

FIDELITY SUSTAINABLE EMERGING MARKETS EQUITY FUND - STOCK SELECTION PROCESS

Important Information:

The value of investments can go down as well as up so you may get back less than you invest.

The Portfolio Managers focus on companies which maintain strong environmental, social and governance (“ESG”) credentials. This may result in a return that could, at times, compare less favourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security’s ESG credentials can change over time.

Our aims

The fund aims to provide long-term capital growth with the potential to increase the value of your investment by investing in global emerging markets equities (and their related securities), which maintain sustainable characteristics.

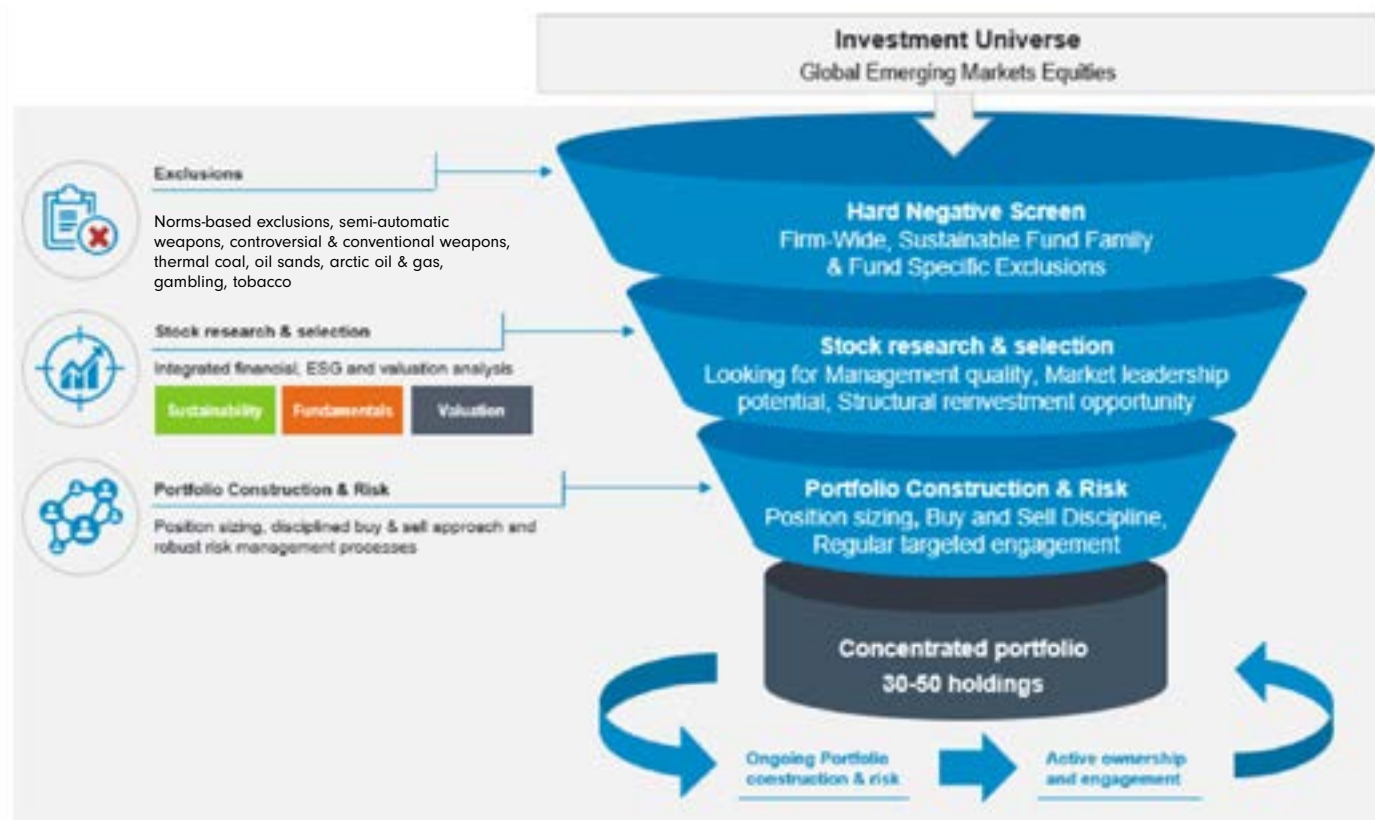
The fund adheres to the Fidelity Sustainable Family framework under which at least 70% of the fund’s net assets will be invested in issuers deemed to maintain sustainable characteristics. The fund will also have the ability to hold up to 30% in lower ESG-rated stocks, so long as we believe there is an improving ESG outlook, as flagged by our proprietary ESG research, which can be aided by our engagement.

Although sustainability factors are a key feature of the investment process, the bottom-up stock selection investment approach is the main driver of returns, making use of Fidelity’s extensive global research expertise to identify quality opportunities in the market.

A summary of our investment approach is set out below.

Fidelity Sustainable Emerging Markets Equity Fund: framework

Focus on delivering sustainable long-term returns



Source: Fidelity International, 2021. For illustrative purposes only. Opportunity set shown is representative of typical criteria but may change from time to time in order to ensure desired investment characteristics are achieved in line with the fund's investment objective as stated in the prospectus.

Stock selection process

The Portfolio Managers rely on a combination of Fidelity's research, third-party research, inputs from quantitative screens and company meetings to help narrow the universe. Only stocks which satisfy the investment philosophy and have the potential to meet the minimum acceptable rate of return are considered for further analysis.

The Portfolio Managers use bottom-up fundamental analysis to select companies in terms of quality, growth, returns and ESG practices. Sustainable investing is core to the team's quality-focused and fundamentals-driven investment process. They strongly believe that strong ESG practices will over time lead to lower cost of capital and higher returns for a company versus its competitors with weak ESG practices. Consumers are increasingly becoming conscious of a company's social and environmental practices and over time this will reflect in their brand leadership and market share.

Risk Management

The resultant portfolio will have 30 to 50 holdings representing the Portfolio Managers' conviction.

Positions are primarily sized from 1-4% driven by risk-reward to target price, but can go up to +/-8% relative to index in case of large index names. The aim is to keep the stock specific risks in the portfolio well diversified as proportionally large mistakes are difficult to compensate. No stock (regardless of index weight) will be purchased if it doesn't offer adequate return potential.

Annual turnover of stocks in the portfolio is expected to be 20% - 40%, with a target holding period of between 2-5 years.

The Portfolio Managers continuously review the reasons for holding stocks in the portfolio and price targets, and adherence to investment guidelines as well as the ESG characteristics of holdings within the fund. They aim to ensure that the portfolio is well diversified and can deliver returns across different market backdrops.

Engagement & Active Ownership

We undertake active ownership and engagement with all companies held within the fund to influence change and agree on milestones and timelines. We gain enhanced, holistic, corporate insights which influence investment analysis and the proxy voting process.

Our proprietary sustainability ratings

Fidelity Sustainability Ratings is a proprietary rating system developed by Fidelity's research analysts to assess individual issuers*. Those ratings score issuers on an A-E scale on sector-specific factors and a trajectory forecast based on an assessment of expected change of an issuer's sustainability characteristics over time. Such ratings are based on fundamental bottom-up research and materiality assessment using criteria specific to the industry of each issuer relevant to material ESG issues (the 'Fidelity Sustainability Rating'). Fidelity's Sustainability Ratings system will rate various types of fixed income securities including securitised assets. For securitised assets, as well as assessing the issuer, Fidelity may assess the sustainable characteristics of entities (such as the originator) to help finalise our sustainability view and ESG rating. Please see footnote for more information on Fidelity's Sustainability Rating process for securitised assets**.

While Fidelity has its own proprietary ESG ratings, we also look at MSCI ESG Ratings to assess the sustainability credentials of issuers in order to get an external and holistic view. We also understand that these ratings are widely available to end investors thus offering a credible third-party overview of our holdings.

*The Fidelity Sustainability Ratings were launched in June 2019. As at 30 September 2022, they cover a universe of c. 4,200 issuers in equity and fixed income. Fidelity has a five scale rating of A (best) to E (worst).

**Fidelity Sustainability Rating process for securitised assets follows 9 steps: 1. Identify: Identification of the entity driving the economic performance of the securitised assets and the specific sub sector this entity falls into; 2. Prepare: ESG questions are preloaded into our systems; 3. Governance analysis: Analysis of the documentation for the transaction; 4. Asset analysis: Analysis of sustainability data; 5. Other related and influencing party analysis; 6. Follow-up to gain more information if needed; 7. Complete rating: Using all the above inputs, the Fidelity analyst will complete an ESG report and allocate a Fidelity Sustainability Rating to the securitised assets; 8. Publish; 9. Monitor.

Fidelity's sustainability characteristics criteria

Sustainable characteristics are defined as issuers rated by MSCI, or in the absence of a rating from MSCI, by the Fidelity Sustainability Rating, as follows:

- Developed market issuers with an ESG rating from MSCI of AAA - BBB
- Non-developed market issuers with an ESG rating from MSCI of AAA - BB
- Issuers with no ESG rating assigned by MSCI will be assessed by Fidelity Sustainability Ratings and are required to have an ESG rating of A - C
- Global market classifications are set out in MSCI's annual market classification review.

Exclusion Framework

The fund will focus on investments with sustainable characteristics. As a result, it will adhere to a principles-based framework which sets out the basis upon which certain issuers may be excluded from the investment universe. The framework incorporates both norms-based screening and negative screening of certain sectors, companies or practices based on specific ESG criteria.

- **Fidelity Firm-wide exclusion** issuers with involvement in the following categories of controversial weapons the use of which is prohibited by international treaties or conventions:
 - Cluster munitions
 - Landmines
 - Biological weapons
 - Chemical weapons
 - Blinding laser weapons
 - Incendiary weapons
 - Non-detectable fragments
 - Nuclear weapons for non-signatories of the Treaty on the Non-Proliferation of Nuclear Weapons, specifically:
 - Manufacturers of nuclear weapons, warheads, whole nuclear missiles, and/or nuclear fissile materials
 - Manufacturers of components and delivery platforms developed and/or significantly modified for exclusive use in nuclear weapons
 - Issuers that provide support services related to nuclear weapons

The Firmwide Exclusion List will include issuers that produce exclusive delivery platforms/components only.

- **Fidelity Sustainable Family exclusions:** In addition to the above exclusions, Fidelity's Sustainable Family of Funds also Excludes other issuers involved in controversial weapons (broader list of nuclear weapons manufacturers and depleted uranium), military weapons, semi-automatic weapons, tobacco, thermal coal*, arctic mining, oil sands and companies violating international norms including those set out by the Ten Principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, Responsible Business Conduct and International Labour Organization (ILO) Conventions.

The below activities are excluded, at the indicated **revenue threshold**

Category	Description
Controversial weapons	Any controversial weapons - sub-categories include biological, chemical, incendiary weapons, depleted uranium, non-detectable fragment, blinding lasers, cluster munitions, landmines and nuclear weapons.
Conventional weapons	All issuers that derive more than 5% revenue from the production or manufacturing of conventional weapons (excluding semi-automatic weapons).
Semi-automatic weapons	All issuers that derive more than 0% revenue from the production of semi-automatic weapons and Retailers with more than 5% of their revenues from semi-automatic firearms sales.
Tobacco	All producers/manufacturers of tobacco and issuers that derive more than 5% of their revenues from tobacco retail, distribution, supply or licensing.
Thermal coal	All issuers that derive more than 5% revenue from the mining of thermal coal and its sales to third parties or thermal coal-based power generation. Some exceptions for companies transitioning, as determined by Fidelity.*
Arctic Oil & Gas	All issuers that derive more than 5% revenue from Arctic Oil & Gas activities.
Oil Sands	All issuers that derive more than 5% revenue from oil sands activities.
Sovereigns	Defined Excluded Sovereigns includes countries in the bottom 5 percentile of World Bank's Worldwide Governance Indicators (WGI) and performed badly in 2 or more indicators, countries identified by Financial Action Task Force (FATF) as high-risk jurisdictions that have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation, countries identified in the United Nations Security Council Sanctions and signatories who have not ratified the Paris Agreement, as well as countries identified through internal analysis.

Fund-specific exclusions

In addition to the Firm-level and Sustainable Fund Family level exclusion framework set out above, the fund will adhere to an enhanced principle-based exclusion policy incorporating both norms-based screening and negative screening of certain sectors, companies or practices based on specific ESG criteria to be determined by the Investment Manager from time to time:

Category	Description
Gambling	All issuers that derive more than 5% revenue from gambling activities.

Reporting

Reporting on whether the Fund is meeting its ESG commitments will be found in the annual and semi annual reports. The MSCI ESG breakdown of the Fund will be available via the Fund factsheet.

* Exceptions to these exclusions can apply to issuers that, in our assessment, have a credible strategy aligned with the Paris Agreement. Where the issuer's revenue share from renewable energy exceeds revenue share from thermal coal activities. Where the issuer has made an effective commitment to a Paris Agreement aligned objective based on approved Science Based Targets or alignment with a Transition Pathway Initiative scenario or a reasonably equivalent public commitment.

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