

## Unit-Linked Sustainable ISA Fund – Responsible Investing Approach

The Society's unity-linked Sustainable ISA fund is managed by Fidelity International Limited, and consists of approximately 15 separate building blocks invested in fixed interest, global equities, alternatives and minimal cash exposure.

Fidelity's overarching sustainable investing philosophy is made up of the following principles:

1. Maximising the range of opportunities to meet our clients' evolving objectives and solve individual investment challenges through tailored solutions;
2. Optimising long term investment outcomes by incorporating sustainability throughout all stages of the multi asset investment process;
3. Developing sustainable opportunities that empower clients to make investment choices that support a greener, fairer future.

Fidelity believe that bringing these core abilities together provides the opportunity to develop attractive sustainable solutions that encourages more purposeful investment choices:

1. **Empower** - Create more opportunities and a broader range of options to combine financial and non-financial goals.
  - Recognising Sheffield Mutual's desire to offer clients a globally diversified multi asset portfolio that offers long-term growth within a sustainable framework that meets the incoming Sustainability Disclosure Requirements (SDR) regulation in the UK.
2. **Define a sustainable journey** - Create a sustainable journey underpinned by transparency and integrity.
  - Clear and transparent reporting plus a broad opportunity set of sustainable funds to offer Sheffield Mutual's member's a sustainable option that can be clearly understood.
3. **ESG integration with integrity** - Integrate financially material Environmental, Social and Governance (ESG) considerations and active engagement into our investment process for all actively managed multi asset portfolios, regardless of implementation approach.
  - Evidence of how consideration of environmental, social and governance factors informs investment decisions is monitored and reported.
4. **Ensure alignment with broader Fidelity approach** - Leverage Fidelity-wide capabilities and resources - analysis, thought leadership, research, ESG ratings, data, and reporting - to create client led solutions.
  - Primarily using Fidelity's Sustainable Fund Family (SFF) to align Sheffield Mutual's requirements with Fidelity's approach towards sustainability.
5. **Future-proof our investment process** - Leverage evolving opportunity to identify investments that generate sustainable returns, with principle driven and authentic implementation.
6. **Communicate clearly** - Clear and proactive messaging, highlighting practical examples.
  - Sheffield Mutual has regular communication with the Portfolio Managers and Investment Directors to understand the portfolio and ongoing changes from both an investment and sustainable perspective.

## Sheffield Mutual's Sustainable ISA Fund

Sustainability Framework categorisation: Sustainability Managed

Funds in this category are focused on financial return but are increasingly interested in generating and supporting a positive environmental and social impact alongside this. They will consist of building blocks which have better ESG profiles, invest in companies that operate more responsibly than their peers overall and actively support positive environmental and social outcomes as part of business as usual, with an increasing percentage of them building their strategies around supporting a sustainable future. The subcategory involves managing sustainability risks and promoting sustainability characteristics, with sustainability embedded in research and investment decisions.

**Aim:** To generate financial return whilst promoting positive environmental and social outcomes.

**Investor profile:** Funds in these categories are well suited to investors who are looking to achieve long-term performance through sustainable investments.

**Exclusions:** Firmwide, UNGC violators & SFF exclusions

Fidelity adopts a principles-based approach to ESG matters and as part of this they place companies which they regard as unsuitable investments on an exclusion list. When deciding on whether or not to exclude a company under our Firmwide Exclusion Framework, they are guided by international treaties and conventions including the Convention on Cluster Munitions, the Biological Weapons Convention, the Chemical Weapons Convention, the International Convention on the Prohibition of the use of, stockpiling, production and transfer of Anti-Personnel Mines, the Treaty on the Non-Proliferation of Nuclear Weapons, guidance from the United Nations and other global authorities which uphold ESG principles.

The Firmwide Exclusion Framework screens for:

- 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 and /or nuclear missiles
  - Manufacturers of components developed and/or significantly modified for exclusive use in nuclear weapons
  - Derives more than 5% revenue from nuclear weapons

If a company has confirmed that they are planning to divest a business unit or discontinue any business activities which fall within the exclusion criteria, they will not include it on the Exclusion List but will continue to monitor the company to ensure that they follow through on the divestment.

Sustainable Fund Family exclusions: Provides a hygiene screen for what is acceptable within a Sustainable Fund. The overall objective is to ensure that underlying issuers meet certain minimum standards and behave in a manner consistent with responsible investment values. Equity or corporate bond issuers may be excluded - for failure to conduct their business in accordance with accepted international norms (behavioural exclusion) or for their involvement in activities or product categories which are unsustainable and cause significant harm (fundamental exclusion). Sovereign holdings are subject to exclusion, determined by public governance, respect for basic human rights and foreign policy (sovereign exclusion).

### ***Tobacco, thermal coal + fossil fuels, alcohol, gambling***

#### **Fidelity Sustainable Family Exclusions**

