

ESG Data Providers & Reporting

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Carbon Data Providers

Carbon Data Providers | Key considerations

Reporting vs. portfolio construction

- **This is about more than just raw data... this is about the best holistic provider of carbon footprinting and climate impact data, reporting and portfolio construction**
- Therefore, key considerations for a carbon and climate data provider are:
 - **Coverage** of reported data
 - **Methodology** for estimated data (still the majority of carbon emissions globally)
 - Applicable to **all asset classes** (i.e. Fixed Income mapping)
 - **Reporting** capabilities and functionality
 - Accessibility (teams, markets, asset classes)
 - A useable platform for **ex-ante portfolio screening and construction**
 - Broad coverage for **multiple scenarios**

Reporting vs portfolio construction

Overview of Carbon Data Providers

	MSCI / Carbon Delta	ISS	Trucost	Baringa
Methodology	<ul style="list-style-type: none"> Top down + bottom up Based on NDCs Estimated carbon price Select one scenario 	<ul style="list-style-type: none"> IEA scenario-based (2,4,6°C) 2100 Carbon budget assigned to sector/company Market share + sector emissions trajectory CVAR (Q42020 - combination of Economic Value Added (EVA) data and current climate model – potentially more innovative approach to CVAR) 	<ul style="list-style-type: none"> Transition pathway approach (SBTI) Methodologies for high and low-emitting Historical and forward looking data sources 12-year time horizon 	<ul style="list-style-type: none"> Detailed assessment of each sector 'Moving' models – we can select different scenarios for a specific fund IPCC associated scenarios Transition + physical risk integrated
Coverage	<ul style="list-style-type: none"> 22,000 companies (CVaR) 10,000 issuers (Technology Opp) 	<ul style="list-style-type: none"> 30,000 companies 	<ul style="list-style-type: none"> 15,000 issuers for CVAR + Physical risk 1,400 issuers for scenario 	<ul style="list-style-type: none"> 25,000 companies
Benefits	<ul style="list-style-type: none"> Includes CVaR + Warming Trusted Name with Clients 	<ul style="list-style-type: none"> Deep-dive into high-emitting sectors Current, 2030 and 2050 scenarios FI pre-mapped & leader in FI Climate space Includes physical risk CVAR (to be rolled out Q42020) 	<ul style="list-style-type: none"> In-use for carbon emissions data Includes CVAR Includes physical risk 	<ul style="list-style-type: none"> Highly detailed and structured methodology LGIM's preferred partner (seen as a leader in this space) Very keen to work with FIL and make this a partnership
Drawbacks	<ul style="list-style-type: none"> Usability question based on emissions data NDC-based (over 2°C, changing) 	<ul style="list-style-type: none"> Requires carbon emissions data / needs integration into FIL systems Does not include 1.5°C 	<ul style="list-style-type: none"> Low scenario coverage: only disclosing companies Fixed income mapping issues Less known/trusted data source with clients 	<ul style="list-style-type: none"> Does not include carbon data itself, just the platform to analyse it Steep learning curve for colleagues to understand / describe it Required significant input from FIL
Cust. Experience (ESGIM)	<ul style="list-style-type: none"> 6/10 	<ul style="list-style-type: none"> 8/10 	<ul style="list-style-type: none"> 6/10 	<ul style="list-style-type: none"> 7/10
Platform user experience	<ul style="list-style-type: none"> 7/10 	<ul style="list-style-type: none"> 7/10 	<ul style="list-style-type: none"> 4/10 	<ul style="list-style-type: none"> 6/10
Client Friendly Reporting	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes

TCFD

Background and Introduction

Background

- Established by the Financial Stability Board (FSB) in 2017, led by Mark Carney & Michael Bloomberg
- A voluntary disclosure framework to increase transparency on climate-related risks and opportunities to promote more informed financial decision making
- Why should (we or) investors care?
 - Better informed investment decisions
 - Regulation and best practices commitment
 - Client commitment

Limitations & Challenges

- Some countries will lean towards regulations and others towards softer approaches
- Availability of data and consistent methodology
- Scenario analysis is challenging to report and quantify
- Definition of timeframes (short, medium & long term) is subjective (up to companies to define)
- Method of reporting (stand-alone, integrated) not standardised

TCFD Categories: 4 Pillars, 11 + 5 Recommendations



Governance: Discuss the organisation's governance around *climate-related risks and opportunities*

Strategy: Discuss the actual and potential impacts of *climate-related risks and opportunities* on the organisation's businesses, strategy and financial planning

Risk Management: Discuss the processes used by the organisation to *identify, assess, and manage climate-related risks*

Metrics and Targets: Discuss the metrics and targets used to assess and manage relevant *climate-related risks and opportunities*

Global uptake (*selected examples*)

- TCFD-based reporting mandatory for PRI signatories
- The UK "Government expects all listed companies and large asset owners to be disclosing in line with the TCFD recommendations by 2022."
- California legislation led CalPERS to aligning its reporting with the TCFD
- TCFD now supported by over 1,500 organizations, incl. private sector market cap of over \$12 trillion, and 470+ financial firms with assets of \$150 trillion
- 36 central banks encourage TCFD reporting
- Several gov't's support TCFD (UK, Belgium, Canada, France, Sweden) – New Zealand 1st to require

Source: TCFD, <https://www.fsb-tcfd.org/publications/final-recommendations-report/>

Our Approach

Objectives

1. 45-50 page TCFD Report is FIL's first such public report.
2. Report to be published externally, sharing key findings with clients, prospects, the TCFD and other key stakeholders.
3. Despite FIL's recent progress, the disclosure process has revealed – *as intended* – gaps between TCFD-recommended best practice and where FIL is today.
4. TCFD is not meant to reveal perfection in the identification, assessment and management of climate-related risks and opportunities -- but was established to promote a *process* by which such issues would be identified and improved upon by companies over time.
5. This Report serves at this time as our current and forward-looking best efforts to disclose in alignment with TCFD recommendations.

Data Gathering and Review

Four core sources of data / content

Internal documents

Gathering material initial content to identify gaps for interviews

- Documents included: ToRs for SIOC, CSC, ARC; ERM Strategic Risk Framework; Environmental Sustainability Policy; 2020 Action Plan; Sustainability Report 2020

Key stakeholder interviews

Discussing content with stakeholders across IM and Corporate

- Interviews held with individuals across FIL including: the SI Team; Risk Teams; Finance; Compliance and Legal; Real Estate, and members of the GOC, SIOC and CSC

External best practice guide

Key principles developed by SASB and CDSB

- Utilised these principles throughout the reporting process, including best practice examples
- Helped to identify gaps / areas of improvement

Other company reports

Benchmarking our report's content, structure and layout

- Over 20 TCFD reports reviewed, including those of European asset managers or asset owners
- Reporting varies widely

Key Takeaways

Successes and areas for improvement



Category	Areas for Improvement/ Future Ambition
Governance	<ul style="list-style-type: none">• Explicit Board responsibilities for oversight of climate-related risks and opportunities• Explicit expression of how Board monitors and oversees progress against goals and targets for climate-related issues• Tying remuneration to climate-related/ESG considerations
Strategy	<ul style="list-style-type: none">• Conduct a formal ESG/climate materiality risk assessment• Conduct a Fidelity corporate resilience / Paris-alignment assessment
Risk Management	<ul style="list-style-type: none">• Formally incorporate climate-related risks into key Risk-related groups such as: FIL Board; Audit & Risk committee; GOC; Global Risk Forum; ERM Design Forum• Conduct formal climate risk assessments for FIL corporate and FIL investment management
Metrics & Targets	<ul style="list-style-type: none">• Identify metrics to assess FIL corporate climate-related risks and opportunities in line with strategy and risk management• Measure and disclose Scope 1, Scope 2 and Scope 3 GHG emissions globally• Develop specific targets on the metrics identified (covering absolute/relative, time frames and base year, KPI's etc)• Consider poor footprinting / scenario outcomes for certain sustainable family funds

Rating Providers

Differentiating our Sustainability Research

Building on the success of sustainability research deployment with further enhancements

ESG research providers*



Role	ESG specialist	Investment analyst
Primary inputs	Company disclosures and other datasets	Management meetings, fundamental research, company disclosures and other datasets
Company engagement	Mainly limited to data-checking	Regular engagement with executive and non executive management
Perspective	Typically anchored to historical events	Greater scope to be forward-looking
Issuers rated	>10,000	c4,600 (fewer in greater depth)

The Fidelity Sustainability Ratings were launched in June 2019. As at 31 December 2020, they cover a universe of over 4,600 issuers in equity and fixed income.*Typical characteristics of industry leading research providers

Rating Methodologies

Correlation of approx 0.5 between MSCI and Sustainalytics*

			
Rating measures	Performance across a range of ESG factors considered material to shareholder value	Risks (potential costs) & opportunities (potential profits)	Magnitude of a company's unmanaged ESG risks to economic value
Relative to	Peer group	Industry	Market
Inputs	Company engagement, fundamental research, company disclosures and other datasets	Primarily company disclosures and other datasets	Primarily company disclosures and other datasets
Rated by	Investment analyst	ESG analyst	ESG analyst

Differences in ratings can be explained by different methodologies, judgement of materiality, and quality of research

Source: SSGA 'The ESG data challenge' March 2019

SDG Reporting

Sustainable Development Goals (SDGs)

A framework for impact investing

Global goals for society and all its stakeholders

- In 2015, countries adopted a set of 17 goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.



Sustainable Development Goals

A set of ambitious targets

It's all about outcomes

- Goals are underpinned by 169 specific targets to be achieved over the next 15 years, and 232 indicators to measure real-world outcomes in areas such water, health, biodiversity, etc.
- Examples:

Goal 3

Good health & well being:

Ensure healthy lives and promote well-being for all at all ages

Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Indicator 3.8.1 Coverage of essential health services [...]

Target 3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

Indicator 3.3.1 Number of new HIV infections per 1,000 uninfected population, by sex, age and key populations.

Indicator 3.3.2 Tuberculosis incidence per 1,000 population. [...]

Goal 7

Affordable & clean energy:

Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

Indicator 7.1.1 Proportion of population with access to electricity

Indicator 7.1.2: Proportion of population with primary reliance on clean fuels and technology [...]

Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Indicator 7.2.1 Renewable energy share in the total final energy consumption [...]

Impact investing & SDGs

Supportive evidence needed to avoid 'impact washing'



Company example: Danone

- Food products multinational company headquartered in France.
- “Entreprise à Mission”: social and environmental objectives are aligned with its purpose and set out in its Articles of Association.
- SDG 3 Good health & wellbeing
 - 97% of employees receive healthcare coverage for major risks (hospitalization and surgery, outpatient care and maternity care);
 - 90% of the volumes sold in 2019 were in healthy categories;
 - 82% of volumes of products sold in 2019 are without added sugar;
- SDG 12 Responsible consumption & production
 - Over 30% of Danone's global sales are now covered by B Corp™ certification. Ambition to become one of the first multinationals 100% certified by 2030.
 - Traceability of agricultural raw materials: in 2019, 48% of palm oil was RSPO Segregated, 51% RSPO Mass Balance, 100% fruits down to Tier 2 suppliers, 70% country-level cocoa, 86% cane sugar.
 - Circular economy: Danone targets 100% recyclable, reusable or compostable packaging by 2025.
- Leading ESG practices in the sector.

“Entreprise à Mission” is a model created by French law in 2019

Exposure to SDGs

Step #1: Identifying 'investable' SDGs

PM needs to consider: (i) the fund's sustainable objectives, (ii) the geographical investment zone, (iii) and the level of companies' disclosure in this area.



Source: Fidelity International. UN. 2020. 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.

Exposure to SDGs

Step #2: Analysing SDGs contribution claimed by companies

Companies / #SDGs	Does the company report on SDGs ?	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
ALLIANZ SE (REGD)	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
ESSILOR LUXOTTICA	Y	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
LVMH MOET HENNESSY LOUIS VUITTON SE	Y	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
L'OREAL SA ORD	Y	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
SAP SE	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
RELX NV	Y			X	X	X					X			X			X	
MUNICH REINSURANCE (REG)	Y	X		X		X		X	X	X	X	X		X				
DEUTSCHE BOERSE AG	Y				X	X		X	X	X	X			X			X	X
DANONE SA	Y	X	X	X		X	X	X	X				X	X	X	X	X	X
ABN AMRO GROUP NV-GDR	Y								X				X	X				
ICADE REIT	Y			X		X	X	X	X	X	X	X	X	X	X	X	X	X
ADIDAS AG	Y			X			X		X	X	X	X	X	X	X	X	X	X
ORANGE	Y	X			X	X		X	X	X		X	X	X	X	X	X	X
SYMRISE AG	Y							X	X	X			X	X	X	X	X	X
RED ELECTRICA CORPORACION SA	Y							X	X	X			X	X	X	X	X	X
ASML HOLDING NV	Y				X				X	X	X		X	X				
KPN (KON) NV	Y								X	X	X	X	X	X	X	X	X	X
SCHNEIDER ELECTRIC SE	Y	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
GRIFOLS	Y			X	X	X			X	X	X	X	X	X	X	X	X	X
DASSAULT SYSTEMES SA	N																	
BEIERSDORF AG	Y		X	X	X	X	X	X	X		X		X	X	X	X	X	X
AMADEUS IT GROUP SA	Y					X		X	X	X	X			X			X	X
ORPEA	N																	
KERING	Y			X		X	X	X	X				X	X	X	X	X	X
BUREAU VERITAS	Y			X				X				X	X	X	X	X	X	X
DEUTSCHE POST AG	Y				X				X			X		X				X
BASIC FIT	Y			X	X								X					
UMICORE SA	Y			X		X		X	X	X		X	X	X	X	X	X	X
EDENRED	Y	X	X	X	X	X		X	X		X	X	X	X	X	X	X	X
NEOEN	Y							X					X	X	X	X	X	X
VALEO	Y				X	X			X	X		X		X		X	X	X
PRADA	Y					X			X	X		X		X		X	X	X
WORLDLINE	Y			X	X	X			X	X		X	X	X	X	X	X	X
GETLINK	Y			X	X	X	X	X	X	X		X	X	X	X	X	X	X
JC DECAUX SA	Y			X		X		X	X	X	X	X	X	X	X	X	X	X
ALTEN	N																	
DERMAPHARM	N																	
SARTORIUS STEDIM BIOTECH	Y			X	X	X	X			X			X	X	X	X	X	X
INFINEON	Y			X	X	X	X	X	X	X		X	X	X	X	X	X	X
SOLARIA	N																	
Exposure according to companies (% fund market Cap.)		65%	29%	77%	84%	77%	65%	71%	95%	69%	72%	64%	91%	95%	50%	66%	69%	72%
Exposure according to FIL (% Fund's market cap)				20%	2%	54%		8%	81%	39%		5%	45%	3%				

Source: Fidelity International, 30 June 2020. For illustrative purposes only. 'x' represents company reporting exposure to relevant SDG. Green boxes indicate portfolio managers subjective assessment of SDG exposure after engagement and analysis with companies. Exposure of the fund is adjusted for market cap.

Exposure to SDGs

Step #2: Companies disclosure vs Fidelity analysis

In-house analysis required

- All companies do not contribute to all SDGs
- Differentiate impacts from ‘business as usual’ ESG practices



Contribution to SDGs is assessed using 3 criteria:

Measurable impact

Corresponding indicator under the SDGs framework

Not ‘business as usual’ ESG practices

Source: Fidelity International. 2020. 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.

Exposure to SDGs

Step #2: Focus on SDG 5 – Gender equality

Contribution subject to >50% women employees and > 30% women managers

INSTRUMENT NAME	% Abs. Weight	Country	Sector	WOMEN EMPLOYEES (%) >50%	WOMEN MANAGERS (%) > 30%	WOMEN AT THE BOARD OF DIRECTORS (%)	Women Managers Weighted
ABN AMRO GROUP NV-GDR	2.65	NETHERLANDS	Financials	42	26	43	0.7
ADIDAS AG	3.48	GERMANY	Consumer Discretionary	48	34	25	1.2
ALLIANZ SE (REGD)	4.72	GERMANY	Financials	51	38	33	1.8
ALTEN	1.87	FRANCE	Information Technology	18	22	23	0.2
AMADEUS IT GROUP SA	2.12	SPAIN	Information Technology	37	32	18	0.7
ASML HOLDING NV	5.01	NETHERLANDS	Information Technology	16		38	0.0
BEIERSDORF AG	2.66	GERMANY	Consumer Staples	54	30	42	0.8
DANONE SA	2.90	FRANCE	Consumer Staples	31	51	43	1.5
DASSAULT SYSTEMES SA	2.21	FRANCE	Information Technology	26	20	45	0.4
DERMAPHARM	0.93	GERMANY	Health Care	58	37	NR	0.3
DEUTSCHE BOERSE AG	4.19	GERMANY	Financials	47	26	42	1.1
DEUTSCHE POST AG	2.71	GERMANY	Industrials	34	22	35	0.6
EDENRED	1.28	FRANCE	Industrials	52	40	45	0.5
ESSILORLUXOTTICA	2.94	FRANCE	Health Care	58	40	44	1.2
GETLINK	1.21	FRANCE	Industrials	23	23	46	0.3
GRIFOLS	2.38	SPAIN	Health Care	60	41	31	1.0
ICADE REIT	1.74	FRANCE	Real Estate	53	43	40	0.7
JC DECAUX SA	0.88	FRANCE	Consumer Discretionary	30	26	45	0.2
BASIC FIT	0.49	NETHERLANDS	Consumer Discretionary	55	30%	16	0.0
KPN (KON) NV	1.26	NETHERLANDS	Telecommunication Services	22	16/22	25	0.3
L'OREAL SA ORD	4.48	FRANCE	Consumer Staples	70	64	54	2.9
LVMH MOET HENNESSY LOUIS V	4.92	FRANCE	Consumer Discretionary	73	65	40	3.2
MUNICH REINSURANCE (REG)	3.37	GERMANY	Financials	54	36	45	1.2
NEOEN	2.30	FRANCE	Utilities	33	26	43	0.6
ORANGE	1.57	FRANCE	Telecommunication Services	36	30	40	0.5
ORPEA	1.64	FRANCE	Health Care	83	65	40	1.1
PRADA	1.66	ITALY	Consumer Discretionary	62	56	22	0.9
RED ELECTRICA CORPORACION	1.06	SPAIN	Utilities	26	32	33	0.3
RELX NV	2.33	NETHERLANDS	Industrials	50	33	36	0.8
SAP SE	5.19	GERMANY	Information Technology	33.5	26	30	1.4
SARTORIUS STEDIM BIOTECH	2.01	FRANCE	Health Care	38	30	43	0.6
SCHNEIDER ELECTRIC SE	4.22	FRANCE	Industrials	33	22	36	0.9
SOLARIA	2.21	SPAIN	Utilities	21		14	
SYMRISE AG	2.51	GERMANY	Materials	39	30	33	0.8
UMICORE SA	1.29	BELGIUM	Materials	21	23	30	0.3
KERING	3.22	FRANCE	Consumer Discretionary	63	55	60	1.8
BUREAU VERITAS	1.30	FRANCE	Industrials	30		42	0.3
VALEO	2.63	FRANCE	Consumer Discretionary	32.7	23.1	42	0.6
INFINEON	0.81	GERMANY	Information Technology	36	15.5	39	0.1
WORLDLINE	2.18	FRANCE	Information Technology	31	23	40	0.5
Women Managers - Fund Weighted (FIL) %							32.1
% Non Disclosed							7.2
Women Managers - Fund Weighted (Impact Cubed) %							29.5
% estimated							3

Source: Fidelity International, 30 June 2020. For illustrative purposes only. 'x' represents company reporting exposure to relevant SDG. Green boxes indicate portfolio managers subjective assessment of SDG exposure after engagement and analysis with companies. Exposure of the fund is adjusted for market cap.

Exposure to SDGs

Step #3: Aggregating exposure at fund level

Strong exposure to SDGs 5, 8, 9 and 12

- Using the capital invested methodology (same as carbon emissions invested calculation)

	<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> 	<div>5</div> <div>GENDER EQUALITY</div> 	<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div> 	<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> 	<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> 	<div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> 
Goal	Promote inclusive and sustainable economic growth, employment and decent work for all	Achieve gender equality and empower all women and girls >50% of total employees & >30% of total managers	Ensure sustainable consumption and production patterns	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	To ensure healthy lives and promote well being	Ensure access to affordable, reliable sustainable and modern energy for all
Exposure according to companies	95%	77%	91%	69%	77%	71%
Exposure according to Fidelity	81%	54%	45%	39%	20%	8%

Source : Fidelity International, 30 June 2020, % of the Fund’s Market Cap.

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