

FIL Life Insurance Limited

('FIL Life') Sustainable Investing ('SI') Policy



The FIL Life Insurance Limited Sustainable Investing Policy provides information on how FIL Life Insurance Limited ("FIL Life", "the Company") incorporates the management of environmental, social and governance ("ESG") risks into its fund offering on the Workplace Investing platform.

This policy applies only to contract-based schemes on this platform. Trust-based schemes are excluded as the fiduciary duty on all investments rests with the scheme's Trustees.

FIL Life's contract-based offering consists of advised and non-advised schemes and the fiduciary duty for the members of these schemes rests with FIL Life. As an open architecture platform, FIL Life believes in providing choice that caters for bespoke sustainable investing policies.

This policy will be overseen by the FIL Life Board and will be reviewed annually.

FIL Life Funds

FIL Life provides a range of investment solutions and choices for FIL Life clients. FIL Life defines these as:

Investment Solutions – These were created by FIL Life to meet the requirements of FIL Life non-advised contract clients. Currently these include FutureWise (FIL Life default investment strategy for those in accumulation) and Investment Pathways (solutions for those in decumulation and are entering retirement, who may wish to follow a particular path towards retirement such as taking income drawdown). The investment solutions may be managed by Fidelity or third-party fund managers.

Fund choices – This is the range of fund options available on FIL Life platform. Solutions are included as a choice for advised clients. The fund choices may be managed by Fidelity or third-party fund managers.

FIL Life approach to sustainable investing

FIL Life believes that an investment process which integrates ESG factors ("sustainable investing"), including but not limited to climate change issues, is likely to lead to improved risk-adjusted returns over the long term and subsequently lead to better retirement outcomes for scheme members.

FIL Life will therefore, where practical and within the objectives of the investment strategies available to members, introduce a systematic preference in favour of issuers and securities which have superior or improving sustainability characteristics. This approach will apply to solutions offered by FIL Life. Choices will be provided to cater to more diverse sustainable investing needs.

1. TARGET A BETTER OUTCOME

FIL Life believes that investing sustainably is important to managing long term risks and can lead to better retirement outcomes.

2. APPLY FLEXIBILITY

Acknowledging a wide variety of approaches to sustainability, FIL Life will remain flexible in its own approach to the sustainable solutions and choices it offers.

3. CONTINUOUSLY EVOLVE

FIL Life recognises sustainability will evolve over time and will review the approach to sustainability on a regular basis.

4. ACTIVELY ENGAGE

FIL Life encourages fund managers to engage with the companies they invest in. FIL Life believes positive engagement with companies on sustainability issues can lead to change.

5. PROVIDE CHOICE

Members should have a choice on how they reach their investment goals by having access to the right funds.



Implementing FIL Life sustainable investing approach

Sustainable investing integration process

Investment solutions

FIL Life will integrate financially material sustainability factors into FIL Life investment solutions and recognise that the right approach will differ across different investment strategies. FIL Life also view sustainability as an evolving journey and will look to enhance the sustainability characteristics of FIL Life solutions over time.

FIL Life solutions use a combination of investments managed by both Fidelity and third-party managers. When constructing solutions, FIL Life will review, on an ongoing basis the sustainable investment policies of these managers and their sustainable investing processes. Fund managers will be challenged by FIL Life when these are deemed inadequate.

In addition, the quality of integration and consideration for ESG in all funds on the platform will be reviewed. This will be done by monitoring the funds using independent ESG scoring provided by MSCI, which looks at the ability of the constituent companies to manage medium to long-term risks and opportunities arising from ESG risk exposure.¹

Fund choices

FIL Life will monitor the quality of ESG management within these funds through the use of MSCI scoring for all FIL Life funds and will make these scores available on FIL Life fund factsheets. This is to allow clients and members to make informed choices on the quality of ESG management that these funds provide.

It is important to point out that a low ESG score does not directly imply that a fund manager has not integrated ESG management into their investment process. However, if a fund does have a low ESG score then a review will be triggered to better understand the suitability of the fund in question.

Stewardship and engagement

FIL Life believes that fund managers can contribute to the long-term sustainability of the companies they invest in and create positive shareholder value through their engagement on financially material ESG issues. Additionally, by incorporating engagement into the investment decision making process, this can offer a deeper understanding of a company's ESG practices. Subsequently, this leads to better informed investment decisions, and can be used to influence and drive more sustainable outcomes for investors.

FIL Life is a life insurance company offering unit linked funds. These unit linked funds only invest in regulated funds and the UK Life company also reinsures into unit-linked fund of other UK life companies (the "underlying funds"). FIL Life does not invest in individual securities and are not shareholders. The underlying funds where the FIL Life companies invest are the shareholders. This policy is aligned to the FIL Life Shareholder Engagement Policy.

Investment Solutions and Fund choices made available on FIL Life platform

FIL Life expects that all the fund managers FIL Life works with will outline how they engage with companies on ESG sustainability issues and have a shareholder engagement policy in place, required by the EU Shareholder Rights Directive II (SRD-II). In addition, FIL requires them to measure the effectiveness of their strategy for engaging with companies in terms of how it benefits the underlying investors (including the members of pension schemes). FIL Life also encourages fund management companies to become signatories of the PRI and the UK Stewardship Code.

Investment solutions

FIL Life will monitor the engagement, voting activities and investment process that are applied on all the funds used to create investment solutions on the Fidelity platform. On an annual basis FIL Life will review engagement and voting activities both quantitatively and qualitatively. FIL Life will meet with fund managers to understand how they have exercised their voting rights and what key issues the managers have engaged on. FIL Life's goal is to understand where engagement has resulted in a positive outcome for investors and where engagement has failed.

¹ The scoring looks at the quality, not the extent to which, an asset manager incorporates ESG into their investment processes.



Fund choices

As a platform provider, over time FIL Life will seek to work with other market participants to influence change. FIL Life will start with the largest fund managers on the FIL Life platform and will over time build this out further. You can find more information about the sustainable investing policies of FIL Life, Fidelity and other fund managers FIL Life works with from the links below.

Climate

Climate change is one of the most important risks facing the global economy and will have a significant impact on many of the underlying companies in which members invest. Therefore, FIL Life expects climate change to be considered carefully as part of the investment process used by all the fund managers FIL Life works with. FIL Life also believes that climate change is not only about avoiding risks, but also seizing opportunities. The transition to a low-carbon society provides a plethora of opportunities for new companies and innovative technologies to thrive.

FIL Life is also working towards using the guidance from the Task Force in Climate-related Financial Disclosures (TCFD), which provides a framework to follow for risk assessment, capital allocation and strategic planning.



Investment Solutions

Fund managers are expected to incorporate the management of climate change risk into their investment processes and FIL Life will review the funds they manage accordingly. Consequently, FIL Life will challenge fund managers when FIL Life believes the processes they use are inadequate or limited when considering climate change risk.

FIL Life will also carry out detailed monitoring of FIL Life FutureWise default strategy through climate scenario modelling. When analysing fund managers, FIL Life support those that have adopted net-zero carbon emission targets. This is to ensure that the portfolio is aligned to the Paris Agreement which is to keep a global temperature rise well below an increase of two degrees Celsius above pre-industrial levels.

Fund choices

FIL Life will make available carbon intensity scores across the wider fund range to members.

Choice and information

FIL Life recognises that clients may have their own values and beliefs around sustainable investing and therefore believe choice and transparency are important. FIL Life will therefore make a range of options available and provide useful information to FIL Life clients to help them assess whether any specific values are aligned.

To understand member choices, FIL Life will look to create a curated fund range of ESG-focused funds. To achieve this, FIL Life will carry out member surveys to understand their requirements and incorporate specific feedback concerning their membership.

Where clients are advised, FIL Life will take into consideration any other specific requirements they need and will permit the creation of bespoke sustainable investment policies.

To make informed choices, FIL Life will provide information that includes scoring on factsheets to assess the quality of ESG integration. This includes the weighted average carbon intensity on factsheets and links to public websites for voting records.