

Fidelity Investment Funds

Fidelity Special Situations Fund

Task Force on Climate-Related Financial Disclosure

30 June 2023 Product Level Report

Introduction

As the world works towards transitioning to a sustainable economic system, Fidelity's longstanding commitment to outcome-based investing continues as we transition the funds and portfolios we manage for the benefit of our key stakeholders: clients, employees, and the broader society in which we operate.

This TCFD product report aligns with the UK regulatory requirements and with Fidelity's overarching approach as documented in the FIL Limited (The Group, or Fidelity) [TCFD Report](#) including the FIL Investment Services (UK) Limited (FISL) specific disclosures. FISL is the Fidelity company responsible for the management of this fund. This report aims to provide you with more information on the emissions generated by the companies, or issuers, held by the fund together with further information about how the fund is operated. For a more complete understanding, this report should be read in conjunction with our Group TCFD Report.

This fund's approach to governance, strategy and risk management does not materially deviate from Fidelity's overarching approach as documented in the Group TCFD report. As such, this fund's approach follows that of the wider organisation and can be reviewed in the entity report, alongside an overview below.

1. Climate Metrics

| Indicator | Unit | 31 December 2022 |
|--|-----------------------------|-----------------------------|
| Scope 1 and 2 greenhouse gas emissions | tCO ₂ e | 183,710 |
| Scope 3 greenhouse gas emissions | tCO ₂ e | 2,810,134 |
| Total carbon emissions | tCO ₂ e | 2,993,844 |
| Total carbon footprint | tCO ₂ e/invested | 776 |
| Weighted average carbon intensity | tCO ₂ e/revenue | 954 |
| Climate Warming scenario: Implied Temperature Rise Range | °C | Between 1.5 and 2.7 degrees |

How the metrics should be interpreted

To carbon footprint any Fidelity fund, or a company or issuer held within a fund, we aim to fully align with the Partnership for Carbon Accounting Financials (PCAF) standard. To achieve this, we are using data from our primary climate data provider, Institutional Shareholder Services (ISS). To calculate the carbon footprint of a fund, we measure the emissions financed by a fund, i.e. a claim on how much of a company's, or issuer's, emitted carbon could be attributed to financing provided by the fund's investment.

We also measure what level of emissions, on average, are generated per a unit of a company's, or issuer's, revenue - this gives a number less sensitive to business performance fluctuations. All of the funds are footprinted daily on Carbon Footprint and Weighted Average Carbon Intensity - scopes 1, 2, and 3. This carbon footprinting approach will use Adjusted Enterprise Value (a measure of a company's total value, adjusted for debt) as the denominator for both equity and fixed income funds.

The table below is a guide to help understand the terms used:

| Metric | Usage | Description |
|--|--|--|
| Scope 1 Greenhouse Gas (GHG) emissions | Measuring direct GHG emissions | Emissions that occur from sources owned or controlled by the reporting issuer (i.e. a company/issuer held by the fund), i.e., emissions from owned or controlled boilers, furnaces, vehicles, etc. |
| Scope 2 Greenhouse Gas (GHG) emissions | Measuring indirect GHG emissions | Emissions from the company/ issuer's generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated. Traditionally this is calculated alongside Scope 1 at a fund level, using the proportion of total Scope 2 emissions by amount invested. |
| Scope 3 Greenhouse Gas (GHG) emissions | Measuring all other indirect GHG emissions (not included in Scope 2) | Emissions (not included in Scope 2) that occur in the value chain of the reporting issuer. Scope 3 can be broken down into upstream emissions and downstream emissions. Upstream emissions include all emissions that occur in the life cycle of a material/product/service up to the point of sale by the producer or service provider, such as from the production or extraction of purchased materials. Downstream emissions include all emissions that occur as a consequence of the distribution, storage, use, and end-of-life treatment of the organisation's products or services. |
| Total carbon emissions | Measuring a fund's total carbon footprint | Absolute GHG emissions associated with a fund - aggregated company / issuer emissions as a proportion of their total based on the fund's holding. This is usually expressed in metric tonnes of CO ₂ e (carbon dioxide equivalent). |
| Carbon footprint calculations | This is used for a variety of demands, including, client requests, regulatory disclosures, used in portfolio construction, and investment research analysis. | Carbon footprint acts as the main indicator of the portfolio's emissions, portfolio's total carbon emissions as emitted entity - a corporate, a government, or a project. Consequently, it enables reporting, target setting, climate action, and scenario analysis. Carbon footprint, at portfolio level, is expressed in tonnes CO ₂ e per US\$ million invested. |
| Weighted Average Carbon Intensity (WACI) | Measuring a fund's exposure to carbon-intensive companies | This measures a fund's exposure to carbon-intensive companies. An investment's emissions are allocated based on its weight within the fund, i.e. the value of the investment relative to the fund's value (at the time of the calculation). A fund's exposure to carbon-intensive companies is expressed in tonnes CO ₂ e per US\$ million in revenues. |
| Implied Temperature Rise Range | The Implied Temperature Rise metric provides an indication of how companies and investment funds align to global climate targets. | A fund'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. Each company/issuer (invested into by the fund) is assessed for their potential emissions versus a budget allocated by sector and market share. This difference results in an estimated temperature which is then aggregated on a fund level. |

Gaps in the underlying data and how FIL is addressing these

For climate-related data, Fidelity works with multiple data providers to try and cover as much as the invested universe (of companies and issuers) as possible. Our core provider, Institutional Shareholder Services Inc. (ISS), has one of the widest coverages of emissions data available in the market, but data gaps do exist due to reasons such as: asset class (e.g. currencies) and lack of disclosure (such as for smaller companies) or challenges involving certain types of derivatives. ISS uses a detailed estimation methodology where possible, but some data gaps remain which we work alongside the data providers to try and minimise. Once raw data is provided (e.g. from ISS), 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 our data aggregation processes and minimise any potential gaps. Further information is available in Fidelity's Group TCFD report.

For this fund we have determined a sufficient level of data coverage for the fund's investments is available in order to provide the key metrics above.

2. Governance

The Board of FIL Investment Services (UK) Limited (FISL) relies on FIL Group structures and committees to set the direction and the agenda to manage and oversee climate related risks and opportunities.

The Sustainable Investing Operating Committee (SIOC) was established by the FIL group to drive our climate agenda through our investment and corporate strategies. More detail relating to this committee can be found in Fidelity's Group TCFD Report.

The investment strategy for this fund is managed within the FIL Group. Therefore, any governance arrangements align with the approach outlined in our Group TCFD report.

3. Strategy

Fidelity is developing its suite of products and services to align to its climate goals and commitments. This fund is considered as part of this overall developmental process.

The fund's approach follows that of the wider organisation and can be reviewed in Fidelity's Group TCFD Report.

4. Risk Management

The investment strategy for this fund is managed within the FIL Group and therefore risk management for this fund is aligned with FIL's wider approach, which is further explained in Fidelity's Group TCFD Report and is summarised below.

5. How climate change is likely to impact this fund

Efforts to address the emissions responsible for climate change and its physical impacts pose potential 'transitional' and 'physical' risks and opportunities for every investment type. Transitional factors may include the introduction of new policies, regulations or technologies, while physical factors might include changes to climate patterns, rising sea levels, or severe weather events.

We have provided commentary below as to how we believe this fund, based on its exposure to investment sectors* that are likely to have a material climate change impact, might be affected by the following climate scenarios, as devised by the Network for Greening the Financial System (NGFS). It is likely that our views will evolve over time.

'Hothouse world' scenarios assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise.

'Disorderly transition' scenarios assume climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 2 degrees Celsius on pre-industrial averages.

'Orderly transition' scenarios assume climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages.

*Generally we have provided scenario analysis commentary where sector exposure is greater than 10%, however for funds that are very well diversified (by sector) we may provide commentary where exposure is below this level.

Energy

To limit warming to 1.5oC will require rapid changes to the global energy system including a reduction in fossil fuel-based energy sources and substitution towards low- and zero-carbon energy sources. The transition will introduce complex operational and policy risks as companies in the sector balance downward pressure on demand, lower prices, and

stranded asset risk for traditional fossil fuel assets, with diversifying revenue through investments in low and zero carbon energy sources. Companies with a low cost of production and shorter asset life will be better placed to navigate the transition.

Under a 'hothouse world' scenario, the use of fossil fuel energy sources will be phased out more gradually resulting in lower policy risks and more resilient demand and cash-flows from legacy fossil fuel assets. However, physical risk could be a significant source of economic disruption and adversely impact the resilience of value chains or demand.

Under a 'disorderly transition' companies could face material stranded asset, and business disruption risks from a rapid shift in policy setting. Companies would also likely find it more challenging to rapidly pivot operations towards low or zero carbon energy solutions and physical risks from climate change will increase from historical levels.

An 'orderly transition' would likely result in a more immediate impact on demand for traditional fossil fuels, but provide greater policy certainty for companies in the sector, which would help encourage investment in low or zero carbon energy solutions and could potentially lower stranded asset risk.

Important information

This information must not be reproduced or circulated without prior permission.

Fidelity only offers information on products and services and does not provide investment advice based on individual circumstances, other than when specifically stipulated by an appropriately authorised firm, in a formal communication with the client.

Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America. This communication is not directed at, and must not be acted upon by persons inside the United States and is otherwise only directed at persons residing in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

Unless otherwise stated all products and services are provided by Fidelity International, and all views expressed are those of Fidelity International. Fidelity, Fidelity International, the Fidelity International logo and F symbol are registered trademarks of FIL Limited.

UK Funds: The Key Investor Information Document (KIID) is available in English and can be obtained from our website at www.fidelityinternational.com. The Prospectus may also be obtained from Fidelity. Fidelity Investment Funds, Fidelity Investment Funds 2, Fidelity Investment Funds III, Fidelity Investment Funds IV and Fidelity Investment Funds IX are open-ended investment companies (OEICs) with variable capital, incorporated in England and Wales, being authorised and regulated by the Financial Conduct Authority. The Authorised Corporate Director of these OEICs is FIL Investment Services (UK) Limited.

Certain Information ©2023 MSCI ESG Research LLC. Reproduced by permission; no further distribution. Although Fidelity International's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Carbon Data Source: Data provided by ISS ESG. All rights in the information provided by Institutional Shareholder Services Inc. and its affiliates (ISS) reside with ISS and/or its licensors. ISS makes no express or implied warranties of any kind and shall have no liability for any errors, omissions or interruptions in or in connection with any data provided by ISS.

Issued by FIL Investment Services (UK) Limited, a firm authorised and regulated by the Financial Conduct Authority.