Fidelity Investment Funds

Fidelity Sustainable UK Aggregate Bond 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	tCO2e	22,860
Scope 3 greenhouse gas emissions	tCO2e	197,691
Total carbon emissions	tCO2e	220,551
Total carbon footprint	tCO2e/invested	146
Weighted average carbon intensity	tCO2e/revenue	269
Climate Warming scenario: Implied Temperature Rise Range	°C	Between 1.5 and 2.7 degrees

Sovereigns Bond Metrics

Indicator	Unit	31 December 2022
Scope 1 and 2 greenhouse gas emissions	Mm t CO2	85,869.43
Scope 3 greenhouse gas emissions	T CO2 /$ mn invested	57.03
Total carbon emissions	T CO2 /$ mn GDP	57.03

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.

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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. The sovereign bond (or government bond) holdings are footprinted on a periodical basis.

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.

For sovereign bond emissions, we are using only production emissions and a country's Gross Domestic Product (GDP) in US Dollars from ISS and the United Nations Framework Convention on Climate Change (UNFCCC). We have disclosed sovereign bond emissions separately due to inherent differences in the meaning and the calculation methodology of carbon emissions within the context of a country. Sovereign (a country's) emissions tend to be significantly higher than that of any individual company. In addition, the denominator for sovereign emissions' carbon intensity is GDP, rather than revenue. We are of the view that combining data would not be a clear representation of emissions at a fund level, and have therefore shown sovereign bond metrics separately in the above table.

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 CO2e (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 CO2e 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 CO2e per US$ million in revenues.

Metric	Usage	Description
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.
Production emissions	Measuring sovereign bond financed emissions	Production emissions are calculated based on production of goods and services in each country, i.e. they include the direct emissions of tCO2e emitted within the country's borders.

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 though 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.

Utilities

Power generation alone contributes c.XX% of global greenhouse gas emissions, and electrification could be a key enabler of decarbonising many industrial processes and land-based transportation. While participating in the transition could provide opportunities, sector participants will likely face significant policy driven transition risk including the need to upgrade existing infrastructure to facilitate new solutions (including potential adoption of hydrogen gas), and to balance meeting targeted power generation capacity, reliability and carbon intensity requirements.

Given the transformational requirements facing the sector, under certain scenarios industry participants could face impairment to the value of assets due to shortened useful asset lives, or the need for material capital investment to remain operational, or a need to adopt new solutions (Carbon Capture Use and Storage (CCUS), or blending of low or zero carbon fuels with traditional assets). The sector is exposed to physical risks from extreme weather events, but also operational reliability and resilience. The sector is very water intensive (used for cooling), which represents a potential risk to asset utilisation as the physical impacts of climate change become more severe.

Under a ‘hothouse world’ scenario, increased frequency and severity of extreme weather events will result in elevated risks to critical infrastructure, and in certain geographies increased water scarcity could place operational resilience of power generation assets at risk. Capital expenditure for adaptation may weigh on returns on capital. However, the regulated nature of some activities in the sector (power transmission infrastructure, water and gas utilities etc.) may provide scope for at least partial recovery of higher costs.

Given the long-term nature of assets and infrastructure, a ‘disorderly transition’ could result in significant risks to values of existing assets, require material and rapid deployment of capital to instigate solutions, which are likely to weigh on profitability and return on capital. However, companies providing renewable power generation or low carbon solutions, could see a rapid uplift in demand and policy support to scale their operations.

An ‘orderly transition’ will require adoption and scaling of low and zero carbon solutions and an upgrading of existing transmission and distribution infrastructure to facilitate the change. This will present significant opportunities for companies that are producing the solutions, but also present policy risks for incumbents with carbon intensive assets. The impacts will likely be more pronounced in emerging markets as both the need for incremental power generation (or service capacity) and current carbon intensity are greater. However, policy certainty and a more gradual decarbonisation

pathway (relative to a disorderly transition scenario) will provide more scope for innovative technology and financing solutions.

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