

**CONSULTATION:
FIDELITY THEMATIC ESG-TILTED INDEX
FAMILY**

**PROPOSAL TO ADD SUSTAINABLE
INVESTMENT MEASURES & ELIGIBILITY
CRITERIA, AND TO ADJUST THE
CONSTITUENT WEIGHTING PROCESS**

1. Summary

Moorgate Benchmarks Ltd is consulting on a stakeholder proposal to add a Sustainable Investment component to the weighting of constituents of the Fidelity Thematic ESG-Tilted Index Family, exclude certain companies from eligibility due to adverse impacts, and to adjust the indexes' constituent weighting processes accordingly.

This document requests stakeholder comment regarding the proposed adjustments to the methodology and timetable detailed herein.

2. Administrator / benchmark details

Moorgate Benchmarks is administrator of the below benchmarks.

BENCHMARK	CALCULATOR
Fidelity Electric Vehicle and Future Transportation ESG Tilted Index	Moorgate Benchmarks Ltd
Fidelity Cloud Computing ESG Tilted Index	Moorgate Benchmarks Ltd
Fidelity Digital Health ESG Tilted Index	Moorgate Benchmarks Ltd
Fidelity Metaverse ESG Tilted Index	Moorgate Benchmarks Ltd
Fidelity Clean Energy ESG Tilted Index	Moorgate Benchmarks Ltd

3. Proposal - summary

Moorgate Benchmarks proposes:

- To add a Sustainable Investment component and a process for creating a Sustainable Investment exposure threshold to the index methodology.
- To exclude constituent companies whose economic activities do not contribute sufficiently to an environmental or social objective.
- To exclude from index eligibility companies by Adverse Impact Indicators in certain activities.

To adjust the process for creating constituent weightings to incorporate the new Sustainable Investment exposure score.

Full details of these changes can be seen below.

If confirmed, these changes would be implemented within the index family's methodology such that they are effective for the Q1 2023 index rebalance to be implemented on the third Friday of March, 2023.

4. Proposal – detail

4.1. Sustainable Investment (SI) Definition

The proposed changes create a new Sustainable Investment (SI) definition that would be used to define a company as a Sustainable Investment. This definition comprises three existing measures and adds Business Activity % Revenue and Adverse Impact Indicator measures:

SI Definition Components	Data Points	SI Requirements
Economic Activities Contributing to an Environmental or Social Objective	Business Activity % Revenue	Aggregate of >= 50% revenue tied to sustainable activities
Constituent companies do no significant harm to environmental/social objectives	Adverse Impact Indicator Screen*	Not flagged as an Adverse Impact Indicator
	Product Involvement Screen*	Not flagged in Business Activities Table p.13-14
Constituent companies follow good governance practices	ESG Risk Rating*	Not "High" or "Severe" rated
	Controversies*	Not "Severe" rated

*Source: Sustainalytics

Entities that fail the requirements of the table above are excluded from eligibility as a sustainable investment.

The Sustainable Investment (SI) exposures will be independently calculated and created by FMR. Constituents are classified as SI if they have significant revenue tied to sustainable economic activities, do no significant harm to environmental/social objectives, and follow good governance practices. Economic activities are considered sustainable if they contribute to an Environmental or Social Objective.

4.2. Environmental Sustainable Investments (ESI) Definition

The proposed changes create a definition for Environmental Sustainable Investments (ESI). Constituents are classified as ESI if they have significant revenue tied to sustainable environmental economic activities, do no significant harm to environmental objectives, and follow good governance practices.

4.3. Social Sustainable Investments (SSI) Definition

The proposed changes create a definition for Social Sustainable Investments (SSI). Constituents are classified as SSI if they have significant revenue tied to sustainable social economic activities, do no significant harm to social objectives, and follow good governance practices.

4.4. Adverse Impact Indicator Screen

A new Adverse Impact Indicator Screen will be created, where entities in the worst decile based on the below Adverse Impact Indicators will be excluded from eligibility as a sustainable investment.

Adverse Impact Indicator	
Greenhouse gas emissions	Carbon Footprint
	GHG Intensity of investee companies
	Exposure to companies active in the fossil fuel sector
	Share of non-renewable energy consumption
Biodiversity	Activities negatively affecting biodiversity-sensitive areas
Water	Emissions to water
Waste	Hazardous waste ratio
Social and employee matters	Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board Gender Diversity
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

4.5. Scaling Exposure to SI, ESI and SSI.

The proposal creates per-index targets for the weight of the index exposed to the SI, ESI and SSI measures.

In the existing methodology If the total weight attributed to desirable ESG ratings in any index is less than 50%, the weights of desirable stocks are scaled up to 50% and the remaining portfolio scaled down to 50%.

This proposal will add additional scaling: where after the above scaling the weight attributed to each measure is below that shown in the table below, it will be scaled up to the percentage weight shown below. Scaling does not occur for a measure if, for that index, there are no constituents exposed to that measure.

	Fidelity Clean Energy ESG Tilted Index	Fidelity Cloud Computing ESG Tilted Index	Fidelity Digital Health ESG Tilted Index	Fidelity EV and Future Transportation ESG Tilted Index	Fidelity Metaverse ESG Tilted Index
Proposed ESI% Threshold	20	N/A	N/A	15	N/A
Proposed SSI% Threshold	N/A	N/A	30	N/A	N/A
Proposed SI% Threshold	25	N/A	30	15	4

Scaling will be undertaken sequentially in the order shown in the table above. After scaling, individual constituent weights will be capped at 17.5%, as per the existing methodology.

5. Consultation process

Stakeholders wishing to respond to this consultation should do so via email to info@moorgatebenchmarks.com.

Responses should be submitted by the close of business on 4th January 2023.

Moorgate Benchmarks intends to publish its response to any submissions, the updated methodology (if relevant) and its final timetable for its introduction, on or before 13th January 2023.

6. Questions to stakeholders

Do you wish to raise any concerns regarding the proposed methodological changes?

Do you wish to raise any concerns regarding the proposed timetable?

7. Contact details for further information

For any questions regarding benchmark administration and these proposed changes, the benchmark administrator Moorgate Benchmarks Ltd can be contacted at info@moorgatebenchmarks.com.