

April 2026

An introduction to Sustainable Investing

A glossary is provided to aid understanding of certain sustainability terms. The terms noted with an asterisk* are explained in the glossary.



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Sustainable Investing

This overview provides an introduction to sustainable investing concepts. More detailed information is available in documents such as the Sustainable Investing Principles.

Why is Sustainable Finance important?

'Sustainable finance' aims to channel investment towards sustainability policy objectives, such as international commitments on climate, social inclusion, and good governance. It involves directing capital to activities, projects or companies that support environmental or social goals, alongside financial returns. This can contribute to the transition to a lower-carbon and more resilient economy, alongside public sector funding.

Sustainable finance can include financing entities, products or initiatives that already meet certain environmental, social and governance (ESG*) characteristics, as well as those that are seeking to improve their sustainability performance over time.

'Transition finance' refers to investments* in companies or sectors that are currently high-emitting, but are taking steps to reduce their emissions. This may include sectors that are harder to decarbonise, such as energy or heavy industry. The aim is to support their transition towards lower emissions over time, although progress and outcomes can vary.

What is Sustainable Investing?

'Sustainable Investing' (SI) is a type of sustainable finance that considers **environmental**, **social** and corporate **governance** (ESG*) risks and opportunities in the investment process, alongside financial objectives, and in some cases non-financial objectives.

'ESG'* or **E**nvironmental - **S**ocial and **G**overnance (see below) refers to a broad range of topics, including but not limited to:

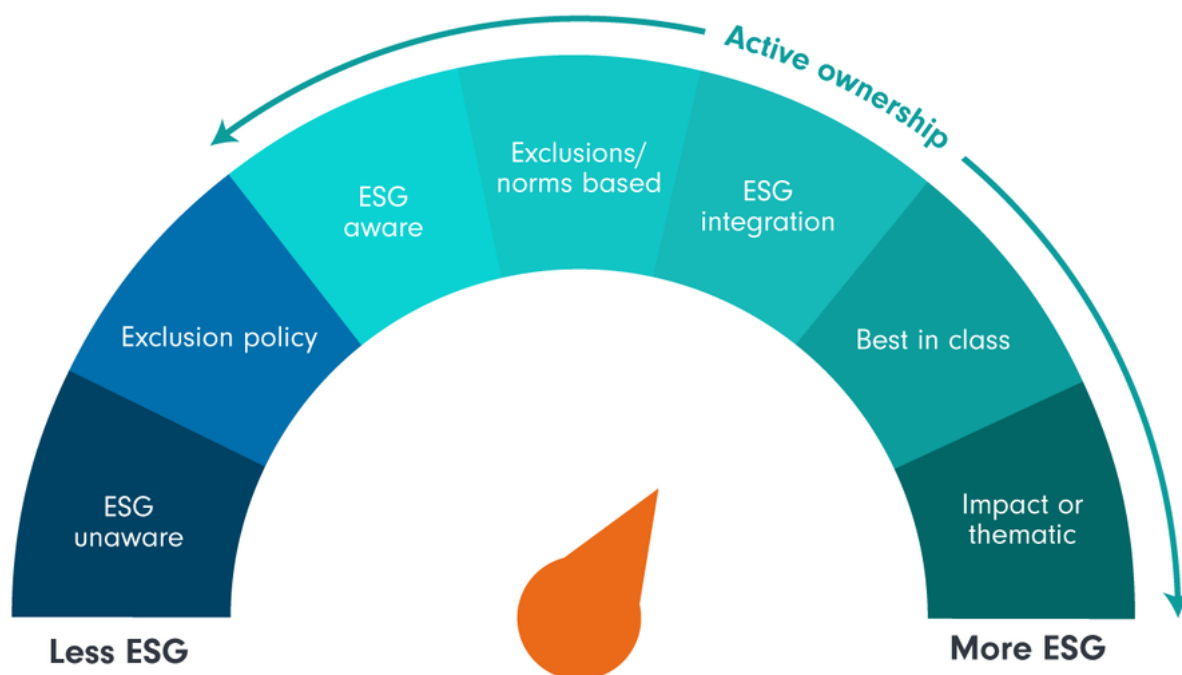


Source: Fidelity International, 2026. For illustration purposes only.

Investors can implement ESG* considerations into their portfolios in different ways.

As ESG* awareness grows, investors may exclude sectors or companies that do not meet their specific ESG* criteria. Some investors also use an 'active ownership' approach to support responsible capital allocation. This approach involves engaging with companies and using voting rights to influence their practices on ESG issues. Sustainable investors believe that proactive management of ESG issues may support a company's long-term performance although this is not guaranteed and outcomes can vary.

Differing approaches place different levels of emphasis on ESG* factors and active ownership*. For example, exclusion* strategies and approaches that do not consider ESG* factors (or ESG* unaware in the below chart) would not typically be described as 'active ownership'*.



Source: Fidelity International, 2026. For illustration purposes only.

What are the roles of an asset manager in sustainable investing?

Asset management firms invest on behalf of individuals and companies by developing and executing investment strategies aimed at meeting their clients' objectives. These strategies may be in the form of fund products across different asset classes (such as equities, fixed income) or bespoke investment mandates.

Traditionally, asset managers make investment decisions based on fundamental research into the financial performance and business prospects of issuers, supported by their in-house analysts and/or external research providers.

In sustainable investing, asset managers also analyse key ESG* factors that are material to an issuer and assess its non-financial performance alongside financial information. This analysis considers both ESG*-related risks and potential opportunities, which may affect the investment's performance and sustainability characteristics. This may include looking beyond the company itself to its 'value chain', such as its suppliers, partners and customers. This can help assess both how ESG* issues may affect the company and how the company's activities may impact the environment and society. Combining financial and ESG* analysis may provide a broader understanding of an issuer, although it does not eliminate investment risk.



Source: Fidelity International, 2026. List of ESG* factors not exhaustive, for illustration purposes only.

ESG* analysis in sustainable investing typically includes both quantitative analysis (for example, performance metrics and indicators) and qualitative assessment (such as insights gained through engagement* and voting activities, often referred to as **stewardship*** or **active ownership* approach**).

Stewardship*	
Engagement*	Proxy Voting
Interactions between investor(s) such as Fidelity with a company with the aim to encourage the adoption of more sustainable business practices.	Allows investor(s) such as Fidelity to express their ESG preferences through their votes on board proposals

Source: Fidelity International, 2026. For illustration purposes only.

Active ownership*
Our active ownership* approach generally includes the practices below to engage with and or influence a company on a material topic. These practices aim to influence companies we may invest in to adopt more sustainable behaviours, or more efficient or effective regulation or policy.
Company meetings and correspondence
Shareholder Resolutions
Collaborative Engagement
Proxy Voting
Public Policy

Source: Fidelity International, 2026. For illustration purposes only.

Climate Change

This overview provides an introduction to climate change* and how it relates to risks and opportunities for investments*.

What is Climate Change*?

According to the United Nations Framework Convention on Climate Change (UNFCCC), “‘climate change’ means a change of climate which is directly or indirectly attributed to human activity which alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods”.¹

The consequences of climate change* include extreme warming and cooling, intense droughts and floods, rising sea levels, melting polar ice, catastrophic storms and declining biodiversity*. Climate change* impacts are distributed unevenly across the globe and can affect public health, food security, and market stability.²

Climate science indicates that human activities have been the main driver of climate change* in the past 200 years due to the burning of fossil fuels like coal, oil and gas and cutting down forests. Burning fossil fuels, for example from driving gasoline or diesel vehicles or heating buildings, generates greenhouse gas emissions (GHG*) that trap heat and raise temperatures. Deforestation also releases carbon dioxide into the atmosphere. Sectors that emit greenhouse gases* extensively include energy, industrial, transportation, and agricultural.³

What are Greenhouse Gas (GHG*) emissions?

Greenhouse Gases (GHG*) are gases that contribute to global warming. They get their name because they trap heat from the sun in the atmosphere, similar to how a glass greenhouse retains heat. GHG emissions include more than carbon dioxide (CO₂). They can also come from other gases such as methane (CH₄), and nitrous oxide (N₂O).

The GHG Protocol* is a widely used framework for measuring and managing greenhouse gases*. It groups emissions into three categories, known as "scopes":

- **Scope 1 emissions*** - These come from equipment **directly owned or controlled** by an organisation. For example, fuel burned on site in boilers, furnaces or company vehicles.
- **Scope 2 emissions*** - These are indirect emissions from **purchased** electricity heat, steam or cooling.

¹ [United Nations Framework Convention on Climate Change](#), May 9, 1992, 1771 U.N.T.S. 107, 31 I.L.M. 849 (1992), art. 1

² United Nations, What Is Climate Change?, <https://www.un.org/en/climatechange/what-is-climate-change>

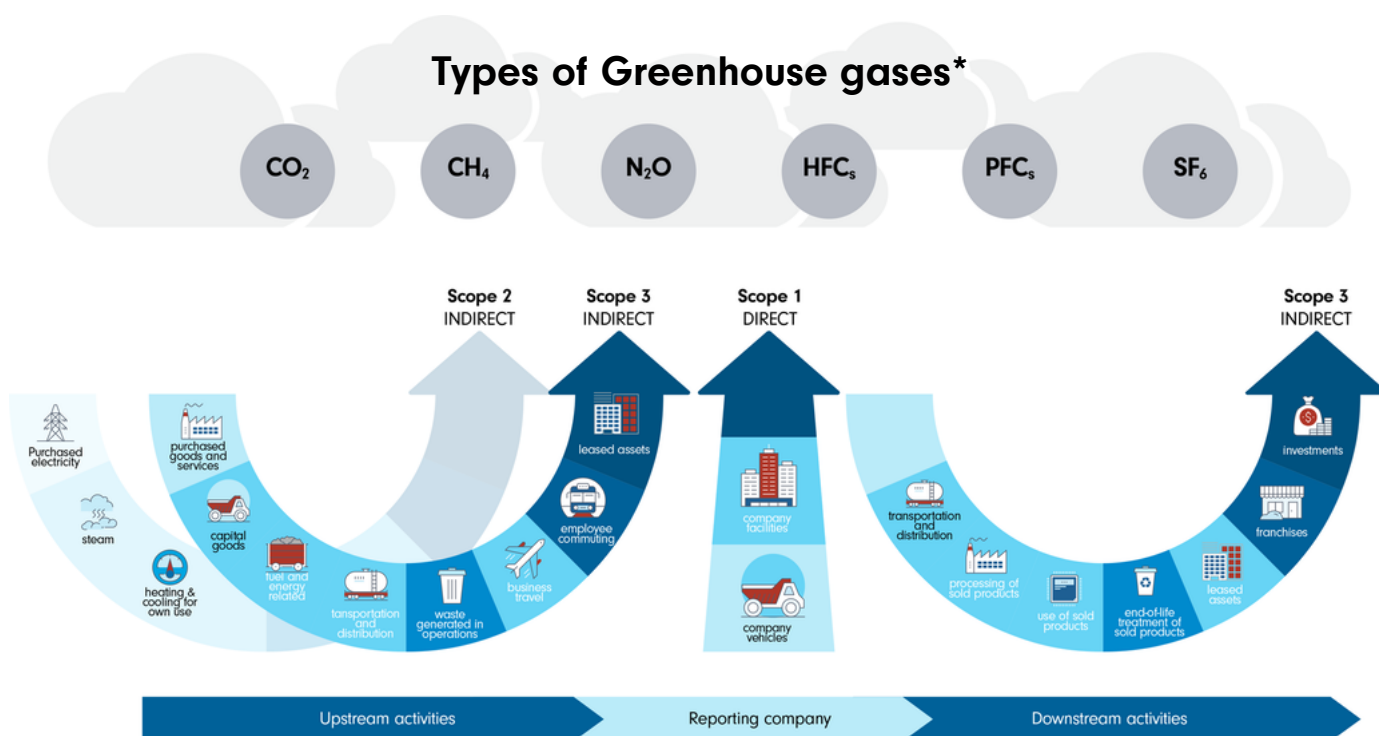
³ United Nations, What Is Climate Change?, <https://www.un.org/en/climatechange/what-is-climate-change>

- **Scope 3 emissions*** - These are the other indirect emissions that occur across the value chain (or supply chain) and are not included in Scope 1 or Scope 2.
 - They include **upstream emissions** which occur before the product or service is sold. For example, emissions from extracting raw materials or transporting them to a company's facilities.
 - They also include **downstream emissions**, which occur after a product is sold, such as during its use, storage or disposal.

In the case of a car manufacturer, Scope 3 emissions* may include for example:

- Upstream Scope 3 emissions from mining metals, and from suppliers producing components such as steel, semi-conductors or rubber tires.
- Downstream Scope 3 emissions from the use of vehicles by consumers, as well as from the recycling and disposal of vehicles at the end of their life.

Overview of GHG Protocol* scopes and emissions across the value chain of a company:



Note that CO₂ = Carbon dioxide, CH₄ = Methane, N₂O = Nitrous oxide, HFCs = Hydrofluorocarbons, PFCs = Perfluorinated compounds, SF₆ = Sulphur hexafluoride

Climate Transition risks and opportunities

Transition risks arise from changes in regulation, policy, law, and technology.

The path towards reducing emissions across economies is uncertain and may follow different routes. These changes can be financially material to business operations* or companies as a whole. The impact depends on the policies and regulations in place, and how these may change over time. This may result in higher costs (for example through taxes or compliance requirements), or create opportunities such as improved energy efficiency, energy security or reduced costs.

Climate scenarios* are often used to illustrate how policymakers might respond. These are not forecasts, but examples of possible pathways:

Disorderly transition

Under this scenario the response to achieve 1.5°C net zero* is delayed until 2030. This is followed by a rapid reduction in emissions, which may create disruption to the economy. In this scenario, average global temperatures are estimated to rise by around 1.6°C to 1.8°C by 2100.

Orderly transition

Emissions begin to reduce immediately, aiming to limit warming to around 1.4°C - 1.6°C. This involves earlier investment in energy efficiency and lower-emission technologies, which may reduce the risk of sudden economic disruption. This scenario is often considered more gradual, as policies are introduced earlier and more consistently across sectors.

Current Policies (also referred to as a 'hothouse' world)

In this scenario, current climate policies are assumed to continue without significant strengthening. Under these assumptions, warming of around 2.7°C⁴ or more by 2100 has been modelled. This could lead to a range of impacts, including rising sea levels and potential effects on food production and living conditions in some regions. Some impacts may be irreversible. These changes may also create physical risks to the economy, for example through impacts on ecosystems*, health, infrastructure and supply chains.⁵

Physical risks and opportunities

Certain nature*- and climate-related risks* are classified as physical risks. As global temperatures rise and natural capital* declines, including the depletion of ecosystem services* that support economic activity, economic impacts may increase. Physical risks include droughts, wildfire hazards, severe weather events, and sea level rise. These risks may affect business operations* and could be material to investments* over the short, medium or long term. In some cases, these changes may also create opportunities, for example for companies that provide solutions to support climate adaptation* or resilience.



Source: [Preventionweb](#), Fidelity International, 2026.

⁴ Source [Temperatures | Climate Action Tracker](#)

⁵ Further information is available on slide 10/11 of this report - slides titled 'Scenarios at a glance' also showing the emissions and carbon price evolution for each scenario. [NGFS Climate Scenarios for central banks and supervisors - Phase IV | NGFS](#)

Nature

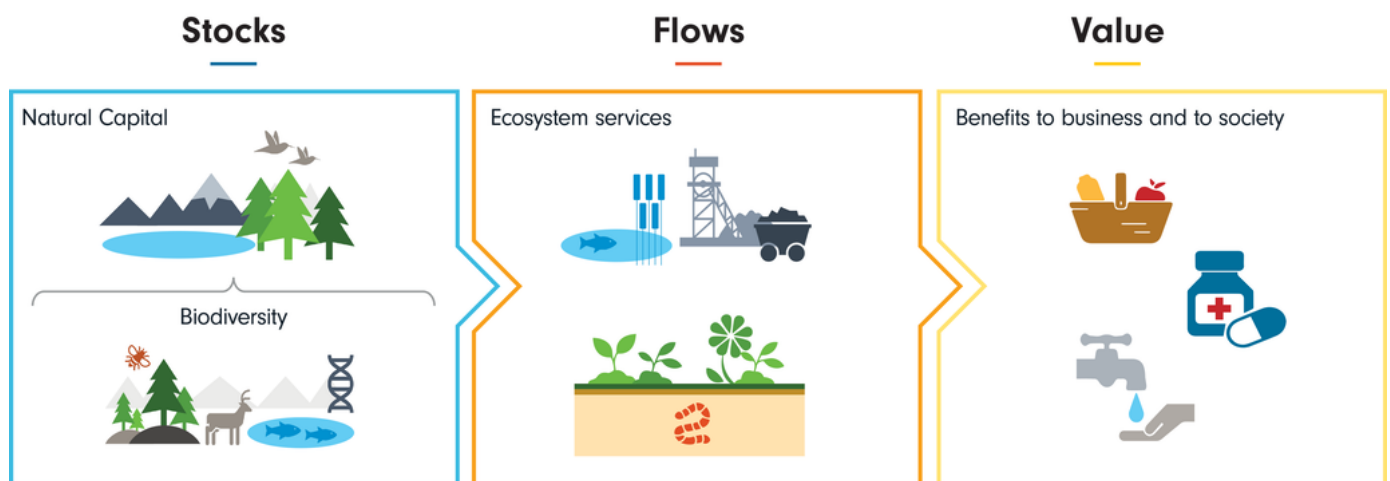
An Introduction to Nature* Loss

'Nature Loss' linked to human activities has increased significantly in recent decades. Continued loss of nature* can reduce essential ecosystem services* on which people and economies depend, such as pollination and access to clean water. As a result, nature* loss may present risks for investors, while efforts to address it may also create opportunities. For example, the World Economic Forum (WEF) estimates that a transition to a nature*-positive economy could create significant business opportunities, of up to US\$10 trillion by 2030.⁶

What is Natural Capital* and Biodiversity*?

'Natural Capital'* refers to the stock of renewable and non-renewable natural resources such as plants, animals, air, water, soils and minerals that provide a range of economic and non-economic benefits to people. Biodiversity* refers to the variety of living organisms within these natural systems.

Together, these components interact to provide ecosystem services*, such as pollination, food production, air circulation, climate regulation, flood protection and carbon sequestration. These services support human life and contribute to social, economic and cultural wellbeing.



Source: adapted from the Figure 1.1 of the [Biodiversity Guidance to Accompany the Natural Capital Protocol](#), 2016.

⁶ World Economic Forum (2020), *New Nature Economy Report II: The Future of Nature and Business*

Nature* is in decline

According to the latest global assessment report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES):⁷

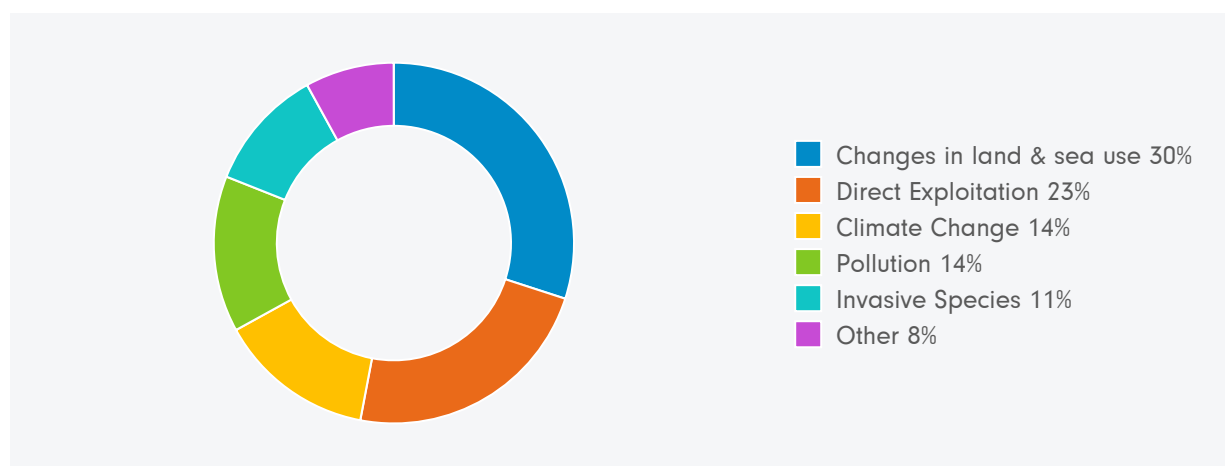
- Human activities have significantly altered around 75% of land and 66% of marine environments.
- Around 25% of assessed plant and animal species are threatened by human activities, with up to one million species at risk of extinction, some within decades.
- Ecosystems* have declined in size and condition by around 47% globally compared to estimated baseline levels.

In its 2026 Global Risks Report⁸, the World Economic Forum ranked 'biodiversity loss and ecosystem collapse' as the second highest and 'natural resource shortages' as the sixth highest long-term (over the next 10 years) global risks.

Drivers of natural capital loss

Nature* loss can be attributed to five key direct drivers: land and sea use change, direct exploitation, climate change*, pollution and invasive species.

Direct drivers of nature* loss



Source: IPBES, Fidelity International, 2026.

These drivers often interact and reinforce one another, which may accelerate nature* loss. This can make it more difficult to achieve global sustainability goals, including the UN Sustainable Development Goals*⁹, the Paris Agreement* on climate change* and the Kunming-Montreal Global Biodiversity Framework.*¹⁰

⁷ [IPBES \(2019\): Global assessment report on biodiversity and ecosystem services](#) The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) is an intergovernmental organization established to improve the interface between science and policy on issues of biodiversity and ecosystem services.

⁸ [World Economic Forum, Global Risks Report 2026](#)

⁹ [United Nations Sustainable Development Goals](#)

¹⁰ [Kunming-Montreal Global Biodiversity Framework](#)

Land and sea use change: This is largely driven by agriculture, forestry and urbanisation. These activities can contribute to air, water and soil pollution and illustrate how different drivers of nature* loss are interconnected. Additional pressures are emerging, including those linked to mining activities associated with energy transition.

Direct exploitation: The extraction of renewable and non-renewable resources has increased significantly over the past 50 years, alongside global population growth. For example, an estimated 35% of marine fish stocks are overfished, rising to around 93% when including those fished at their maximum sustainable levels.¹¹

Pollution: Air, water, and soil pollution continues to increase globally, affecting ecosystems* and their functioning. For example, it is estimated that over 80% of global wastewater is discharged into the environment without treatment, while 300–400 million tons of heavy metals, solvents, toxic sludge, and other industrial waste are released into water systems each year.¹²

Invasive Species: Over the past 50 years, increased global trade and the separation of production and consumption have been associated with a 40% increase in non-native species.¹³ These species can introduce disease, place pressure on local resources, and disrupt food chains, with environmental, social and economic consequences.

Climate change* and nature* loss

Climate change* is a direct driver of nature* loss and may also increase the impact of other drivers. Since 1980, greenhouse gas* emissions have doubled. The latest Intergovernmental Panel on Climate Change (IPCC) report¹⁴ (March 2023) states that global temperatures have reached around 1.1°C above pre-industrial levels. Over this period, there has been an increase in the frequency and intensity of extreme weather events, including fires, floods and droughts, which may affect species and ecosystems*.

Conversely, protecting nature* may support achieving net zero* and help address some impacts of climate change*, for example through flood mitigation. Continued nature* loss may make it more difficult to achieve the goals of the Paris Agreement* on climate change*¹⁵. The Intergovernmental Panel on Climate Change (IPCC) 1.5°C 'safe landing' pathway assumes that nature* will continue to absorb carbon from the atmosphere and provide essential ecosystem services*.

Protecting nature* can be beneficial for achieving climate goals, for example by preventing deforestation. However, in some cases there may be trade-offs. For example, increased demand for certain transition metals may lead to land use changes. Understanding both the potential synergies and trade-offs between climate change* and nature* loss can help inform decision-making.

Climate change*, nature* loss and human rights

Climate change* and nature* loss are associated with impacts on a wide range of human rights, such as access to food, water, adequate housing and health. At the same time, measures to address climate change* and biodiversity* loss may also affect human rights and social disparities.

¹¹ [FAO \(2022\): The State of World Fisheries and Aquaculture 2022. Towards Blue Transformation](#)

¹² [IPBES \(2019\): Global assessment report on Biodiversity and Ecosystem Service](#)

¹³ [IPBES \(2019\): Global assessment report on Biodiversity and Ecosystem Service](#)

¹⁴ [IPCC \(2023\): Synthesis Report for the Sixth Assessment Report](#)

¹⁵ [Paris Agreement on Climate Change](#)

Dependency on nature*

All economic activity depends on nature* through the ecosystem services* it provides, such as pollination, the provision of fresh water, disease control, and flood and storm protection. Ecosystem services* can be grouped into three main types:

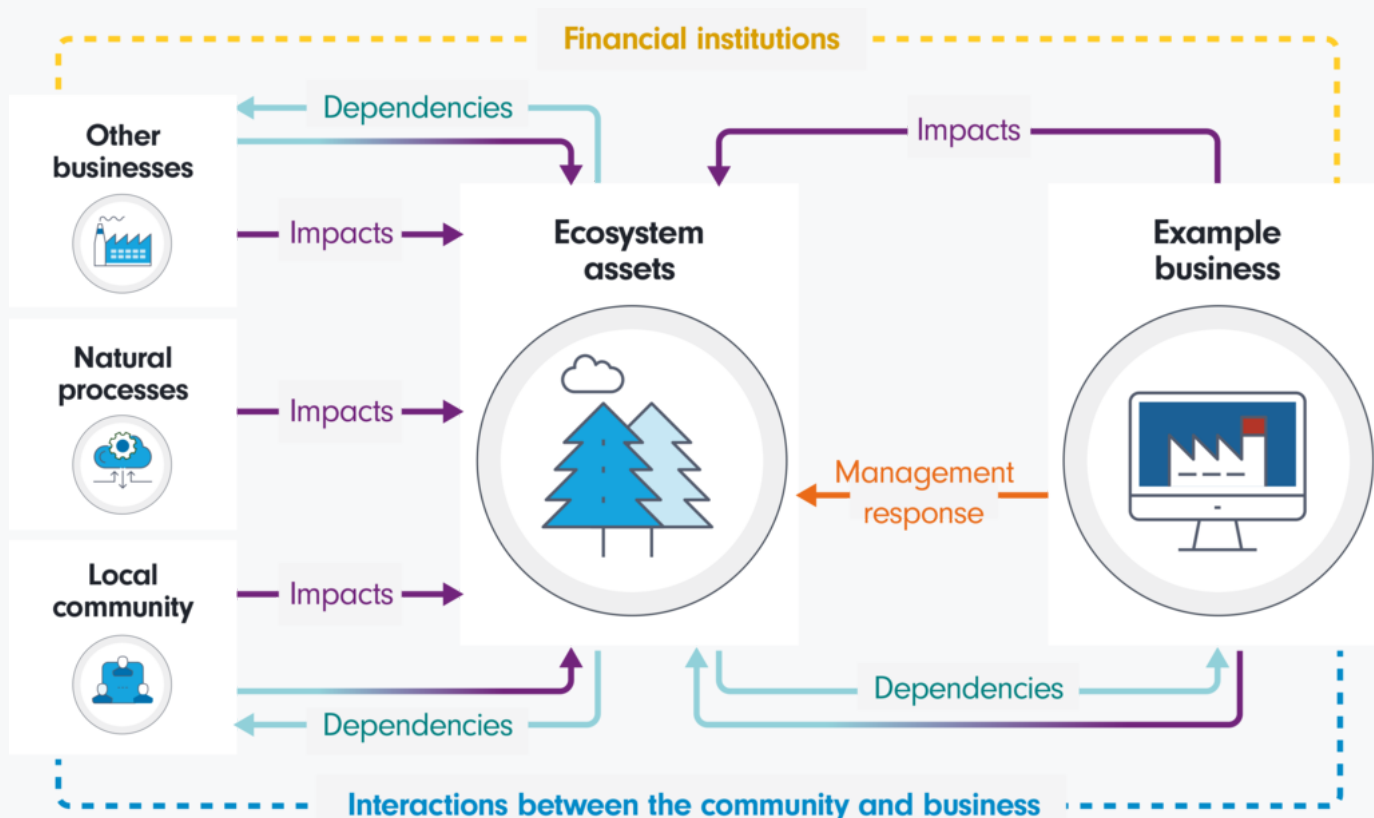
1. Provisioning services, such as timber, crops and minerals
2. Regulating and maintenance services, such as water and air purification, water flow regulation and disease control
3. Cultural services, which include less tangible benefits such as cultural identity, aesthetic value, and recreational and tourism opportunities

These services support economic activity, either directly or indirectly through value chains. They can be viewed as a form of natural capital*, comparable in some ways to produced capital (such as infrastructure or financial assets), which may decline if misused or overused. However, natural capital* differs from produced capital in several key ways:

1. In some cases, damage may be irreversible or take a long time to recover.
2. Many ecosystem services* cannot be easily replaced, and some may be irreplaceable.
3. Ecosystems* may change rapidly or become unstable under certain conditions.

As such, economic activity both impacts and depends on nature*, as summarised in the diagram below. Understanding these dependencies can help inform how risks related to nature* are managed, including those that may affect long-term economic and financial outcomes.

Business relationship with nature*: system-level impacts and dependencies



Source: Fidelity International, 2026 based on UN Environment Programme (2023). Towards a robust measurement of business dependencies on nature. UNEP WCMC Cambridge, UK.

Glossary

Active ownership - A form of stewardship whereby a shareholder or debtholder aims to use their investment to influence corporate behaviour through direct corporate engagement, filing or co-filing shareholder proposals, proxy voting or other actions.

Biodiversity - Biodiversity is the balance and variety of life on earth. It refers to the living component of natural capital, which more broadly encompasses the world's stock of natural resources, including geology (rocks and minerals), soil, air and water.

Business operations - Activities that support the day-to-day running of an organisation, such as the FIL Limited group. These may include office-based activities, business travel, working with clients and attending off-site meetings.

Carbon emissions - The total amount of greenhouse gas emissions produced by an individual or organisation, usually expressed as carbon dioxide equivalent (CO_{2e}).

Carbon footprint - A measure of the total amount of greenhouse gases – primarily carbon dioxide – released into the atmosphere as a result of the activities of an individual, company or other entity.

Carbon intensity - The volume of carbon emissions per million US dollars of revenue (carbon efficiency of a portfolio), expressed in tonnes CO_{2e} / US\$M revenue.

Carbon pricing – putting a price signal on carbon emissions with an aim to internalise the cost of pollution in financial and operational decisions and incentivise carbon reduction. It may be used to facilitate carbon tax or "cap-and-trade" schemes where entities emitting GHG above a certain level of carbon

emissions are required to pay a carbon price per unit of emissions above the target or threshold.

Category 15 emissions - GHG emissions category which includes scope 3 emissions associated with the reporting company's investments (not already included in scope 1 or scope 2), as defined by the GHG Protocol (see below). This category is applicable to investors and companies that provide financial services.

CIO (Chief Investment Officer) - The Chief Investment Officer oversees investment performance, leads investment teams, and represents the firm's investment strategy to clients, boards and regulators.

Climate adaptation - Climate adaptation is the process of adjusting to the impacts of climate change to reduce harm and build resilience to growing climate physical risks.

Climate mitigation - Efforts to reduce or prevent greenhouse gas emissions, or to enhance their removal from the atmosphere.

Climate Change - Long-term changes in global temperatures and weather patterns, primarily driven by human activities that result in greenhouse gas emissions and warming of the planet.

Climate risks - Risks linked to climate change that may affect individuals, companies, industries and wider economies. These include physical risks, as well as transition risks such as changes in regulation, litigation, and competitive or reputational impacts.

Climate scenarios - Pathways that explore how different climate and policy outcomes

may affect economies, markets and investments over time.

Climate targets - Measurable commitments, often set by governments or organisation, aimed at limiting climate change.

CO₂e (Carbon dioxide or equivalent) - A standard unit used to compare greenhouse gases based on their impact on global warming. It expresses the effect of different gases, such as methane and nitrous oxide, in terms of the equivalent amount of carbon dioxide.

Corporate Sustainability Due Diligence Directive (CSDDD) - An EU legislative framework that requires companies to carry out due diligence on their own operations and supply chains to identify, prevent and address impacts on the environment and human rights. This may include developing and implementing action plans.

Corporate Sustainability Reporting Directive (CSRD) - An EU regulation requiring companies to report on sustainability topics that may affect their business, as well as the impact of their activities on the environment and society. Reported topics may include climate change, pollution, water, biodiversity, workforce and business conduct.

Corporate value chain emissions - At Fidelity, we deem some of our corporate emissions as within our 'Operational control' such as scope 1 and 2, and some scope 3. This is to say we have more control or influence and so we have set detailed targets for these in 2019 and a second wave 2025. However there are others where we do not have the same control over, and we refer to these as 'Corporate value chain' emissions.

Climate Transition Plan - A plan that sets out how an organisation intends to transition to the lower-carbon economy, including aligning its operations, assets, portfolio and business model with net zero objectives.

CVAR (Climate Value At Risk) - A metric that estimates how climate-related risks and scenarios may affect the value of an investment over time, based on modelling of

factors such as climate, economic and technological changes.

Decarbonisation - The reduction or removal of carbon dioxide and other greenhouse gas emissions into the atmosphere.

Double materiality - An approach that considers both how sustainability issues may affect a company's financial performance, and how the company's activities may impact the environment and society.

Ecosystem - A dynamic complex of plant, animal, and microorganism communities and the non-living environment, interacting as a functional unit.¹⁶

Ecosystem services - The contributions of ecosystems to the benefits that are used in economic and other human activity.¹⁷ For example, the provision of fresh water, the recreational and tourism opportunities of a forest or coral reef, or a forest or flood plain which mitigates flooding of a city during heavy rain, or the pollination of crops which feed populations.

ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) - A free online tool that helps organisations understand how their activities depend on and impact nature. It maps how different sectors and activities interact with natural systems, and can be used by financial institutions to identify potential nature-related risks in their lending and investments.

Electricity Location-Based Methodology - Electricity consumed by the company and the carbon intensity of the local electricity grid.

Electricity Market-Based Methodology - A method for calculating emissions from purchased electricity based on the specific energy sources, such as renewable energy tariffs or supplier contracts.

Engagement - Interactions between an investor and a current or potential investee company, for example on ESG or financial issues. Engagement allows investors to communicate their expectations and

¹⁶ Diaz, S et al (2015) The IPBES Conceptual Framework - connecting nature and people

¹⁷ United Nations et al. (2021) [System of Environmental-Economic Accounting - Ecosystem Accounting \(white cover version\)](#) | [System of Environmental Economic Accounting](#)

encourage companies to improve how they manage ESG issues and their wider impacts.

Enterprise Value - A measure of a company's total value, including the market value of equity, debt and other financial obligations, minus cash. Enterprise Value Including Cash (EVIC) is a variation of this measure that includes cash.

Environmental factors - Environmental issues considered by investors when analysing investments. Examples include climate change, resource depletion, waste, pollution and deforestation.

Environmental, Social and Governance (ESG) - ESG refers to environmental, social and governance factors used to assess risks and opportunities in investments. Environmental factors include climate change, resource depletion, waste, pollution and deforestation. Social factors may include human rights, modern slavery, child labour, working conditions and employee relations. Governance factors may include bribery and corruption, executive pay, board diversity and structure, political lobbying or donations and tax practices.

ETFs (exchange-traded funds) - Investment funds that are traded on an exchange and typically track an underlying index.

Exclusions - An investment approach that restricts or avoids certain investments within a fund or portfolio. These may be applied for different reasons, including aligning with client preferences, and can apply at different levels (such as sectors, business activities, companies or countries).

Fiduciary - A person or organisation that acts on behalf of others and is legally required to act in their best interests.

FATF (Financial Action Task Force) - A global organisation that sets standards to combat money laundering and terrorist financing. It identifies high-risk jurisdictions with weaknesses in these areas, which may be considered in investment decision-making.

Financed Emissions - Greenhouse gas emissions associated with financing activities, such as lending and investing. These are

typically classified as Scope 3, Category 15 emissions under the GHG Protocol.

Funds - A collective investment vehicle that combines money from multiple investors to invest in assets, such as shares or bonds. Funds may focus on specific asset classes or regions. This includes publicly available funds as well as segregated mandates for specific clients, such as pension funds.

GDP (Gross Domestic Product) - The total market value of all final goods and services produced within a country or region over a specific time period.

GHG (greenhouse gases) - Gases that contribute to global warming by trapping heat and energy from the sun in the atmosphere, similar to how a glass greenhouse retains heat.

GHG Inventory Boundaries - The scope and limits used to define which emissions are included in a greenhouse gas inventory, such as the types of gases, emission sources, geographic area and time period covered.

GHG Protocol Corporate Accounting and Reporting Standard - A widely used standard that provides guidance for companies and organisations on how to measure and report greenhouse gas emissions.

Greenwashing - When a company's products, services or claims are presented as more environmentally or socially responsible than they are in reality. Regulations are increasingly being introduced to address this.

ILO Fundamental Conventions - A set of eight conventions identified by the International Labour Organization (ILO) covering fundamental principles and rights at work. These include freedom of association and collective bargaining, the elimination of forced labour, the abolition of child labour, and the elimination of discrimination in employment.

Investee company - A company in which an investor holds equity or debt.

Investments - Assets acquired with the aim of generating income or increasing in value over time.

IPCC (Intergovernmental Panel on Climate Change) - A United Nations body that assesses the science related to climate change.

ISO 14001 - An international standard that sets out requirements for an environmental management system, which organisations can use to improve its environmental performance. It is developed and maintained by the International Organization for Standardization (ISO).

Implied Temperature Rise (ITR) - A forward-looking metric, expressed in degrees Celsius (°C), that estimates how aligned a company, portfolio or fund is with global temperature goals. It may be used by investors to support target setting and engagement on climate-related risks.

Kunming Montreal Global Biodiversity Framework - An international framework that sets out a pathway to achieve a global vision of living in harmony with nature by 2050. It includes a set of 4 goals for 2050 and 23 targets for 2030.

Just Transition - The shift to a low-carbon economy in a way that aims to be fair and inclusive for workers, communities and society.

mtCO_{2e} (million tonnes of carbon dioxide equivalent) - A unit used to measure greenhouse gas emissions, expressed as the equivalent amount of carbon dioxide in millions of tonnes.

Modern slavery - Any form of exploitation or abuse that involves controlling, forcing, or deceiving a person for personal or financial gain. It can take many forms, including forced labour, human trafficking, debt bondage, forced marriage, and exploitation in the supply chains of products we consume.

Natural capital - The stock of natural resources and ecosystems that provide essential services that support economies and human life.¹⁸

Nature - The natural world, including the diversity of living organisms (including people)

and their interactions with each other and their environment.¹⁹

Nature-based solutions - Actions to protect, manage or restore ecosystems in ways that address societal challenges, while also supporting biodiversity and human well-being.²⁰

Network for Greening of the Financial System (NGFS) - A group of central banks and financial supervisors that share best practices and support the development of climate and environmental risk management in the financial sector.

Net zero - Achieving a balance between greenhouse gas emissions produced and those removed from the atmosphere.

Net zero commitment - A pledge by an organisation to reduce its greenhouse gas emissions to 'net zero'.

The Net Zero Asset Managers Initiative (NZAM) - A voluntary framework that asset managers may join to set targets for aligning their investment portfolios with net zero greenhouse gas emissions, typically by 2050.

OECD (Organisation for Economic Co-operation and Development) - An international organisation of member countries that works to promote economic growth and global trade. The OECD Guidelines for Multinational Enterprises provide non-binding principles and standards for responsible business conduct.

Paris Agreement - An international treaty that came into force in 2016, aiming to limit the global increase in temperature to well below 2°C above pre-industrial levels, and ideally to 1.5°C.

PAI (Principal Adverse Impacts) - A concept defined under the Sustainable Finance Disclosure Regulation (SFDR), referring to the negative impacts that investment decisions may have on environmental and social factors. These may include, for example, a company's greenhouse gas emissions or its impact on biodiversity, and are typically measured using a set of standard indicators.

¹⁸ Natural Capital Coalition. 2016. "Natural Capital Protocol"

¹⁹ Diaz, S et al (2015) The IPBES Conceptual Framework – connecting nature and people

²⁰ IUCN, 2016, IUCN Global Standard for Nature-based Solutions

PCAF (Partnership for Carbon Accounting Financials) - A global partnership of financial institutions that develop and apply a standardised approach to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments.

Real estate investment - The practice of investing in property assets to generate income or capital growth.

REMIND - A global model that combines economic, energy and climate data to assess how different scenarios may affect emissions and the transition to a low-carbon economy. It has been developed by the Potsdam Institute for Climate Impact Research.

Renewable energy - Energy from sources that are naturally replenished, such as solar, wind and wave power.

Responsible investing - A broad term used to describe investment approaches that consider environmental, social and governance (ESG) factors, including ethical investing, exclusions and ESG integration.

Risk tolerance - The level of risk an individual or organisation is willing to accept in order to achieve a desired outcome.

SBTi (Science Based Targets initiative) - A partnership between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It supports companies in setting greenhouse gas emission reduction targets in line with climate science. SBTi (1) develops guidance and best practices for setting emissions reduction and net zero targets, (2) provides technical support and resources to companies, and (3) offers independent assessment and validation of climate targets.

Science Based Targets Network (SBTN) - An initiative that builds on the SBTi and provides guidance and tools to help organisations set targets across broader environmental areas, including climate, water, land, biodiversity, and oceans.

Scope 1, 2 & 3 Emissions - Greenhouse gas emissions are grouped in three categories known

as 'scopes'. Scope 1 covers direct emissions from sources owned or controlled by a company (for example, fuel use in buildings or company vehicles). Scope 2 covers indirect emissions from the generation of purchased electricity, heat or steam. Scope 3 includes all other indirect emissions across a company's value chain, often referred to as upstream and downstream emissions. These scope 3 categories include 15 sub-categories such as business travel (cat. 6) and investments (cat.15).

Screening - An investment approach that filters companies based on their involvement in certain activities, which may be positive or negative.

Sustainability Disclosure Requirements (SDR)

A UK regulation that sets requirements for asset managers to disclose how sustainability is integrated into their products and to ensure sustainability-related claims are clear, consistent and not misleading. It includes measures to help consumers navigate sustainable investment products and requires certain firms to produce product and entity-level disclosures.²¹

Sustainable Finance Disclosure Regulation

(SFDR) - An EU regulation designed to improve transparency in the market for sustainable investment products and to reduce the risk of greenwashing by requiring disclosures from financial market participants.

Sustainable Investment - A term used to describe investments that aim to contribute to environmental or social objectives, alongside financial returns. Definitions may vary between investors, but regulations often set criteria for what can be described as sustainable. For example, some regulations (such as in the EU) define sustainable investments as those that contribute to environmental or social objectives. These definitions may also require that investments do not significantly harm other environmental or social objectives, and that investee companies follow good governance practices.

²¹ <https://www.fca.org.uk/publications/policy-statements/ps23-16-sustainability-disclosure-requirements-investment-labels>

Stewardship - the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend. Stewardship tools include company engagement, proxy voting and shareholder proposals, policy advocacy, and industry collaborations.²²

Task Force on Climate-related Financial Disclosures (TCFD) - A framework established in 2015 by the Financial Stability Board (FSB) to improve the consistency of climate-related financial disclosures by companies, banks, and investors.

Taskforce on Nature-related Financial Disclosures (TNFD) - A framework that helps identify, assess and disclose nature-related risks, opportunities, dependencies and impacts.

Thematic Engagement - Engagements that focus on systemic sustainability themes such as climate change* and nature* loss that may affect companies, sectors or markets and, over time, long-term client outcomes. Each theme is underpinned by specific objectives and milestones that are tracked over time.

Transition Plan Taskforce (TPT) - A taskforce that develops guidance and best practice for company transition plans, including disclosure frameworks and metrics.

United Nations (UN) - An international organisation that aims to promote peace, security and cooperation among countries.

UN Global Compact - A voluntary United Nations initiative that encourages businesses to adopt sustainable and socially responsible practices and to report on their implementation. It is based on ten principles covering areas such as human rights, labour, environment and anti-corruption.

UN Sustainable Development Goals (SDGs) - A set of 17 global goals adopted in 2015 as part of the United Nations' 2030 Agenda ([UN SDG's](#)). They aim to address issues such as poverty, inequality and environmental

protection, and include targets and indicators to measure progress.

Voting principles - Principles used by investors when exercising their voting rights as shareholders, for example on company resolutions. These can be used to support good governance and influence company behaviour.

WACI (Weighted Average Carbon Intensity) - A metric used to measure a portfolio's exposure to carbon emissions, calculated by weighting the carbon intensity of each investment by its share in the portfolio.

²² Definition provided by the [UN Principles for Responsible Investment \(PRI\)](#)

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