


Climate Report

Fidelity International Climate Report aligned to the Task Force on Climate-related Financial Disclosures (TCFD)

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Climate change is a threat to human wellbeing and planetary health. There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all. The consequences for humanity are already being felt and are likely to worsen.*

* The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. [IPCC Climate Change synthesis Report](#) March 2023.



The purpose of this Climate Report

Why have we produced this report?

The latest IPCC Climate report, dated March 2023, states that we've already reached 1.1°C of global warming above pre-industrial averages. By 'pre-industrial', we mean the period 1850-1900. This was before fossil-fuel burning started to change the climate.

The purpose of this report is to give our clients and other stakeholders a better understanding of climate-related risks and opportunities. It shows how we address them, and how we incorporate them into our governance, strategy, risk management, and our metrics and targets.

It's important that we lay out our approach to climate change for our **business operations** and the **investments** we make on behalf of our clients. We need to understand the impact climate change could have, work towards mitigating its material effects and adapt to it. We also need to know how to handle the transition in a way that allows us to maximise the opportunities that arise.

The report is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and the supplemental guidance for Asset Managers. It also follows certain local regulatory disclosure requirements¹.

¹ Information on these is contained in [Appendix 1](#).

About Fidelity International

Fidelity or Fidelity International is defined as FIL Limited and its subsidiary entities.

Fidelity was established in 1969 and is a management and family-owned private investment and retirement savings business with global operations across more than 25 countries.

Our purpose at Fidelity International is to help build better financial futures for our clients. We believe that investing over the long term is critical to achieving that. We're passionate about delivering the right investment guidance and solutions, and improving access to investing for as many people as possible.

US\$558.4bn²

Client assets

2.8m

Clients globally

We serve individuals, financial professionals, and institutions around the world in three ways:

- As an **Asset Manager**, we invest money on behalf of our clients.
- As an **Asset Owner**, we provide unit-linked (insurance) pension funds, which enable members of company pension schemes to save for their retirement.
- As an **Asset Administrator**, which is a platform service provider for investment assets.

For our group (of companies), we have two reports - these are '**companion**' reports. They each represent different aspects of our business (asset manager vs. asset owner), but **business operations** are shared. Our approach to climate matters, and to the regulatory reporting requirements, differ and therefore we produce two reports.

When read together, they provide an overall view of Fidelity International.

When acting as an Asset Administrator we do not make investment decisions. We do not therefore produce a specific report associated with this activity.

In this report, we cover the day-to-day **business operations** for the whole of the Fidelity International group (i.e. Asset Manager, Asset Owner, and Asset Administrator). Also included are the **investments** we make for the Asset Manager business only. Both have emissions that affect the climate. Climate change can affect our business operations and the investments we make.

Our report covering the investment of our **Asset Owner** business can be accessed [here](#).

Our report **does not cover** the activities of Fidelity Management and Research, Geode, or Fidelity Canada

² This consists of, Assets Under Management (AUM) and Assets Under Administration (AUA). Not including the assets relating to our equity stake in Fidelity Canada as of 31/12/2023

which are independent businesses (i.e. sit outside of the FIL Limited group), although we may refer to these companies during this report (where we delegate investment management to these companies).

Business Operations

Some of our emissions are related to operating our business. For example, those from our buildings, or our employee business travel and commuting. These are known as 'operational' emissions.

We aim to reduce these, and to be 'operationally' net zero by 2030. To be clear, business operational emissions do not include 'financed' emissions related to our investments, which are covered below.

As a large investor, it's important we set an example to the companies that we invest in. We believe this allows us to more effectively engage with these companies, with the aim of reducing their emissions, meeting emissions targets, and mitigating the effects of climate change.

Our clients' investments

Every company we invest into is exposed to climate change in some way, and in some cases it could significantly influence an investment decision. And that's why we consider these climate-related risks and opportunities across the investments we make on behalf of clients, when they are material.

Most of our emissions come from, or are related to, these companies. These are called 'financed emissions'.

We aim to halve the Scope 1 and 2 financed emissions intensity (we call this the 'carbon footprint') of our equity and corporate bond investments by 2030 from the level of emissions at year end 2019, and to achieve net zero for these holdings by 2050⁴.

At an individual fund level, we aim to assess transition potential and align 35% of our funds to a "net zero by 2050" pathway with interim targets for 2025 and every five years after this.

We take a long-term approach, which is to engage with and influence the companies into which we invest. We encourage them to manage and reduce their emissions. By doing this we aim to help contribute towards reducing real world emissions and increasing these companies' resilience in the face of climate change. This approach aims to help us maximise our climate-related opportunities, and in turn the investment performance we are able to deliver to our clients.

"The investments we manage generate emissions of 190,560,000 tons compared with our business operations of 9,244 tons of greenhouse gases."³

This means that for every ton of business operational greenhouse gas there are 20,623 tons of investment related emissions.

³ As reported in our metrics section [here](#) - relies on estimation, in carbon dioxide equivalent- CO_{2e}. Investment emissions- especially those relating to issuer scope 3 rely heavily on estimation models and can be of variable quality and be revised through time.

⁴ These holdings represent 92% of US\$390bn Assets Under Management (AUM) as reported in our [Data and Metrics table](#), as at 31/12/23. The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of emissions for sovereign debt, private assets and the quality of scope 3 emissions data for investments.

A summary of our Climate Report

Here is a summary with the links to find out more:

		Investments		Business Operations
Fidelity Business Unit	Description	Entity Level report	Fund or Product level reports	
Asset Manager - this report	Our investment management businesses serve a range of clients from retail investors to institutional clients.	✓ This report contains information on the climate impact of the investments made by our asset management business. It includes coverage of subsidiary entities as required by regulation, covered in Appendix 1 . Information for investments is located in the blue sections of this report.	✓ Separate report: Outside of this climate report, we issue a climate report reporting on the climate impacts made by the investments for a number of UK funds as required by regulation: It can be found here: Climate Product reports (fidelity.co.uk)	This report: Business operations covers the energy sourcing and emissions from our Asset Managers, the Asset Owner, and where we act as an Asset Administrator . This is contained in this report in the green sections for ease of navigation.
Asset Owner - FIL Life (UK)	This is our UK life insurance business which provides unit-linked pension products which enable members of company pension schemes in the UK to save for their retirement.	✓ Separate report: Outside of this climate report, we issue a companion climate report. This is for our Asset Owner business. It can be found here .	✓ Separate report: Outside of this climate report, we issue a climate report reporting on the climate impacts made by the investments for a number of UK funds as required by regulation. It can be found here .	The Life business shares our business operations reported above .

We are also producing climate or TCFD consistent reports for some of our publicly available UK funds as required by regulation.

Scope of this report - the 'Asset Manager'

Materiality is a term used to help us decide when to consider and report a climate-related issue. We report 'material' information when we believe it's sufficiently important to impact the investment decisions we make on behalf of our clients and for our business as an asset manager. Over time, this threshold may change or evolve, so we'll continue to assess and adapt our approach.

Investments	
In scope	Out of scope
<p>We aim to report on our approach to integrating the climate risks and opportunities of Fidelity's client investments across our group of Asset Managers, where we have discretionary investment authority for the asset classes and the regions in which we invest (except what is described as 'Out of scope' - the adjacent column).</p>	<p>The following are out of scope of this report:</p> <ul style="list-style-type: none"> ■ Asset owner business: <ul style="list-style-type: none"> - FIL Life - note that FIL Life has its own report - and FIL Life Ireland. ■ Small/immaterial businesses/not investing on behalf of clients, e.g. FIL Strategic Ventures (invests on behalf of Fidelity International not clients), and platform administration. ■ International joint ventures covered by their own TCFD reports, e.g. Fidelity Canada has a Climate Report which is available here: Fidelity Canada Sustainability ■ Sub-advisors, that sit outside the Fidelity International that we may appoint, which include Geode, Fidelity Management Research (FMR), and Fidelity Institutional Asset Management (FIAM). <ul style="list-style-type: none"> - Where we have discretionary investment management authority we do include the AUM and emissions within our metrics table- for further information on data see here and here. <p>Fidelity does not make use of extensive external investment management delegations. Rather, these are strategic in nature to offer particular strategies. No current external investment management delegation is related to an ESG strategy, and have been selected for other investment reasons. Further details of delegations (where made) are included in Appendix 1.</p>
Business Operations	
In scope	Out of scope
<p>The scope of business operations includes the business operations for Fidelity.</p> <p>To date, we have focused on emissions where we have operational control which include Fidelity's Scope 1 & 2 emissions and a subset of its Scope 3 emissions (business travel, water, paper consumption, and waste).</p> <p>'Operational emissions' are reported at a group level and capture emissions within scopes.</p> <p>See the metrics and targets section for full list of emission scopes.</p>	<p>Areas that are outside of Fidelity's operational boundaries are not included so far, largely due to materiality. This is where offices are managed by our landlord, or where we occupy office space serviced by third-party building management such as multi-tenanted office spaces.</p> <p>Whilst our Scope 3 categories are partially covered, we are working on our plan for including other material categories, for example purchased goods & services and commuting emissions for the future.</p>

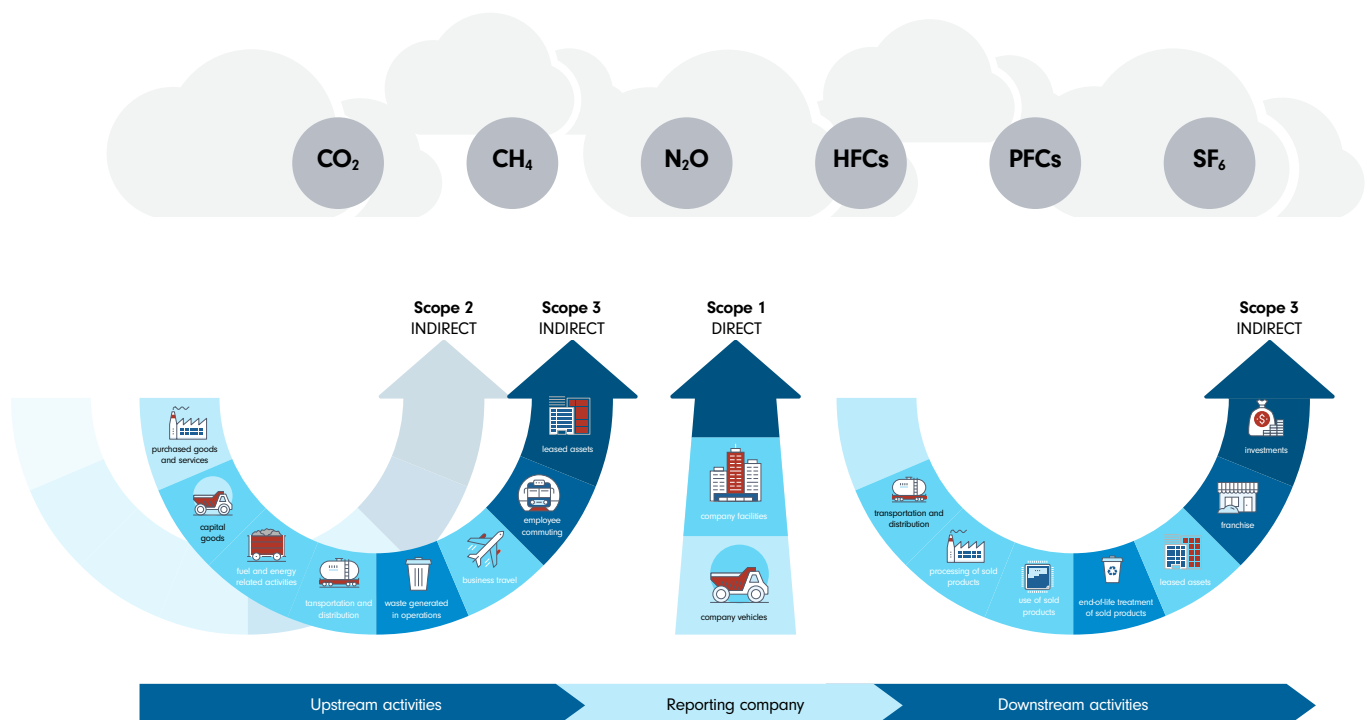
How to understand this Climate Report

What are Greenhouse Gas (GHG) emissions?

Greenhouse Gases (GHG) are gases that contribute to global warming. They get their name because they trap heat and energy from the sun, just like a glass greenhouse. GHG emissions don't just come from carbon dioxide. They can also come from other gases such as methane and nitrous oxide.

The GHG Protocol is a widely used tool for measuring and managing Greenhouse Gases. It puts the sources of GHG emissions into three scopes:

- **Scope 1 emissions** - These come from equipment **directly owned or controlled** by an organisation. It includes all the fuel the company has burned on site using boilers, furnaces, vehicles, or other machinery.
- **Scope 2 emissions** - These are from **bought** electricity heat, steam, and cooling.
- **Scope 3 emissions** - These are the other emissions through the supply chain that are not in the two scopes above:
 - They include **upstream emissions** which occur before the product or service is sold. These could be emissions released by getting raw materials out of the ground, or transporting them to the company's factory.
 - They also include **downstream emissions** which occur when a product is sold, stored, used, or disposed of.



Note: CO₂ = Carbon dioxide, CH₄ = Methane, N₂O = Nitrous oxide, HFCs = Hydrofluorocarbons, PFCs = Perfluorinated compounds, SF₆ = Sulphur hexafluoride
Source: [GHG Protocol](#) on page 5.

Our approach to a lower carbon economy

As an asset manager, our greatest exposure to climate risks and opportunities comes from the investments we make. These are called **'financed emissions'**. We measure them by calculating how much of our clients' money is invested in each company, and the GHG emissions of each of these companies.

'Financed Scope 3 emissions' come under Category 15 of the GHG Protocol, a category that is material for us as an investment business. We consider these on an intensity basis, and set our target to reduce them on a GHG per US\$million of Assets under Management. This is called the 'carbon footprint', and we target scope 1 and 2 reductions of our financed emissions.

For our business operations, Scope 1 and 2 emissions are part of our planning and reporting. Where possible, Scope 3 emissions that don't come from the companies we invest into are also included.

To limit global warming to 1.5°C, we need to work towards 'net zero'. This is when we reduce our emissions to zero, or as close to net zero as possible. Net zero will happen when the amount of GHG produced is balanced by the amount removed from the atmosphere. Removal means there is a need to protect and rejuvenate the natural systems that remove and store GHG – forests and mangroves for example. So, the approach to nature and climate are inter-related.

How future climate risk is assessed

The path towards reducing emissions across economies is not certain, and could take many routes. As part of this report, we look at three different key climate scenarios of how the world could respond to see what they could mean for our investments. Here we describe the scenarios explored:

■ 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 acts as a shock to the economy. Average temperatures are set to rise by 1.6°C to 1.8°C by 2100 and by similar temperatures by 2050.

■ Orderly transition

Emissions start to reduce immediately to limit warming to 1.4°C - 1.6°C. It means the economy invests more in energy efficiency and low GHG technologies earlier and doesn't receive a 'shock' as it would during a disorderly transition. This is the most cost-efficient scenario as climate policies are introduced earlier. The economy has more time to make changes more efficiently.

■ Current policies (otherwise known as a 'hot house' world)

'While many countries have started to introduce climate policies, they are not yet sufficient to achieve official commitments and targets. If no further measures are introduced, 2.7°C⁵ or more of warming is modelled to occur by 2100. This would likely result in deteriorating living conditions in many parts of the world and lead to some irreversible impacts like sea-level rise. Physical risks to the economy could result from disruption to ecosystems, health, infrastructure, and supply chains.'⁶

The types of climate-related risks and opportunities

Transition risks and opportunities

These risks are caused by changes in regulation, policy, law, and technology that will influence the speed and timing of each scenario. These can all create risks as the economy transitions to lower carbon. Depending on the region, or type of business activity, transition risks could affect us in the short, medium, and longer-term.

These changes can also create climate-related opportunities, such as resource efficiency, energy sourcing, products and services, markets, and resilience.

Physical risks

As our planet continues to warm, it is well documented that there will be a growing impact on the economy. Physical risks include droughts, wildfire hazards, severe weather patterns, and sea level changes. Fidelity's business operations and our clients' investments may be affected.

⁵ Source [Temperatures | Climate Action Tracker](#)

⁶ Further information for Professional Investors is available [here](#) also showing the emissions and carbon price evolution for each scenario. NGFS Climate Scenarios for central banks and supervisors - Phase IV | NGFS

The risks are expected to grow over the medium and longer term if global emissions reductions aren't on track, or if there is a delay moving to a lower carbon economy.

Physical risk categories



Source: [Preventionweb](#), Fidelity International, June 2024.

The physical risks will be greater and more disruptive in a 'Current Policies', sometimes referred to as a 'hot house world', scenario. Warming will be higher, cause more frequent and severe weather events, and affect human health, labour, and agricultural productivity.

Transitional risks will be most prevalent in a disorderly scenario. Any delay in global emissions reductions will serve to compress emissions reductions into a shorter span and exacerbate transitional risks. Each scenario sees a trade-off between transitional and physical risks.

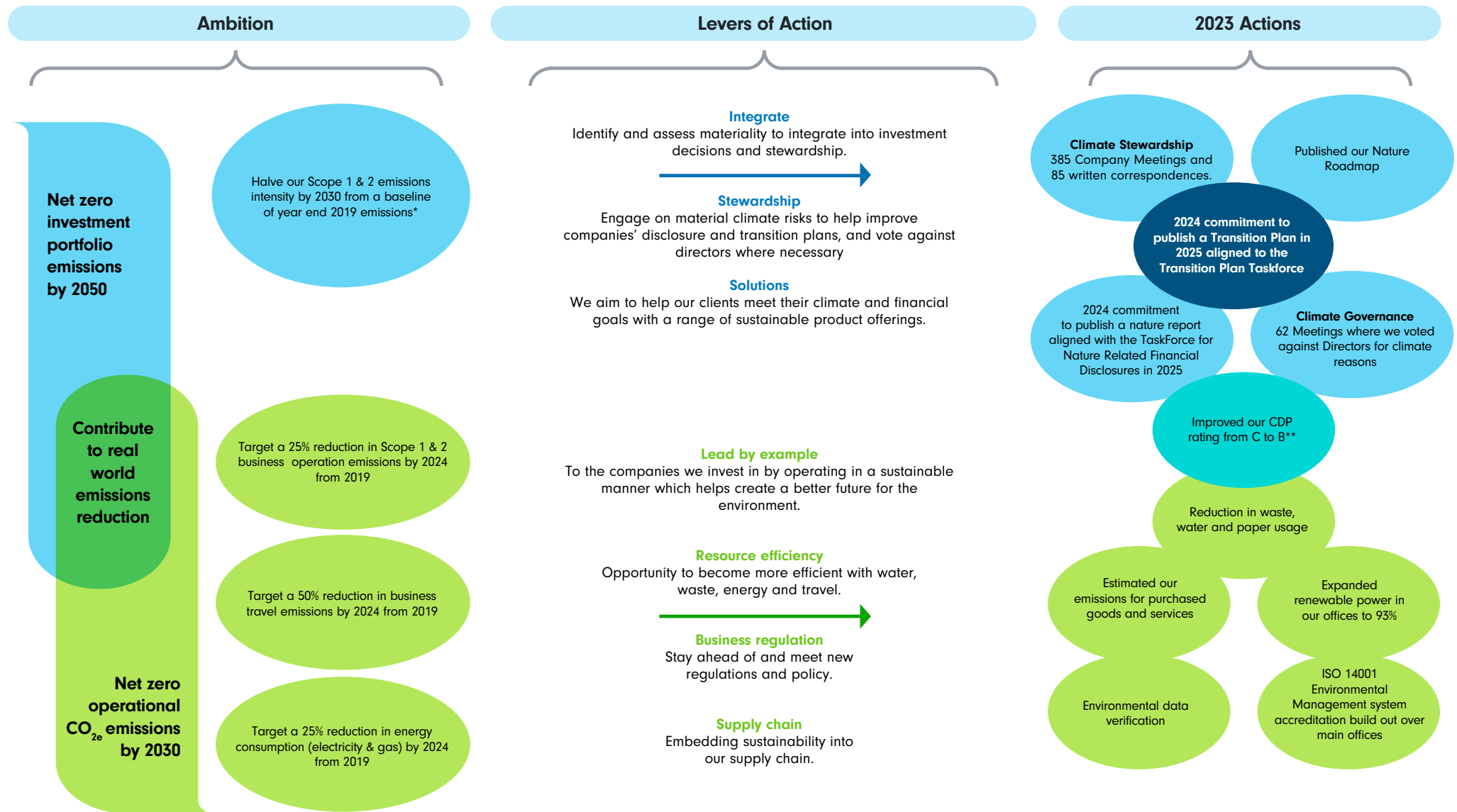
Overview of our Plan

Our plan covers our medium and long-term strategy, which are our levers of action in the chart on the next page. Our 2023 actions are the steps that we took or initiated in 2023 to help us move towards our ambitions or targets.



Our Strategy for a Lower Carbon Economy

Parallel paths to net zero emissions



*Our target for-investment related emissions was initiated in 2020 and covers our Scope 1 & 2 financed carbon emissions intensity of our equity and corporate bond holdings (Carbon Footprint), and net zero on these holdings by 2050. These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#), as at 31/12/23. The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets and the quality of Scope 3 emissions data for investments.

**The CDP rating covers both operations and investments.

Our Climate Targets

Business Operations

We've committed to achieve net zero emissions across Fidelity's own business operations by 2030.

- Scope 1 and 2, and operational control Scope 3 categories. (See [metric section](#) for full list)

And by 2024 from a baseline⁷ of 2019 to a:

- 25% reduction in carbon emissions (Scope 1 and 2, and operational control Scope 3 (market))
- 25% reduction in energy consumption (Electricity + Gas)
- 50% reduction in air travel carbon emissions

To date, we have focused our targets on areas over which we have operational control. This is to say we operate the buildings we occupy and control the purchase of electricity and heating, or where we make decisions on business travel. It does not yet include purchased goods and services, but we are working on these other material scopes for the future.

For more information on our commitments please refer to our latest Corporate Sustainability Report.⁸

Investments

Fidelity is a member of the Net Zero Asset Managers Initiative. This is an international group of asset managers who support the goal of net zero by 2050 and reducing real world emissions in line with a 1.5°C pathway. We have set the following commitments:

- We want to halve the scope 1 and 2 carbon emissions intensity of our clients' investment portfolios by 2030 from a 2019 baseline, and achieve net-zero for corporate debt and equity holdings by 2050. We call this the 'carbon footprint' measurement.⁹
- We aim to assess transition potential and align 35% of our funds to a "net zero by 2050" pathway with interim targets for 2025 and every five years after this.

The ambition represents what was possible at the time of making the commitments, and accounts for data limitations for the availability of sovereign debt, private assets, and the quality of Scope 3 emissions data for investments.

For more information on our commitments, please refer to our [Climate Investing Policy](#).

Business operations

Since 2019, our business operational emissions have reduced by 66% (market based emissions).

Investments

Since 2019, the scope 1 and 2 carbon intensity of our corporate debt and equity holdings have reduced by 56%.

For further details of progress against individual targets, see the [Metrics and Targets](#) section of the report.

⁷ Our 5 year targets were set in 2019 and reductions are measured against 2019 as the baseline

⁸ Professional investors can find out more in our [Corporate Sustainability Report](#)

⁹ These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#) as at 31/12/23

Our Climate Reporting approach

Fidelity's climate approach is aligned with the TCFD framework

The Task Force on Climate-Related Financial Disclosures recommends disclosures across four pillars – Governance, Strategy, Risk Management, Metrics & Targets.

Further detail is available throughout the report and as a detailed summary in [Appendix 2](#) below:

TCFD Pillars	Fidelity's Approach
<p>Governance Pages 19-22</p> <p>Governance describes how our senior leadership team oversees, assesses, and manages climate risks and opportunities. It helps ensure that we are prepared to address and adapt to the impacts and opportunities.</p>	<p>Where referring to the Board, this means the FIL Limited Board:</p> <ul style="list-style-type: none">■ The Board is responsible for setting, considering and managing the company's strategy for climate-related risks and opportunities. The President reports to the Board and is responsible for executing the strategy, and is supported by the Global Operating Committee. They can delegate certain activities. While delegating both the Board and the President retain overall responsibility.■ The Board is also responsible for implementing the Enterprise Risk Management (ERM) framework. The ERM Framework sets out the guiding principles and global minimum control requirements for the identification, assessment, and management of risks, including climate-related risks. These include transition risks to a low carbon economy and the physical risks of climate change.■ The Board has created a governance structure. This provides oversight and direction through designated committees and forums, including the Audit and Risk Committee.■ Responsibility for delivering our climate and environmental strategy across our business operations was delegated to the Corporate Sustainability Committee (CSC) and the Sustainable Investing Operating Committee (SIOC) for our approach to responsible investing. The CSC operated until late summer 2023. This responsibility was then delegated to our new Chief Sustainability Officer (CSO), Jenn-Hui Tan, as the corporate and sustainable investing teams came together. Our Governance structure is currently under review with an intention to replace the CSC with a new governance forum in 2024.■ The CSO and these committees are responsible for climate-related opportunities. Senior management including the Chief Investment Officer (CIO) who chairs SIOC, also attend Board meetings.■ Climate opportunities could come through resource and energy efficiency, waste reduction, and the sourcing of renewable electricity. There could also be opportunities for client funds that arise from new sustainability regulation or client demand.

TCFD Pillars	Fidelity's Approach
<p>Strategy Pages 23-38</p> <p>Strategy describes our understanding of how climate can impact our business. We identify and assess the risks and opportunities and embed it into our strategy.</p> <p>We describe our plans to adapt and also look at how climate could impact the value of our clients' investments looking at different future situations.</p>	<ul style="list-style-type: none"> ■ The biggest risks and opportunities we face are from our clients' investments. That's because every company we invest into is exposed to physical and transitional risks from climate change. ■ We focus on identifying, assessing, and managing the material risks across all our investments. Material risks and opportunities are those that affect investment decision making or the potential outcome for an investment. ■ Both physical and transitional risks can have a negative effect on our investment performance, but they could also help to stimulate investment opportunities. <p>Investments - Our three Levers</p> <ol style="list-style-type: none"> 1. We integrate those risks into our investment processes by identifying and assessing materiality of climate-related risk and opportunities, using tools and analysis. 2. We engage with the companies we invest into to set minimum standards, for example, on climate, biodiversity, and deforestation. If companies don't follow through and improve their transition plans, we can vote against directors and ultimately withdraw our investment. 3. With solutions, we aim to help our clients meet their climate and financial goals with a range of products including our Sustainable funds. <ul style="list-style-type: none"> ■ We assess our clients' investments for their resilience according to different climate-related scenarios which outline differing speeds and timing of pathways to a lower carbon economy. <p>Business Operations</p> <p>We face less risk in our group operations when compared with our investments. However, we know it's important to reduce our environmental and climate footprint for three main reasons:</p> <ul style="list-style-type: none"> ■ We'll have opportunities to become more efficient with our resources, and to adopt renewable energy sources. This will ensure that our supply chain and business operations stay resilient to transition risks. ■ It will help us meet business regulations and policy changes. This may lead to more favourable costs. ■ It helps us set an example to the companies we engage with and invest in.
<p>Risk Management Pages 39-43</p> <p>Describes how and what we are doing to identify, assess, and manage climate risks in our business operations and our clients' investments.</p> <p>It describes the framework, processes, and their oversight checks and balances.</p>	<p>We have integrated Environmental, Social, and Governance (ESG) risks which includes climate risks in our Enterprise Risk Management (ERM) framework. This makes sure we have a common approach to identify, assess, mitigate, manage, and report risks across the organisation.</p> <p>It includes risks that could cause harm to the organisation, or to our clients' investments. These risks may significantly affect our strategic goals or maintain our operations.</p> <p>We have a 'three lines of defence' approach to managing climate-related risks (as defined in Risk Section). This ensures clear responsibility for risk management across Business and Operations, Investment Management, Risk and Compliance, Internal Audit, and external assurance.¹⁰</p>

¹⁰ This report has not been externally assured.

Business Operations

TCFD Pillars	Fidelity's Approach
<p>Risk Management (cont.)</p>	<p>Investments</p> <ol style="list-style-type: none"> 1. We identify and assess climate and ESG related risks and opportunities with the use of data, analysis, and research tools. For climate, the important tools are our ESG ratings and our climate ratings which consider climate change. These are our internal ratings produced by our own research and sustainability teams. 2. The key climate-related tools feed into our forums and oversight checks, specifically the Quarterly Sustainable Fund Reviews. These are forums where we review and discuss sustainability-related opportunities and risks related to the investment process and portfolio holdings for some sustainable funds¹¹. They are run by senior management and CIOs together with Portfolio Construction and Risk, the Sustainable Investing team, and the portfolio manager. 3. Risk management is built into our systems so that we can monitor and ensure that funds are managed in line with our clients' expectations and objectives. The information includes carbon intensity (WACI), and is for first and second line review. The Investment Risk Committees are responsible for oversight of and alignment to fund expectations and objectives. 4. We integrate climate-related risks and opportunities in our Stewardship approach. By setting minimum expectations for the companies we invest in and engaging with the high emitters, we seek to manage these risks. <p>Business Operations</p> <ul style="list-style-type: none"> ■ We carry out environmental aspect and impact analyses for our key locations. This is a central part of managing environmental risk. ■ We assess the potential size and scope of the risks. The results are recorded in our Health, Safety, and Sustainability Management System. ■ We integrate environmental factors into our supply chain and procurement process.
<p>Metrics & Targets Pages 44-57</p> <p>Describes our metrics and targets that we use to assess and manage climate-related risks and opportunities.</p> <p>We report on whether we are on track to meet the targets.</p>	<p>Investments</p> <ul style="list-style-type: none"> ■ We monitor the carbon footprint of the investments we make on behalf of our clients. It is a measure of carbon intensity that is calculated using Scope 1 and 2 emissions for each US\$million of investment. ■ We consider other metrics that indicate an alignment to a lower carbon economy. These are: <ul style="list-style-type: none"> - Percentage of companies with climate targets - the higher the better, because it shows that our clients' investments are aiming to reduce emissions. It's also in line with our climate targets, below. - Implied Temperature score - (Implied Temperature Rise, or ITR) - if a temperature score is closer to 1.5°C, it shows that investments are already preparing to move to a lower carbon economy. Currently, global governmental policies and regulations are expected to lead to warming of 2.7°C.¹² <p>You can read about our methodology here.</p> <p>Business Operations</p> <ul style="list-style-type: none"> ■ We are currently developing methodology and processes to capture and measure other material Scope 3 emissions including the following categories: Category 1: Purchased Goods and Services, Category 2: Capital Goods, Category 7: Employee Commuting i.e. commuting between work destinations, from home to work destination and vice versa.


¹¹ QSRs were launched in 2022. In 2023, they were extended to cover a range of funds with binding ESG characteristics, including some funds that disclose under Article 8 and 9 of the EU's Sustainable Finance Disclosures Regulation (SFDR), and UK domiciled sustainable funds.

¹² Source [Temperatures | Climate Action Tracker](#)

Business Operations

TCFD Pillars	Fidelity's Approach
Metrics & Targets (cont.)	<p>Our key climate targets and progress</p> <p>Business operations</p> <ul style="list-style-type: none">■ Achieve net zero for Scopes 1, 2 and 3 by 2030.■ Reduce Scopes 1, 2 and 3 tCO₂e (not including investment emissions) by 25% by 2024 from a base year of 2019. Actual 66% reduction (market based) since 2019.■ Scope 3 does not yet include categories 1,2,7 (and for category 15 -investment emissions - see below).■ Reduce travel emissions by 50% by 2024 from a base of 2019. Actual 39% reduction.■ Reduce energy consumption (kWh - electricity and gas) by 25% by 2024 from a base of 2019 Actual - 48% reduction since 2019. <p>Investments:</p> <ul style="list-style-type: none">■ Aim to halve Scope 1 and 2 carbon emissions intensity ('carbon footprint') by 2030, from a 2019 baseline for equity and corporate bond holdings.¹³ Actual 56% reduction since 2019.■ Aim to align 35% of our funds to "net zero by 2050" pathway with interim targets for 2025 and every five years after this.■ Aim to achieve net-zero for holdings by 2050.

¹³ These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#) as at 31/12/23

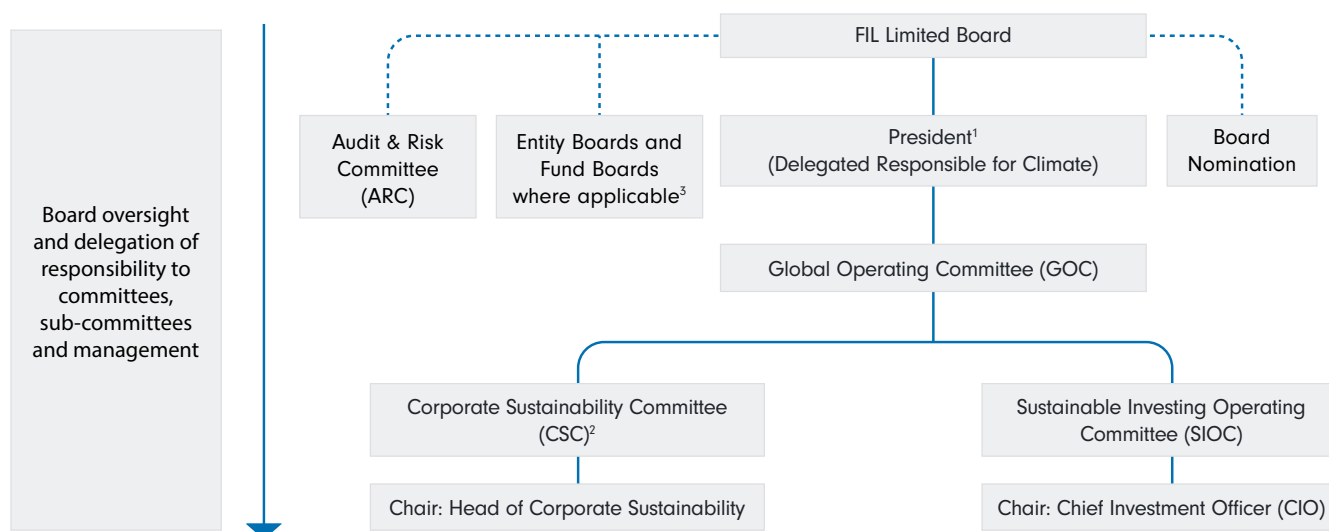


We've committed to achieve net zero emissions across Fidelity's own business operations and halve the carbon footprint (intensity) of our corporate debt and equity holdings by 2030.*

*To date, we have focused on emissions where we have operational control which include Fidelity's Scope 1 & 2 emissions and its Scope 3 business travel, water, paper consumption and waste. For our investments this covers scope 1 and 2 carbon footprint, see metrics section for further information.

Governance

An overview of Fidelity's Climate Governance Framework



¹ During 2023, The CEO was responsible. In March 2024, Fidelity appointed a new leader for Fidelity- a President. The Chair of SIOC moved mid year from the current CSO to the CIO.

² As Corporate and Investment Sustainability teams came together under the leadership of a new CSO, this Committee is being intended to be replaced in 2024.

³ Entity Boards includes FIL Life UK (FIL Life Insurance Limited).

Fidelity's President is responsible for implementing and executing the business strategy of the organisation, including the climate strategy and reports to the FIL Limited Board ('the Board'), supported by the Global Operating Committee (GOC).

The FIL Limited Board

The most senior decision-making body within Fidelity is the FIL Limited Board. The Board is responsible for setting the company's overall strategy and is accountable for oversight of the group, including but not limited to oversight and monitoring of FIL's overall risk profile and risk framework.

The Board is chaired by the Chairman and meets quarterly with additional meetings as required. Fidelity's President is

responsible for implementing and executing the business strategy of the organisation, including the climate strategy. The President reports to the Board, and is supported by the Global Operating Committee (GOC) to implement and deliver the strategy.

The Board sets our corporate and strategic objectives, and is responsible for approving major initiatives or expenditures.

The Board:

- Sets the Group policies,
- Ensures that a robust system of internal controls exists within the Group,
- Sets and maintains high ethical standards for the Group,

- Protects the reputation of the Fidelity brand, and
- Ensures the firm's financial stability.

The Board's responsibilities

We believe the Board is appropriately qualified to manage the risks of the organisation, including climate risk.

Risks and opportunities

The Board is responsible for setting our group's business strategy in relation to risks and opportunities and for the Enterprise Risk Management framework. It sets, oversees and monitors the Group's overall risk profile.

The Board is accountable for ensuring we have the appropriate governance, structures, and internal controls to keep the FIL Group compliant with rules, laws and regulations, as well as our own policies. It also ensures that our policies protect our clients and customers.

The Board has set FIL's risk appetite for ESG-related risk and exercises oversight of ESG risks including environmental and climate-related risks.

It has created a governance structure to provide oversight and direction to the business through delegated authorities to designated committees and forums.

Board reporting

The Board is informed on a quarterly basis about the risk profile, including ESG risks and the effectiveness of the risk management framework. In addition, when necessary, ESG matters are escalated to the Board for consideration from subsidiary entity boards and/or management committees. ESG risk is included in the FIL CRO quarterly risk reporting to the Board. Over the past year, the Sustainability¹⁴ and Health and Safety Teams have briefed and reported climate-related information to committees and subsidiary entity boards.^{15 16}

We expect that as the global debate moves forward and as regulatory requirements expand, more of our entity boards will receive climate-related reporting.

Senior managers, such as the Chief Investment Officer (CIO), have responsibility for chairing governance forums,

and are members of executive committees, including the GOC. Our CIO also attends the Board meetings.

The Audit and Risk Committee (ARC)

The Board has formally delegated to the ARC (FIL Audit and Risk Committee) the responsibility for ensuring that the management of the businesses implement and maintain a risk management and internal control framework in order to manage the associated risks (including ESG Risks and climate related risks) appropriately and to comply with legal and regulatory requirements. The ARC meets quarterly and is chaired by a non-executive director. The committee reviews reports from management on internal controls, risk management and financial reporting processes and their integrity, together with the scope and coverage of internal and external audits.

The role of senior management

The Board, together with the ARC, has delegated certain responsibilities to senior management, including the management of climate-related issues and their integration with business strategy. Senior management have created risk management systems and controls to support strategy.

These include managing climate-related objectives, controls and risk structures, and integrating them with our business strategy. The entity boards and committees are supported by the Asset Manager and Asset Owner Executive Committees (ExCos). These ExCos set strategy and business objectives, and manage the day-to-day operations. Chairs of these ExCos are members of both the GOC and the following governance forums.

Corporate Sustainability Committee

The Corporate Sustainability Committee (CSC) operated until late summer 2023. Responsibility was then delegated to our new CSO, Jenn-Hui Tan, as the Sustainable Investing team and Corporate Sustainability team came together under his leadership. We intend to replace the CSC with a new governance forum in 2024, as soon as practicable.

The Corporate Sustainability Committee (CSC) was established by the Global Operating Committee (GOC).

¹⁴ Included Business operations and Investment related information.

¹⁵ During 2023, FIL Life Board, FIL Investments Limited, FIL Fund Management Limited (FFML), FIL Investment Management Limited (FIML), Singapore (FIMSL) and Taiwan (SITE) received ESG/sustainability updates including climate-related information.

¹⁶ During 2023, individual entity boards had specific local regulatory requirements relating to climate such as but not limited to Singapore, Hong Kong and the UK.

Its sponsors were the Group General Counsel and the Chief Financial Officer, and it had the Head of Corporate Sustainability as Chair.

The CSC was responsible for Fidelity's business operations net zero plan, and for overseeing and delegating its implementation, including:

- Reviewing climate risks and opportunities as they relate to the Group's operations.
- Developing sustainability targets, including climate targets, for corporate operations.
- Overseeing the delivery of programmes to support net-zero carbon emissions for operations (Scope 1, 2, and operational Scope 3 emissions) by 2030.
- Overseeing the delivery of programmes and communications that promote awareness of climate risks for employees.
- Ensuring the Group is able to comply with regulatory developments related to sustainability, including climate.

Sustainable Investing Operating Committee

Fidelity's Sustainable Investing Operating Committee (SIOC) is a committee that oversees the Asset Manager's sustainable investment approach. This meets monthly and is chaired by the GOC sponsor, our Chief Investment Officer. The Vice Chair is our Chief Sustainability Officer.¹⁷

SIOC works with the Sustainable Investing team to:

- Set policies and objectives for sustainable investing, including climate-related policies relating to risks and opportunities.
- Oversight of the Sustainable Investing Principles and related frameworks and procedures as they pertain to sustainable investing (including ESG frameworks, analytical tools, and exclusion lists). This includes the Climate Investment Framework and Climate Rating Framework.
- Oversee the execution of our clients' ownership rights in investee issuers, including engagement and proxy voting activities.

- Monitor the policy and regulatory environment as regards sustainable investing and ESG risks (including climate risks) and facilitating compliance with local regulations, and to maximise those opportunities created.
- Receive and review updates on sustainable investing initiatives across the firm.

Sustainability support

Within the organisation, we have Sustainability and Health and Safety Teams, as well as subject matter experts in the wider group, including Risk and Compliance. They support the senior management governance forums, and board briefings on sustainability and climate-related issues and key performance indicators. These teams provide support by producing climate-related reporting, and proposals on policies, frameworks, and solutions to regulations.

During the year, we conducted firm wide employee sustainability training sessions, called 'SusTrainable'.

Policies:

Our climate approach, as articulated in the introduction, is embedded into our group policies. These policies help guide us by describing our course of actions or setting out principles related to our climate approach. They cover detailed descriptions of our commitments, expectations, processes and plans to adapt.

The relevant policies are:

Business Operations

1. **Health, Safety and Sustainability Policy**
This outlines our business operational climate commitments. It sets out how we monitor and track our progress towards targets.
2. **The Global Procurement Policy and the Supplier Code of Conduct**
For our supply chain, there are two relevant policies:
 - The Global Procurement Policy sets out our commitment to protecting the environment, and how we expect our suppliers to share this commitment.

¹⁷ During 2023, the chair of SIOC passed from our current CSO to the CIO.

- The Supplier Code of Conduct goes further. It sets out what we expect of suppliers in their wider business conduct. This includes environmental and climate management issues.

3. **Enterprise Risk Management Policy**

The ERM policy sets out the guiding principles and global minimum controls for the management of operational, strategic, investment, financial and environmental, social and governance ESG matters are escalated to the Board (“ESG”) risks.

Investments

1. **Sustainable Investing Principles and Climate Investing Framework**

These two key documents outline our guiding principles. They set out the minimum thresholds for sustainable investing, our climate targets and net zero plan.

2. **Engagement Policy**

This sets out our Stewardship approach in public markets.

3. **Investment Risk Management Policy**

This describes how we identify, assess, and oversee investment risks. This includes any climate risk which could result in material adverse impact on the value of a fund, or client mandate.

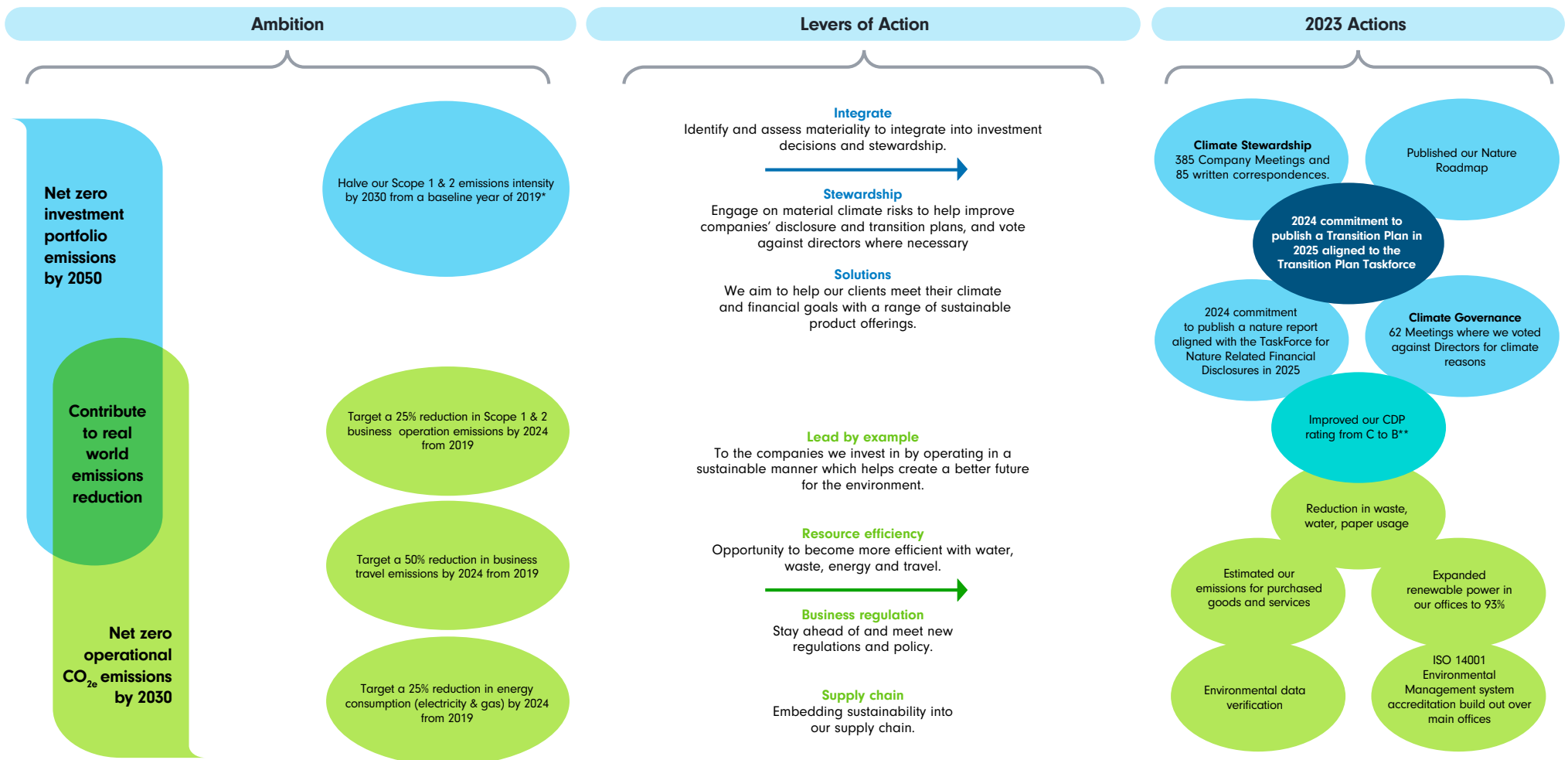
Further detail on these policies can be found in

[Appendix 2.](#)

Strategy

Our Strategy for a Lower Carbon Economy

Parallel paths to net zero emissions



*Our target for-investment related emissions was initiated in 2020 and covers Scope 1 & 2 financed carbon emissions intensity of our equity and corporate bond holdings (Carbon Footprint), and net zero on these holdings by 2050. These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#), at 31/12/23. The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets and the quality of Scope 3 emissions data for investments.

**The CDP rating covers both operations and investments.

A Summary of our Strategy

A transition to a lower carbon economy will present a range of risks and opportunities. Our strategy sets out more information on these risks and impacts, and how we integrate these into our business operations and investment considerations.¹⁸ We explain the climate 'levers', the tools we use, and our approach to asset classes. Lastly we explore how resilient the investments we make on behalf of clients are under three climate scenarios using a third party model.

In 2019/2020, we set GHG emissions reduction targets for our business operations and the investments we make on behalf of clients. Achieving these targets will reduce the risks of transitioning to a lower carbon economy. However, it is an evolving process and we continue to see opportunities and actions to take so as to further develop our climate transition plan.

Key milestones in 2023

During 2023, we made notable progress on our plan as a result of our actions.

Business Operations

In 2023, our operational carbon emissions increased by 34% mainly due to an increase in business travel following the lifting of COVID travel restrictions, however we still remain on target to achieve our 2024 goal with an overall reduction of 66% from the 2019 baseline.

Our key activities in the last year included:

1. Sourced 93% of our electricity from renewable sources, up from 3% in 2019.
2. Reduced operational (Scope 1, 2 & operational Scope 3) carbon emissions by 66% against the 2019 baseline.
3. Successful ISO 14001 (Environmental Management System) external audits for 4 Cannon Street and Hong Kong Offices with further sites planned to be added to

the certification in 2024 to meet our goal of covering 90% of employees.

Once our 2024 targets have been completed, we will set new interim targets to ensure we remain on track for our 2030 net zero operational goal. In 2024 and beyond, we aim to expand our programmes to capture other material scopes of emissions such as supply chain and commuter emissions.

Investments

1. In November, we published our Nature Roadmap. Nature is key to achieving net-zero. We set out our approach, outlined what nature loss could mean for investors, our mapping findings, and our next steps. Our thematic stewardship engagement includes nature-related engagements.

Professional investors can find out more here [Nature Roadmap](#) and in our [UK Stewardship report](#).

2. Across 2023, we launched four additional funds under article 9 of the SFDR regulation. For a fund to disclose under Article 9 of the EU's Sustainable Finance Disclosures Regulation, it must have sustainable investment as an objective. We were able to add these funds because of our in-house development of Sustainable Development Goal tools and datasets. Expanding our sustainable fund range with these sustainable investment 'Solutions' is part of our strategy.

We continue to see opportunities to enhance our approach to sustainable investing. In 2025, we aim to publish a Climate Transition Plan report consistent with the Transition Plan Taskforce's framework.¹⁹ As an early-adopter,²⁰ we will also report in line with the requirements of the Taskforce on Nature-related Financial Disclosures (TNFD).

¹⁸ Emissions intensity target - climate footprint -covering our corporate debt and equity holdings.

¹⁹ [Transition Plan Taskforce | Setting a gold standard \(transitiontaskforce.net\)](#)

²⁰ The TNFD announced a list of 'early adopters' here: [TNFD](#)

Types of climate-related risks and opportunities

In our introductory guide to this report, we laid out how the future global approach towards the transition to net zero will affect us. The timing and size of the transition, and the physical risks we face, will also be affected by how well prepared the companies we invest in are. Further information is available [here](#).

Both Fidelity's **business operations** and the **investments** we make on behalf of our clients are exposed to climate-related physical risks and transition risks and opportunities.

Physical risks and opportunities

The Intergovernmental Panel on Climate Change (IPCC) scenarios highlight acute physical risks associated with the impacts of climate change that are likely to increase in frequency and severity.

- They have the potential to impact our operations as well as the physical assets and supply chains of businesses in which we invest on behalf of our clients.
- The timing and severity of these impacts will likely be influenced by how quickly action to mitigate the causes of climate change are taken.

The longer the delay before meaningful action is taken, the larger the eventual impacts are likely to be.

Transition risks and opportunities

The actions taken to mitigate the impacts of climate change such as policies, regulation, and technological innovation could create transition risks and opportunities for our business.

- Risks include costs associated with risk management, disclosure requirements or a charge on our operational carbon emissions.
- Our stakeholders expect us to uphold high standards within our own business. Failure to meet these standards could result in regulatory and reputational risks. A strong performance could enhance our reputation with key stakeholders and help reinforce existing client relationships.
- Transition risks and opportunities have the potential to have disruptive impacts on the value of our investments by influencing revenue, costs, competitive advantage and asset prices.

In the next sections, and the **tables below** we provide a high-level qualitative assessment of key sources of climate-related risk and opportunities for **business operations and then our investments**, and the respective policies and measures we have implemented to help mitigate their impacts.

We consider these climate-related risks and opportunities over our definitions of **short (0-3 years), medium (>3 years and less than 10) and long-term (greater than 10 years)**.

Business Operations

Professional investors can find further information in our [Corporate Sustainability Report](#) sets out the importance of sustainability for the group, across the environment, our workplace, our suppliers and in communities.

As an international investment manager, climate change has the potential to impact our operating costs and revenues, capital expenditures, and other financial planning considerations. We have also established operational targets and monitoring of our corporate operations and supply chain as detailed below.

Climate Risks and Opportunities

Type of Climate Risk or Opportunity	Predominant time horizon / risk or opportunity	Description of Potential Financial Impacts	Actions to manage risk and take advantage of opportunities
Transition risks and opportunities.	Short to medium-term risk	<p>Operational- Regulatory, Policy and Legal.</p> <p>Failure to meet global regulatory reporting due to an increasing number and complexity of requirements. Alternatively, not reporting accurately as compliance thresholds rise.</p> <p>Potential increased costs or regulatory fine.</p>	Regulatory Horizon scanning, Compliance and Risk management policy and controls frameworks, and planning for the future of our sustainability-related reporting as regulations increase in number, demands and complexity.
	Medium-term risk	<p>Policy and Legal risk.</p> <p>Potential increased carbon pricing affecting of our business operations.</p> <p>Potential increased costs or fines.</p>	Our Health & Safety and Sustainability team monitor the horizon for upcoming changes that may affect us. Some countries have consulted on introducing carbon taxes, such as the UK. To mitigate this, we have been working on our energy efficiency, increasing our purchased renewable energy and reducing business travel - our net zero business operations targets.

Type of Climate Risk	Predominant time horizon / risk or opportunity	Description Potential Financial Impacts	Actions to manage risk and take advantage of opportunities
Transition risks and opportunities. (cont.)	Shorter-term risk and opportunity	<p>Fund strategy, market demand and reduced revenues.</p> <p>The market transition leads to changing demand for investment fund solutions. Client climate and financial fund targets are not met leading to less revenue.</p> <p>Alternatively, in delivering such solutions we aim to take advantage of an opportunity to attract clients searching for climate and financial outcomes.</p> <p>Potential higher or lower revenues.</p>	Development and renewal of climate and sustainability related funds and frameworks to prepare for future market trends and expectations.
	Medium-term risk	<p>Reputational.</p> <p>Missing organisational climate targets, and/or clients feel misinformed about our green credentials leading to reputational damage.</p> <p>Potential increased costs or fines.</p>	First line monitoring, compliance monitoring, integration of ESG-driven reputational scenarios in assessment and scenario analysis.
	Shorter-term opportunity	<p>Resource efficiency including energy saving and energy sourcing.</p> <p>We have opportunities to increase energy efficiency, to save water and reduce waste and to further increase our sourcing of renewable energy.</p> <p>Potential lower costs.</p>	Business operations have plans in place to deliver on our 2024 corporate sustainability targets relating to climate. We have been working on our energy efficiency, increasing our purchased renewable energy to 93% and reducing business travel - our net zero business operations targets.
Acute and chronic physical risks	Medium to long-term risk	<p>Operational- Service disruption, operational delivery and increased costs. Climate-related events can affect our corporate operations including infrastructure, processes and people.</p> <p>Potential higher costs.</p>	<p>Integration of physical climate risks in assessment and business scenario analysis, Business continuity management, Operational Resilience Framework, Health Safety & Sustainability (HSS).</p> <p>Location strategy and operating model may have to be adapted to mitigate risks.</p> <p>We aim to evaluate our suppliers using Ecovadis to help monitor risks and impacts through our larger suppliers. We do this by asking them to use the Ecovadis ratings network. We are working to increase the coverage of our supplier base.</p>

Transition and physical risks and opportunities are considered as part of our Health, Safety and Sustainability (HSS) management system where practical to do so. Our HSS management system achieved ISO14001 at our London and Hong Kong offices in 2022 and 2023 respectively and we are targeting coverage of 90% of employees by the end of 2024.

Suppliers

All suppliers are invited to be assessed and rated by EcoVadis to help us to monitor risks and impacts throughout our supply chain. EcoVadis uses sustainability assessment methodology to evaluate how well companies integrate the principles of sustainability and Corporate Social Responsibility (CSR) into their business and management systems.

For suppliers deemed critical to our operations, or with whom we have significant spend (>US\$100K per annum), we see the EcoVadis assessment as an important part of our customer-supplier relationship. We also work collaboratively to set improvement plans where appropriate.

Net Zero Corporate Operations by 2030

The goal at Fidelity is to conduct current and future business operations in a sustainable manner which helps create a better future for the environment. Fidelity ensures environmental sustainability is managed as any other critical business activity in an integrated, systematic way. Reducing the environmental impact of our own operations is a key part of our sustainability strategy. We continue to improve the way we operate our business to meet our goals and targets and tackle climate change.

In 2021, we brought forward our ambition to achieve net zero carbon emissions across corporate operations by 2030, from 2040. We set the following climate-related targets:

- We've committed to achieve net zero emissions across Fidelity's own business operations by 2030.
 - Scope 1 and 2, and **operational control** Scope 3 categories. (See [metrics and targets](#) section for full list)

- And by 2024 from a baseline of 2019 to achieve a:
 - 25% reduction in carbon emissions (Scope 1 and 2, and operational control Scope 3 (market))
 - 25% reduction in energy consumption (Electricity + Gas)
 - 50% reduction in air travel carbon emissions

To date, we have focused our targets on areas over which we have operational control and plan to expand to cover other material scopes such as the purchase of goods & services and commuting categories in the future. Professional Investors can find further information on our commitments, in our latest [Corporate Sustainability Report](#).

To achieve our long-term goal, we aim to eradicate emissions from our business operations through:

- **Data, verification and transparency:** To effectively manage our emissions, we need to have reliable data. Our GHG Inventory is managed in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and is independently verified on an annual basis by the British Standards Institute (BSI).
- **Energy efficiency:** Energy usage from our office is the largest contributor to our operational emissions. Whilst we have always considered energy efficiency as part of our office design and operation, we now have formalised location-specific action plans following decarbonisation audits at our key locations.
- **Air travel:** Is the second largest contributor to our operational emissions. Whilst the pandemic forced us to reduce our air travel sharply, we have seen some resumption of these activities as we have emerged from the pandemic. We continue to monitor air travel and have also introduced stricter policies, especially for internal meetings, to help manage emissions.
- **Renewable energy:** Renewable energy use is a key element of our strategy and in 2022 we were able to source over 93% of our electricity from renewable sources, up from 3% in 2019. We continue to look at ways in which we can increase this, including onsite renewable energy generation at sites we own.

- **Carbon credits for removal of carbon dioxide from the atmosphere:** We realise that to achieve our long-term target we will likely need to remove carbon (using carbon credits to offset our business operation emissions). This is because we are unable to fully eradicate business travel. To date, we have not used this. We are evaluating a long-term carbon removal strategy carefully, as many credits in the market face credibility challenges.

Investments

In this section we qualitatively consider how climate-related risks and opportunities could affect the investments we make on behalf of our clients. These are a qualitative high-level assessment of key sources of climate-related risk and opportunity for investments, and the respective policies and measures we have implemented to help mitigate their impacts.

Type of Climate Risk or Opportunity	Predominant time horizon / risk or opportunity	Description of potential financial impacts	Actions to manage risk and take advantage of opportunities
Transition Risks and Opportunities	Medium- term risk and opportunity	<p>Regulatory, Policy and Legal.</p> <p>Transition risks caused by regulatory, policy and legal changes relating to climate change that impact the companies we invest in, such as affecting demand for their products, services and their revenues or costs.</p> <p>Potential positively or negatively reduced revenues and increased costs.</p>	<p>Our ESG ratings integrate climate-related risks and opportunities into our research process.</p> <p>Our data and tools support the identification, assessment and analysis of portfolios and their monitoring.</p> <p>We have a number of thematic funds that aim to position clients for these opportunities.</p>
	Short to medium-term risk and opportunity	<p>Technology.</p> <p>Developments in technology can affect the cost and speed of deployment to transition to a lower carbon economy. This affects the competitive substitutes and positions of companies. For example renewable energy has become cheaper than fossil fuel-related power generation.</p> <p>Potential positively or negatively affecting revenue and costs.</p>	<p>Our ESG ratings integrate climate-related risks and opportunities into our research process.</p> <p>We have a number of thematic funds that aim to position clients for these opportunities.</p>

Type of Climate Risk	Predominant time horizon / risk or opportunity	Description of Potential Financial Impacts	Actions to manage risk and take advantage of opportunities
Transition Risks and Opportunities (cont.)	Medium-term risk	<p>Reputational - perception of not meeting our net-zero climate commitments. Increased costs and reduced revenues.</p> <p>Failure to deliver on our external climate commitments could cause reputational impact with clients, or with our investee companies who look to us to set an example.</p> <p>Potential reduced revenues.</p>	We monitor our progress towards meeting our net-zero commitments.
	Medium term opportunity	<p>Resource efficiency.</p> <p>For real estate investments, where we are in control of the building we have opportunities to increase resource efficiency by refurbishing the building and replacing fossil fuel sourcing with renewables. Tenants are searching for energy efficient buildings which cost less to run.</p> <p>Potential positively affecting revenues, and costs.</p>	Our real estate investing team look at opportunities that support our longer term net zero commitment in Real Estate.
	Short to medium-term risk and opportunity	<p>Stewardship and Engagement.</p> <p>Opportunity to influence companies and multi-asset external fund managers to better manage their climate-related risks.</p> <p>Potential reduced risk of regulatory fines and costs in the future.</p>	<p>Stewardship activities in public markets and Multi-Asset.</p> <p>We have our Stewardship programme that focuses on larger emitters including thermal coal exposures.</p>
Acute and Chronic Physical Risks	Long-term	<p>Increased severity of weather patterns causing damage such as drought, flooding, cyclones etc.²¹</p> <p>Longer-term changes affecting companies based, or operating, in areas at high risk of sea level rises, or melting of permafrost. These can be disruptive to production and cause damage.</p> <p>Potential negatively affecting revenues or higher costs.</p>	<p>Our ESG ratings include climate-related risks and our data providers provide us with physical risk assessments for our investments that can aid our research process.</p> <p>In this report, we have introduced quantitative scenario modelling which includes a physical risk assessment indicator, and some fund-level reporting.</p>

²¹ The Swiss Re natural catastrophe insured losses report shows a long term trend of increased insured losses in constant 2022 prices from [1992-2022 Swiss re Nat Cat report](#)

Investment strategy

Our fiduciary role is to safeguard and enhance the investments that we manage. In the context of climate change, this means understanding the key risks opportunities, as well as their potential impact on our clients' investments. It also means ensuring that issuers (of bonds, or equities, for example) integrate these material risks into their business strategy.

[Fidelity's Sustainable Investing Principles](#), [Climate Investing Framework](#), and our [Voting Principles and Guidelines](#) set out our approach to integrating climate-related risks and opportunities into the investments we make on behalf of our clients.

We have made the following commitments:

- Aim to halve the Scope 1 and 2 carbon emissions intensity ('carbon footprint') of our corporate debt and equity holdings by 2030 from a 2019 baseline, and reach net zero on these by 2050
- Aim to align 35% of our funds to a 'net zero by 2050' pathway with interim targets for 2025 and every five years after this.

The ambition represents what was possible at the time of making the commitments, such as data limitations for sovereign debt, private assets, and the quality of Scope 3 emissions data for investments.

Getting to net zero requires collaboration, and the success of our climate plan is dependent on broader system level change. That means we need a broad range of stakeholders to collaborate towards solutions if we are going to achieve our shared ambition of getting to net zero.

Our three climate levers

We use three pillars, or 'levers' to integrate climate-related risks and opportunities within our investments. We carefully apply the specifics of these three levers in a way that's relevant to each asset class, integrating it into investment team processes.

1. **Integration:** Identifying and integrating material climate risks and opportunities into our investment processes and our sustainable fund offering.

2. **Stewardship:** Engaging with our investees and our operational value chain, as well as those who make the policies and set the standards.
3. **Solutions:** Enabling our clients to achieve their climate goals by offering sustainable fund solutions.

Our investments

The different types of asset classes into which we invest are:

- **Public markets:** investments that are listed and traded on a public stock exchange. These can be equities (or shares in a company), or debt securities (such as a company or government bond).
- **Private markets:** these are investments that are bought and sold through a process of negotiation and contract between a private buyer and seller. Examples include real estate, property, private credit, and 'securitised lending' where debt is secured against an asset owned by the borrower.
- **Multi-asset:** an investment strategy that combines both public and private market investments. This approach may invest in stocks, bonds, real estate, credit and cash to offer a more diversified solution. It includes internal and externally managed funds, and while it has elements of both public and private markets, it's a unique category with specific differences.

Public markets are the vast majority of our assets, and private markets represent a small portion of the investments we make on behalf of our clients.

An advantage of our approach is the integration of the levers into the investment teams responsible for investing. This can help ensure we carefully apply the specifics of the 'three levers' in a way that is relevant to the asset class. In the following sections we outline how we do this in each asset class.

Public markets

A public market investment is one that's traded publicly on exchanges or other marketplaces. All publicly traded companies have their shares listed on any of the stock exchanges that allow the trading of their shares to the public. Corporate debt can also be listed. This means that anyone can buy or sell the shares and bonds of these companies.

1. Integration

We believe that considering and managing environmental and societal impact on a forward-looking basis, and seizing associated opportunities, can help support resilience and long-term value. We integrate sustainability factors from the start, i.e. during the research phase. We call this 'fundamental' bottom-up research. This can lead to more complete analysis and better-informed investment decisions.

We use analysis and investment tools to identify and integrate material climate risks and opportunities into our investment processes.

These include:

- **Fidelity ESG Ratings:** The ratings are created using data to support fundamental research. These assess how an issuer's performance on material sustainability issues, either supports, or is likely to impair, long-term value for shareholders.

Climate change and its impacts are considered under the environment pillar of our ESG Ratings. Indicators such as energy consumption, water usage, GHG emissions, and deforestation are considered when deemed to be material.

To identify which topics are material for issuers, we have organisation materiality maps. These specify material sustainability issues at a granular level across over 100 sub-sectors.

- **Climate Ratings:** These assess an issuer's progress towards aligning to the objectives of the Paris Agreement based upon a combination of data and research. The Paris Agreement aims to limit global average temperature rise this century to well below 2°C, and to drive efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

Our Climate Ratings analyse an issuer's disclosure of carbon emissions, targets it has set and actions taken, and its governance of climate-related risks and opportunities.

- **Quarterly Sustainable Fund Reviews (QSR):** QSRs were launched in 2022. In 2023, they were extended to cover a range of funds with binding ESG characteristics, including some funds that disclose under Article 8 and 9 of the EU's Sustainable Finance Disclosures Regulation (SFDR), and UK-domiciled sustainable funds.

The QSRs are forums where we review and discuss sustainability-related opportunities and risks related to the investment process and portfolio holdings. They are run by senior management and CIOs together with Portfolio Construction and Risk, the Sustainable Investing team, and the portfolio manager.

Elements related to climate risk in a typical QSR may include a fund's carbon footprint or carbon intensity, or Implied Temperature Score and characteristics as assessed by Fidelity's Climate Ratings.

2. Stewardship

Engaging with issuers on financially material environmental, social and governance issues reflects our belief that active ownership can contribute to the long-term sustainability of an issuer and help generate positive investor returns.

We aim to constructively engage with entities that we invest in, or provide capital to, and with policy makers and standard setters.

Key climate-related areas of focus include:

- **Minimum expectations**
Fidelity's [Voting Principles and Guidelines](#) sets out our expectations for issuers regarding climate and biodiversity related risks. If issuers fail to meet these expectations, we may communicate our expectations to the issuer. We may also vote against the election of a director.
- **Engagement on transition**
Fidelity's [Climate Investing Framework](#) details the importance of engagement in achieving a 'just transition' (fair and inclusive) towards a low carbon economy.

Fidelity undertakes targeted engagements with companies on climate-related risks and opportunities. This includes an aim to identify and engage with the top 70% of emissions contributors - that is the companies that are most significant contributors to our investment emissions.

3. Solutions

Fidelity aims to provide clients with a range of investment options that can help them match their climate goals. To do this, we might include (or exclude) investments with certain characteristics.

■ **Exclusions**

Fidelity’s product range includes funds and mandates with exclusions relating to carbon intensive activities such as thermal coal mining and power generation. For more information on specific exclusion criteria and where they are applied please refer to specific product information.

■ **Carbon profile**

Specific funds within Fidelity’s range have explicit climate targets. These may include alignment to the objectives of the Paris Agreement, or a target to achieve lower emissions than the fund’s investment universe or benchmark. During 2023, we launched systematic strategies aimed at replicating the characteristics of several Paris Aligned Benchmarks.

■ **Thematic or Impact focus**

We offer funds that have an investment objective to invest in issuers that contribute to mitigating the impacts of climate change or to achieve a measurable impact on a climate-related metric(s).

Integration in private markets

Private markets are investments that aren’t traded on public exchanges. An example is providing a loan to a company instead of the company borrowing from a bank, or a fund investing into real estate, i.e. buildings.

For this Climate report, we’ll concentrate on Real Estate. Other private assets are in the early stages of development.

Fidelity’s AUM as of 31st December 2023 was US\$2bn for Real Estate.

Real Estate

Fidelity’s approach to sustainable investing into direct Real Estate investments is outlined in our [Sustainable Investing Principles](#).

We’re committed to decarbonisation for a number of our Real Estate investments. We also have some objectives which are operational, or relate to specific assets or funds.

We aim to decarbonise our portfolio in two phases:

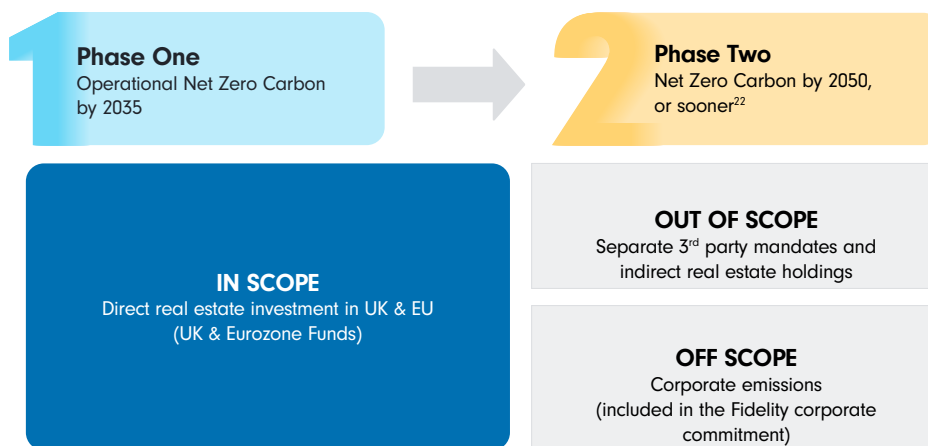
1. Phase One

A commitment to be net zero carbon by 2035 for the operational emissions for our real estate investments (Scopes 1&2) where we, as the landlord, buy energy for the building.

Operational net zero is defined as the amount of carbon emissions associated with a building’s operational energy on an annual basis. A net zero carbon building is highly energy efficient. It’s powered from on-site and/or off-site renewable energy sources, with any remaining carbon balanced via a reputable carbon removal project.

2. Phase Two

A commitment to be net zero carbon by 2050, and to incorporate all emissions created through the use of a number of our real estate assets. This covers operational emissions by tenants, and emissions generated through travel by their staff. This will require greater partnership with occupiers of our property assets in the future.



²² Includes tenant purchased energy emissions, and landlord purchased goods and services.

1. Integration

The Intergovernmental Panel on Climate Change (IPCC's) Sixth Assessment stated that the building sector was responsible for 21% of global emissions in 2019.²³ This means the building sector has an important role to play in realising global decarbonisation objectives. It also means that climate-related risks and opportunities will increasingly affect the prospects of our real estate assets.

The IPCC report also said that integrated design approaches to the construction and retrofit of buildings have led to increasing examples of zero energy or zero carbon buildings in several regions.²⁴

In our view, retrofitting existing real estate assets can be an effective way to reduce the carbon emissions of our built environment. It may also contribute to mitigating potential transition risk. This is particularly important in Europe, where buildings are responsible for 40% of the region's energy consumption, more than any other sector. They account for 36% of the EU's energy-related greenhouse gas emissions.²⁵

To help evaluate our progress, we participate in the Global Real Estate Sustainability Benchmark (GRESB). We do this by submitting the management and performance information, or management and development information for some of our Real Estate funds for an annual assessment. We use the results to help monitor our sustainability performance and identify potential areas of further improvement.

2. Stewardship

The role of stewardship can be more limited for Real Estate than investments in public markets. This is because we tend to have more operational control of Real Estate assets by owning the buildings.

In some cases, tenants or suppliers do have elements that they control, such as the purchase of energy. In these situations, we may choose to engage with them to help achieve our sustainability objectives.

But as the asset owner, we can usually decide if and when we undertake asset enhancements (e.g. to improve energy efficiency), or improve disclosure of material climate-related information.

3. Solutions

Climate-related targets and investment objectives are integrated in certain funds. For example, during 2023, we launched a new Real Estate climate impact fund. This was our first Real Estate fund to disclose under SFDR Article 9.

The fund makes direct property investments and undertakes refurbishments aimed at supporting the mitigation of climate change and the transition to net zero carbon.

Multi-Asset and associated solutions

Fidelity's Solutions and Multi-Asset Team creates flexible strategies that invest in a range of asset classes – such as equities, debt bonds, real estate, credit and cash. Multi-Asset portfolios are generally more diversified. They allow investors to meet a variety of goals, including growth, income, and consistent returns. The team integrates climate-related risks and objectives based on a client's preferences.

We use various tools to help identify and manage climate-related risks and opportunities as we build tailored client solutions. These include:

1. Integration

- ESG ratings
- Climate-related metrics such as carbon emissions
- Fidelity's Sustainable Development Goals alignment model - which measures the extent to which an issuer's activities are aligned with the objectives of the [United Nations Sustainable Development Goals](#) (SDGs).
- Climate-aware Capital Market Assumptions - these are used to integrate climate-related considerations into the asset classes invested in.
- The team's own Multi-Asset Manager ratings for strategies, or funds. These manager research ratings are based on an evaluation of a manager's investment policy, and the extent of ESG research undertaken within the investment process. The ratings also use the quantitative ESG profile, the engagement record with corporates, and the broader contribution to a sustainable economy.

²³ [Working group for the IPCC 6th report Chapter 9: Buildings](#) of the Intergovernmental Panel on Climate Change

²⁴ Europa.eu [Energy Performance of Buildings: Climate neutrality by 2050](#)

2. Stewardship

The team builds client portfolios by combining individual strategies to meet financial and non-financial objectives. This means that engagement typically occurs with the managers of investment strategies or funds, rather than with the management of companies.

Engagement to help us better understand a manager's approach to their consideration of climate-related risks and opportunities is a component of our manager ratings. It's also part of our ongoing due-diligence of external strategies.

We believe it's important to understand not only the outcomes of an investment process (for example, what the strategy has invested into), but also the quality and details of the manager's decision-making process. This means understanding how investments are considered for their strategy.

3. Solutions

The tools identified in the integration section above provide a range of options that can be used by the team to integrate climate-related risks and opportunities into a range of tailored solutions for clients.

These may include climate-focused funds investing in several strategies that meet a strict set of criteria. Examples include: a) companies with products or services that help mitigate climate change; or b) strategies with specific targets for carbon emission reduction.

Another example includes our systematic funds that aim to deliver financial returns whilst generating measurable positive outcomes. This might be targeting a 50% reduction in portfolio carbon emissions by 2030 (from a 2020 baseline) and for the portfolio to be net zero carbon emissions by 2050.

Climate scenario analysis

Investments

Climate-related risks and opportunities can affect the value of the investments we make on behalf of clients.

In our introduction, we set out the uncertainty on the future pathway towards a lower carbon, or a net zero economy.

These pathways are called climate scenarios - a reminder for this section is [here](#).

Previously, we have provided qualitative scenario analysis. We are introducing quantitative analysis this year.

Whilst we are introducing this for the first time, we are beginning to explore this, by first developing our reporting capabilities for public market investments (equity and corporate debt).

For the analysis shown below, we have used MSCI's aggregated Climate Value at Risk (CVAR).

This is an output produced by combining a number of complex models together into one, incorporating modeling of climate science, economies, technology and company assets and financials. These attempt to quantify the future climate impacts on the value of an investment as a result of climate change under a given climate scenario. The scenarios are introduced below.

Climate scenarios modelled

In this section we explore three of the most commonly used and recognised scenarios. These are -a 'Hot House house' or 'Current Policies' scenario, 'Orderly' and 'Disorderly' transitions to a 1.5°C world. We use these as laid out by a collection of central banks around the world the Network for Greening of the Financial System (NGFS)²⁵.

■ Disorderly transition

The response to achieve 1.5°C net zero is delayed until 2030. This is followed by a rapid reduction in emissions which acts as a shock to the economy. Average temperatures are set to rise by 1.6°C to 1.8°C by 2100 and similar temperatures by 2050.

■ Orderly transition

Emissions start to reduce immediately to limit warming to 1.4°C - 1.6°C. It means the economy invests more in energy efficiency and low GHG technologies earlier and doesn't receive a 'shock' as it would during a disorderly transition. This is the most cost-efficient scenario as climate policies are introduced earlier. We have more time to make changes, more efficiently.

■ Current Policies

While many countries have started to introduce climate

²⁵ The Network for Greening of the Financial system was formed by a collection of central banks. They have set out a number of standard climate scenarios, where further detailed information can be found [here](#). NGFS Climate Scenarios for central banks and supervisors - [Phase IV | NGFS](#)

policies, they are not yet sufficient to achieve official commitments and targets. If no further measures are introduced, 3°C or more of warming could occur by 2100. This would likely result in deteriorating living conditions in many parts of the world and lead to some irreversible impacts like sea-level rise. Physical risks to the economy could result from disruption to ecosystems, health, infrastructure, and supply chains.

These scenarios are not intended to be forecasts for the future, rather to highlight the risks and opportunities that could arise as a result of different outcomes. In the model there are many assumptions made that are intended to drive these outcomes. However, in the real world these outcomes are driven by many inter-connected influences which are constantly moving - such as geopolitical, socioeconomic, and climate-related factors.

The purpose of exploring scenario analysis is to begin exploring the resilience of the investments we make on behalf of clients to different trajectories and timings of transition. At present we are not using this in investment decision making. However we do use a carbon budget

scenario tool as described in the strategy section for our quarterly fund reviews.

Modelling overview

MSCI CVAR is one of a few models commonly used by financial institutions. We have used the model with our AUM consistent with that in the [Data and Metrics section](#) emissions data.

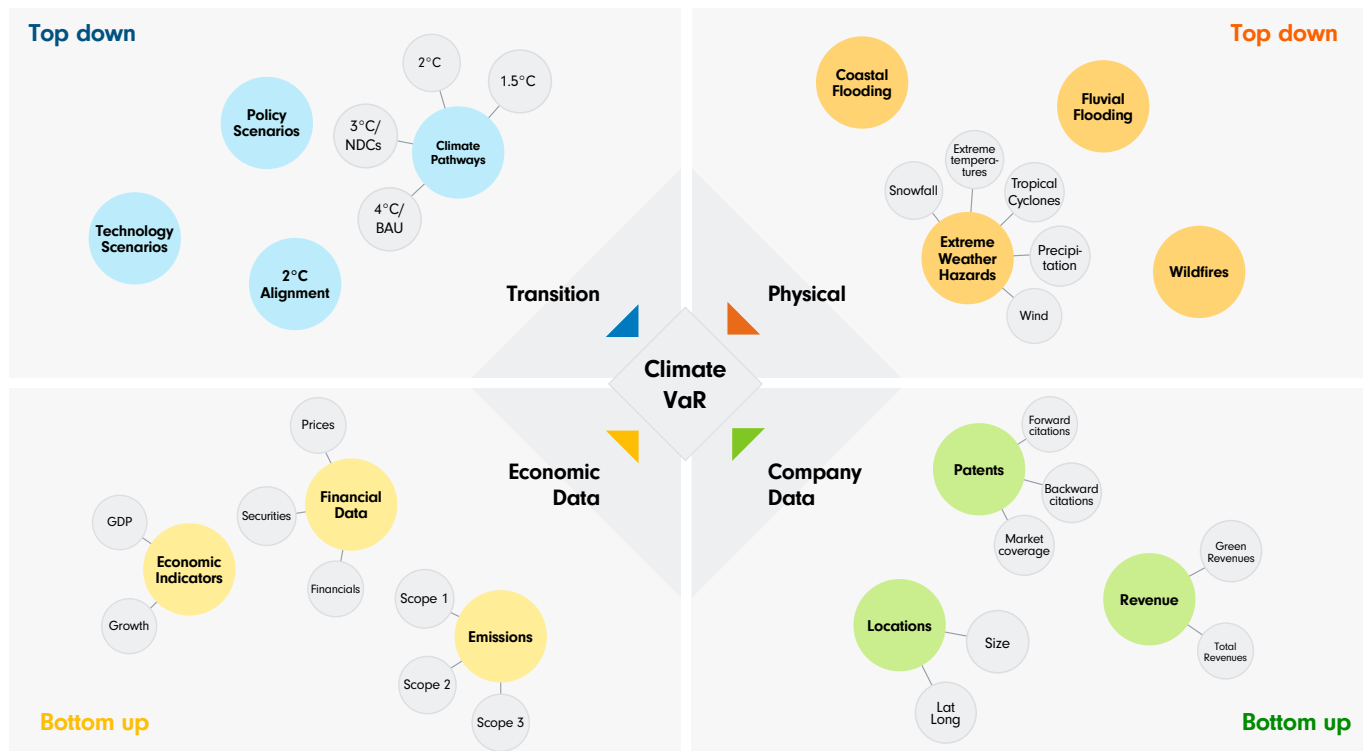
The model is built using a series of inputs which themselves are often also modelled individually elsewhere within MSCI. It uses MSCI emissions data (not from our carbon data provider, ISS).

The data provided is from this model and represents an assessment of climate risk exposure from present to end of century, with values expressed in present terms as a proportion of current market value.

Note, the underlying models do not take into account investee responses to climate-specific actions.

The model incorporates inputs and assumptions across economic data, climate scenario models, physical

A visual summary of the MSCI Climate Value at Risk



Source: MSCI, Fidelity International

²⁶ Litigation risk is not part of the model

locational data and associated risk modelling as well as company data:²⁶

Some limitations of modelling

- Models are not currently available for us to run in private markets or sovereign bonds.
- Models run over a long timeframe will tend to compound limitations of the model as well as future uncertainty.
- Corporate modelling at a 'bottom-up' level often relies upon estimates for Scope 3 emissions, or can omit modelling of transition risk for Scope 3 in all sectors. Scope 3 tends to represent the largest scope of emissions for a corporate (i.e. their entire value chain).²⁷ This model attempts to estimate and de-duplicate Scope 3 emissions, with a view to avoiding double counting the carbon pricing impacts through a company's supply chain.
- It is assumed that both revenue and emissions for the corporate are constant. For corporates who may have a track record of reducing emissions, or who have set strong emissions reduction targets, the model may over-estimate risk into the future.
- Technological opportunity is modelled by linking identified 'green patents' of a company, valuing their market opportunity as represented by the cost of carbon pricing for another corporate. Market shares are also assumed to be constant, which is not certain.
- Climate models aim to model the relationship between the surface of the earth and its atmosphere, which is a tremendously complex relationship, with the use of simplified 'rules of thumb'. These assume as inputs scale up (for example GHG atmospheric concentration), that the relationship or 'rule of thumb' remains linear, or constant. There is significant academic research outlining how this is unlikely, and that climate 'tipping points' could occur.
 - For example, once a certain point is exceeded, such as the melting of the polar ice caps, warming

could become non-linear or accelerate, in turn leading to sea level changes being highly uncertain or larger than predicted. If this were the case, the limitations of a linear modelling 'rule of thumb' could lead to under-estimation of the associated coastal flooding issues in the long term. As such, the model could also underestimate both the frequency and severity of the climate hazards and the impacts for this or other physical risks.

- The model representation, in financial terms, of risks around natural capital and land use change, tend not to work well due to the limitations of Scope 3 emissions, and the modelling of those supply chains in relation to natural capital and agricultural systems.
 - We note that we have conducted heat mapping in our Nature Roadmap, to explore these risks and help target our engagement activities.

Climate scenario modelling findings

Our modelled assets include corporate debt and equities totalling US\$390bn of assets under management (but does not include sovereign debt which is a small subset of these assets). This substantively aligns with the securities that we report our emissions on in the [Data and Metrics](#) section of this report (whilst noting that Sovereigns are not modelled in this analysis).

The main findings of the model are that there is a trade-off between shorter-term transition risks and longer-term physical risk impacts of the transition to a lower carbon economy.

According to the model the covered investments are most exposed to a 1.5°C disorderly transition, with a -14.6% impact in present market value terms. This diminishes slightly to -12% in an orderly transition and -9.0% in a current policies scenario. It should be noted that the modeling of physical risks, which are greatest in the Current Policies scenario may well be underestimated given the modelling limitations highlighted above.

²⁷ [CDP-technical-note-scope-3-relevance-by-sector.pdf](#) Page 6 illustrates the materiality of scope 3 by sector.

Climate Value at Risk

Selected scenarios:

	1.5° NGFS Disorderly	1.5° NGFS Orderly	3° NGFS Current policies
	Portfolio	Portfolio	Portfolio
Policy Climate Var (Scope 1,2,3)	-12.5%	-8.9%	-0.0%
Technology Opportunities Climate VaR	2.4%	1.3%	0.0%
Physical Climate VaR Aggressive	-4.5%	-4.5%	-9.0%
Aggregated Climate VaR	-14.6%	-12.0%	-9.0%

Using the REMIND climate model

Physical Climate Value at Risk under the current policies scenario

Transition risks are overall greater than physical risks under a 1.5 degree scenario. This is due to the more stringent policy needed to deliver the 1.5°C climate goals. The modelling also demonstrates that stricter policy scenarios increase transition risks, but would reduce longer-term physical risks.

The opposite is also true, whereby in a current policies scenario, physical risks are greater than under both transition scenarios and there is no transition risk or technology opportunities.



Risk Management

As highlighted earlier in this report, Fidelity's business operations and investments we make on behalf of our clients, are exposed to climate-related physical and transition risks. This is a summary of the risks we could face. You can find out more detail in the [Strategy section](#) of this report.

- **Physical risks:** IPCC scenarios highlight that acute physical risks associated with the impacts of climate change will increase in frequency and severity. They have the potential to impact Fidelity's operations, as well as the physical assets and supply chains of businesses we invest in on behalf of our clients.
- **Transition risks and opportunities:** these arise from the actions taken to mitigate the impacts of climate change such as policies, regulations, and technological innovation. All these elements could result in disruptive changes that impact the value of the investments we make on behalf of our clients. For example, they could influence revenue, costs, competitive advantage and asset prices.

Our approach to identifying, assessing, mitigating, and managing these risks is set out below. The content is divided into three sections. First, we cover our global approach to Enterprise Risk Management, and this is followed by sections that cover our business operations, and the investments we manage on behalf of our clients.

Enterprise Risk Management (ERM)

Fidelity recognises that management of climate risk is critical to business success and organisational resilience. Therefore, climate risks and opportunities are incorporated into our strategic planning activities and risk management processes to manage them effectively.

Risk management is defined across Fidelity globally by the Enterprise Risk Management (ERM) framework. The framework supports the effective identification and management of risks which may significantly affect our ability to achieve our strategic goals or maintain our operations. ESG risks including climate risks are integrated within the ERM framework.

The ERM Policy sets out the guiding principles and global minimum control requirements for the management of risks across Fidelity. It defines the roles and responsibilities of key stakeholders in the ERM framework and sets out escalation pathways.

The 'Three Lines of Defence'

Fidelity's risk management structure is based on the 'Three Lines of Defence' model. This ensures clear responsibilities for all risk management activities within the organisation.

	1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Functions	Business Management and Employees	Oversight and specialist functions such as Legal, Compliance and Risk	Internal Audit
Role	Responsible for day-to-day operations and owning all risks emerging from their respective business and/or processes and being accountable for managing, monitoring and mitigating these risks on an ongoing basis.	Provides advice, policies, standards and objectives and independent oversight of performance and risk management.	Provides independent and objective assurance on the adequacy of the design and effectiveness of internal controls, the enterprise risk management framework and governance processes.

Our approach to climate-related risk

Fidelity has identified environmental, climate, social, and governance risks and incorporated these within its enterprise risk taxonomy. The enterprise risk taxonomy is used to classify all types of risk to the organisation and provides a consistent approach for the classification, identification and definition of risk and covers all relevant risks across the organisation.

Environmental and climate risk is defined as 'an environmental or climate-related factor or condition that can cause harm to the organisation or assets managed on behalf of clients'. This includes factors such as air pollution, nature-related risks such as biodiversity loss, or climate change (both physical and transitional).

Using ESG-specific scenario-based assessments, we identify and assess ESG risks including climate risks and opportunities as part of the annual ESG risk assessment process. This helps us to understand how adverse ESG and climate risks could affect the organisation and includes potential impacts and actions taken to further mitigate risks.

Business Operations

Managing our business operations

Managing environmental risk is an important consideration.

As outlined in the [Strategy section](#), we've implemented a Health, Safety, and Sustainability (HSS) management system which includes an annual assessment of environmental impacts at corporate level. The system aims to control and manage all minor and significant environmental impacts associated with our business operations, whether they are positive or negative.

Establishing a Cross-Functional Team: To ensure comprehensive coverage and diverse perspectives, a cross-functional team has been established to conduct the Environmental Aspects and Impacts Analysis as part of the HSS Management System. This team includes representatives from various departments such as Corporate Services, Health, Safety and Sustainability, Engineering etc.

Identifying Activities, Products and Services: The first step in the analysis was to identify all the activities, products,

and services of our organisation. This includes both primary activities directly related to our organisation's core operations and support activities that enable the primary activities to function effectively. For example, primary activities may include the operation of our offices, while support activities may include the operational activities of our supply chain.

Identifying Environmental Aspects: Once the activities, products and services are identified, the next step is to determine the environmental aspects associated with each of them. Environmental aspects refer to elements of our activities which can interact with the environment. These aspects may include energy consumption, water usage, air emissions, releases to waterways, generation of waste and more.

Determining Environmental Impacts: After identifying the environmental risks with each day-to-day and ad-hoc operational activity, we evaluate the potential environmental impacts. Environmental impacts are the changes to the environment, whether adverse or beneficial, resulting from our operational activities, products, or services. These impacts can vary in terms of magnitude, duration, spatial extent, and significance. Examples of environmental impacts include air pollution, water pollution, habitat destruction, resource depletion and climate change.

Assessing Significance: Once the environmental aspects and impacts are identified, the team assesses their materiality. This involves considering factors such as the magnitude of the impact, the likelihood of occurrence, the duration and frequency of the activity, regulatory requirements, stakeholder concerns and our overall environmental objectives and targets. Significance assessment helps prioritise environmental aspects for further attention and action.

Recording and Documenting Findings: It is crucial to document the findings of the Environmental Aspects and Impacts Analysis systematically. This documentation serves as evidence of compliance with ISO 14001 requirements and provides a basis for developing environmental objectives, targets and management programs. The findings should be recorded in a format that is accessible, understandable, and readily available to relevant stakeholders within the organisation.

Implementing Controls and Measures: Based on the materiality assessment, we develop and implement

measures to manage and mitigate any significant environmental aspects and impacts identified during the analysis. This may involve implementing operational controls, adopting best practices, investing in pollution prevention technologies, providing employee training, establishing emergency response procedures, and seeking opportunities for continuous improvement.

For example, our exposure to physical risks and business disruption is mitigated through our disaster recovery plan and our ESG commitments are required to be monitored on a regular basis with progress reported at least annually to the Board.

Residual risks are subject to a risk acceptance process and considered as part of our risk appetite assessment that aims to evaluate aggregated risk exposure.

We also integrate environmental factors in our supply chain and procurement process, as outlined in the strategy section above.

Monitoring and Measurement: The organisation establishes monitoring and measurement procedures to track the effectiveness of its controls and measures in managing environmental aspects and impacts. This may include regular inspections and environmental performance indicators. Monitoring and measurement data are analysed to identify trends, evaluate compliance with objectives and targets and identify areas for improvement.

Review and Continual Improvement: Finally, we periodically review the Environmental Aspects and Impacts Analysis as part of our management review process. This review ensures that the analysis remains relevant and effective in identifying and managing environmental risks and opportunities.

Any necessary updates or revisions are made based on changes in operations, regulations, stakeholder expectations and other factors. Continual improvement is central to the ISO 14001 approach, ensuring that our organisation systematically enhances its environmental performance over time.

By following these steps, we are able to conduct a thorough Environmental Aspects and Impacts Analysis in accordance with ISO 14001 requirements, leading to improved environmental performance, regulatory compliance, and stakeholder satisfaction.

Investments

Managing risk in our investments

Identifying, assessing and managing material climate-related risks

In the Strategy section of this report, we show how climate-related risks are identified, assessed and managed in our investment process. We use three broad areas - Integration, Stewardship and Solutions - and a combination of fundamental analysis and investment tools.

This is supported by regulatory 'horizon scanning', designed to identify and respond to evolving climate-related regulations. A formal governance framework (detailed in the Governance section) aims to provide oversight of fund and broader climate-related risks.

We identify, assess and manage climate-related risks and opportunities in the following four ways as detailed in our [strategy section](#):

- We use analysis and investment tools to identify and integrate material climate risks and opportunities into our investment processes.
- Proprietary ESG ratings assess performance on material sustainability issues.
- Climate ratings assess an issuer's progress towards aligning with the Paris Agreement.
- We discuss climate-related risks and opportunities related to the investment process at our Quarterly Sustainability Reviews (QSR).

In **Strategy**, we outlined the Quarterly Sustainability Review (QSR) process. These are forums where we review and discuss sustainability-related opportunities and risks related to the investment process and portfolio holdings. They include climate-related information at both fund and issuer level. This data aims to help to identify areas where transition risk is higher, and engagement could help.

For private assets and illiquid funds (ones that can't quickly be sold for cash, such as property), the oversight of ESG and climate risks has been tailored for the different data sets available. For example, for real estate funds, these risks are considered using metrics related to physical risk factors, energy efficiency measures, and industry certification results (EPC, BREEAM, etc.).

Using the Lines of Defence for investment risk

Climate-related risks are considered by both the first and second Lines of Defence. Under the first Line of Defence - where risk 'owners' identify, manage, monitor and mitigate risks that come from their business or processes - considerations may include:

1. A review of material climate data in our ESG Ratings, climate scenario percentage deviation from budget analysis, or carbon emissions by portfolio managers.
2. Discussion of temperature scores and metrics in our QSRs attended by the relevant CIO, the portfolio manager, and representatives from Portfolio Construction and Risk and the Sustainable Investing team.
3. Engagement with issuers to better understand their exposure to climate-related risks and to encourage disclosure and adoption of an appropriate strategic response.

Oversight of ESG and climate-related risks in the second Line of Defence is performed independently by Investment Risk. The oversight activities are supported by dedicated reports and dashboards containing selected metrics for individual constituent components for environment (including climate), social, and governance factors. Each metric is assessed against set thresholds which are tailored depending on the type of funds in scope. Results and exceptions are shared with members of senior management and further escalations are performed as part of regular escalation channels that may include ESG related issues being included in Investment Risk Committee meetings.

In addition to this second line reporting, we have also created a Sustainable Investing Management Information dashboard that aims to provide senior management and board members with a quarterly update on our performance and progress towards achieving our sustainable investing ambition and associated risks. Included in this dashboard is a summary of voting, issuer engagements, internal sustainability training, sustainable funds, ESG risk events, performance against external commitments (including climate-related metrics) and overall assets invested in certain high risk climate sectors.

Our approach to influencing and engagements

We believe that we can contribute to mitigating investment risks through our thematic engagements with corporates and policy advocacy. To achieve this, we identify key systemic themes where we see opportunities to contribute to mitigation of risk from issues such as, climate change, nature loss, social disparities and to ensuring strong and effective governance.

The ways that we seek to do this are:

- System-wide, for example by active engagement in development of market standards, regulatory consultations, and industry groups (Chair of the Engagement and Policy working group for the Asia Investor Group on Climate Change (AIGCC), signatory to the Global Standards on Responsible Climate Lobbying).
- Industry, sector and/or portfolio engagement on climate mitigation, adaptation and solutions across sectors, particularly high emitting sectors, undertaken individually and collectively.
- At the firm level driven by tools such as the SDG tool, ESG or Climate Ratings tools.

In 2023, we engaged on governmental policy that supports our net zero and deforestation commitments. Our thematic engagements across equity and fixed income included topics of high GHG emissions, thermal coal, deforestation, and plastics (relevant to the functioning of nature and the circular economy which is related to the transition to a lower carbon economy). Further information for professional investors is available in our [UK Stewardship report](#).

Exclusions

Whilst we believe that constructive dialogue is the best approach, we will consider excluding companies from our investment universe based on specific ESG and climate-related criteria. We adopt a principles-based approach to ESG matters. As part of this, we place companies we regard as unsuitable investments on an "exclusion list".

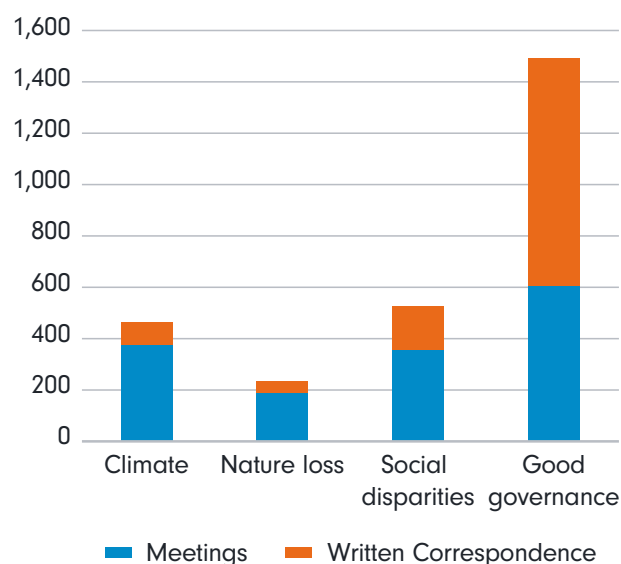
Our sustainable funds are subject to additional behavioural and fundamental exclusions, such as limitations on the exposure to thermal coal.

Engagements in 2023

Fidelity conducted 1758 ESG engagement activities with 1336 companies during 2023. Professional investors can find further information [here](#).

We track and report our ESG engagement activities across four broad systemic themes: climate, nature loss, social disparities and good governance. For our in person or remote meetings, 50% discussed climate and 27% discussed nature loss. For all engagement interactions, including written communication, 85% covered good governance, 30% social disparities, 27% climate and 14% nature loss.

Systemic themes



Source: Fidelity International, 2024. From 1st January-31st December 2023.

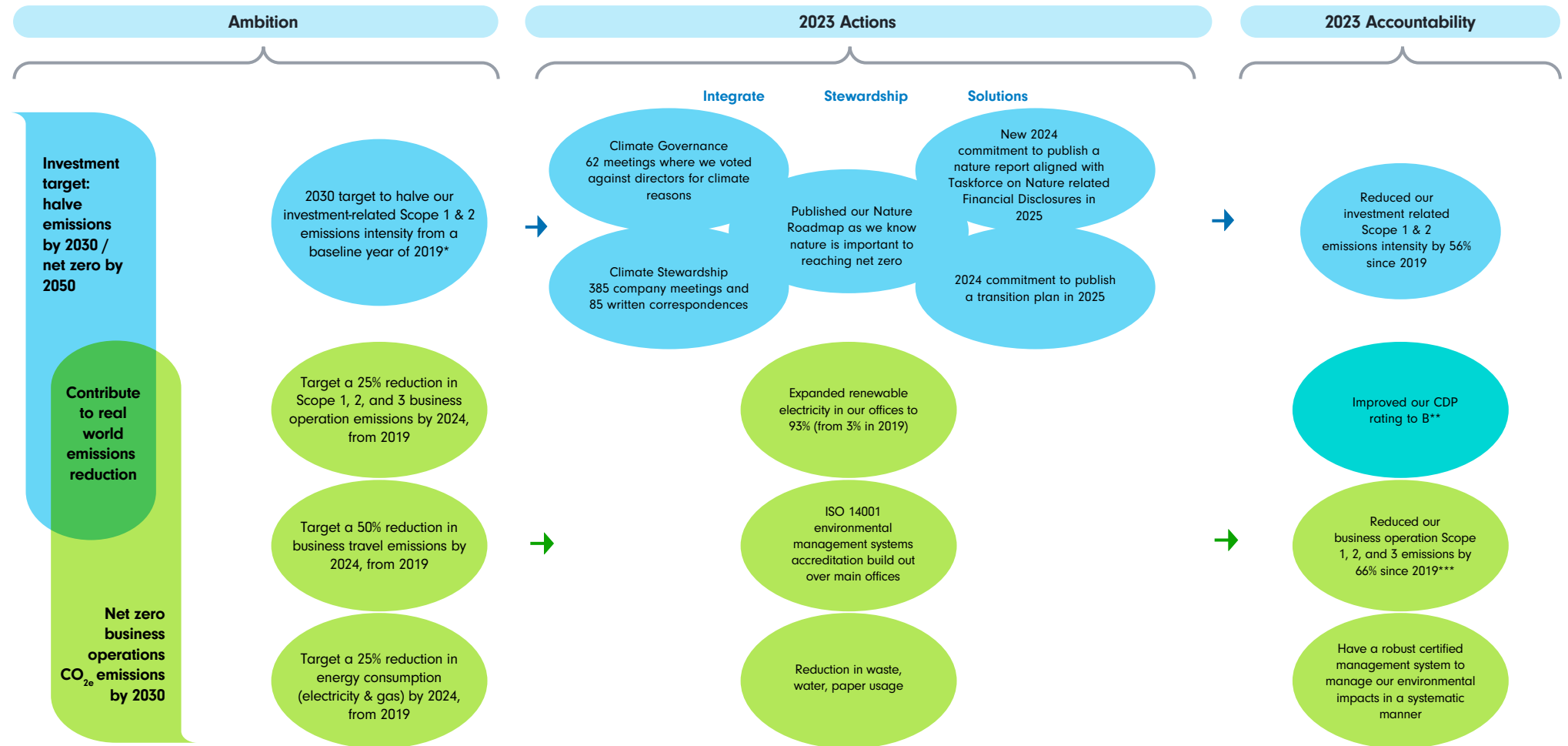
In 2023, we voted against directors at 62 meetings as a result of concerns regarding progress on climate-related engagements.

We began work on a new tool in 2023 that is intended to help us track and report on the progress of engagements by the Sustainability Team. In the future, we will look pragmatically at how we can use this tool to enhance our reporting on engagements.

Metrics And Targets

Fidelity International's Transition to a Lower Carbon Economy

Parallel paths to net zero emissions



* Our target for investment-related emissions was initiated in 2020 and covers our Scope 1 & 2 financed carbon emissions intensity of our equity and corporate bond holdings (Carbon Footprint), and net zero on these holdings by 2050. These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#) as at 31/12/23. The target represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets, and the quality of Scope 3 emissions data for investments.

** The CDP rating covers both operations and investments.

*** Market-based emissions, Business Operations Scope 3 detailed on page 45.

We use a number of metrics to track the progress of our climate strategy. These help inform our approach to manage the climate-related risks of our business operations and the investments we make for our clients.

- In the **Introduction**, we set out our [climate targets](#). We also covered what greenhouse gases are, what Scope 1, 2, and 3 emissions are, and what the GHG protocol is.
- In the **Strategy** section, we explain our strategy for our business operations, and our [climate investing 'levers'](#), and how they apply to asset classes in our investment process.

- In the [Risk section](#), we describe our Enterprise Risk Management, the three lines of defence, and how we manage risks across our business operations and investments. A key part of this is engaging with companies about material risks and emissions in the investments we make on behalf of our customers. We engage with those high-emitting companies to set climate targets and improve transition plans to align with a low-carbon future and reduce these [climate-related risks](#).

Business operations

The following table outlines the data in and out of scope of the data tables for our business operations, which follow in this section.

In scope	Out of scope
<p>The following business operational emissions are included in our 2030 operational net zero target:</p> <ul style="list-style-type: none"> ■ Scope 1 (all) ■ Scope 2 (all) ■ Scope 3 (operational control) including business travel i.e. all business travel by air, in company-owned and personal cars. <p>See metric table below for full list of emission scopes.</p>	<p>We are currently developing methodology and processes to capture and measure other material Scope 3 emissions including the following categories:</p> <ul style="list-style-type: none"> ■ Category 1: Purchased goods and services ■ Category 2: Capital goods ■ Category 7: Employee commuting, i.e. commuting between work destinations, from home to work destination and vice versa ■ Category 15 are our financed carbon emissions. These relate to the emissions where we make investments on behalf of our clients. These are reported in the Investments section metrics below. <p>Other Scope 3 categories have been determined not to be applicable or material to our business operations.</p>

Emissions - calculation methodology

Our emissions have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Both location-based and market-based emissions have been calculated using emission factors from the Department of Business, Energy & Industrial Strategy (Greenhouse gas reporting: conversion factors for 2020, 2021, and 2022 respectively for location based) and supplier-specific fuel mixes for market based.

Reported emissions align with the calendar year (January–December). GHG inventory boundaries are defined using an operational control approach and cover emissions that we have operational control over, aligned to GHG Protocol for establishing inventory boundaries.

- Reported Scope 1 emissions are those generated from gas and fuel used in buildings, emissions from fuels

used in company owned vehicles used for business travel and fugitive emissions (i.e. leaks) from the use of air conditioning and chiller/refrigerant plant.

- Reported Scope 2 emissions are generated from the use of electricity and are calculated using both location and market-based methodologies in this report.
- Corporate Operational Scope 3 emissions associated with business travel including air travel, employees who use their personal cars for business use (grey fleet), train, rail, tube, taxi, car rental, buses, coaches, and ferry. Other operational categories include waste generated at our offices, water and paper used within our offices.

GHG Emissions Methodology

Emission Scope	Emission source	Starting Unit	Final Unit	Method
Scope 1	Company Car	Miles	tCO _{2e}	$(\text{Miles} * \% \text{ Diesel Estimation}) * \text{kgCO}_{2e} \text{ Emission Factor} / 1000 + (\text{Miles} * \% \text{ Petrol Estimation}) * \text{kgCO}_{2e} \text{ Emission Factor} / 1000 = \text{tCO}_{2e}$
	Natural Gas	kWh		$(\text{kWh} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Diesel	Ltr		$(\text{Ltr} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Gas oil	Ltr		$(\text{Ltr} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Refrigerants	kg		$(\text{kg} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
Scope 2	Electricity	kWh		$(\text{kWh} * \text{kg CO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	District Heating	kWh		$(\text{kWh} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	District Cooling	kWh		$(\text{kWh} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
Scope 3 – Category 1	Paper Consumption	kg		$(\text{kg} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Water	m ³		$\text{M}^3 * \text{kg CO}_{2e} \text{ Emission Factor} / 1000 = \text{tCO}_{2e}$
Scope 3 - Category 5	Waste	ton		$(\text{ton} * \text{kgCO}_{2e} \text{ Emission Factor}) / 1000 = \text{tCO}_{2e}$
Scope 3 – Category 6	Air Travel	miles		$(\text{miles} * \text{kgCO}_{2e} \text{ DEFRA without radiative force Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Train/Rail/Tube	GBP £		$(\text{GBP} * \text{kg Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Personal Car	Miles		$(\text{Miles} * \% \text{ Diesel Estimation}) * \text{kgCO}_{2e} \text{ Emission Factor} / 1000 + (\text{Miles} * \% \text{ Petrol Estimation}) * \text{kgCO}_{2e} \text{ Emission Factor} / 1000 = \text{tCO}_{2e}$
	Taxi	GBP £		$(\text{GBP} * \text{kg Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Car Rental	GBP £		$(\text{GBP} * \text{kg Emission Factor}) / 1000 = \text{tCO}_{2e}$
	Buses/Coaches/Ferries	GBP £		$(\text{GBP} * \text{kg Emission Factor}) / 1000 = \text{tCO}_{2e}$

GHG Inventory Summary

Source of emissions (tCO _{2e})		2018	2019	2020	2021	2022	2023	2023 vs 2022	2023 vs 2019 Baseline
Scope 1	Natural Gas	1112	1260	1459	1270	915	853	-7%	-32%
	Liquid Fuels	27	23	22	10	21	24	17%	6%
	Refrigerants	48	21	95	95	197	1	-100%	-97%
	Company Car & Fuel Card	112	121	23	21	35	30	-13%	-75%
Scope 2	Electricity Location	14535	12052	8482	6817	7167	5980	-17%	-50%
	Electricity Market	16823	14245	4970	2677	993	570	-43%	-96%
	District Cooling	0	1	1	1	0.4	0.1	-85%	-95%
	District Heating	155	144	141	174	73	158	118%	10%
Scope 3	Category 1: Purchased Goods and Services Water	20	22	11	4	7	9	21%	-62%
	Category 1: Purchased Goods and Services Paper Use	60	55	27	18	15.9	16.7	5%	-70%
	Category 5: Waste Generated in Operations Waste	124	116	154	191	69	134	93%	16%
	Category 6: Business Travel Air Travel	10296	10862	2229	506	4085	6589	61%	-39%
	Category 6: Business Travel Rail Travel	Not available	Not available	Not available	Not available	138	312	126%	Not available
	Category 6: Business Travel Taxi	Not available	Not available	Not available	Not available	169	406	140%	Not available
	Category 6: Business Travel Car Rental	Not available	Not available	Not available	Not available	8	47	502%	Not available
	Category 6: Business Travel Bus/Coach/Ferry	Not available	Not available	Not available	Not available	7	10	46%	Not available
	Category 6: Business Travel Public Transport	Not available	Not available	Not available	Not available	Not available	10	Not available	Not available
	Category 6: Business Travel Grey Fleet	272	440	94	59	158	74	-53%	-83%
Total (Location)		26761	25118	12736	9074	13066	14654	12%	-42%
Total (Market)		29050	27310	9223	4935	6892	9244	34%	-66%

Note that these tables now include spend-based business travel from rail, coach/bus/ferry, taxi, and car rental. This was not included in the 2022 report meaning slight adjustments to 2022 figures.

Note: Historically District Cooling and Heating were previously categorized as Scope 1 this has been rectified and recategorized to Scope 2.

The quantification and reporting of the environmental data (as per the scope outlined in the above table) have been independently verified by BSI Assurance UK Ltd to a limited level of assurance. The verification activity has been carried out in accordance with ISO 14016:2020 and a 5% accuracy.

BSI verification outcome statement: Based on the processes and procedures implemented, there is no evidence that the environmental data within this report and as produced by FIL Investment Management Limited (FIL):

- is not materially correct and is not a fair representation of the original and complete environmental data generated,
- is not within the required 5% accuracy level.

BSI Assurance UK Ltd is independent of and has no financial interest in the Group. This verification opinion has been prepared for the Group only for the purposes of verifying its environmental data as described. It was not prepared for any other purpose. In making this statement, BSI Assurance UK Ltd has assumed that all information provided to it by the Group is true, accurate and complete. BSI Assurance UK Ltd accepts no liability to any third party who places reliance on this opinion statement.

A review of progress towards targets

In 2021, we set a number of corporate sustainability targets including a 25% reduction in energy consumption and a 50% reduction in air travel-related carbon emissions based on a pre-Covid-19 baseline (2019) to support our long-term 2030 operational goal, and to enhance our environmental performance. While we'll never stop trying to improve, we're delighted that we're on track to achieve our targets. In some cases, we've already reached and exceeded them.

Target progress

Progress against 2024 targets	2019 Baseline	2020	2021	2022	2023	2023 vs. Baseline	2023 vs. 2022
25% reduction in energy consumption (kWh Electricity + Gas)	36,653,349	29,681,841	22,122,980	22,213,589	19,218,630	-48%	-13%
25% reduction in operational carbon emissions (tCO _{2e})	27,310	9,223	4,935	6,892	9,244	-66%	34%
50% reduction in air travel carbon emissions (tCO _{2e})	10,862	2,229	506	4,085	6,590	-39%	61%

(Note operational carbon is market based). 2020/21 saw Covid-related impacts.

In 2023, our operational carbon emissions increased by 34% year on year due to an increase in air travel following Covid restrictions, however we remain on target to achieve our 2024 operational carbon emissions goal with an overall reduction of 66% from the 2019 baseline. Our key activities in the last year included:

- Sourced 93% of our electricity from renewable sources, up from 3% in 2019.
- Reduced operational carbon emissions by 66% against the 2019 baseline.
- 39% reduction in air travel compared to 2019 baseline year managed through the travel approval process for internal travel. Over the past year there has been a greater need for business travel.
- Successful ISO 14001 (Environmental Management Systems) external audits for 4 Cannon Street and Hong Kong Offices with a further site planned to be added

to the certification in 2024 to meet our goal of covering 90% of employees.

- Completed our external verification of our GHG Inventory to a limited level of assurance with BSI.
- 11 offices have completed environmental aspects and impacts assessments covering over 90% of our employees.
- Continue to implement various environmental initiatives across our locations to support our environmental goals including:
 - UK - focus on reducing food waste from onsite restaurants.
 - India - Increased electrical vehicle fleet from 5% to 15%. Now we are using energy generated by solar panels to charge the vehicles.
 - Taipei and Sydney – Increased recycling rates (by

more than 20%), included waste streams such as WEEE (electronic waste), PET (plastic) bottles, and food waste.

- Global – Our dynamic working approach and hot desking has allowed us to optimise our office footprint to reduce energy use.

Investments

In the introduction, we outline our [climate targets](#). In the strategy section we cover the [levers and actions we are taking](#) including Quarterly Sustainable Fund reviews. In the Risk section, we cover how we look to manage climate risk with our [Enterprise Risk Management system](#), and by stewardship and engagement with companies on our minimum climate expectations. In particular this is by engaging with high-emitting companies to set climate targets and improve transition plans to align with a low-carbon future, as well as through exclusions for our sustainable fund range.

Progress on reporting further metrics

In this report, we have made progress on reporting new emissions relating to our sovereign debt holdings, and a wider set of indicators that help us track our progress. New metrics include the percentage of investments where the underlying company has set climate targets and the implied temperature rise of our portfolios.

These now represent a combination of backward-looking and forward-looking indicators. This helps us balance between accountability for progress towards our targets and indicators that help assess on a forward-looking basis if we are tracking in the right direction. When more companies have good emissions disclosure and climate targets aligned with the low-carbon economy, we would hope to see this follow through in future years with falling emissions.

In some cases, our engagements may have contributed to this but it is hard to attribute whether our actions drove the change or not.

We are not in control over the companies we invest in, but we have degrees of influence. The pragmatic approach we choose is founded in our sustainable investing principles, which states 'it is often better to engage and influence change than purely divest'.

Data limitations

A key challenge is data availability. We report on our public market investments across equities, corporate, and sovereign debt holdings. Not all companies report a complete carbon

emissions data set, with larger gaps seen for Scope 3 emissions and across private assets.

Globally, new regulations we hope will support disclosure of emissions include the European Corporate Sustainability Reporting Directive, the IFRS accounting bodies International Sustainability Standards Board (ISSB) disclosures and the legislation that the Securities and Exchange Commission in the US (SEC) are advancing. This will help feed through into the coverage and quality of our emissions data over the coming years.

Given gaps in reported data, carbon emissions used in this report include estimates from our data provider. Different data providers use different models and methodologies to estimate emissions which can introduce the potential for model and estimation error, and timing differences into carbon emissions data used in this report for our investments.

Comparison of Asset Manager and Asset Owner Investment emissions

Our main data provider for this report is Institutional Shareholder Services (ISS) which is a mainstream data provider for financial services.

The FIL Life 'Asset Owner' report uses a different data provider to this report. The data provider for the Asset Owner is able to calculate emissions for externally managed funds, due to its ability to obtain holdings of those funds, and so help disclose a fuller emissions coverage.

However, the calculations will not be directly comparable. The main cause is where companies do not report GHG emissions. Each provider has its own and unique approach to estimating these. So, when comparing climate product reports, each provider will calculate differing carbon measures for the same portfolio or entity.

In this report, we rely on external providers for data used in calculations, and we cannot guarantee the accuracy of their underlying data. This section has not been assured externally.

Calculation and methodology

The metrics in this section are calculated according to the GHG protocol. We are in the process of aligning our approach to that of the Partnership for Carbon Accounting Financials (PCAF).

The availability of accurate and reliable, or even estimated data across all investments is sometimes assumed as a given. In many cases it is not, and requires time, effort and persuasion through engagement to deliver in the future.

Fidelity's Climate Engine

Fidelity has built a 'Climate Engine' to take data from our data sources and calculate these metrics. This section outlines the data in scope, metrics we track and our calculation methodology.

In scope data summary

The following table outlines what is in and out of scope for the data tables on our investments that follow in this section.

In scope	Out of scope
<p>This document applies to all in-scope assets, except the ones highlighted as out of scope.</p> <p>Public market securities including sub-delegated assets to other asset managers outside of our group such as Fidelity Management and Research, Fidelity Canada, and Geode and others.</p>	<p>The following data limitations mean that the following will not have data available:</p> <ul style="list-style-type: none"> ■ Cash or cash hedging of a portfolio. ■ Investments, including derivative instruments other than CFDs, used to gain a short exposure to an investee company. ■ Investments in securities which may create exposure to multiple underlying issuers such as collective investment schemes or index positions (relevant for Multi-Asset products). ■ Exchange Traded Product (ETP) vehicles that provide exposure to Bitcoin and crypto-currency. ■ Private asset investments emissions including their intermediate vehicle including private credit, direct lending and real estate.

- **Cash holdings**
Our data model will not map cash holdings to emissions data. For this reason there is a potential margin of error of understatement attributable to the cash or cash hedging position of a given portfolio.
- **Derivatives**
Mapping emissions to derivative instruments such as contracts for difference ("CFDs"), futures, swaps, options, or others can have issues in identifying the underlying entity to which emissions belong. In some cases, with simple derivative instruments, such as CFDs, it may contribute to an understatement of emissions linked to the underlying entities.
- There is an element of both automated and manual aggregation and mapping within Fidelity's systems. Fidelity has quality checks and review systems in place to manage the risk associated with our data aggregation processes aiming to minimise any potential gaps.

Carbon metrics for public market investments

Metric Methodology

Metric		
Total Carbon Emissions The GHG emissions of a portfolio.	Methodology/ formula	$MtCO_{2e} = \sum_n^i \left(\frac{\text{Investment value } i}{EVIC_i} \times GHG \text{ Emissions of Corporate } i (tCO_{2e}) \right)$
	Usage	Calculates the absolute GHG emissions financed by a portfolio using a proportional approach. This metric is related to our climate transition risk in our debt and equity holdings.
	Limitations	Cannot be easily compared or benchmarked against due to the link to the size of the portfolio. Scope 3 has lower data quality driven by the need to estimate, and when holding many companies across sectors, there will be double counting across supply chains as outlined by the GHG protocol.

Metric Methodology		
Carbon Footprint Measures a portfolio's emissions intensity divided by the value of the portfolio.	Methodology/ formula	$tCO_2e/\$m \text{ invested} = \frac{\sum_n^i \left(\frac{\text{Investment value } i}{EVICi} \times GHG \text{ Emissions of Corporate } i (tCO_2e) \right)}{\text{Sum of Portfolio Value } \$m}$
	Usage	Enables the comparison of portfolios of differing sizes irrespective of assets under management (AUM). We use this to track our investment climate target.
	Limitations	Sensitive to rising or falling portfolio values.
Weighted Average Carbon Intensity (WACI) Measures the exposure to carbon-intensive companies.	Methodology/ formula	$tCO_2e \text{ per } \$m \text{ of revenue} = \sum_n^i \left(\frac{\text{Corporate's GHG emissions}(tCO_2e)}{\text{Sales } i \$} \times \frac{\text{Investment Value } i}{\text{Portfolio Value}} \right)$
	Usage	Useful to compare portfolios.
	Limitations	Limited to publicly listed equities and corporate debt
Sovereign Carbon Emissions Sovereign emissions divided by the Purchasing Power Parity-adjusted Gross Domestic Product	Methodology/ formula	$MtCO_{2e} = \sum_n^i \frac{\text{Outstanding loan } \times \text{Country emissions}(tCO_2e) \ i}{PPP \text{ Adjusted Gross Domestic Product } i}$
	Usage	Calculates the absolute GHG emissions financed by a portfolio using a proportional approach.
	Limitations	Sovereign portfolios invest in the debt of countries, and so have large absolute emissions and cannot be compared easily with equity or corporate debt. Purchasing Power Parity adjusted for GDP is not a perfect proxy for 'fair share' normalising for the size of a country's economy. The value will increase as the size of the portfolio increases.
Portfolio Alignment/ Climate Targets Proportion of an investment portfolio that is invested in companies with climate targets	Methodology/ formula	External data provider which leverages data provided by the Science Based Targets Initiative and its assessments.
	Usage	Useful as an indicator to track alignment over time for a portfolio using a forward-looking indicator of underlying companies setting climate targets. Portfolios with a higher share of assets in entities with science-based targets which are committed to reducing future emissions (assuming companies deliver on their plans).
	Limitations	Climate targets can vary in scope and alignment to Paris goals, and can be challenging to independently evaluate.
Implied Temperature Score It is a forward-looking indicator of alignment to a future global warming temperature (in °C).	Methodology/ formula	External data provider which leverages the climate scenarios of the IEA (International Energy Agency) - the Sustainable Development scenarios (SDS).
	Usage	The Implied Temperature Score metric provides an indication of how companies and investment portfolios align to global climate targets. This can be viewed as another indicator of transition risk when viewed over periods of time.
	Limitations	The model should be used cautiously given the challenges of data quality and target setting quality, and complex modelling involved.

Notes:

EVIC = Enterprise Value including cash²⁸ (the glossary for explanation of Enterprise Value).

Where the Investment value amount represents:

- For a listed equity, the market value of the equity holding
- For a loan or corporate debt instrument, the market value of outstanding debt.²⁹

'Total Carbon Emissions'

These cover the 'fair share' of company emissions aligned to the percentage ownership of the company's Enterprise Value including cash that we finance. These are more commonly known as 'financed carbon emissions'. These are disclosed by Scope 1 and 2, and Scope 3 separately due to the lower data quality inherent in the latter from a greater proportion of emissions being estimated rather than reported by companies.

Financed Carbon Emissions Intensity: 'Carbon Footprint'

For corporates, the Scope 1 and 2 Financed Carbon Emissions of each portfolio holding are divided by the total portfolio investment value, i.e. the sum of the value of every instrument, whether it has a attributable emissions value or not. Where the portfolio has a low percentage coverage ratio of emissions, the denominator can have the effect of lowering the portfolio's carbon footprint. As the amount of coverage increases, it can act as a drag to future reported carbon performance as more emissions are included for the first time (offsetting any reductions achieved by existing carbon reduction measures of companies within the portfolio).

Weighted Average Carbon Intensity (WACI)

For corporates, this metric weights scope 1 and 2 carbon emissions intensity per million US dollars of issuer revenues by percentage of overall portfolio value, rather than the fair share emissions of an issuer. It can only be used with corporate debt and equity issuers and enables easy comparison between portfolios.

'Sovereign Emissions'

Sovereign 'Financed Emissions' are Scope 1 production emissions related to our fair share of sovereign or country

GDP. 'Sovereign Carbon Emissions Footprint' is calculated as the sum of Scope 1 Sovereign Financed Emissions of each holding divided by overall portfolio value. They are disclosed separately as they are not comparable with corporate emissions. We have elected to focus on disclosure of Scope 1 production emissions for sovereigns which includes emissions from sources within the country territory. We will consider including Scope 2 and Scope 3 emissions in future reports.

'Portfolio alignment' or 'climate targets'

This is an external assessment approach from our data provider ISS. It measures the percentage of a portfolio that has climate targets, and is an indicator of company intention to reduce emissions into the future. It is a forward-looking indicator of portfolio alignment in the transition to net zero.

A company's reduction targets are classified along the categories of "No Target", "Non-Ambitious Target", "Ambitious Target", "Committed SBT", "Approved SBT", (where SBT means Science Based Targets).

Target data is collected directly from the SBTi for the categories of "Committed SBT" and "Approved SBT".

Targets for corporates outside the Science Based Targets Initiative (SBTi) list of companies are reviewed and rated by ISS. These are divided into the two categories "Ambitious" or "Non-Ambitious" targets.

Some examples considered in the assessment of the reduction target category:

- Inclusion of Scope 3 emissions in the reduction target for highly relevant sectors
- Timeframe of the target, either very long or very short, is considered less ambitious
- Lacking of historical progress or continuous failure to reach climate targets
- Intensity targets in comparison to industry benchmarks

'Implied Temperature Score'

For this, we rely upon our data provider ISS. It is a forward-looking indicator of alignment to a future global warming temperature (in °C).

Whilst the score is intuitive to use, it should be used cautiously. Modelling for the types of complexity involved

²⁸ Enterprise Value is the sum of market value of equity, plus debt, preferred equity, and unfunded pension liabilities, minus the value of associate companies and cash/cash equivalents. Enterprise Value Including Cash (EVIC) is Enterprise Value, but including cash.

²⁹ It has not been possible to align to PCAF's face value approach.

to produce a score requires a lot of assumptions and these can heavily influence the result. Also, a single metric cannot fully explain the dynamics of an issuer or portfolio contribution to the global temperature increase.

Scope 3 emissions are reported here for the first time. In our experience, they rely heavily on estimation models which can lead to under-estimation over time, and emissions trending upwards. As global reporting regulations evolve we would expect this to help improve quality of Scope 3 data and our reporting.

Issuer level temperature score is determined by the alignment examining the projected future emissions of a company, based on a six year historical trend and combined with any emission reduction target setting.

Their model examines an issuer's or portfolio's emissions over/undershoot of the IEA's SDS scenario in the year 2050. Each company/issuer (invested into by the portfolio) is assessed for its potential emissions versus a budget allocated under the IEA's Sustainable Development Scenario. The score includes the relationship between the

emissions budget for the issuer against the fair share of budget under the IEA's SDS.

A portfolio's Implied Temperature Rise measures, in aggregate, a fund's temperature alignment (in °C) to keeping the world's temperature rise to 2°C by 2100.

Coverage:

We do not have reported or estimated emissions for all corporates, this represents the percentage of assets we have data for.

Investment climate metrics

These metrics are a combination of numbers reported historically and those run in 2022-2023 within our Climate Engine. These metrics are for public market investments. At this time we cannot report on private market investments.

In future we will likely rebase and recalculate as scope has increased since 2019 (now including multi-asset emissions data), and as we grow our capabilities to provide coverage of derivatives and other asset types in future.

We report here on Scope 3 emissions for the first time. These are subject to a high degree of caution as they rely heavily upon estimation models with issues of variability year on year and lower levels of data quality. We see a trend that as more companies report Scope 3 across more categories, it may be that estimation models have been tending to under-estimate emissions, leading to increasing numbers (especially as we have not recalculated/restated prior year numbers).

Investment Financed Carbon Emissions

	YE 2019	YE 2020	YE 2021	YE 2022	YE 2023	2022-2023	2020-2023
Assets Under Management US\$'000	288,067	349,176	306,820	357,961	390,300		
Corporates							
Financed Emissions (Scope 1 & 2) mn t CO _{2e}	27.0	27.7	18.7	18.0	17.6	-2%	-37%
Financed Emissions (Scope 3) mn t CO _{2e}			132.8	126.0	167.7	33%	N/A
Carbon Footprint (Scope 1 & 2) mn t CO _{2e} /US\$ mn invested	102.3	85.9	60.9	50.2	45.0	-10%	-56%
WACI (Scope 1 & 2) t CO _{2e} /US\$ mn revenues	192.5	192.4	164.1	123.7	97.9	-21%	-49%
Highlighted blue cells relate to progress against our climate target to halve our carbon footprint by 2030							
Investments in corporates as a % of total Assets Under Management				91%	92%		
Data coverage of investments in corporates	91%	93%	93%	93%	92%		
Sovereigns							
Financed Emissions (Scope 1) ³⁰ mn t CO _{2e}				6.18	5.26	-15%	N/A
Carbon Footprint (Scope 1) ³⁰ mn t CO _{2e} /US\$ mn invested				17.25	13.48	-22%	N/A
Investments in sovereign issuers as a % of total Assets Under Management				7%	6%		
Data coverage of investments in sovereign issuers				100%	100%		
Other Exposure							
Investments in other instruments as a % of total Assets Under Management				2%	2%		
Data coverage of investments in other instruments				0%	0%		

³⁰ Sovereign carbon emissions only includes Scope 1. Scope 2 and 3 are not included.

Composition of Assets Under Management Invested in Corporate Equities or Fixed Income

		YE 2022	YE 2023	YOY %
Equities				
Financed Emissions (Scope 1 & 2)	mn t CO _{2e}	12.6	12.7	1%
Financed Emissions (Scope 3)	mn t CO _{2e}	102.6	139.5	36%
Carbon Footprint (Scope 1 & 2)	mn t CO _{2e} /US\$ mn invested	35.1	32.5	-7%
WACI (Scope 1 & 2)	mn t CO _{2e} /US\$ mn revenues	88.0	73.0	-17%
Equity investments as a % of total investments in corporates		70%	73%	
Data coverage of equity investments in corporates		97%	96%	
Fixed Income				
Financed Emissions (Scope 1 & 2)	mn t CO _{2e}	5.4	4.9	-10%
Financed Emissions (Scope 3)	mn t CO _{2e}	23.4	28.2	20%
Carbon Footprint (Scope 1 & 2)	mn t CO _{2e} /US\$ mn invested	15.1	12.5	-17%
WACI (Scope 1 & 2)	mn t CO _{2e} /US\$ mn revenues	35.7	24.9	-31%
Fixed Income investments as a % of total investments in corporates		20%	18%	
Data coverage of Fixed Income investments in corporates		82%	81%	

Note: The denominator for Financed Emissions and WACI represents the total for all investments in corporates. Investments in other instruments (c.1% of corporate investments) have been excluded due to lack of data availability.

Equity financed Scope 1 and 2 carbon emissions saw a rise of 1%, with equity financed scope 3 emissions up 36% in 2023 compared to the prior year. The increase in Scope 3 emissions was driven by the Industrials, Consumer Discretionary, Information Technology and Materials sectors. Both Industrials and Information Technology saw large increases in allocation as a whole year over year, which may have contributed to these rises. As noted above we see a recent trend that as more issuers report, this is driving revisions in estimation modeling upwards.

Equity carbon footprint fell 7% and Weighted Average Carbon Intensity (WACI) fell 17%. Our investment financed carbon emissions Scope 1 and 2 rose by 1% year over year for Equities whilst falling 10% for Fixed income. Assets Under Management were higher 2023 vs. 2022. Whilst there can be volatility in point in time data, the previous table highlights a longer term trend of falling emissions.

A review of progress towards targets

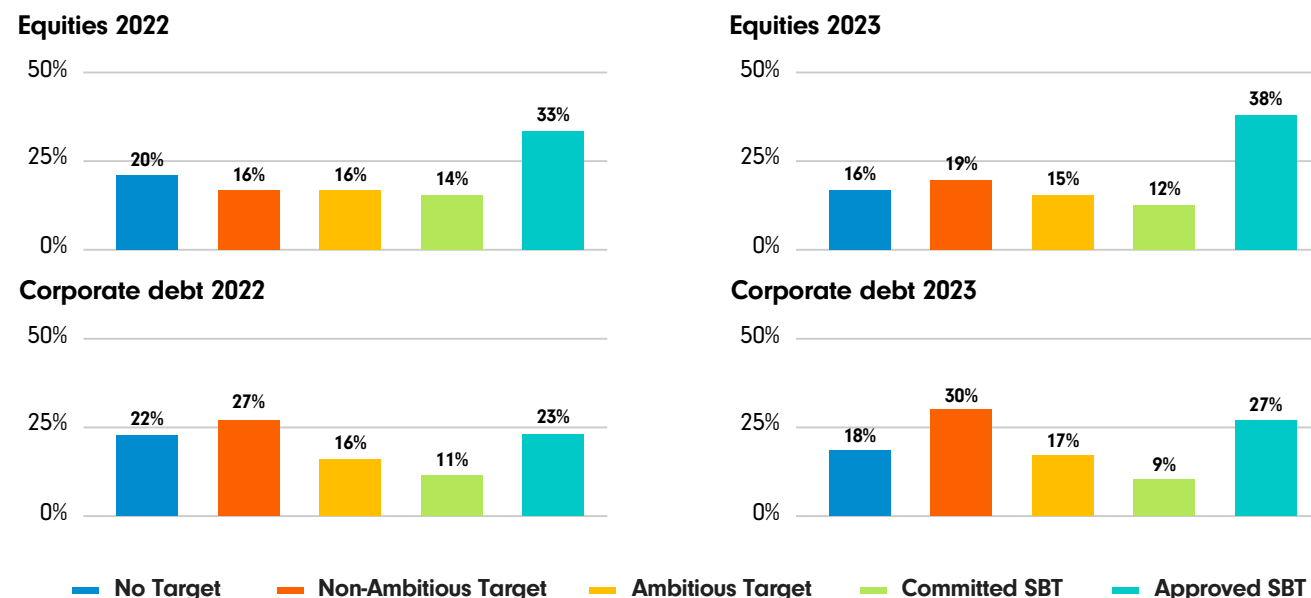
In 2020 we set the following emissions target:

- **Target:** Aim to halve the Scope 1 and 2 carbon emission intensity (carbon footprint) of our clients' corporate debt and equity holdings by 2030, from a 2019 baseline, and aim to achieve net zero on these by 2050.³¹
- **Progress:** We have reduced our Scope 1 and 2 carbon footprint for our corporate holdings by 56% since 2019. We're on track to reach our target of halving these by 2030.

Other forward-looking indicators:

- Our Implied Temperature Rise (ITR) was 2.7°C for Equities and for corporate debt was 2.9°C.
- For equity holdings, the breakdown of companies that have climate targets is

Breakdown of invested company climate targets



Source: ISS, Fidelity International, as of 31st December 2023. Where SBT means Science Based Targets.

Equities

In 2023, the percentage of the companies we invested in that have or are committed to science-based targets improved from 47% to 50% of the portfolio, whilst those with no or limited targets fell from 36% to 35%.

Corporate debt

In 2023, the percentage of companies we invested in that have, or are committed to science-based targets improved from 34% to 36% of the portfolio, whilst those with no, or limited, targets fell from 49% to 48%.

Across equities and corporate debt there was an uptick in the number of issuers either committed to, or who have approved science-based targets (SBTs) year over year.

³¹ Our target for investment related emissions was initiated in 2020 with a 2019 baseline and covers our financed carbon emissions intensity ('carbon footprint') of our equity and corporate bond holdings. These holdings represent 92% of US\$390bn as reported in our [Data and Metrics table](#) at 31/12/23. The ambition represents what was possible at the time of making the commitments, such as data limitations for the availability of sovereign debt, private assets, and the quality of Scope 3 emissions data for investments.

Remuneration

While there is no common approach across asset classes and teams, ESG is integrated into our in-depth company and industry analysis. It forms a material part of our investment process.

- Investment professionals are remunerated based in part on investment performance. We also consider the extent to which client objectives are met.
- Investment analysts receive compensation based on the quality of their recommendations and research notes. These include an assessment of ESG factors.
- A portfolio manager's remuneration will be linked to ESG considerations if their portfolios have particular ESG restrictions or requirements.
- The Sustainable Investing Team are incentivised based on the company's development in ESG and the team's success in implementing the firm's ESG policies.
- Relevant employees in charge of sustainability initiatives across our business operations are compensated in the overall year-end appraisal. This is based on project ESG outcomes and our corporate-wide environmental goal and metrics.

You can find out more in the [Fidelity Remuneration Policy](#).

Appendix 1: Regulatory Reporting Summary - Entity Level Reporting

Fidelity confirms that it has made climate-related financial disclosures for the year ended 31 December 2023 that it believes are consistent with TCFD Recommendations and Recommended Disclosures (and as required by the UK Financial Conduct Authority (FCA) ESG sourcebook Chapter 2). In the table below and the following sections, we detail the subsidiary entities that are required to produce a Climate (TCFD) report across the UK, Singapore, Hong Kong and Taiwan.

Entity	In / Out of Scope	Rationale
FIL Limited	Consolidation of reporting approach at group level (not a regulated entity requiring Climate reporting)	Not a UK entity. Core reporting as the group level entity. Representative of the 'group' report, on which the UK and other regulated entities can rely upon under the UK and other global rules.
FIL Investments International (FII)	In scope	(1) FIL is conducting 'TCFD in-scope business', i.e. 'portfolio management' and; (2) has AuM above the threshold/exemption level (£5bn) for requiring reporting.
FIL Investment Services (UK) Limited (FISL)	In scope	(1) FISL is conducting 'TCFD in-scope business', i.e. a UK UCITS and AIF Management Company, and; (2) has AuM above the threshold/exemption level (£5bn) for requiring reporting.
FIL Pensions Management (FPM)	In scope	(1) FPM is conducting 'TCFD in-scope business', i.e. 'portfolio management', and; (2) has AuM above the threshold/exemption level (£5bn) for requiring reporting.
FIL Investment Advisors (UK) Limited (FIA UK)	In scope	(1) FIA UK is conducting 'TCFD in-scope business', i.e. 'portfolio management' and; (2) has AuM above the threshold/exemption level (£5bn) for requiring reporting.
FIL Investment Management Limited (FIML)	In scope	Not an FCA regulated entity, but reporting is required by the 'Mandatory Climate-related financial disclosures' as per the UK Department for Business, Energy and Industrial Strategy regulation.

UK legal entity disclosures

FIL Investments International (FIL)

Introduction

This Climate entity report for FIL Investments International (FIL) aligns with the UK regulatory requirements and with Fidelity's overarching approach as documented in the FIL Limited (The Group, or Fidelity) Climate report, also referred to as the main report. FIL is the Fidelity company that provides portfolio management services to other FIL Group companies and other global institutional investors. This report should be read in conjunction with the main report ([please see here](#)). FIL 'Product' reporting is available to eligible institutional clients on an on-demand basis. If required, please get in touch with your usual Fidelity contact. FIL's approach to climate matters aligns to the Fidelity Group approach, except for any material deviations which are presented below.

Alignment of FIL to the Group approach

The Board of FIL relies on the governance, i.e. the Group structures and committees (described in greater detail here) to set the strategy and the agenda to manage and oversee climate related risks and opportunities. FIL may appoint Group sub-advisors to manage, in whole or in part, selected client mandates, and these sub-advisors adopt the Group approach as described within the main report ([please see here](#)). FIL therefore aligns to the broader Group in terms of climate matters. However, in certain cases, as described below, FIL appoints non-associated companies as sub-advisors for certain client mandates, and therefore the management of climate matters will deviate from the Group approach.

Material deviations from the Group approach

Fidelity Institutional Asset Management

FIL has appointed Fidelity Institutional Asset Management LLC (FIAM), a non-associated company, as the sub-advisor for certain mandates (further details are available to applicable clients requesting an on-demand report). None of the mandates sub-advised to FIAM are considered ESG focused.

The following is based upon the information provided by FIAM:

Governance	Partially aligned - please see material deviations below.
Strategy	Partially aligned - please see material deviations below.
Risk Management	Partially aligned - please see detail below.
Metrics & Targets	Partially aligned - please see material deviations below.

FIAM's Governance

FIAM's senior management oversees its sustainable investing portfolios and related research and investment processes and provides periodic updates to the fund boards.

FIAM's Strategy

FIAM's portfolio management teams are supported by research to assist in the assessment of investment-related risks and opportunities. This research includes coverage of sustainable investment factors, including climate-related factors, determined to be material to the long-term value of securities and may inform the portfolio management team's investment analysis. Additionally, through its stewardship efforts, FIAM works with portfolio companies to promote long-term value creation for shareholders.

FIAM's Risk Management

FIAM's research on sustainable investment risks, including climate-related risks, is based on an assessment of financial materiality. Such research enables the portfolio management team to assess and prioritise the most relevant risks to an issuer in a given industry or sector and to manage portfolio exposure to sustainable investment risks.

Metrics & Targets

Assets Under Management (AUM) and calculated emissions for mandates sub-advised to FIAM have been included within the main report. These are within the reporting for investment related emissions (Scope 3, category 15).

Attestation statement

I can confirm that the disclosures in this report and as relied upon, the main report, comply with the requirements set out in the UK FCA ESG sourcebook chapter 2.



Andrew McCaffery

FIL Investment Services (UK) Limited (FISL)

Introduction

This Climate entity report for FIL Investment Services (UK) Limited (FISL) aligns with the UK regulatory requirements and with Fidelity’s overarching approach as documented in the FIL Limited (The Group, or Fidelity) Climate report, also referred to as the main report. FISL is the Fidelity company responsible for the management of Fidelity’s range of UK funds and acts as the Investment Manager of investment companies. This report should be read in conjunction with the main report ([please see here](#)) and the available [product reporting](#) (which captures information for individual funds and investment companies). FISL’s approach to climate matters aligns to the Fidelity Group approach, except for any material deviations which are presented below.

Alignment of FISL to the Group approach

The Board of FISL relies on the governance, i.e. the Group structures and committees (described in greater detail here) to set the strategy and the agenda to manage and oversee climate related risks and opportunities. FISL appoints Group sub-advisors to manage selected funds, and these sub-advisors also adopt the Group approach as described within the main report ([please see here](#)). FISL therefore aligns to the broader Group in terms of climate matters. However, in certain cases, as described below, FISL has appointed non-associated companies as sub-advisors to certain funds, and therefore the management of climate matters will deviate from the Group approach.

Material deviations from the Group approach:

Fidelity Institutional Asset Management (FIAM)

FISL has appointed Fidelity Institutional Asset Management LLC (FIAM), a non-associated company, as the sub-advisor for certain funds (these are clearly labelled within the relevant TCFD product reports). None of the funds sub-advised to FIAM are considered ESG focused.

The following is based upon the information provided by FIAM:

Governance	Partially aligned - please see material deviations below.
Strategy	Partially aligned - please see material deviations below.
Risk Management	Partially aligned - please see detail below.
Metrics & Targets	Partially aligned - please see material deviations below.

FIAM’s Governance

FIAM’s senior management oversees its sustainable investing portfolios and related research and investment processes and provides periodic updates to the fund boards.

FIAM’s Strategy

FIAM’s portfolio management teams are supported by research to assist in the assessment of investment-related risks and opportunities. This research includes coverage of sustainable investment factors, including climate-related factors, determined to be material to the long-term value of securities and may inform the portfolio management team’s investment analysis. Additionally, through its stewardship efforts, FIAM works with portfolio companies to promote long-term value creation for shareholders.

FIAM’s Risk Management

FIAM’s research on sustainable investment risks, including climate-related risks, is based on an assessment of financial materiality. Such research enables the portfolio management team to assess and prioritise the most relevant risks to an issuer in a given industry or sector and to manage portfolio exposure to sustainable investment risks.

Metrics and Targets

Assets Under Management (AUM) and calculated emissions for mandates sub-advised to FIAM have been included within the main report. These are within the reporting for investment related emissions (Scope 3, category 15).

Geode Capital Management LLC

FISL has appointed Geode Capital Management LLC (Geode), a non-associated company, as the sub-advisor for certain funds (these are clearly labelled within the relevant TCFD product reports). This means that where Geode manages the assets held by a fund, there are deviations from the Group approach.

The following is based upon the information provided by Geode:

Governance	Partially aligned - please see material deviations below.
Strategy	Partially aligned - please see material deviations below.
Risk Management	Partially aligned - please see material deviations below.
Metrics & Targets	Partially aligned - please see details below.

Geode's Governance and Strategy

Geode is primarily a sub-advisor for passive equity mandates that track an index. Due to the passive nature of Geode's business, it approaches ESG (including climate) through stewardship and engagement activities. Geode investment decisions do not exclude or include securities based on its views of ESG factors. More detailed information may be found [here](#) (please see Geode's Responsible Investment Statement). Geode has an ESG Committee to oversee its ESG policy and initiatives. The committee meets quarterly and holds ad-hoc meetings (as needed) to provide oversight, address interim tasks associated with implementing [Geode's ESG strategy](#) and advise on the following:

- High profile/complex ESG proxy vote
- Annually review ESG documents
- Oversight
- Geode stewardship and ESG metrics

FISL remains responsible for the overall governance arrangements for the sub-advised funds, it also relies on Group governance. Additionally, Geode will undertake governance related to its responsibilities.

Geode's Risk Management

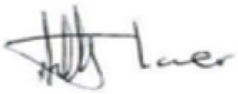
Where Geode acts as sub-advisor for certain funds these are passively managed and therefore do not take investment decisions based on climate risks and opportunities. FISL remains responsible for the overall risk management for the sub-advised funds, it also relies on the Group's risk management processes. Additionally, Geode will undertake risk management related to its responsibilities.

Metrics and Targets

The products managed by FISL are captured in the aggregate numbers reported earlier in this document (the main report) and include products sub-advised to Geode.

Attestation statement

I can confirm that the disclosures in this report and as relied upon, the main report, comply with the requirements set out in the UK FCA ESG sourcebook chapter 2.



Tony Lanser

FIL Pensions Management (FPM)

Introduction

This Climate entity report for FIL Pensions Management (FPM) aligns with the UK regulatory requirements and with Fidelity’s overarching approach as documented in the FIL Limited (The Group, or Fidelity) Climate report, also referred to as the main report. FPM is the Fidelity company that provides portfolio management services to predominantly UK-based institutional investors. This report should be read in conjunction with the main report ([please see here](#)). FPM ‘Product’ reporting is available to eligible institutional clients on an on-demand basis. If required, please get in touch with your usual Fidelity contact. FPM’s approach to climate matters aligns to the Fidelity Group approach, except for any material deviations which are presented below.

Alignment of FPM to the Group approach

The Board of FPM relies on the governance, i.e. the Group structures and committees (described in greater detail here) to set the strategy and the agenda to manage and oversee climate-related risks and opportunities. FPM appoints Group sub-advisors to manage selected client mandates, and these sub-advisors adopt the Group approach as described within the main report ([please see here](#)). FPM therefore aligns to the broader Group in terms of climate matters. However, in certain cases, as described below, FPM makes available the services of and appoints non-associated companies as sub-advisors for certain client mandates, and therefore the management of climate matters will deviate from the Group approach.

Material deviations from the Group approach

Fidelity Institutional Asset Management

FPM has appointed Fidelity Institutional Asset Management LLC (FIAM), a non-associated company, as the sub-advisor for certain funds (these are clearly labelled within the relevant Climate product reports). None of the funds sub-advised to FIAM are considered ESG focused. It is to be noted that FIAM delegates some investment management activities to Fidelity Management and Research (FMR).

The following is based upon the information provided by FIAM:

Governance	Partially aligned - please see material deviations below.
Strategy	Partially aligned - please see material deviations below.
Risk Management	Partially aligned - please see detail below.
Metrics & Targets	Partially aligned - please see material deviations below.

FIAM’s Governance

FIAM’s senior management oversees its sustainable investing portfolios and related research and investment processes and provides periodic updates to the fund boards.

FIAM’s Strategy

FIAM’s portfolio management teams are supported by research to assist in the assessment of investment-related risks and opportunities. This research includes coverage of sustainable investment factors, including climate-related factors, determined to be material to the long-term value of securities and may inform the portfolio management team’s investment analysis. Additionally, through its stewardship efforts, FIAM works with portfolio companies to promote long-term value creation for shareholders.

FIAM’s Risk Management

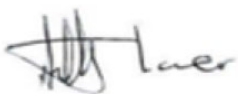
FIAM’s research on sustainable investment risks, including climate-related risks, is based on an assessment of financial materiality. Such research enables the portfolio management team to assess and prioritise the most relevant risks to an issuer in a given industry or sector and to manage portfolio exposure to sustainable investment risks.

Metrics and Targets

Assets Under Management (AUM) and calculated emissions for mandates sub-advised to FIAM have been included within the main report. These are within the reporting for investment related emissions (Scope 3, category 15).

Attestation statement

I can confirm that the disclosures in this report and as relied upon, the main report, comply with the requirements set out in the FCA ESG sourcebook chapter 2.



Tony Lanser

FIL Investment Advisors (UK) Limited (FIA UK)

Introduction

This Climate entity report for FIL Investment Advisors (UK) Limited (FIA UK) aligns with the UK regulatory requirements and with Fidelity's overarching approach as documented in the FIL Limited (The Group, or Fidelity) Climate report, also referred to as the main report. FIA UK is the Fidelity company that provides portfolio management services to certain institutional investors where clients are of United States origin. This report should be read in conjunction with the main report ([please see here](#)). FIA UK 'Product' reporting is available to eligible institutional clients on an on-demand basis. If required, please get in touch with your usual Fidelity contact. FIA UK's approach to climate matters aligns to the Fidelity Group approach.

Alignment of FIA UK to the Group approach

The Board of FIA UK relies on the governance, i.e. the Group structures and committees (described in greater detail [here](#)) to set the strategy and the agenda to manage and oversee climate related risks and opportunities. FIA UK therefore aligns to the broader Group in terms of climate matters. FIA UK does not appoint delegates outside of the Group and therefore there are no material deviations to the Group approach to climate matters.

Material deviations from the Group approach

N/A

Attestation statement

I can confirm that the disclosures in this report and as relied upon, the main report, comply with the requirements set out in the UK FCA ESG sourcebook chapter 2.



Andrew McCaffery

Global regulatory scope

The below local regulatory requirements are factored into the FIL group Climate report.

- Taiwan (Code of Practice for Risk Management of Securities Investment Trust Enterprises incl. Climate Risk) - a local report has been published to ensure compliance with local regulatory obligations. Here is the link for our [Taiwan Climate Report](#).
- Hong Kong (SFC – Circular on Management and Disclosure of climate-related risks) – requirements captured within this Climate Report.
- Singapore (Monetary Authority of Singapore 2020/12 - Guidelines on Environmental Risk Management) – requirements captured within this Climate Report.

Review and scoping exercise to determine 'group' definition

To agree the in-scope entities which define the FIL 'group' (for the context of this report), we completed an assessment of all legal entities, across the complete hierarchy feeding into 'FIL Limited'. Supported by a number of internal functions, as well as internal tools, we worked to categorise all entities into one of the three categories below:

1. Client Investments - legal entities with asset management responsibilities as defined by discretionary investment management authority. Captured within our investments data.
2. Corporate Assets - legal entities associated with our corporate real estate and employees. Captured within our business operations data.
3. Other - legal entities which fall outside the above two categories, due to immateriality or no availability of data, and out of scope of this report.

Whilst the assessment process remains in its infancy, we appreciate that our group definition will be of key importance as we expand our sustainability reporting capabilities and as we work to deliver against future regulations.

Detailed TCFD alignment summary

The following table cross-references the TCFD guidance to the relevant parts of this Climate report:

Table 1 TCFD Summary

Supplementary guidance for asset managers under TCFD is highlighted below.

TCFD Pillars	Recommended Disclosures	Page number for response
Governance	a) Describe the Board’s oversight of climate-related risks and opportunities.	Pages 19-20
	b) Describe management’s role in assessing and managing climate-related risks.	Page 20-22
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Pages 25-30
	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	Pages 25-30
	<p>Supplemental Guidance for Asset Managers</p> <p>Asset managers should describe how climate-related risks and opportunities are factored into relevant products or investment strategies.</p> <p>Asset managers should also describe how each product or investment strategy might be affected by the transition to a low-carbon economy.</p>	Pages 31-35
Risk Management	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 35-38
	a) Describe the organisation’s processes for identifying and assessing climate-related risks.	Pages 39-41
	b) Describe the organisation’s processes for managing climate-related risks.	Business Operations pages 40-41
	<p>Supplemental Guidance for Asset Managers</p> <p>Asset managers should also describe how they identify and assess material climate-related risks for each product or investment strategy. This might include a description of the resources and tools used in the process.</p>	Pages 41-43, pages 32-33 for investment tools / resources to identify and assess risk
	<p>Supplemental Guidance for Asset Managers</p> <p>Asset managers should describe how they manage material climate-related risks for each product or investment strategy</p>	Pages 31-35, Investment risk management pages 42-43
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management.	Page 39, 43
<p>Supplemental Guidance for Asset Managers</p> <p>Asset managers should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers’ ability to assess climate-related risks.</p>	Pages 41-41, Governance of engagement and Engagement Policy pages 20-21, engagement relating to investments pages 32-25	

TCFD Pillars	Recommended Disclosures	Page number for response
Metrics & Targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Business Operations pages 45-47 Investments pages 50-53
	Supplemental Guidance for Asset Managers Asset managers should describe metrics used to assess climate-related risks and opportunities in products or investment strategy, and how these metrics have changed over time.	Business Operations pages 48-49 Investments page 49, 53
	b) Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. Supplemental Guidance for Asset Managers Asset managers should disclose GHG emissions for their assets under management and the WACI, and other climate metrics they believe are useful for decision-making. These should be calculated under PCAF or a comparable methodology.	Business Operations page 47 Investments pages 54-55 Working to align to PCAF
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Summary Metrics & Data page 44 Business Operations page 48 Investments page 56

Appendix 2: Policies

Group Policies

Name	Description	Use cases
Health, Safety and Sustainability Policy	Sets out Fidelity's commitment to health, safety and sustainability within the company and is supported by the Health, Safety and Sustainability Management System. Includes commitments to develop carbon, natural resources and waste data systems to effectively monitor and analyse performance.	This is an important foundation of our ambition to set the right course so that we can reduce the impact on the environment and also evidence it to our investee companies. This covers our operational targets including emissions, water, waste and recycling.
Global Procurement Policy	Sets out Fidelity's commitment to protect the environment and expectations for suppliers to share its commitment by responding to challenges posed by climate change and action to protect the environment.	Suppliers should develop, implement and maintain environmentally responsible business practices. Including expectations in line with the Group's Supplier Code of Conduct.
Supplier Code of Conduct	Sets out Fidelity's expectations of suppliers regarding business conduct, environmental management, labour, diversity and human rights and supply chain management. We require our suppliers to acknowledge adherence to our Supplier Code of Conduct or evidence that their own codes are materially compatible in all key areas. See here for more detail.	Our benchmarking of our suppliers through Ecovadis is about expanding our visibility of our supply chain, and providing an ESG assessment for us to identify laggards and engage with them to improve.
Enterprise Risk Management Policy	Sets out Fidelity's Risk Management policy including the guiding principle and global minimum control requirements for the management of Operational, Strategic, Investment, Financial and ESG risk-types; defines roles and responsibilities of key stakeholders in the ERM Framework; and governance and escalation pathways.	Fidelity's approach to sustainability and ESG risk management is to consistently embed and enhance ESG expectations and ambitions into FIL's strategic planning activities along with associated risk management processes. This enables embedding ESG and climate risks within risk management processes including identification and assessment, management and monitoring of ESG related risks for the organisation.

Name	Description	Use cases
Sustainable Investing Principles	<p>The Sustainable Investing Principles document (SI Principles) aims to set out the guiding principles and minimum requirements for sustainable investing activities across Fidelity SI Principles.</p> <p>Further information on our exclusion policies can be found in our SI Principles document.</p>	<p>The SI Principles start with our Sustainable Investing Beliefs: the foundation of Fidelity’s approach to sustainable investing. The SI Principles build on our beliefs to set out our sustainable investing frameworks, our approach to sustainable client solutions, exclusions, investment stewardship and engagement, the integration of ESG risks and opportunities across our investment management process, and an overview of compliance with regional sustainability regulations.</p> <p>It includes key principles of innovation and best practice, stewardship and social impact recognition throughout the lifecycle of assets ownership.</p>
Climate Investing Framework	<p>The Climate Investing Framework sets out Fidelity’s approach to climate change including initial climate targets across investments and business operations. Our Climate Investing Framework can be found here.</p>	<p>Outlines the net zero plan for integration of climate assessments into analysis and portfolios using the climate rating, and transition engagement of our highest emitters beginning with thermal coal production.</p>
Engagement Policy	<p>Sets out how we undertake stewardship and shareholder engagement across our listed equity and fixed income holdings. Professional investors can find out further information here.</p>	<p>This policy applies to the asset manager and includes the approach to integrating engagement into investment strategy, monitoring investee companies by integrating ESG issues and how we conduct dialogue with investees and exercise our voting rights.</p>
Investment Risk Management Policy	<p>Sets out Fidelity’s approach to identifying, assessing and overseeing investment risks, including climate risk, which may result in material adverse impact on the value of a fund.</p>	<p>Embedding climate risks within the investment risk management framework and ensuring they are measured, managed and mitigated in the same way as the other types of risks such as market, liquidity and counterparty risks, enables FIL to have a clearer view and understanding of the climate factors that might have a negative impact on its investment decisions. The overall impact is that FIL is in a better position to understand these risks and the financial impact they have.</p>
Sustainable Investing Voting Principles and Guidelines	<p>Sets out our approach to engagement and voting to improve sustainability behaviours.</p> <p>Professional investors can find out more here: Voting Principles and Guidelines.</p>	<p>We believe that exercising our ownership rights by voting at company meetings is a fundamental responsibility of shareholders. Voting is a key tool for investors to improve client returns, improve sustainable business behaviour and advance our purpose to build better financial futures.</p>



Appendix 3: Data Sources

We rely on the following data vendors to provide:

- ISS for reported and estimated emissions for public equities, corporate debt and sovereigns, Weighted Average Carbon Intensity (WACI), climate targets of companies, and Implied Temperature.
- MSCI for Climate Value at Risk

Appendix 4: Climate-Related Organisations

We support or engage with a range of climate change and nature-related initiatives. We are also members of organisations that work towards net zero. These are some examples:

Association Name	Association Category	Joined/engaged
Asia Investor Group on Climate Change (AIGCC)	Industry Association	2020
Asia Securities Industry and Financial Markets Association (ASIFMA)	Industry Association	2015
CDP (formerly Carbon Disclosure Project)	Membership – Voluntary Organisation	2019
Climate Bonds Initiative (CBI)	Membership – Investment Coalition	2019
EUROSIF	Industry Association	2017
European Public Real Estate Association (EPRA)	Industry Association	2023
Farm Animal Investment Risk and Return (FAIRR)	Membership – Investment Coalition	2020
Finance for Biodiversity Pledge	Signatory	2021
Glasgow Financial Alliance for Net Zero (GFANZ)	Membership – Financial Services Coalition	2021
Global Standard on Responsible Corporate Climate Lobbying	Membership – Investment Coalition	2022
Hong Kong Green Finance Association (HKGFA)	Industry Association	2020
Hong Kong Principles of Responsible Ownership (Stewardship code)	Signatory	2017
Green Finance Industry Taskforce Singapore	Membership – Financial Services Coalition	2020
Institutional Investors Group on Climate Change (IIGCC)	Industry Association	2020
Green Praxis biodiversity measurement	Research Project	2022
Investment Association (IA)	FIL and ESG primary contacts are responsible for sustainability matters covered by the IA.	2010

Association Name	Association Category	Joined/engaged
IFRS Sustainability Alliance (formerly known as SASB Alliance)	Standard Setter	2020
Investor Group on Climate Change (IGCC)	Membership – Investment Coalition	2021
Japanese Stewardship Code	Signatory	2014
UK Stewardship Code (FRC – Financial Reporting Council)	Standard Setter	2010
Taiwan Stock Exchange’s Stewardship Principles for Institutional Investors	Signatory	2016
Natural Capital Investment Alliance (part of Sustainable Markets Initiative)	Signatory	2021
Net Zero Asset Managers initiative (NZAMI) (led by IIGCC)	Membership – Investment Coalition	2020
One Planet Asset Manager initiative (OPAM) [One Planet Sovereign Wealth Fund (OPSWF)]	Membership – Investment Coalition	2021
Partnership for Carbon Accounting Financials (PCAF)	Standard Setter	2022
Point Zero Carbon Programme	Membership – Financial Services Coalition	2022
Powering Past Coal Alliance	Membership – Investment Coalition	2021
Principles for Responsible Investment (PRI)	Signatory	2012
UK Sustainable Investment and Finance Association (UKSIF)	Industry Association	2010
Taskforce on Nature-related Financial Disclosures (TNFD)	Standard Setter	2021
Transition Pathway Initiative (TPI)	Standard Setter	2021
UNFCCC – Signatory to COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation/ Initiative re-named to Forest Sector Deforestation Action FSDA	Signatory	2021
World Benchmarking Alliance	Standard Setter	2020

Glossary

Active ownership - A form of stewardship whereby shareholder power is used to influence corporate behaviour through direct corporate engagement, filing or co-filing shareholder proposals and proxy voting. This is typically guided by comprehensive guidelines.

Biodiversity - The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Business operations - All business operations that support the FIL Limited group. Business operations typically comprise office-based activities, including; business travel, working with clients and attending off-site meetings.

Carbon emissions - The total measurement of an individual's or entity's greenhouse gas emissions, converted into a single CO₂e equivalent number.

Carbon footprint - A measure of the total amount of greenhouse gasses – 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 CO₂e / US\$M revenue.

Carbon pricing - The cost applied to carbon pollution in order to encourage polluters to lower the amount of greenhouse gases they emit into the atmosphere. This cost may be levied in the form of a carbon tax or through the requirement to purchase a permit through the 'cap-and-trade' system.

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). This category is applicable to investors and companies that provide financial services.

CIO - Chief Investment Officer

Climate change - A term commonly used to describe significant changes in the measures of climate, such as temperature, rainfall, or wind, that last for an extended period of time.

Climate risks - Risks linked to climate change that have the potential to affect individuals, companies, industries and wider economies. As well as physical risks, these include potential regulatory action, litigation and competitive and reputational risks that can be associated with climate change.

Climate scenarios - Plausible climate futures, taking into account increasing atmospheric concentrations of greenhouse gases.

Climate targets - A measurable long term commitment for climate policy with the aim of limiting climate change.

CO₂e - Carbon dioxide or equivalent. Greenhouse gas emissions don't just come from carbon dioxide. They can also come from methane, nitrous oxide, ozone or water vapour. Carbon dioxide equivalent – all gases, not just CO₂e that cause global warming. CO₂e is the most common greenhouse gas, but GHG emissions can also come from methane, nitrous oxide, ozone and water vapour.

Climate Transition Plan - A plan which sets out how an organisation will aim to transition its business to the low carbon economy, aiming to align its operations, assets, portfolio and business model to meet Net Zero.

CVAR - Climate Value at risk. This is an output produced by combining a number of complex models together into one, incorporating modelling of climate science, economics, technology and company financials. These attempt to quantify the future climate impacts on the value of an investment as a result of climate change under a given climate scenario.

Decarbonisation - The removal or reduction of carbon dioxide output into the atmosphere.

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

Electricity Market-Based Methodology - Electricity consumed by company and the carbon intensity specific to the supplier (incorporating the renewable electricity they have purchased).

Engagement - The active ongoing process of constructive dialogue with an issuer during which changes may be sought in relation to that issuer. This can involve frequent and lengthy dialogue with representatives of the company.

Enterprise Value - Includes market value of equity, plus debt, preferred equity and unfunded pension liabilities, minus the value of associate companies and cash. Enterprise Value Including Cash (EVIC) is Enterprise Value but including cash.

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

Environmental, Social and Governance (ESG) - ESG is used as shorthand for a range of factors considered by companies, investors, public sector and other organisations in a wide range of decision-making processes and situations including, but not limited to, strategy, purpose financing, issuer reporting and supply chain management. By way of illustration, environmental factors include climate change, resource depletion, waste, pollution and deforestation. Social factors include human rights, modern slavery, child labour, working conditions and employee relations. Corporate governance factors include bribery and corruption, executive pay, board diversity and structure, political lobbying/donations and tax strategy.

Exclusions - Exclusions prohibit certain investments from a firm, fund or portfolio. They may be applied on a variety of issues, including to align with client expectations, and at different levels (sector; business activity, products or revenue stream; company; jurisdictions/countries).

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

FIL Limited - A privately-owned company incorporated under the laws of Bermuda.

FIL Limited Group - Are subsidiaries of FIL Limited group.

Financed Emissions - Greenhouse gas emissions that occur as a result of financing, including lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol.

Funds - A pool of money from a group of investors in order to buy securities and other assets. This includes publicly available funds, and segregated mandates for specific clients.

GDP - Gross Domestic Product

GHG - Greenhouse Gases are gases that contribute to global warming. They get their name because they trap heat and energy from the sun, just like a glass greenhouse.

GHG Inventory Boundaries - Identifies the gases, emissions sources, geographic area and time span. It is designed to provide an entity with comprehensive understanding of where emissions are coming from as well as an indication of where it can take action, or influence change.

GHG Protocol Corporate Accounting and Reporting Standard - Standard which provides requirements and guidance for companies and other organizations preparing a GHG emissions inventory.

Investee company - Any company or other entity in which a member of the group has made an investment and which forms part of the investment portfolio of the group.

Investments - An asset or item acquired with the goal of generating income or appreciation.

IPCC - Intergovernmental Panel on Climate Change. This is the United Nations body for assessing the science related to climate change.

ISO 14001 - ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001 is maintained by the International Organization for Standardization (ISO).

Implied Temperature Rise (ITR) - An intuitive, forward-looking metric, expressed in °C (degrees Celsius), designed to show the temperature alignment of companies, portfolios and funds with global temperature goals. Investors can use ITR to set decarbonization targets and support engagement on climate risk.

Just Transition - A process of transition from a high-carbon to a low carbon economy using a set of principles, processes and practices designed to ensure that no people, workers, places, sectors, countries or regions are left behind in that transition.

Network for Greening of the Financial System (NGFS)

- A group of Central Banks and Supervisors willing, on a voluntary basis, to share best practices and contribute to the development of environment and climate risk management in the financial sector and to mobilise mainstream finance to support the transition toward a sustainable economy.

The Net Zero Asset Managers Initiative (NZAMI) - An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

Net zero - Achieving an overall balance between emissions (greenhouse gases) produced and those taken out of the atmosphere.

Net zero commitment - Organisations that have pledged to reduce the sum of their greenhouse gas emissions to 'net zero'.

Paris Agreement - The international treaty that came into force in November 2016. The agreement is to limit the global rise in temperature from pre-industrial levels to below 2°C this century, and ideally below 1.5°C.

PCAF (Partnership for Carbon Accounting Financials) - Global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.

Private Credit / Private Lending - Debt or loan agreements/investments that are transacted through a process of negotiation and contract between a private buyer and seller.

Public Markets - Financial markets where investments are traded on exchanges and easily invested in by the public.

Purchasing Power Parity - The rates of currency conversion that equalise the purchasing power of different currencies but eliminating the differences in price levels between countries.

Real Estate Investment - The practice of purchasing property as an investment, in order to generate income.

REMIND - is a global multi-regional model incorporating the economy, the climate system and a detailed representation of the energy sector. It has been developed by the Potsdam Institute for Climate Impact research.

Renewable energy - Energy from a source that is not depleted, such as solar, wind and wave power.

Responsible investing - Commonly used to describe a range of ESG investing strategies, such as ethical, exclusionary, impact, socially-responsible investing and ESG integration.

Risk Tolerance - The level of risk an entity is willing to assume in order to achieve a potential desired result.

Scope 1, 2 & 3 Emissions - Greenhouse gas emissions are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions e.g. use of natural gas, company car vehicle emissions. Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating. Scope 3 includes indirect emissions within a company's value chain sometimes referred to as upstream and downstream emissions. There are 15 categories of e.g. business travel and Investments (number 15).

Sustainable Finance Disclosure Regulation (SFDR) - An EU regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.

Sustainable Investing - An investment in an economic activity that supports or contributes environmental or social objective.

Stewardship - A broad term which refers to the use of influence by an active institutional investor seeking to maximise and preserve value including, but not limited to, overall long-term value for the benefit and in the best interests of clients and beneficiaries.

Taskforce on Climate-Related Financial Disclosures (TCFD) - Created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

Taskforce on Nature-related Financial Disclosures (TNFD) - The Financial Stability Board created the TNFD to develop a risk management disclosure framework to enable decision useful nature-related reporting. The TNFD will build upon the structure and foundation of the TCFD. The TNFD was announced in 2020 and its requirements are under development.

m tCO₂e - Million tonnes of carbon dioxide equivalent. Every gas (not just carbon dioxide) that causes global warming is measured in metric tonnes.

Thematic Engagement - Engagements intended to accelerate progress on priority ESG issues affecting multiple companies in which we have current or potential investment interests. Each theme is underpinned by specific objectives and milestones that are tracked over time.

Transition Plan Taskforce - A taskforce working to establish best practice for firm-level transition plans and develop guidance and a set of templates setting out both generic and sector-specific disclosures and metrics.

United Nations (UN) - A diplomatic and political international organization whose stated purposes are to maintain international peace and security, develop friendly relations among nations, achieve international cooperation, and serve as a centre for harmonizing the actions of nations.

Voting principles - Exercising voting rights is a fundamental responsibility for shareholders and a key tool to support improved returns, sustainable business behaviours and to build better financial futures. Our aim is to encourage positive change at our investee companies through engagement and voting.



Cautionary statement

This report, and its information, should be treated with special caution, as it requires a significant amount of data, methodologies, assumptions, judgements and estimations to be made at a given point in time.

Our understanding of climate change effects, data, metrics and methodologies and its impact continue to evolve. Indeed, there are no clear market standards and these standards, as well as regulations, are evolving. This may lead to large scale revisions of reported data, targets and make them incomparable to previous reports on a like-for-like basis.

Judgements are made on, but not limited to, finance carbon emissions, business operations emissions and scenario analysis. Our statements on materiality rely upon a greater number of assumptions and estimates than those in financial reporting. The quality of data relied upon to produce climate-related information is not of comparable quality to that of financial reporting. Where a judgement has been exercised, the estimates or assumptions used may subsequently turn out to be incorrect. The longer time horizon of certain information make the assessment of materiality inherently uncertain.

A significant amount of forward-looking statements are included in this report, such as, but not limited to:

- the government policies being implemented in a timely manner in accordance with climate treaties, such as the Paris Agreement;
- the climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets);
- the climate scenario analysis and its underlying model being used;
- the environmental, social and geopolitical risks;
- the Group's commitment to continue to deliver good customer outcomes;

- the Group's ability with government and other stakeholders to manage and mitigate the impacts of climate change effectively; and
- the Group's transition plan.

Such forward-looking statements and other financial and/or statistical data involve risk and uncertainty, because they relate to future events and circumstances that are beyond the Group's control. Therefore, they should not be regarded as complete and comprehensive.

In order to produce this report, we relied upon external climate data providers, their climate and financial related sources, methodologies, and modelling (specifically including scenario modelling). Each of these are subject to ongoing modifications beyond our control. These models can be highly sensitive to and affected by the assumptions and a wide range of factors including process followed and the quality of the data being used. As such, these will affect the accuracy and may heavily influence the outputs.

As the worldwide understanding of climate change effects, data, metrics and methodologies and its impact continues to evolve, the Group's materiality assessment and transition plan will continue to evolve, as does the ability to analyse and report information on climate. As a result, we expect that certain climate disclosures made in this report are likely to amended, be updated, recalculated or restated in the future.

Given the limitations mentioned above, the outcomes may be materially different to our forward-looking statements and targets.

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