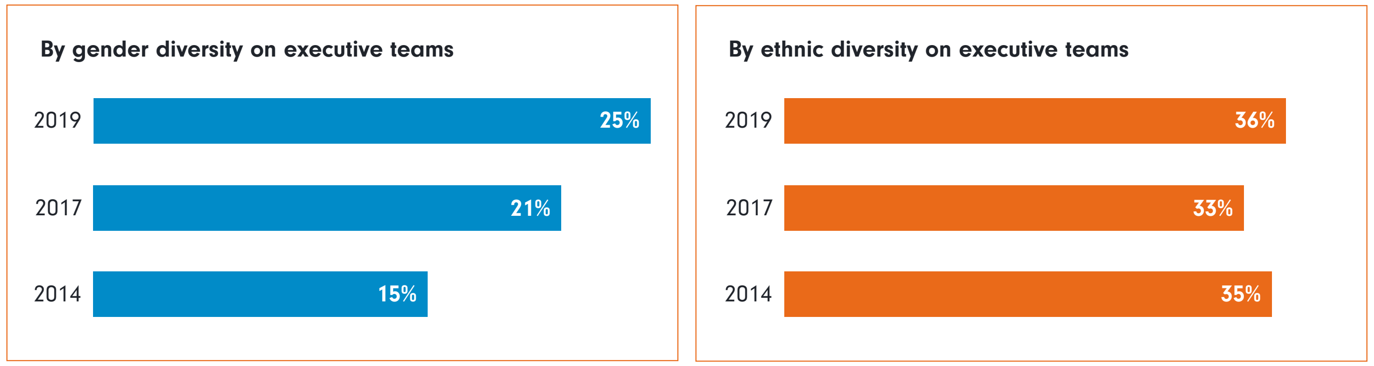
- Achieved target of having 30% of global senior management positions held by women.
- Implemented Enhanced Parental Leave policy allowing fathers and secondary carers the same amount of paid leave as mothers and primary carers.
- Committed to no COVID-19 related layoffs in 2020.
- Recognised as a Stonewall Top Global Employer for progress on LGBT+ inclusion and equality.
- Committed to the Race at Work Charter and BlackNorth initiative.
- Published Cultural Diversity Action Plan.

2021 Plan

- Develop dynamic working framework.
- Expand New Horizons Returnships programme to Asia.
- Improve employee wellbeing strategy to support colleagues in managing work, life, health and money.
- Advance diversity, equity and inclusion programmes relating to cultural diversity, disability, gender, LGBT+, mental health and social mobility.
- Health & safety risk assessments for all managed buildings.
- 90% of employees completing health & safety training.
- Gather ethnicity data for 60% of global workforce, to reach 70% by 2024.
- Advance inclusive recruitment and interview skills training and principles, such as culturally diverse and gender-balanced hiring panels.

Source: Fidelity International, 2021.

Figure 1: Performance differential due to diversity factors, 1st vs. 4th quartiles[1]



Source: McKinsey, May 19, 2020. Data covers 1,000 large companies in 15 countries.
[1]Likelihood of financial outperformance vs the national industry median of five years average EBIT margin using the full dataset of companies in each year; p-value <0.05, except 2014 data where p-value <0.1.

We see a clear link between our future success and the diversity and wellbeing of our employees. Only a motivated, engaged workforce drawn from many backgrounds will generate the innovative investment ideas we need to be a successful active investment manager. Increasingly, studies are demonstrating the value of diversity in our discipline of investment management. For instance, Willis Towers Watson, a financial firm that provides investment consulting services, in 2020 reported a positive link between performance outcomes and the gender and ethnic diversity of investment managers.

Our commitment to diversity

Action must start at the earliest stage in an employee's potential engagement with our company. We are working with other organisations through industry initiatives and collaborations to help increase opportunities and strengthen inclusion in our sector and workforce. Our efforts focus on increasing the representation and sense of belonging for women, people from ethnic minority backgrounds, LBGT+ communities, people with disabilities and those from less advantaged and underestimated backgrounds.

Programmes such as the #100BlackInterns initiative in the UK, for example, offer investment management industry experience to black students. In London, we also support the She Can Be initiative to empower girls to pursue a career in finance. In Hong Kong, we have partnered with CareER to recruit students with disabilities into graduate opportunities.

Fidelity is one of five founding members of LGBT Great, a global membership organisation for the investment industry that works on outreach, benchmarking, and other initiatives to progress the LGBT+ diversity and inclusion agenda. In Japan, we are collaborating with 'work with Pride' (wwP), an organisation promoting diversity practices regarding LGBT+ in the workplace. Allyship is very important in leading change, and our employees have shown enthusiasm to get involved. For instance, our LGBT+ allies network now has more than 180 members.

On gender diversity, we achieved our target of having 30 per cent of female representation in global senior management positions. By 2024, we are aiming for 35 per cent. At that time, we also want women to make up 45 per cent of our global workforce and 45 per cent of our board.

A diversified workforce also brings together employees with different life experiences, and we are continuously reaching out to those who may not readily come to us. For example, our Returners programme targets those who may consider returning to work after a career break of 18 months or more. We aim to remove barriers by enrolling candidates in a six-month coaching, training and networking programme with the possibility to be placed into a permanent role. In the year ending October 31, 2020, more than 20 returners joined the company.

Other steps we are taking to foster diversity include the following:

- The Race at Work Charter in the UK commits senior leaders to five key policies that support people from diverse ethnic backgrounds, such as mentoring.
- The Women in Finance Charter, created by the UK government, sets clear targets for women in senior leadership positions.

We are not complacent and know we have more to do, though we are proud that our work has been recognised by advocacy groups such as Stonewall. In 2020, we were the only asset manager named a Stonewall Top Global Employer, a globally recognised showcase of companies leading LGBT inclusion in the workplace.[2]

Our commitment to equity

Career motivation is driven by many factors and varies among individuals. However, when employees feel like they are treated with fairness and equity, they are more likely to be motivated to focus on reaching individual and company targets.

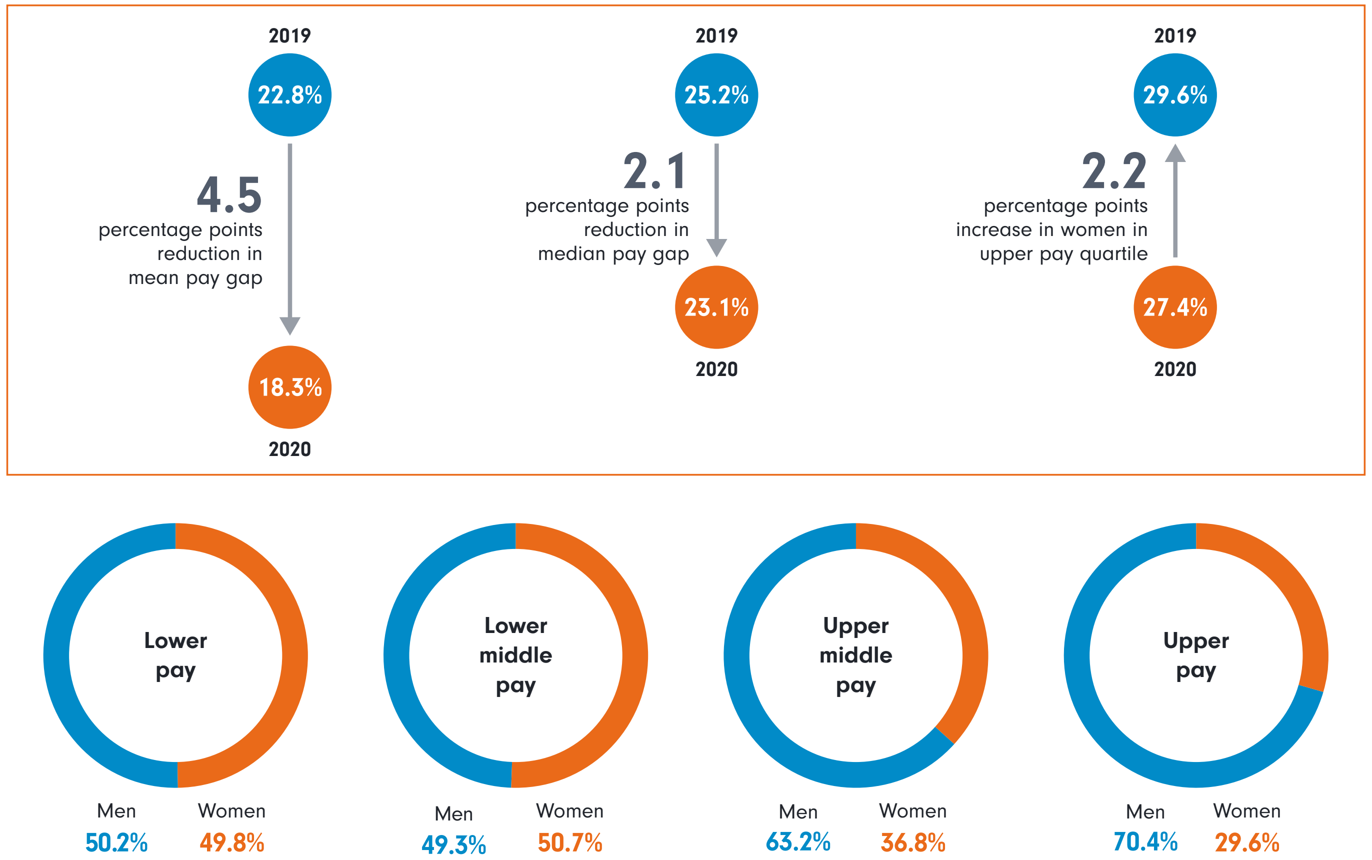
Achieving equity is a constant balancing act, however, based on the ability to obtain an accurate picture not only of individuals' contributions to an organisation but their perception of the contributions. This is then measured against job-specific metrics including salaries and other benefits. Our progress will require constant monitoring to ensure policies are moving in the right direction.

In a few areas, this is already mandatory. Companies of our size in the UK, for instance, are required to report on the gender pay gap in a format mandated by law. As shown in Figure 2, the difference in the pay gap between men and women narrowed once again between 2019 and 2020. While it is already better than the average for our industry, we are committed to closing this gap further. We are also exploring ways to expand our efforts to measure and reduce the gender pay gap in other regions. For example, we are partnering with Fondsfianen, the largest German-speaking professional network in the financial industry dedicated to promoting equal opportunities and diversity.

Traditional gender-based work policies may have also disadvantaged men, and we are working to correct them. In 2020, we introduced an enhanced parental leave policy allowing fathers and secondary carers the same 26 weeks of paid leave as mothers and primary carers.

Rupert Gifford, equity portfolio manager at Fidelity, was among those who took advantage of the enhanced parental leave policy after his son, Bertie, was born. "You don't get many opportunities in your career to spend uninterrupted quality time with your family," he said. "As I reflect on my own experience, I can honestly say that my relationship with Bertie became stronger for it, with precious memories I shall treasure forever. That is priceless to me."

Figure 2: Narrowing Fidelity's gender pay gap in the UK



Source: Fidelity International, data as of April 2020.

Our commitment to inclusion

Recruiting a diverse workforce and implementing processes so that employees are treated fairly are just the beginning. Providing an environment in which talent can flourish is what pushes companies further. If employees don't feel they belong, they are unlikely to collaborate, speak up or share good ideas. The potential for innovation is therefore muted.

Though difficult to measure, we are gauging inclusion through our annual staff surveys. In 2020, 84 per cent of the respondents agreed to the statement: "I can be myself at Fidelity without worrying about how I will be accepted." We want to improve upon this figure.

Commitment at the highest level of our organisation is vital. Therefore, members of our Global Operating Committee (GOC) have been participating in focus groups in 2020 to better understand how we can improve and reshape inclusion policies. They include:

- We will promote role models by showcasing our black, Asian and ethnic minority global talent through internal communications campaigns.
- We will continue to listen to and act on the voice of colleagues from all ethnicities and cultural backgrounds under-represented in our workforce through forming a Cultural Diversity Network.
- We will improve our understanding of cultural differences and encourage a global mindset through training and awareness events.

The road ahead

We believe data must be at the heart of every DEI programme to succeed in the long term. However, in some areas, benchmarking is more difficult: historical data may be missing, and some employees may be uncomfortable with data collection. When dealing with senior positions, which are groups with a small number of members, one person reclassifying themselves can create an appearance of progress where there was no progress.

As a result, we are committed to gathering more robust data, particularly in ethnicity, increasing the percentage covered to 70 per cent from about 50 per cent of our workforce by 2024. Meanwhile, we will increase resources to recruit more employees of ethnic minority backgrounds at the senior level. For example, we are aiming to add at least five additional black directors by 2024. In the long term, we will set more precise goals as data becomes available.

Creating a workplace founded on diversity, equity and inclusion is an ongoing challenge, but it is a commitment required of every company. Our continued success as an independent asset management company relies on demonstrating that human ingenuity - combined with the latest technological advances - can offer our clients advantages far beyond what either humans or machines can accomplish on their own. We are preparing for the future by recruiting, developing and retaining a diverse pool of talent, and providing the right tools and environment where our employees can reach their full potential. When everyone in the company thrives, we as a company thrive.

Working together: Some of our partnerships

DIVERSITY PROJECT
30% Club GROWTH THROUGH DIVERSITY
Stonewall Acceptance without exception
COMMUNITY BUSINESS
The Valuable 500
BUSINESS IN THE COMMUNITY The Prince's Responsible Business Network
#10000 BLACK INTERNS
WOMEN OF THE FUTURE network
WOMEN ON BOARDS
LGBT GREAT
PurpleSpace

Responding to COVID-19

Lessons from the pandemic will strengthen our workforce

Sarah Kaiser
Head of Employee Experience

COVID-19 was first and foremost a health crisis, but it also impacted every aspect of how we live and work. It taught us that we could adapt brilliantly as individuals and teams, and run our business in a way that we never imagined possible. The unprecedented challenges presented by the pandemic ultimately will also offer opportunities to strengthen our culture and reach a new level of business resilience.

Relative to employees in services sectors such as healthcare, retail and catering, those in the knowledge economy who could work from home were more shielded from the rising unemployment resulting from the pandemic. Nevertheless, 2020 accelerated many workplace trends already happening before the crisis, forcing all companies to rethink the future of work.

Employee wellbeing

Our priority when the COVID-19 outbreak spread globally was to protect our employees and ensure they could continue to serve clients effectively. We went from having a small minority of employees working from home on a full-time basis before the crisis to having an overwhelming majority of the workforce operating remotely worldwide. This happened country by country, often within weeks, if not days. We immediately set up committees to ensure we could collaborate as a global company while working safely following local protocols.

From the very beginning of the pandemic, we were keenly aware that while we were all living through the same global crisis, the reactions and personal circumstances of our employees would be varied and highly individualised. Through our regular Wellbeing surveys, we closely monitored the impact among different demographic groups. As more employees worked from home and schools closed, some took on more family and caring responsibilities than others. Both women and men increased time spent on unpaid domestic chores, according to data from 38 countries collected by UN Women. However, women were doing the lion's share of the work in caring for family members[1] and this led to lower levels of self-reported wellbeing from female employees.

We took a top-down and bottom-up approach to support work-life balance. First, all employees were encouraged to work with their line managers towards a more flexible work schedule to accommodate family responsibilities; individual circumstances vary and no one company policy will address them all. However, we also introduced high-level initiatives, notably an enhanced Fidelity Family Care Leave policy allowing five additional days of paid leave for both planned and emergency caring responsibilities for family members.

To ease financial-related stress, we implemented a 'no COVID-19 related layoff' policy for 2020. We also modified how we assess performance, including annual reviews, so that employees are not disadvantaged because of disruptions and personal circumstances.

Financial support went hand in hand with other initiatives to foster wellbeing, including additional peer support initiatives, extra time off and 'catch-up' Fridays, during which all meetings are discouraged to help combat videoconferencing fatigue. Our focus on mental health became more relevant during the COVID-19 crisis, so we worked with our network of Mental Health Champions to deliver monthly Wellbeing Webinars and develop a toolkit on supporting employee mental health for managers.

Communicating with purpose

Unsettling times demand human connections. Meanwhile, social distancing measures to manage the spread of the virus made it more difficult to connect.

We addressed this by intensifying the level of internal communications to help maintain contact. Our executives, led by CEO Anne Richards, shared personal stories, regular updates and team successes across the business. Additionally, peer support groups enabled employees to share tips on homeschooling, managing stress and cooking, among other activities during lockdown. During a period of unprecedented uncertainty in capital markets during the first half of 2020, our portfolio managers and analysts participated in dozens of Zoom calls, webcasts and virtual conferences to keep colleagues and external clients well informed.

Importantly, technology had to roll out quickly to meet digital demand as cybersecurity defence heightened. Zoom, Microsoft Teams, TechHub and other cloud-based collaboration platforms sparsely used before the pandemic became a staple for most employees. In contrast, the landline telephone on everyone's desk became obsolete almost overnight.

Working from home not only depended on access to the right digital tools but often relied on having the appropriate space to be productive, so we offered all employees an allowance to improve their work environment. Some purchased cameras, headsets and related tech gear to enhance connectivity. Others spent it on advancing workspace ergonomics with new office furniture.

The move to dynamic working

We have always supported our employees' wellbeing. While the pandemic changed the nature of that commitment, it also strengthened our resolve. Many of the steps we took to help colleagues through the COVID-19 crisis will remain in place far beyond 2020, while new ones may emerge as we return to the office. We see this as an opportunity to craft a new work paradigm.

Our 'dynamic working' initiative puts employees at the centre, thinking differently about the work experience. We will trust and encourage colleagues to work in the way that best suits them to deliver clear objectives and results for clients and the company, following the three principles in Figure 1.

Figure 1: Dynamic working in practice

1. We will offer the maximum flexibility of home and office working, considering the responsibilities within specific roles, working effectively in teams and delivering for clients.

2. We measure performance based on what employees deliver and contribute, with less emphasis on when they work their contractual hours.

3. We trust everyone will make sensible choices around how they work and be available to effectively collaborate with colleagues.

Source: Fidelity International, 2021.

As part of the initiative, we surveyed about 1,000 employees, or about 12 per cent of our workforce, to better understand how to boost productivity while allowing the most flexibility. Local conditions matter. In some instances, employees are keen to leave tiny flats and return to the office, while others preferred to avoid extended commuting journeys five days a week. Some of the feedback was surprising: Japan, for instance, is often seen as a society with a culture of long hours in the office. Yet 25 per cent of the staff there said they want to work entirely from home in future.

Upon returning to the office, we expect many of the health and safety measures in place during the pandemic will continue to be prioritised, depending on local protocols, as shown in Figure 2. Education is therefore crucial, and we will aim for everyone returning to the office and at least 90 per cent of our entire workforce to receive mandatory health and safety training by the end of this year.

How we maintain a strong sense of fairness, community and culture will be more challenging when some are working remotely while others are in the office. Therefore, we are considering what processes need to be in place so those who choose to work from home don't feel left out.

Figure 2: Health and safety protocols

Split teams
Reduce exposure to other people and keep numbers on site down to maintain social distancing.

Social distancing arrangements
Minimise risk of virus spreading in the office environment including using alternative desks.

Enhanced cleaning
Ensure that high touch areas are frequently cleaned.

Hygiene supplies
Provide alcohol-based hand rubs and wipes for employees to use throughout the day.

Personal protective equipment supplies
Provide face coverings or masks for employees to use within the office.

Work from home
Ensure employees are prepared for dynamic working by helping to set up home workstation correctly following the homeworking guidance.

Commute/transport
Provide guidance for employees who have to use public transport to travel for work. For Fidelity-provided transport, measures are taken to mitigate the risk including use of face coverings, sanitation and social distancing.

Supporting mental and emotional wellbeing
Help manage personal life and work issues with confidential support and counselling through initiatives such as our Employee Assistance Programme.

Temperature screening
Check temperature at the entry point for our larger locations and those with a fever will not be granted entry.

Source: Fidelity International, 2021.

Our offices will likely serve a different purpose compared to 2019. We see our future office as a hive for connectivity and community. They will need to be safer, including having stricter limits on the number of workers arriving each day, using the lifts or gathering in meeting rooms. Yet, we also recognise the office is becoming more vital as a hub for collaboration and innovation.

Feedback from employees suggests at least some decision-making is better done in person. Many also told us they miss those 'watercooler moments', casual interactions that create a sense of belonging and sometimes spark great ideas. New and younger employees still need to be integrated and to feel they are part of a team. This often requires building the kind of 'social capital' gained through face-to-face interactions rather than videoconferencing.

It is far too early to predict how working patterns will evolve. However, they are unlikely to return to the way we worked in 2019. COVID-19 has pushed us beyond our comfort zones and fundamentally changed the way we operate.

Working from home. (Photo by Westend61 / Getty Images).


Container terminal, Hong Kong. (Photo by Chunyip Wong / iStock).

Buying responsibly from our suppliers

Buying responsibly from our suppliers

Sustainability enhances supply chain agility

As well as holding ourselves to higher standards of behaviour across our business, we expect the companies in our supply chain to uphold our company values.

Supply chain sustainability has been one of our main engagement themes as investors, and we intend to apply the same rules to our own supply chain. We have a responsibility to manage our spending in a way that drives positive change. In the same way that the goals of sustainable capitalism go beyond profits, sustainable procurement is more than the price paid for goods and services.

Fidelity engages with about 3,000 suppliers mainly in facilities management, human resources, professional services, market data, marketing and IT. Environmental, social and governance (ESG) risk management in the supply chain can bring short- and long-term financial benefits.[1] Increasingly, companies are accountable for the ESG standards of their supply chain and any lapses may result in higher reputational, operational and regulatory risks. It is therefore in a company's interest to have an in-depth understanding of its suppliers and their subcontractors because greater transparency increases the ability to manage those risks. For suppliers, improving ESG standards also may help them become more competitive, nimble and profitable.

We believe our supply chain to be an extension of our business. Introducing more diversity, and therefore competition, also may enhance our performance by helping us to innovate faster and to be more flexible, especially important during economic disruptions such as the COVID-19 crisis. Our efforts to build a more sustainable supply chain prioritise three areas: monitoring ESG factors; increasing diversity, equity and inclusion; and ensuring we act responsibly towards our suppliers.

Buying responsibly from our suppliers

2020 Highlights

Established Sustainability Delivery Group to lead responsible supply chain programme focusing on three pathways:

1. Promoting diversity, equity and inclusion in supply chain. Joined MSDUK to include BAME businesses.
2. Enabling financial resilience to help suppliers grow.
3. Monitoring ESG in supply chain to ensure sustainability, transparency and identification of any potential issues requiring remediation, using EcoVadis rating platform.

2021 Plan

- Streamline supplier onboarding and management processes, including faster payments.
- 50% of material and critical suppliers onboarded on EcoVadis platform to enable ESG assessment & monitoring.
- 100% of procurement sourcing staff and supplier relationship managers trained on sustainability factors.
- Performance objectives and appraisal of procurement sourcing staff to include sustainability factors.
- Implement a supplier diversity programme.

Source: Fidelity International, 2021. Note: For the purpose of the corporate sustainability goals relating to our operational supply chain, we do not include non-supplier third parties such as counterparties in our investment management business and providers of one-off, low-value transactions. More information on our definition of suppliers can be found in the Supplier Information Centre

ESG monitoring strengthens our supply chain

A crucial partnership in 2021 with EcoVadis will help advance our commitment to have all our material, high-risk and critical suppliers worldwide formally monitored for their ESG practices. A specialised ESG rating platform using international standards methodology, EcoVadis will first establish a baseline rating for suppliers.

Participation is compulsory, and EcoVadis will scrutinise companies in the following: the environment; labour and human rights; business ethics; and sustainable procurement, as shown in Figure 1. Suppliers will be required to fill out a questionnaire and upload evidence to support their responses. Following an analysis by EcoVadis based on specific risks within the supplier industry, each company will receive a scorecard with comparisons to industry averages and a list of strengths and improvement areas.

One of our immediate priorities is to understand the environmental risk profile of our supply chain - and their subcontractors, but it does not stop there. Firms that supply our goods and services must treat their employees and subcontractors fairly, following best practices, relevant policies and industry standards. Labour issues such as strikes arising from the mistreatment of workers, for example, increase our legal, reputational and operational risks.

Most of the risks in our supply chain, however, reside further down among the subcontractors to our suppliers. Therefore, we expect them to monitor ESG factors to reflect our values, and EcoVadis will help us to do so. We want to ensure high standards in the business ethics of our suppliers and will work with them to raise awareness and ESG standards. In this respect, our corporate sustainability approach to engage with suppliers mirrors how we address ESG with portfolio companies.

Figure 1: Supply chain ESG KPIs* monitored by EcoVadis

Environment

- Energy & GHGs.
- Water.
- Biodiversity.
- Pollution.
- Material & water.
- Product use.
- Customer safety.
- Advocacy.

Social

- Employee health & safety.
- Working conditions.
- Social dialogue.
- Career management & training.
- Child & forced labour.
- Discrimination & harassment.
- Fundamental human rights.

Ethics

- Corruption & bribery.
- Anti-competitive practices.
- Data security.

Supply chain

- Supplier environmental performance.
- Supplier social performance.

Source: EcoVadis, 2021.
*Key performance indicators

Providing equal opportunities to foster supplier diversity

Our supplier diversity programme will first focus on the UK, where more than half of our supplier spending is based and where we believe we can have the most impact. We are at the beginning of our supplier diversity initiative, and the aim is to widen the pool of potential suppliers to meet our requirements and support our strategy. Promoting competition in the supply base also improves product and service quality while often saving costs. (A diverse supplier is generally defined as a business that is at least 51 per cent owned by an individual or group traditionally under-represented such as women, the disabled, veterans, LGBT+ and ethnic minorities. Small and medium-sized enterprises (SMEs) and social enterprises are also included.[2])

We are taking a two-pronged approach to make our supply chain more accessible to these businesses. First is the identification of diverse companies that can serve as Tier 1 direct suppliers. To help with this, we have partnered with advocacy organisations to access databases of certified diverse suppliers. These include platforms such as MSDUK, an organisation linking large international companies with ethnic minority businesses. Other partners include WEConnect International, which focuses on women-owned businesses, and Social Enterprise UK, which provide access to companies set up to help local communities.

However, we also recognise some businesses may not have the scale needed to work with us as a direct supplier, leading to the second aspect of our approach. We are committed to assisting our Tier 1 suppliers to diversify their own supply chains. These subcontractors, which are classified as Tier 2 suppliers, contribute to our success in meaningful ways. For example, some of our offices and data centres are managed by suppliers that subcontract services such as security. We also want subcontractors to align with our corporate values, including diversity and inclusion.

Our "How to do business with us" presentations should help us attract a more diverse group of suppliers. One of the barriers, especially for smaller suppliers, is meeting stringent regulatory requirements for regulated financial service companies. For instance, these policies may be in place to protect companies against cybersecurity and data protection breaches, money laundering and bribery violations. By sharing our knowledge and experience to manage these risks, we can help more suppliers to work with us to grow their businesses. Our aim is to reach 1,000 diverse suppliers and enrol 100 of those on our supply chain platform by 2024.

In the UK, at least one diverse supplier will be included in 50 per cent of the tenders. We want to work more closely with Tier 1 and Tier 2 diverse suppliers, and ultimately increase the percentage of the annual procurement spending with them.

Our responsibilities to suppliers

The third area of focus is to ensure fair treatment of suppliers worldwide. Our procurement staff have long been accountable to uphold our responsibilities in the supply chain, and we will require additional awareness training to help us collaborate more efficiently with suppliers.

One priority is to simplify our processes where possible and work with suppliers to speed up payments while ensuring our processes remain robust. For example, late payments may occur for many reasons, including the supplier providing incomplete documentation or simply sending the invoice to the wrong destination. According to the Federation of Small Businesses (FSB), late payments particularly strain cash flows at smaller businesses during the COVID-19 crisis, ultimately impacting their survival. In the UK, SMEs typically contribute about half of the £2.2 trillion turnover generated by the private sector and employ nearly two-thirds of the UK private sector employment.[3] Therefore, the post-pandemic economic recovery relies, in part, on prompt payments.

To help progress our supply chain, we established the Sustainability Delivery Group to determine, implement and monitor initiatives to support the three previously mentioned priorities (see 2020 highlights). Significantly, we have incorporated sustainability-related targets into procurement staff's performance objectives and appraisals. The combined result will be a supply chain that will not only be more ethical, diverse and sustainable—we believe it will be a supply chain that better serves our needs as a progressive business.

Zero tolerance: Fighting modern slavery

Fidelity International does not tolerate modern slavery or human trafficking within its business operations and takes a risk-based approach regarding its supply chain. Our risk to modern slavery or human trafficking is considered low, given the professional and regulated nature of our business and the fact that we do not have intricate supply chains or obtain material services from external businesses located in high-risk countries.

Protester holding "Anti-Slavery Movement" sign, London, UK.
(Photo by Loredana Sangiuliano / Shutterstock.com).

Our procurement process includes performing a full risk assessment on every new supplier to determine the inherent risk the supplier and its services bring to Fidelity. In addition to a full risk assessment, all high-risk suppliers undergo enhanced due diligence screening, which may include factors such as financial crime, information security, and data protection assessments among other more standard financial stability checks.

New material suppliers are required to comply with all applicable anti-slavery and human trafficking laws and to agree not to engage in any activity anywhere in the world that would be an offence under the relevant regulations such as the United Kingdom's Modern Slavery Act 2015. All new suppliers and any existing suppliers due for renewal are required to accept the Fidelity supplier code of conduct, which sets out the standards and behaviours we expect from our suppliers, including adherence to employment standards, non-discrimination and human rights legislation.

Additionally, a new supplier management tool implemented in 2020 requires suppliers to attest on an annual basis that they accept the Fidelity supplier code of conduct along with a comprehensive set of requirements on monitoring performance against suppliers' contractual obligations. In 2021, our partnership with EcoVadis will help us monitor environmental, social and governance (ESG) compliance at an even more granular level.

Training is another crucial step we've taken to minimise risk. Employees in procurement and business functions involved in recruiting, sourcing and managing our supply chain are required to complete an annual programme to identify risk factors, understand the implications and assist with the effective implementation of our policy not to tolerate modern slavery or human trafficking.

Working together: Some of our partnerships

ecovadis
Business Sustainability Ratings

MSDUK®

WEConnect
INTERNATIONAL

Social
Enterprise UK

Man teaching gardening to young adults in an urban community garden. (Photo by Hero Images / Adobe Stock).

Creating resilient communities

Creating resilient communities

Compassion: At the heart of Workplace Giving

Fidelity's tradition to support the communities in which we operate is integral to our business since 1969 when we were founded. COVID-19, however, forced more employees to stay closer to home, rightly turning their attention to the social issues in their vicinity and the importance of local communities during difficult times.

The pandemic's economic and social impact highlighted how heavily dependent many not-for-profit organisations are on donations and volunteers. Yet as more support is needed, social distancing measures severely challenged our ability to organise fundraising and volunteering events. In 2020, we experienced a steep drop both in volunteering hours and funds raised by employees.

Nevertheless, we donated US$1.1 million in 2020 - up from US$700,000 in 2019 - to dozens of charities chosen by our corporate citizenship committees worldwide. Of that amount, our staff raised an impressive $170,000, including grant matching, for 48 different charitable causes around the world.

We also logged more than 1,600 volunteering hours to help local charity projects. (See "Global corporate citizenship.") The total employee volunteering hours halved compared to the previous year. However, in lieu of the missed volunteering opportunities in 2020, we have set aside an additional $75,000 for charities in 2021. Funds will be distributed on a regional basis to help communities recover from the effects of the pandemic.

In addition to fundraising and volunteering, two other programmes allow employees to give back in a way that is meaningful to them locally: Give As You Earn, which automatically deducts a set amount from each pay period to a nominated charity on a tax-free basis; and participation in corporate citizenship committees to help set the Workplace Giving agenda. By 2024, we want 20 per cent of our workforce to participate in at least one of these programmes, up from about 5 per cent in 2020 and 10 per cent in 2019.

Creating resilient communities

2020 Highlights

- Donated over US$1 million to local communities to support social and environmental issues.
- Logged 1,600 employee volunteering hours.
- Supported 48 charities/not-for-profit organisations through corporate citizenship programmes.

2021 Plan

- Increase employee participation rate in fundraising, charity events and volunteering.
- Increase collaboration with external organisations to better support the communities in which we operate.
- Participate in Early Careers programmes to provide more opportunities in asset management to young people from a broader mix of backgrounds.

Source: Fidelity International, 2021.

To help us reach this goal, we plan to dedicate more resources in the following:

- Raise awareness through events, communication campaigns and peer support groups.
- Improve fundraising and volunteering processes with new technology.
- Encourage higher levels of Workplace Giving participation by providing more incentives and simplifying policy.
- Extend opportunities through partnerships.

Social responsibilities

Our corporate donations are distributed via two channels. The first is through fundraising and other charitable financial support within our business, which is primarily managed by corporate citizenship committees in the following regions: UK and Ireland; Continental Europe: Asia ex-Japan; Japan; India; and Bermuda, where Fidelity International Limited was incorporated in 1969. This report references activities from this channel only. In 2020, Fidelity International donated US$1.1 million to support corporate citizenship activities.

Additionally, Fidelity International also supports four independent foundations: the Fidelity UK Foundation (established in 1988); and the Fidelity Asia Pacific Foundation; Fidelity Europe Foundation; and Fidelity Bermuda Foundation (established in 1992). The Foundations award grants to enhance the capacity of leading non-profit organisations active in fields such as education and health, enabling them to be more impactful, efficient or sustainable. In 2020, Fidelity International donated a total of US$15.7 million to the four Foundations. As the Foundations operate independently, they are out of scope for this report.

Engaging our communities

Although our activities have evolved, our philosophy for community action is unchanged: we are a global company but prefer to act locally. We believe we can make a more significant difference when we work closely with our communities to build resilience through education, volunteering and direct financial support.

Our employees choose the causes they want to support, so they have more of a connection to them when compared to contributing to activities directed from the top occurring in another country or continent. We believe this immediacy fosters employee engagement, creating a more meaningful and purposeful workplace.

The focus on local communities does not minimise global issues that matter to our colleagues, however, and we also support international organisations such as UNICEF because they often can be more efficient in ameliorating broader social challenges. Whether local or global, there are four focus areas under our community pillar: charity financial support, payroll giving, volunteering and fundraising.

Charity financial support

Within Fidelity International, charity financial support is managed globally through 13 corporate citizenship committees comprising three or more employees and eight CSR champions in smaller offices. There are parameters each committee must follow. In considering our company policy for workplace giving, we carefully examined how we can align our company purpose and core values while still allowing for a high degree of flexibility within each committee.

First, we favour small community grants supporting organisations within 20 kilometres of our offices, unless there is a demonstrable connection with employees. Financial support for each organisation should not exceed $5,000 (or local currency equivalent) annually. And grants should be used to benefit the broader community rather than an exclusive group.

Second, we also lend financial support serving global issues that reflect our expertise, such as volunteering as a charity trustee or a school governor. We also launched the international Women & Money campaign to help empower women with financial knowledge. Disaster relief is the third strand of financial support and includes activities such as helping communities impacted by COVID-19.

Payroll giving

Taking the same approach to our asset management philosophy, we encourage long-term support where possible because we believe this helps create lasting value and allows non-profit organisations to plan ahead. A stable income source has been a vital lifeline for many charitable organisations, especially in 2020. Therefore, employees can make monthly charitable contributions deducted on a tax-free basis from their salaries.

Fidelity pays all administrative fees, so the charity receives the entire amount. For employees, Give As You Earn (GAYE) allows more efficiency due to the automation and the tax benefits. Our GAYE programme currently is available in the UK, and we are aiming to expand it to other countries.

Employee volunteering

For each employee, we offer two paid volunteering days a year. In 2020, many events were cancelled due to social distancing measures. However, we were able to replace some of these with virtual volunteering events and other activities that complied with social distancing restrictions.

In Luxembourg, we found a way to complete an outdoor refurbishment that local charity Stemm vun der Strooss (which translates to 'people from the street') relied upon to continue its services for the homeless. We first split the number of volunteers into two teams to minimise contact. One team cleaned and prepared the terrace, followed by a second team responsible for painting it. Throughout the pandemic, employees also supported the charity by donating clothing, sleeping bags and hygiene products, among other necessities for the homeless. Then to enable the charity's employees to work from home, they donated IT equipment.

Fundraising

Fundraising not only benefits our communities but also contributes to employee engagement and teambuilding. However, social distancing restrictions in 2020 meant we needed to rely on innovation to organise events.

One highlight was our Early Careers fundraiser for UNICEF. Hundreds of employees competed in the challenges set by our teams of apprentices, graduates and industrial placements. For example, the Global Distribution Operations (GDO) leadership team impressed with their fitness challenge by completing over 700 burpees, star jumps, squats, high knees and press ups – while sporting the best of 1980s fashion. The event raised more than $36,000 to assist children and families impacted by COVID-19.

"It is only with the help of incredible supporters like Fidelity International, who share our commitment, that those most vulnerable are able to survive this crisis and thrive long after it," said Andy Todd, UNICEF UK's Head of Corporate.

Our corporate citizenship activities also often intersect other sustainability goals. For example, beehives located in one of our UK offices have long contributed to the environment by promoting biodiversity. Prior to the pandemic, volunteers would annually package and sell the honey to staff to raise funds for local charities. The events of 2020, however, temporarily disrupted that philanthropic cycle. Nevertheless, we plan to expand the initiative to other UK offices in the coming years.

COVID-19 severely tested our ability to contribute to our communities, but we remain steadfast in our commitment. Like many other aspects of society, the pandemic is reshaping our priorities and helping us find new ways to contribute. With the help of our colleagues and our communities, we will build back better.

People maintain social distance outside a bank during nationwide lockdown, India. The pandemic disrupted communities worldwide. (Photo by rohit / Adobe Stock).

Global corporate citizenship

The difficulties from social distancing restrictions to manage the spread of COVID-19 severely impacted our ability to hold fundraising events and volunteer for charity. Nevertheless, many of our colleagues found ways to help their communities through volunteering days during the pandemic. Read some of their stories below and in the following pages.

Prady Kapoor, Director - Fidelity Business Consulting. (Photo by Fidelity International).

UK

Word for word: Teaching children to read during lockdown

Dozens of volunteers in the UK regularly spend about 30 minutes a week during term time to tutor children to read online.

Through the charity TutorMate, the volunteer and the child log on to its secure platform to read together. As many schools have been closed during the pandemic, it has been more difficult for the volunteers to support the children. Some families do not have the technology in their homes to support home schooling. Others may be classified as vulnerable, so tutoring sessions may not be appropriate in a home environment.

Despite these challenges, Kingswood corporate citizenship committee members Susan White and Jo Andrews have been working with TutorMate to help connect as many volunteers as possible with the children with whom they are paired, with appropriate safeguarding in place. According to one parent, "My daughter's reading tutor Prady is amazing. He is endlessly patient and somehow manages to get her to read way more than I can."

Prady Kapoor, Director - Fidelity Business Consulting, also benefits from the rewarding experience. "She is an absolute delight to speak with and keeps me on my toes," he said. "Watching her progress week by week makes me feel so proud."

Traditional Japanese Kalimba musical instruments made by Fidelity volunteers and distributed to children's hospitals during the pandemic. (Photo by Fidelity International).

Japan

Healing with music

Employees in Japan held a virtual Kalimba-making event to benefit disabled children and patients at children's hospitals. Also known as a "thumb piano", a Kalimba is a musical instrument with a wooden soundboard and metal keys. They are relatively easy to learn and produce a gentle tone, similar to a music box. The calming sound meant that it was appropriate to be played inside hospital rooms.

The remote crafting session allowed colleagues to interact with each other while learning to make a traditional wooden musical instrument. One challenge was figuring out the logistics around delivering the craft kit to employees' homes, picking them up afterwards and distributing them to the hospitals, said event organiser Kaori Amano, Associate Director - Client Projects. About 80 Kalimba instruments were donated nationwide. Demand was so high that the group planned another Kalimba event in 2021 to make 120 instruments.

Doctors and nursery teachers practised the Kalimba before teaching it to the children. "We have many patients who are hospitalised for an extended period due to sicknesses like a brain tumour," according to a staff member in the paediatric neurosurgery department at Jichi Children's Medical Center in Tochigi. In a year in which coronavirus strained the ability of medical staff to attend to those patients without COVID-19, music offered some consolation.

Australia

Helping communities recover from wildfires

In the aftermath of Australia's wildfires, our Sydney team did a 5K walk to raise money and environmental awareness. They raised more than US$30,000, which was matched by Fidelity International for several charities including the Australian Red Cross.

"Thank you so much for your generous support during what is a really hard time for many Australian communities," according to a response from the Australian Red Cross. "It enables us to give people the support they need in disasters: whether that's helping to prepare a safe place to take shelter, psychological first aid, information, and practical support through the months and even years it can take to recover. We couldn't do the vital work we do in times of emergency and disaster without the kindness of people like you."

Separately, Fidelity donated US$100,000 split between Landcare Australia, an environmentally focused charity supporting the communities, landscape and biodiversity affected by the fires, and Lifeline Australia, which supports those facing personal hardship related to the fires.

The 2019-2020 Australian bushfires killed 34 people and more than a billion animals. (Photo by REUTERS / David Gray / stock.adobe.com).

Luxembourg

Extending a helping hand to the next generation of entrepreneurs

David Poncin, Director - Internal Audit, coaches students between the ages of 19 and 25 through the Young Enterprise Project organised by Jonk Entrepreneuren Luxembourg, which aims to inspire and prepare young people to become entrepreneurs. Students must work as a team to identify an opportunity, come up with a business plan and determine its viability.

In 2020 and 2021, Poncin mentored four students from the Luxembourg Business School on their project, 'Local Farm', an app that connects local organic food producers with consumers. In addition to supporting sales, users could participate in events such as farm tours, tastings and education to promote Luxembourg's organic food producers and create a dynamic community.

"I help them develop multiple skills, from the practical such as being on time to the more complex like how to overcome fears, digest negative messages and learn to cooperate with each other - a large range of skills that are so necessary in life," he said.

In a nationwide contest of 40 teams, the 'Local Farm' team placed second. Additionally, one of its members received the leadership award. The group has since implemented the project and organised its first event.

Poncin summed up the experience this way: "I met nice, brave and engaged students in what was a fantastic opportunity to share my experience and knowledge, to develop and know myself better, and to go out of my comfort area."

David Poncin, Director - Internal Audit.
(Photo by Fidelity International).

Giuseppe Parlà, Senior Sales Manager, volunteered to distribute boxes of tomatoes in exchange for cancer research donations in Milan.
(Photo by Fidelity International).

Italy

Supporting cancer research in the pandemic

Giuseppe Parlà, Senior Sales Manager in our Milan office, supports Fondazione Umberto Veronesi, a non-profit organisation dedicated to health and wellbeing through medical research, international conferences, and prevention and educational campaigns.

Parlà has participated in several fundraising events, for example, one in which volunteers stationed around commercial hotspots throughout Milan distributed boxes of tomatoes to those making donations to support paediatric cancer research. In another, he was a volunteer in the city's 5K run 'PittaRosso Pink Parade' to raise money for research and awareness of breast cancer screening.

"The research and treatment of oncological diseases is one of the most important goals of our era," Parlà said. "I consider this as an important opportunity to make a contribution."

Dozens of home videos were submitted for a virtual talent show in Asia.
(Photo by Fidelity International).

Asia

FIL's got talent

Social distancing is no obstacle for our colleagues in Asia when it comes to charity work. When it was not possible to hold fundraising events, they took it online. The inaugural APAC CSR Talent Show and Charity Fundraiser raised US$35,386 for charities throughout the region, including Teach for Taiwan, The Salvation Army Childcare Center in South Korea and Dalian Youth Development Foundation in China.

Forty video entries included musical performances as diverse as 'Moon River', 'Desperado', 'We Are the World', 'Khamoshiyan' (a Hindi song from the movie of the same name) and 'Chopin Scherzo in B Minor Op.20'. Art, baking, sewing and gardening were also added to the mix, as was a magic act. Dance was another popular choice and included a synchronous modern dance duet and a traditional folding fan dance. One colleague shared a 'How to work out with cats' video, featuring her own cat.

The winners received 'cash prizes' of between US$500 and US$1,000 that were donated directly to the designated local charity partners for their office, enhanced further by Fidelity's grant matching programme. Overall, the Singapore office took the prize for the most money raised with US$6,822, which was donated to the Children's Cancer Foundation.

Jenny Imhoff, wholesale & institutional digital experience lead, and Jonas Vogel, global design standards lead, used their volunteer days to create a website for a non-profit organisation. (Photo by Fidelity International).

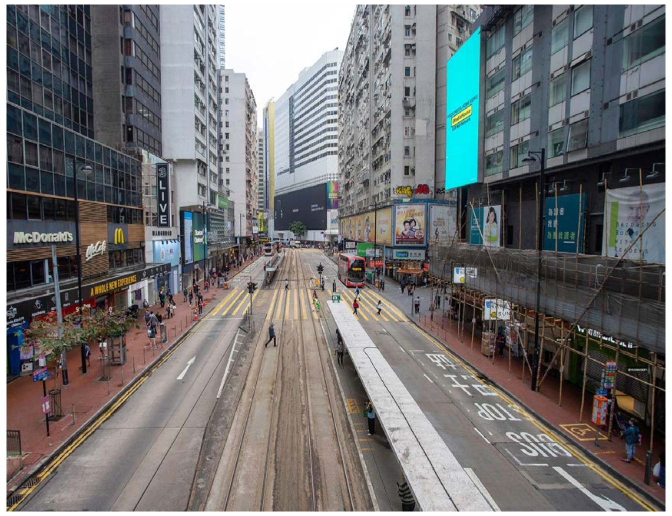
Germany

Skills-based volunteering to support incarcerated women

Jenny Imhoff, wholesale & institutional digital experience lead, and Jonas Vogel, global design standards lead, used their volunteer days to create a website for Anlaufstelle für straffällig gewordene Frauen, an organisation supporting women in the criminal justice system.

"A big contrast was the people the site was meant to serve," Imhoff said. "When working at Fidelity, you get used to hearing figures that are astronomical to most people. Here we were talking about women who may end up serving jail sentences for repeatedly failing to pay small fines - for which they simply don't have the money - or committing credit card fraud to pay for groceries."

Crime committed by women is often driven by economic circumstances. In many cases, jail sentences could have been avoided entirely if the women received support and advice earlier on in the process, Imhoff said. The website helps women to access the assistance they need.



The busy Causeway Bay area in Hong Kong has become deserted due to the pandemic. (Photo by Yung Chi Wai Derek / Shutterstock).

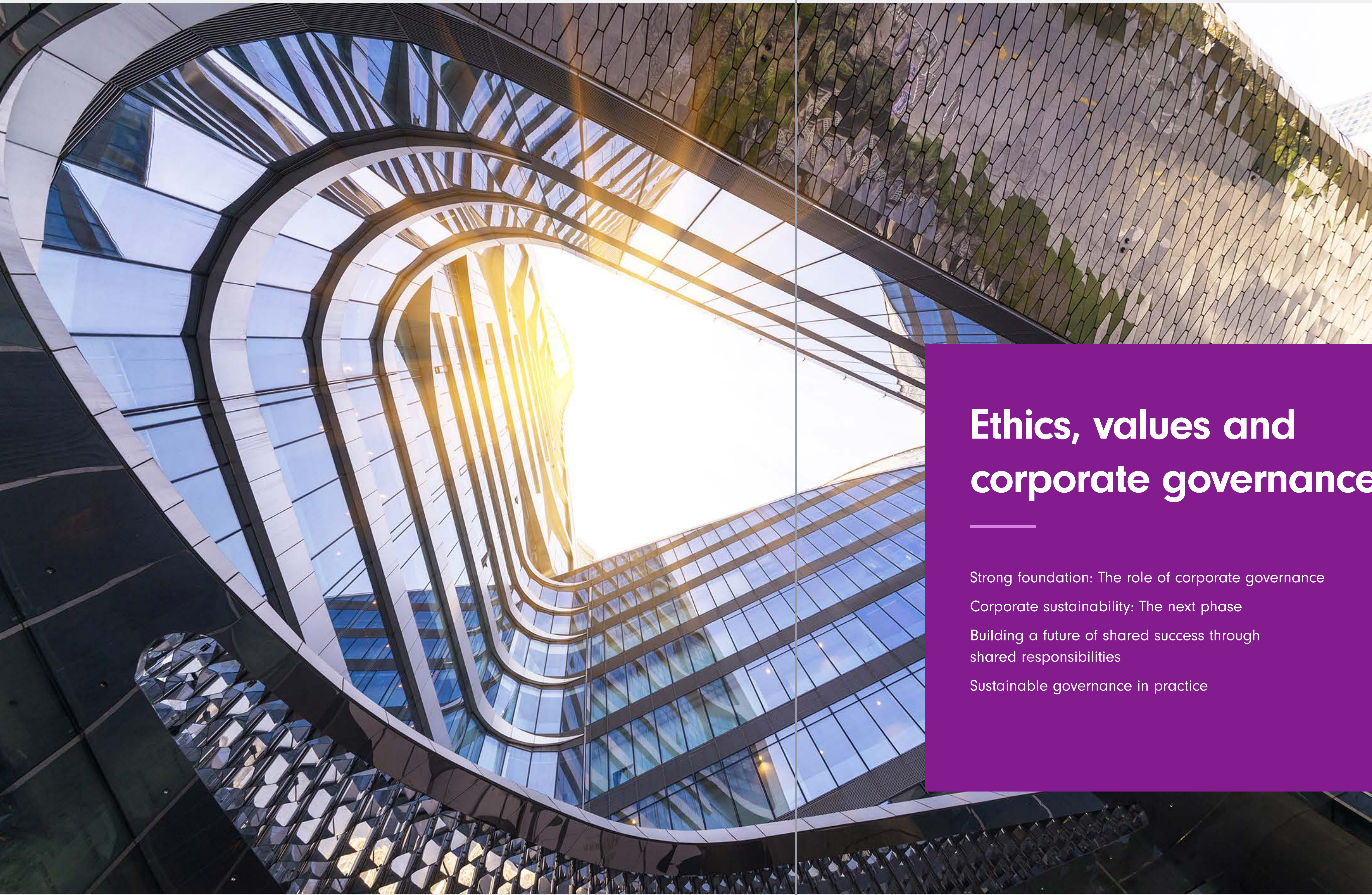
Hong Kong

Caring for the most vulnerable during the pandemic

The impact of the pandemic has been most acute for the poorest and most vulnerable members of society. In Hong Kong, our team donated nearly US$22,000 (HK$170,000) for COVID-19 relief, split equally between Hong Kong Red Cross and Feeding Hong Kong. The latter is a food bank dedicated to redistributing surplus packaged food from retailers, distributors and manufacturers to people in need. By doing so, the charity also reduces food waste.

More than 60 employees helped raise US$5,800, which was matched by Fidelity International. Among other activities, employees challenged themselves and each other to "get active" by running, walking and cycling. Alongside their own donations, staff members also asked friends and family to sponsor them.

Separately, US$10,050 were donated from the Hong Kong corporate citizenship committee to the two charities.



Raffles Square in Qianjiang New Town. (Photo by onlyyouqj / iStock).

Ethics, values and corporate governance

Aligning ESG to our company purpose

Strong foundation: The role of corporate governance

Every organisation has the responsibility to help build a sustainable future, so we are adopting a more proactive and systematic approach to managing environmental, social and governance (ESG) risks and opportunities.

The relationship between business and society is entering a new phase, one which may fundamentally reshape the nature of capitalism itself. Today's enterprises operate under far greater scrutiny in a world that is fast changing. Worsening inequality, environmental degradation and a global pandemic have upended the lives of billions worldwide, and companies are increasingly expected to rise to these socioeconomic challenges.

Globally, there are strong indications that business-as-usual is being redefined. The European Commission, for example, is considering legislation requiring due diligence and corporate accountability. If enacted, the law would require EU companies to address non-financial issues such as human rights and the environment to help deliver the UN Sustainable Development Goals.

The EC's concern is that corporations do not have adequate incentives to do what's right for society. According to its online consultation, the initiative would "enable companies to focus on long-term sustainable value creation rather than short-term benefits. It aims to better align the interests of companies, their shareholders, managers, stakeholders and society. It would help companies to better manage sustainability-related matters in their operations and value chains as regards to social and human rights, climate change, environment, etc."[1]

Figure 1: How Fidelity's core values influence behaviours

Integrity

Doing the right thing every time and putting the client first.

Trust

Empowering each other to take the initiative and make good decisions.

Brave

Challenging the status quo, being accountable and speaking up.

Bold

Acting with conviction, encouraging diverse thinking and keeping things simple.

Curious

Learning to do new things in better ways and encouraging fresh thinking.

Compassionate

Having empathy, caring for colleagues, clients and community.

Source: Fidelity International, 2021.

Sustainability KPIs

At Fidelity, we are continuously re-assessing sustainability risks within our company, quantifying how they may impact our business and putting in place measures to avoid or mitigate them. Consistent with our approach to managing our investment portfolios, we also see opportunities to strengthen our business further. ESG deserves the same prominence as other traditional metrics such as liquidity and operational risks.

Yet corporate sustainability is not a silver bullet. Initiatives may be costly but still fail to meet their goals. Others will take time to roll out as they rely on the development and implementation of innovative solutions or the coordination across a variety of stakeholders, including third-party organisations. To be effective, corporate sustainability strategies should account for the company's core values (see Figure 1), unique capabilities and customer preferences, among other attributes.

To help us prioritise, we have applied our proprietary ratings system to our own business in 2020; these are the same ratings we use to evaluate the companies in which we invest. In certain areas, such as gender diversity, we are pleased with the pace of progress. In others, like implementing sustainable practices across our supply chain management, we anticipate our initiatives will take longer to fully implement.

Partly based on these results, we have set key performance indicators (KPIs) for our corporate sustainability strategy, as shown in Figure 2. These may change as new data, regulations and best practices evolve.

Figure 2: Sustainability performance indicators

Source: Fidelity International, 2021.

Aligned governance

The ability to deliver our corporate sustainability strategy and ensure our commitments filter through the organisation rests on a robust corporate governance framework, as shown in Figure 3. For this reason, we are working on integrating sustainability risks more broadly and at a higher level in our risk taxonomy so that they receive more prominent coverage in our future board reporting.

Recent events highlighted the importance of a strong and agile governance structure to respond effectively to organisational threats. Climate change, for example, directly impacts our operations, and we perform scenario testing of its effects on various aspects of the business - including our contingency plans, capital buffers and supply chains. The increasing frequency of extreme weather events, for example, may raise the likelihood of flooding to one location, affecting our ability to service clients not only in that location but also in other regions through shared services. Therefore, we are re-evaluating how we manage the concentration risks of shared services in extreme events.

We also view robust corporate governance practices as increasingly important in the post-pandemic era. Cybersecurity and conduct risks may increase with the shift towards greater integration of technology tools to accommodate more employees working from home.

And although we have substantially invested in protecting data through the years, the crisis has revealed just how critical cybersecurity is to our company and our industry. Strengthening our processes, tools and techniques is mission-critical in corporate governance.

Organisations today face a wider range of online threats potentially disrupting operations. In managing such threats, we must balance the interests of our stakeholders and our long-term growth strategy. Having a robust risk and compliance management framework, combined with strong corporate governance policies to enforce decision making, helps guide us. For example, our Corporate Sustainability Committee (CSC) is directly accountable to the company's top leaders via the Global Operating Committee (GOC). This will help us deliver on our sustainability commitments by ensuring we have direct access to the most senior corporate decision makers who can provide the necessary resources to implement, measure and review our progress.

The pandemic amplified the duties companies have to all stakeholders, changing societal expectations. In this more challenging environment, we want our corporate governance approach to be as progressive as our corporate citizenship goals.

Figure 3: 'E', 'S' and 'G' commitments

Environment

Reach net-zero carbon emissions by 2030, two decades ahead of EU target

- We will minimise the impact of our business operations through meaningful corporate transformation.
- We will advance sustainability principles in capital markets, portfolio management, corporate engagement and supply chain.

Social

Foster an inclusive culture in the workplace, community and economy

- We strive to create an environment where all employees feel welcomed, valued and supported to achieve their full potential.
- We will work closely with our business partners to improve sustainability standards.
- We will help enable financial empowerment in the communities in which we operate through engagement, education and direct financial support.

Governance

Earning trust by conducting business to the highest ethical standards

- We embed sustainability in our business decision-making process at all levels of the company, guided by the Corporate Sustainability Committee.
- We continuously evaluate our governance practices to ensure we operate in a transparent, sound and ethical manner.
- We are progressing our sustainability risk and reporting frameworks to meet fast-changing regulatory requirements and industry best practices.

Source: Fidelity International, 2021.

Businessman and businesswoman talking, using laptop in office lounge. (Photo by Hero Images / Adobe Stock).

Closely-held advantages

Corporate sustainability: The next phase

Just as there is no one-size-fits-all approach when engaging with investee companies to advance ESG standards, corporate social responsibility policies should reflect the uniqueness of each organisation.

Grant Speirs
Group Chief Financial Officer

Although our commitment to build better financial futures for stakeholders stretches back decades, as a private company, we are not obligated to publish a corporate sustainability report (CSR). As an investor, however, we do hold investee companies responsible for their impact on society. Therefore, it only makes sense for us to be transparent about how we are progressing our sustainability practices.

Whether public or private, all businesses are accountable to their stakeholders. In our case, they not only include investee companies but also our customers, employees, suppliers, regulators and the communities in which we operate. To be clear, our commitment to fulfil our responsibilities to broader society has been core to our company heritage since its founding in 1969. Increasingly, however, we want to be more transparent about how we perform against a broad set of ESG metrics as well as our longer term ambitions, partly because environmental, social and governance (ESG) considerations are becoming more prominent alongside traditional financial and operational risks.

Clear communication about our corporate ESG commitments also forces us to be more accountable by inviting external monitoring, builds loyalty and purpose among our workforce, and helps us attract new talent. Our approach combines top-down leadership support with widespread grassroots initiatives worldwide to meaningfully evolve our culture and processes to serve all stakeholders. Corporate sustainability must also align with other business goals that are designed to ensure our financial sustainability, such as cost control, efficiency improvements and margin protection, all of which are among our top priorities.

Private vs. public

At Fidelity, corporate sustainability is not simply a case of adopting the same policies as our peers. We have our own set of goals and are at a different juncture in our sustainable journey. Compared to publicly-listed companies, we might have the same responsibilities to stakeholders but do not have all of the same statutory duties. This vastly reduces the amount of form-filling requirements among other regulatory demands and potentially enables us to be more nimble; certain business decisions, for example, can be made more quickly because they do not need extensive shareholder approval.

Nevertheless, we do have obligations to shareholders whose interests are tied more closely to the business. The relationship between management and shareholders, therefore, can be more direct and immediate. Decisions are often more aligned to a longer-term horizon, even if the benefits are not immediately evident.

In a year in which the pandemic disrupted businesses across the world, the ability to act quickly, decisively and globally helped protect our stakeholders. For example, the knowledge and experience gained from managing the pandemic in Asia informed our decisions elsewhere, enabling us to prepare more efficiently.

We quickly rolled out the technology tools needed to cope with working from home. Additional financial support included extended emergency medical leave to care for families, extended insurance coverage as required and an allowance for permanent employees to purchase equipment for their home workspace. Notably, we announced a 'no COVID-19 related layoffs' policy for 2020.

Freedom from share price pressure

To help manage costs during uncertain times, we also reduced bonuses. However, cuts were targeted exclusively at the more senior levels of the organisation, including our CEO, allowing us to keep bonus rates for the rest of our staff similar to the previous year. Of course, these initiatives are not new and could also have been implemented by public companies. Operating as a closely-held business, however, made it easier to make those decisions and adjust throughout the year without worrying about the impact on earnings per share in the next quarterly results call.

According to research published by the University of Michigan, short-term share price pressure is a notable contributor preventing public companies from achieving their corporate social responsibility goals. In an analysis of data from tens of thousands of companies worldwide between 2007 and 2015, researchers found private companies are more likely to deliver on corporate social responsibility targets than listed companies.[1]

While public companies tend to experience higher public and media scrutiny, incentivising them to reach their goals, they also have "more pronounced conflicts of interest between shareholders and stakeholders than private firms," according to the paper. There is often a misalignment of timeframes between the organisation's owners - or shareholders - and stakeholders. This is relevant because corporate sustainability is a long-term endeavour. For instance, the consequences of climate change extend far into the future, with more severe implications for future generations. The actions, structural changes and investments required to properly address the underlying causes of climate change likewise require long-term, sustained commitments.

Top-down and bottom-up approach

That is not to say corporate responsibility is not about the here and now. Implementing our strategy in a way that fits our values, culture and business is how we are working to deliver our company purpose of building better financial futures sustainably.

Guiding our corporate sustainability strategy is the corporate sustainability committee (CSC), which brings together leaders from various functions to ensure our commitments to the environment, communities, workforce and supply chain align with our goals throughout the business. However, we recognise the actual delivery of these goals will largely depend on our employees, so we've taken a decentralised approach to delegate a considerable amount of decision-making at the local level.

Some evidence suggests we have made progress. We were among a third of the 209 signatories of the UK government's HM Treasury Women in Finance Charter to meet their goals for 2020.[2] (The charter, established in 2016, encourages gender balance in senior management among financial services.)

Separately, in research conducted by the Financial Times comparing the percentage of women in portfolio management and top senior management roles among 28 large asset managers operating in Europe, we placed in the top three in both categories.[3] Additionally, Stonewall - an organisation campaigning for the equality of lesbian, gay, bisexual and transgender (LGBT+) people - named Fidelity International as one of 17 Top Global Employers in 2020 and the only asset manager on the list.[4]

Despite those advances, though, we still have much more work ahead. Our aim is for corporate sustainability to be integrated into every existing and future role, so it is no longer viewed as separate from other business functions but part and parcel of the day-to-day operations - year in, year out.

Corporate sustainability governance

Building a future of shared success through shared responsibilities

Fidelity International seeks to embed sustainability throughout its business. We have a clear governance structure to ensure that sustainability issues are considered by our senior leadership when setting strategy and in day-to-day business decisions.

Our Corporate Sustainability Committee (CSC) was established in February 2020. The CSC is responsible for assessing the impact of Fidelity's business operations on society and the environment and developing a strategy that captures and delivers its corporate sustainability ambitions.

This includes reviewing and identifying the suitability, adequacy and effectiveness of sustainability targets within Fidelity International, and reviewing the progress and performance of business units against those targets.

Responsibilities of the CSC include:

1. Develop and monitor sustainability arrangements and continuously review Fidelity International's performance.
2. Review sustainability risk and opportunities as well as concerns/complaints from employees.
3. Develop and monitor communication and consultation on sustainability matters, promoting participation and a proactive sustainable culture within Fidelity International.
4. Review feedback actions from regional sustainability teams for group-wide action where needed.
5. Discuss positive and negative sustainability trends and develop plans to address identified trends.

Figure 1: Corporate Sustainability Committee

Source: Fidelity International, 2021.

Members of the CSC are drawn from a cross-section of representatives across the organisation with functional responsibility for, or significant involvement in, Fidelity's environmental or social footprint, as indicated in Figure 1.

This ensures that a wide range of sustainability issues are considered, including the following: environment; supply chain management; community engagement; human capital; diversity, equity and inclusion (DEI); risk management; and governance and business ethics.

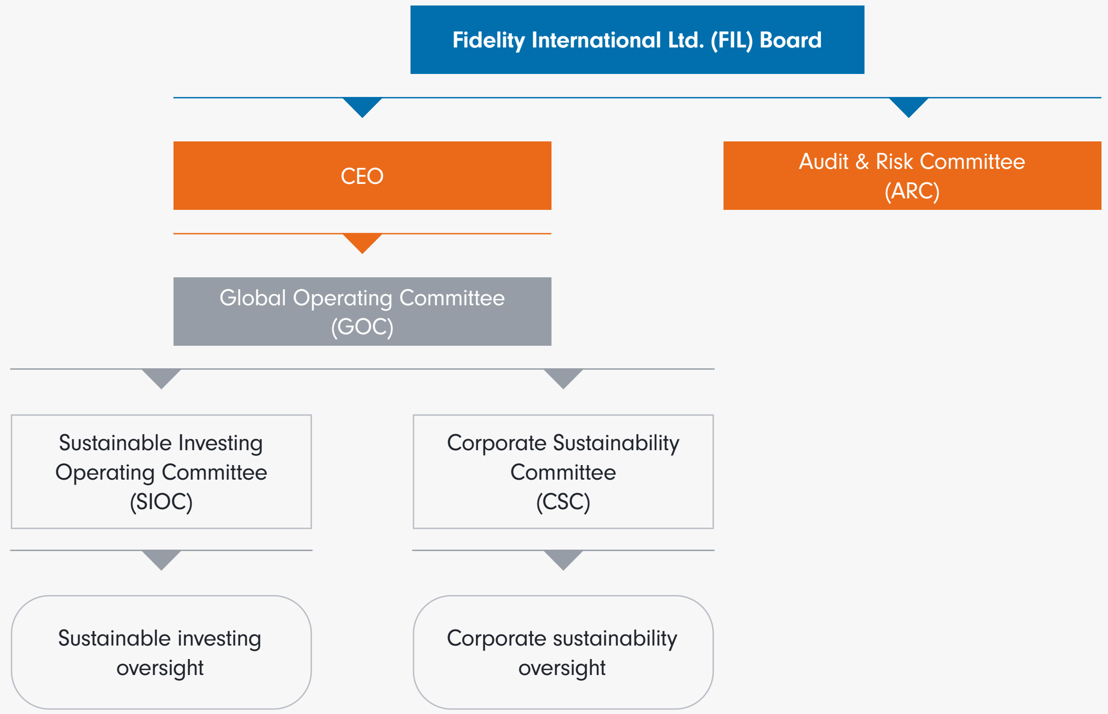
Sustainable governance in practice

The CSC is one of two management-level committees focused on environmental, social and governance (ESG) risks and opportunities. The other is the Sustainable Investing Operating Committee (SIOC), which has ESG oversight and execution responsibilities regarding our investment decision-making processes, including our proprietary ratings platform, engagement activities and exclusion policies.

The CSC and the SIOC report directly to Fidelity's Global Operating Committee (GOC), responsible for implementing business strategy across the firm. The GOC and its management committees, including the CSC, are overseen by Fidelity's most senior decision-making body, the Fidelity International Limited (FIL) Board, as shown in Figure 2.

The FIL Board is ultimately responsible for overseeing material ESG risks and opportunities at the company, including implementing, executing and monitoring ESG risk management systems and framework. The board discusses sustainability issues including climate change with CSC and SIOC members and factors the information into strategic decisions.

Figure 2: Fidelity International's governance structure



Source: Fidelity International, 2021.

Server room of modern data center. (Photo by FrameStockFootages / Shutterstock.com).

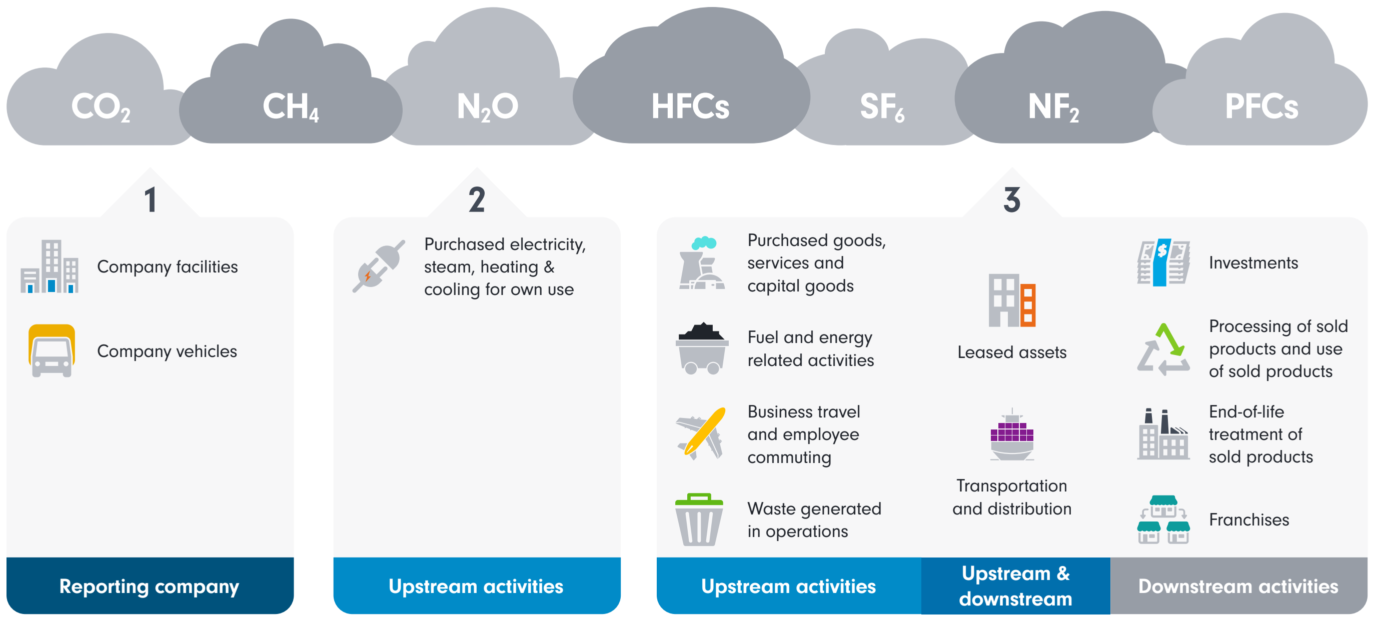
Appendices

Performance data tables

Environment	2019	2020
Energy consumption by type		
Energy consumption (tCO2e)	15,669	8,073
Energy consumption (kWh)	40,299,048	30,566,577
Carbon emissions by scope		
Carbon emissions - Scope 1 (tCO2e)	1,479	1,588
Carbon emissions - Scope 2 (tCO2e)	14,171	5,083
Carbon emissions - Scope 3 (tCO2e)	11,041	2,697
Total carbon emissions - Electricity market (tCO2e - Scopes 1, 2 and 3)	**26,885**	**9,837**
Carbon emissions per employee (tCO2e per employee)	3.16	1.11
Carbon emissions per annual revenue (tCO2e per US$ million in revenues)	7.80	2.66
Waste management / recycling		
Waste recycled (percentage of total waste)	41%	29%
Waste production (tonnes)	1,145	789
Use of natural resources		
Paper usage (tonnes)	259	116
Water usage (cubic metres)	83,098	52,384

Source: International, data as of December 31, 2020. Note: Scope 3 do not include emissions from commuting, supply chain and investment portfolios, tCO2e stands for tonnes of carbon dioxide equivalent.

About Scopes 1, 2 and 3 greenhouse-gas emissions



Scope 1: Direct
Greenhouse gas emissions from sources that are owned or controlled by a company.

Scope 2: Indirect
Greenhouse gas emissions resulting from the generation of electricity, heat or steam purchased by a company

Scope 3: Indirect
Greenhouse gas emissions from sources not owned or directly controlled by a company but related to the company's activities.

Source: Carbon Trust, 2021.

Workplace	2019	2020
Learning & Development		
Total spend on employee training (US$)	5,575,222	4,728,853
Training spend per employee (US$)	656.37	533.55
Diversity & Inclusion		
Board diversity, Fidelity International Ltd. Board	44% Female; 56% Male	44% Female; 56% Male
Leadership diversity, directors and above	30% Female; 70% Male	32% Female; 68% Male
Workforce diversity	42% Female; 58% Male	43% Female; 57% Male
Equity		
UK - Mean gender pay gap	22.8%	18.3%
UK - Median gender pay gap	25.2%	23.1%

Source: Fidelity International, data as of December 31, 2020.

Community - Societal engagement	2019	2020
Corporate Citizenship - Philanthropy - Contributions by type		
Total raised by Fidelity employees for charity, not-for-profit organisations (US$)	214,000	85,000
Total donated to charity, not-for-profit organisations by Fidelity International (US$)	700,000	1,100,000
Donations to FIL Foundations by Fidelity International (US$)	18,600,000	15,700,000
Corporate Citizenship - Participation		
Number of different charity/not-for-profit organisations supported through Corporate Citizenship Programmes	127	48
Staff participation in Workplace Giving programme (percentage of total employees)	10%	5%
Number of employee volunteering hours	4,248	1,600

Source: Fidelity International, data as of December 31, 2020.

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Father teaching his son cycling at park. (Photo by By Jacob Lund / Shutterstock.com).

Important Information