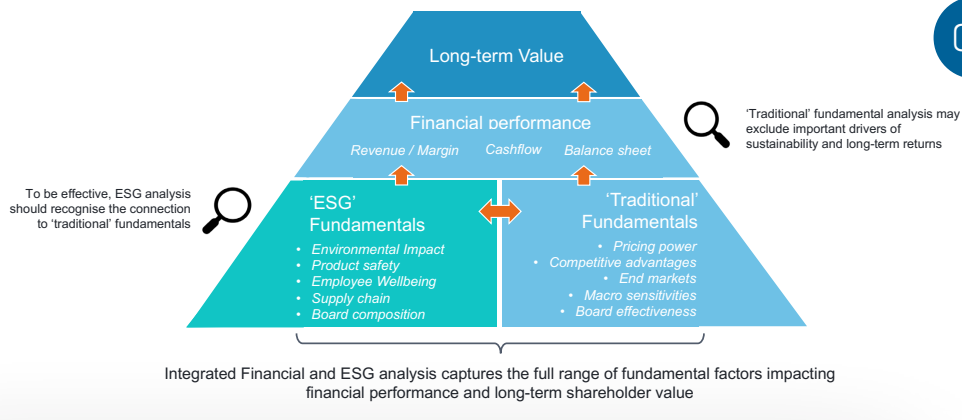


ESG and Sustainable Investing at Fidelity

Why integrate ESG?

ESG as a dimension of fundamental analysis



01

What we believe in

<p>Enhance investment returns</p> <ul style="list-style-type: none"> Incorporating ESG issues in our bottom up research leads to more complete analysis and better informed investment decisions Encouraging management teams to raise standards of sustainability leads to more robust and resilient business models and behaviours 	<p>Integrate non-financial objectives</p> <ul style="list-style-type: none"> Seek to understand, measure and target the non-financial outcomes of our financial decisions Participate and promote the creation of industry frameworks and measurements aimed at contribution of businesses to environmental and societal transitions 	<p>Apply local context</p> <ul style="list-style-type: none"> Understand and apply ESG in the context of the local market and objectives of local regulators and policy-makers Interpret ESG from a bottom up issuer perspective, recognising differences in materiality of factors between industries, geographies and business models 	<p>Engagement and collaboration</p> <ul style="list-style-type: none"> Prefer engagement over exclusion as a means of promoting and transitioning to more sustainable forms of production and consumption Collaborate with clients, peers and civil society organisations to maximise influence and leverage positive outcomes
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02

Which leads to our approach

<p>Integration across asset classes</p>	<p>Corporate and regulatory engagement</p>	<p>Industry collaboration</p>
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03

Top 3 ESG trends for 2021

06



Building Back Greener
(restoring our natural ecosystems)

- Climate change will return to the top of the political agenda in 2021
- Climate change and biodiversity loss are systemic risks for society and investors
- Investors must price natural capital and nature based risks correctly



Building Back Stronger
(narrowing the social divide)

- The pandemic has disproportionately impacted the vulnerable and widened structural inequality in society
- Employee welfare and supply chain management have become critical success factors for companies



Building Back Inclusively
(focusing on digital ethics)

- Digital inclusion: more than 50% of the world has no access to the internet
- Digital ethics: data privacy, cybersecurity, online welfare, the spread of mis-information and ethical AI design in technology platforms

Fidelity Sustainability Ratings

Built using our fundamental platform

05



Why our own ratings?

-  Does not solely rely on public disclosures
-  More forward looking
-  Fundamental analysis
-  Allows fuller coverage

How we make them

-  Collaborative input across 180 equity and fixed income analysts
-  Rated relative to peer group on a standardised scale
-  Forward looking assessment of a company's ESG trajectory
-  Quantify impact on valuation

Ranked A-E	99 Sub-sectors	5-8 KPIs each
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Fidelity's Sustainable Investing Approach

04



ESG ratings and associated company reports

These are included on Fidelity’s centralised research management system; each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company’s business or its reputation.

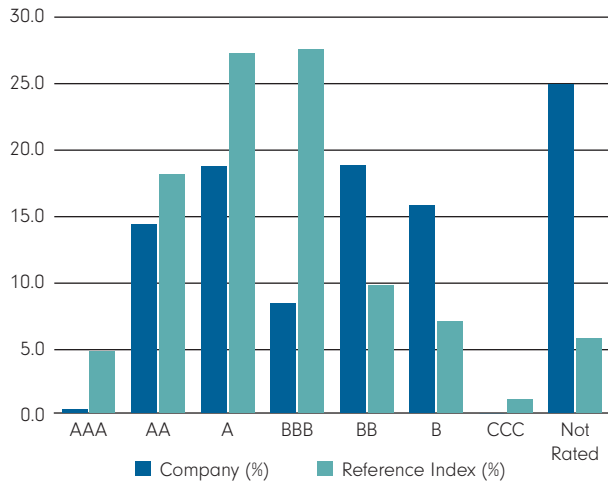
ESG and Carbon Emissions Assessment

Japanese companies are often perceived by overseas investors as commercially successful, but lagging international peers on environmental, social and governance factors. That perception no longer matches the reality in several areas. For example, Japan now has the largest number of TCFD (Task Force on

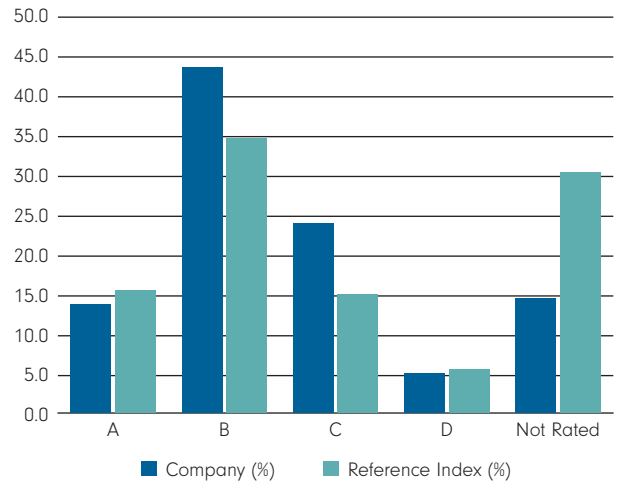
Climate-related Financial Disclosures) supporters and CDP (Carbon Disclosure Project) A-rated companies in the world. Greater disclosure can therefore be expected by companies on plans to tackle climate change in the future. The Japanese GPIF (Government Pension Investment Fund) also reports that Japanese companies have more technological know-how which will allow them to adapt to climate change better than those in other countries, based on analysis of the patents they hold.

The first two charts below show a breakdown of the underlying stocks in the Company’s portfolio using MSCI and Fidelity’s own ESG ratings. It is encouraging that more than 85% of the portfolio (as shown in the right hand chart) is covered by Fidelity compared with 75% covered by MSCI (as shown in the left hand chart). As disclosure improves, the efforts of Japanese companies to address ESG concerns are likely to become more widely recognised, leading to higher ESG scores and more investor capital.

MSCI ESG rating distribution by holdings



Fidelity’s Proprietary ESG rating distribution by holdings



Fidelity’s ESG methodology is described in the following pages.

The chart below demonstrates that the Company’s portfolio has a significantly lower carbon footprint than that of the Reference Index.

Carbon footprint

