June 2022

Fidelity Master Trust

How we approach sustainable investing

We want to build a better financial future for our members, so our portfolios and investment solutions 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.

How the Master Trust invests sustainably

We have set out our five key beliefs on sustainable investing overleaf. In addition, we have integrated sustainability into FutureWise, as we believe it can lead to improved risk-adjusted returns and better retirement outcomes for our members.

Just to remind you, FutureWise is the default strategy for members in our standard section, which means it is where their contributions will be automatically invested, unless they choose their own investments. It draws on Fidelity's best ideas across a carefully selected and managed range of funds. These are combined in a strategy that is designed to aim for long-term growth for much of a member's working life and then reduce the level of risk they take on as they approach retirement. We carefully monitor and review both the strategy and the underlying funds to ensure they remain appropriate and perform well against their objectives.

Our standard section also offers a range of self-select options that incorporate sustainability, including specialist sustainable and ethical investments.

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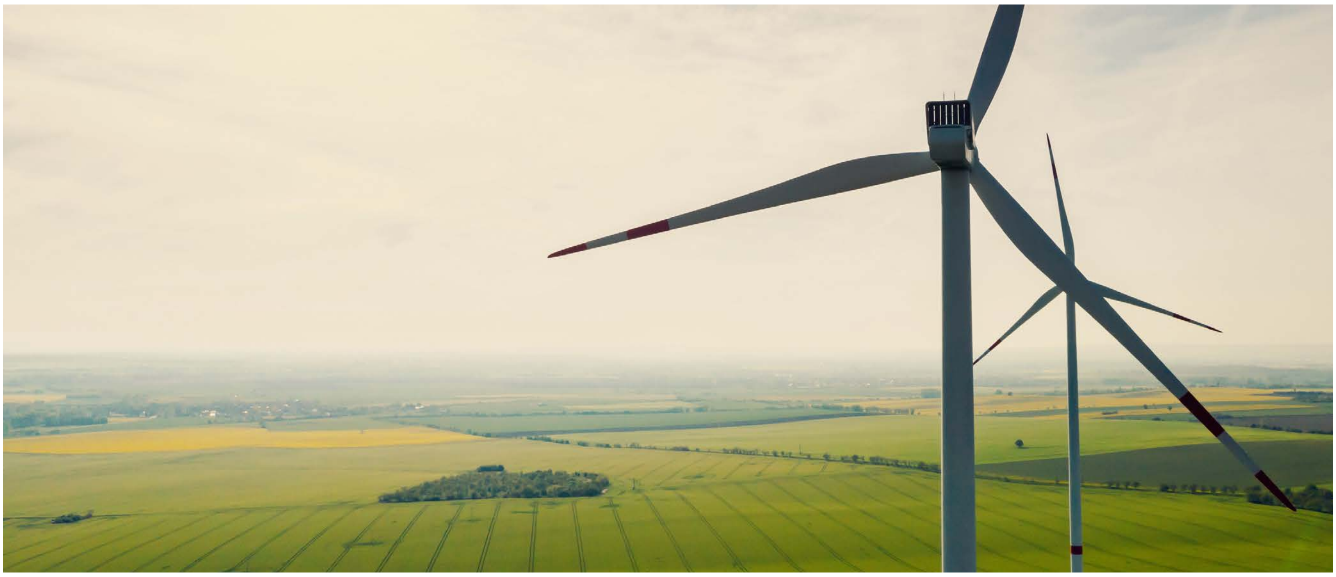

Our five beliefs on sustainable investing

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.

How FutureWise incorporates sustainability

We take a bottom-up approach to incorporating sustainability into FutureWise. This means we look at the underlying investments held within the strategy, so we can get the deepest understanding of how they work. FutureWise is a 'lifecycle' strategy, which means it gradually reduces the level of risk as a member approaches retirement. It does this by changing the allocation across four different funds, each with different levels of risk.

Sustainability across the strategy

FutureWise uses Fidelity's proprietary sustainable rating system to assess the level of sustainability in underlying securities, so it can tilt towards higher-rated companies. These ratings don't just analyse the financials. Fidelity's large analyst network has extensive global equity market coverage and unique relationships with the companies they cover. This means they are in a good position to assess sustainability from the bottom-up.

This approach has already been applied to the Fidelity Diversified Markets Fund (one of the key funds used within the strategy) and over 2021, was extended to another fund in the strategy, the Fidelity Sustainable UK Aggregate Bond Fund. Several exclusions that remove exposure to certain sectors were also introduced in mid-2021 to the FutureWise Equity Fund, predominantly used within the early years of FutureWise, aimed at helping grow members' pension pots.

We review the approach FutureWise is taking on sustainability on a regular basis and meet with the fund managers at least once a year to engage with them on this topic. We also leverage independent scoring from MSCI that measures the quality of sustainability within all funds. These scores will be printed on fund factsheets to aid members of the Master Trust.

Climate change

Taking action against climate change forms a huge part of sustainable investing and we believe it needs to remain a top priority. COP 26 in November 2021 finalised the Paris Rulebook with the Glasgow Climate Pact re-focusing nations' efforts on limiting the increase in global temperatures to 1.5 degrees (and well below 2 degrees). To achieve this, nations and companies will need to focus their efforts and resources on reducing their carbon footprint. This will represent an additional cost of production for companies which will affect the return that investors receive.

We have set a target of achieving net-zero by 2050, from a 2020 baseline, with the aim of halving our carbon footprint by 2030 for our investments. We will start with our default investment strategy, FutureWise, used by standard sections, and with the default investment strategies used in bespoke sections.

To help us better understand the carbon footprint of FutureWise and other default investment strategies, we are using an independent specialist provider, Institutional Shareholders Services, alongside Fidelity's proprietary research. We also continue to provide carbon intensity scores for the funds that we offer, on our fund factsheets where possible.

In addition to this we are using a framework from the Task Force on Climate Related Financial Disclosure (TCFD) for risk assessment, capital allocation and strategic planning and will be publishing our report on this, later in 2022.

You can find more information on our beliefs and approaches specifically on climate change in our Climate Policy that we published earlier this year. You can access the policy here.

Stewardship and engagement

We believe fund managers can contribute to the long-term sustainability of the companies they invest in, and create shareholder value, by engaging with them on environmental, social and governance (ESG) issues. This is why we actively monitor their level of engagement, voting activities and investment processes, and report on this in our annual Implementation Statement. We also meet with key managers once a year to understand how their practices align to our sustainability beliefs, and discuss how they are measuring their success in engagement and voting, to understand if engagements have resulted in a positive outcome for members.

The choices and information we provide

We ask scheme members for their views on sustainable investing, as we want to know how they think their money should be invested and whether sustainability factors should be incorporated into our strategy and fund range. The feedback we receive helps us align our investment solutions with the expectations of our members.