May 2024

Fidelity Master Trust

Sustainable Investing Policy

How the **Master Trust** invests sustainably

We want to build a better financial future for our members, so our investments need to stand the test of time. For us, this means delivering stable and enduring returns. We believe the best way to do this is to invest sustainably by taking into account Environmental, Social and Governance considerations. We have set out our five key beliefs on sustainable investing overleaf.

We carefully monitor and review our strategies and their underlying funds to ensure they remain appropriate and perform well against their objectives. In addition, we review the approach that our default strategies are taking toward sustainability on a regular basis with support from our independent investment advisors. We also meet with our key fund managers at least once a year to engage with them on sustainability and stewardship matters.

We have focused on integrating sustainability across our default investment strategies where members' contributions are automatically invested (unless they choose their own investments), as we believe this can lead to improved risk adjusted returns and better retirement outcomes for our members.

This includes bespoke (employer specific) strategies as well as FutureWise, our default strategy, designed by Fidelity for members in standard sections.

The FutureWise strategy is offered through a range of Target Date Funds (TDFs). Members are aligned to the TDF that most closely matches their retirement date. The TDFs change their investments over time, investing more in stocks and shares when members are far from retirement and investing more in investments that help produce an income (such as bonds) when members are closer to retirement.

FutureWise builds in sustainability by using funds that tilt towards those companies that are more sustainable compared to their peers in their respective industries or sectors. The funds also exclude a range of sectors where Fidelity feel there is little long-term value and don't contribute towards a more sustainable future. We also work with our consultants to consider sustainability within our bespoke default strategies.

As Trustees, we believe that of the ESG considerations, climate change is of particular importance and we have provided more information about how we are considering the risks and opportunities associated with climate change, overleaf.

Fidelity INTERNATIONAL

Our 5 beliefs on sustainable investing

1. Focus on better outcomes

We believe that investing sustainably can reduce specific risks, so it has the potential to achieve better investment returns for members.

2. Stay flexible

Being flexible in our approach to sustainability is the key to ensuring we capture the best investment opportunities.

3. Review constantly

Sustainability is evolving as an investment discipline, so we will always have our aims and fund choices under review.

4. Promote engagement

We believe that one of the most effective ways to bring about change is to encourage fund managers to engage actively with the companies they invest in.

5. Offer a choice

Members should have access to a range of funds through the Master Trust, including specialist sustainability funds, so they can choose how they work towards their retirement goals.

Climate change

Taking action against climate change forms a key part of sustainable investing and we believe it needs to remain a top priority. Scientific evidence indicates that if increases in emissions from human activities cannot be managed, then there will be an irreversible impact on our societies, economies and the planet.

As Trustees, we believe that climate change poses a systemic risks for financial markets and our members retirement savings. As such we believe that the consideration of the risks and opportunities associated with climate change in our investments, will lead to better risk-adjusted returns and retirement outcomes for members.

The risks and opportunities that arise from climate change will materialise over several time horizons and in different forms. Climate change risks can be broadly broken down into:

- **Transition risks:** Those which arise from taking necessary steps to transition to a low-carbon economy, likely over the short and medium term, and
- **Physical risks:** Those which may arise from extreme weather events such as wildfires, freshwater scarcity and supply chain disruptions already being felt today, and likely to increase in frequency and severity over the long term

There will also be opportunities to take advantage of sustainable growth and development over these time horizons.

To this end, we have set a target of achieving net-zero by 2050 from a 2020 baseline*, with the aim of halving our carbon footprint for our default investment strategies by 2030 (including FutureWise and our bespoke strategies).

As part of our sustainable investing policy we will work with our advisors to monitor climate-related risks and opportunities over different time horizons. We will also use analysis of our strategies' carbon footprints to guide our strategy and provide ESG score and carbon intensity information for the funds that we offer, on our fund factsheets, where possible.

More information on what we are doing to manage climate-related risks and opportunties in the Scheme can be found in our latest TCFD (Task Force on Climate Related Financial Disclosure) report.

Stewardship and engagement

We believe that engaging with companies on sustainability-related matters and using voting powers effectively is crucial to ensuring progress on tackling climate change as well as improving the long-term risk adjusted returns for members. This is why we actively monitor the level of and voting activities of our fund managers and report on this in our annual Implementation Statement. We also discuss stewardship matters with our fund managers as well as how they are measuring success in engagement and voting, to understand if engagements have resulted in a positive outcome for members.

* Using 2019 emissions data