

Investing for social good

Leverage the power of capital to create a fairer, more equitable future.

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Key takeaways

- ✓ Socially sustainable investing generally encompasses ethically or socially conscious themes, such as fair treatment for workers and minorities.
- ✓ While there are relatively few funds aimed at addressing social issues, like racial justice or economic inequality, that is beginning to change.
- ✓ Fidelity has developed 4 unique mindsets that can help investors determine the approach to socially sustainable investing that best suits their personality and goals.

2021 was a significant year for sustainable investing, as shareholders of major companies increasingly pushed for firmer commitments to human rights and social justice.

According to the Sustainable Investments Institute, 34 ESG (environmental, social, and corporate governance) proposals received majority support among shareholders last year, up from 21 the year before. At IBM, more than 94% of shareholders supported a proposal asking for greater insight into the company's diversity, equity, and inclusion programs. At Wendy's, a proposal to ensure accurate reporting on worker safety during the pandemic earned more than 95% support. At Goldman Sachs, a push to do away with Goldman's policy of forced arbitration and confidentiality for sexual harassment complaints just narrowly missed passing—but the campaign was so effective it led the company to reverse the policy anyway.

Investors are awakening to their ability to shape the future of our economy and our society and becoming bolder in how they use their wealth to build a better future for themselves, their families, and their communities. At Fidelity, our goal as investment stewards is to provide clear guidance on what ESG factors we believe are material to each company and to engage and vote accordingly. We've developed a decision-making framework to ensure that the proposals we are voting on are financially material, relevant, and provide valuable information to shareholders. (ESG-specific investment strategies apply only to funds in which ESG criteria are supported by specific language in the respective fund prospectuses.)

If you're curious about how to invest in companies that foster more equitable relationships between their customers, employees, suppliers, and the communities they operate in, it's important to understand that there's more than one way to go about it—and the method you choose will depend a lot on your personal priorities and motivations.

What makes a company socially sustainable?

While each investor will have their own perspective on what constitutes social sustainability, it generally encompasses a few key guidelines around ethical or socially conscious themes that are thought to make for a more equitable and respectful society:



These are not just superficial, feel-good factors. They can be "financially material issues," according to the Sustainability Accounting Standards Board, and, depending on the industry, are likely to have a meaningful impact on the financial condition or operating performance of a company.¹ At Fidelity, we believe that robust ESG practices can be critical to an investment's long-term success. Through the lens of a skilled active manager, the analysis of ESG factors can provide an expanded view into the durability of a company's competitive advantage and earnings growth, as well as potential business model risks. A historical and forward-looking ESG assessment can help confirm if company management is effectively addressing the relevant intermediate- and long-term systematic risks that may not be uncovered when only relying on an investment's quantitative earnings model.

In particular, our perspective is that companies that prioritize health and safety, workplace diversity, retention, and an inclusive corporate culture are more likely to attract and retain high-value talent. Therefore, we believe a company's diversity and inclusion efforts serve as a proxy for good human capital management. We believe that the preponderance of empirical evidence, as well as our own research observations, indicate that companies with more diverse workforces are better positioned to outperform their peers.

A joint study by NYU's Stern Center for Sustainable Business and Rockefeller Asset Management analyzed more than 1,000 studies on ESG performance and concluded that corporate ESG initiatives appear to drive better financial performance, increase innovation, and improve management of risk. It also found that investing in such companies can provide protection during a social or economic crisis.²

What's your motivation?

Through extensive interviews with investors and their advisors, Fidelity has developed 4 unique mindsets that can help you determine the sustainable investment strategy that best fits your personality and goals.



"Your approach depends on your objectives and what's motivating you," says Rick Smyers, managing director of Fidelity ESG Pro™, a software platform that helps financial advisors build sustainable portfolios for clients. For instance, expression seekers may be interested in funds run by activist managers that encourage transformational change at the companies they invest in. Impact or alignment seekers could employ thematic investing techniques to better personalize their portfolio and feel confident that they are contributing to a good cause while pursuing their personal goals. Security seekers who don't have an affinity for any particular cause may be content to simply use ESG ratings in concert with company fundamentals to determine which companies are most likely to enjoy long-term success in a changing world.

Finding the right fit for you

While it may be relatively easy to find mutual funds or ETFs focused on the environmental side of ESG, there are fewer options for these types of social issues, like racial justice or economic inequality. However, Smyers says that interest in these addressing investments has been increasing as these topics have become more prominent in the media. "As more people become aware of these issues, I would expect it to become a more important theme over the long haul." In just the last few years, "minority empowerment" funds that invest solely in companies with strong racial and ethnic diversity policies or that seek to address the affordable housing crisis in traditionally underserved communities have launched in an effort to address the concerns of reform-minded investors.

Fidelity's Mutual Fund Evaluator and ETF Screener provide preset screens for sustainable funds, and the stock screener allows you to use the MSCI Overall Environmental, Social & Governance Rating to evaluate equities. If you can't find an investment that fits your specific interests, you may want to consider taking a broad-based approach. Fidelity currently offers a suite of investment products that address sustainability matters in general.

A purpose-driven portfolio

Investing for social good can provide you with opportunities to leverage the power of capital to create a fairer, more equitable future, and potentially protect your personal wealth as markets shift in response to changing social norms. And while it's nice to know that one may not necessarily need to forego competitive returns to do so, having your investments and your values in alignment can give you the confidence to stay the course amid uncertainty.

Mutual funds




- Fidelity® Sustainable U.S. Equity Fund (FSEBX)
- Fidelity® U.S. Sustainability Index Fund (FITLX)
- Fidelity® International Sustainability Index Fund (FNIDX)
- Fidelity® Sustainability Bond Index Fund (FNDSX)
- Fidelity® Sustainable International Equity Fund (FSYRX)
- Fidelity® Sustainable Emerging Markets Equity Fund (FSYJX)
- Fidelity® Sustainable Multi-Asset Fund (FYMRX)

ETFs

- Fidelity® Sustainability U.S. Equity ETF (FSST)*
- Fidelity® Sustainable High Yield ETF (FSYD)

* This ETF is different from traditional ETFs. Traditional ETFs tell the public what assets they hold each day. This ETF will not. This may create additional risks for your investment. For example: You may have to pay more money to trade the ETF's shares. This ETF will provide less information to traders, who tend to charge more for trades when they have less information. The price you pay to buy ETF shares on an exchange may not match the value of the ETF's portfolio. The same is true when you sell shares. These differences may be greater for this ETF compared to other ETFs because it provides less information to traders. These additional risks may be even greater in bad or uncertain market conditions. The ETF will publish on its website each day a "Tracking Basket" designed to help trading in shares of the ETF. While the Tracking Basket includes some of the ETF's holdings, it is not the ETF's actual portfolio. The differences between this ETF and other ETFs may also have advantages. By keeping certain information about the ETF secret, this ETF may face less risk than other traders can predict or copy its investment strategy. This may improve the ETF's performance. If other traders are able to copy or predict the ETF's investment strategy, however, this may hurt the ETF's performance. For additional information regarding the unique attributes and risks of the ETF, see the disclosure below and the Principal Investment Risks section of the prospectus.

Next steps to consider

 Start a conversation Already working 1-on-1 with us? Schedule an appointment	 Explore wealth management See how a Fidelity professional can help you grow and protect your wealth.	 Get the latest insights Access articles, webinars, and ideas on wealth planning and investment strategies.
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1. Compilation from United Nations Principles for Responsible Investment (UNPRI), CFA Institute, and the Sustainability Accounting Standards Board (SASB). As of Dec. 31, 2018.

2. "ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020," Tensie Whelan, Ulrich Atz, Tracy Van Holt and Casey Clark, CFA, NYU Stern Center for Sustainable Business

The objective of the actively managed ETF Tracking Basket is to construct a portfolio of stocks and representative index ETFs that tracks the daily performance of an actively managed ETF without exposing current holdings, trading activities, or internal equity research. The Tracking Basket is designed to conceal any nonpublic information about the underlying portfolio and only uses the Funds latest publicly disclosed holdings, representative ETFs, and the publicly known daily performance in its construction. You can gain access to the Tracking Basket and the Tracking Basket Weight overlap on Fidelity.com or i.Fidelity.com.

Although the Tracking Basket is intended to provide investors with enough information to allow for an effective arbitrage mechanism that will keep the market price of the fund at or close to the underlying NAV per share of the Fund, there is a risk (which may increase during periods of market disruption or volatility) that market prices will vary significantly from the underlying NAV of the Fund; ETFs trading on the basis of a published Tracking Basket may trade at a wider bid/ask spread than ETFs that publish their portfolios on a daily basis, especially during periods of market disruption or volatility, and, therefore, may cost investors more to trade, and although the Fund seeks to benefit from keeping its portfolio information secret, market participants may attempt to use the Tracking Basket to identify a Funds trading strategy, which, if successful, could result in such market participants engaging in certain predatory trading practices that may have the potential to harm the Fund and its shareholders. Because shares are traded in the secondary market, a broker may charge a commission to execute a transaction in shares, and an investor may incur the cost of the spread between the price at which a dealer will buy shares and the price at which a dealer will sell shares.

While environmental, social and corporate governance (ESG) factors are available to incorporate into our investment process across all Fidelity strategy offerings, ESG specific investment strategies apply only to funds in which ESG criteria are supported by specific language in the respective fund prospectuses. For funds which do not include ESG investment strategies, ESG assessments represent one of many pieces of research available to the portfolio managers and the degree to which it impacts a strategy's holdings may vary strategy by strategy based on the portfolio manager's discretion. Investing based on ESG factors may cause a strategy to forgo certain investment opportunities available to strategies that do not use such criteria. Because of the subjective nature of sustainable investing, there can be no guarantee that ESG criteria used by Fidelity will reflect the beliefs or values of any particular client. Additionally, Fidelity must rely upon ESG-related information and data obtained through third party reporting that may be incomplete or inaccurate, which could result in Fidelity imprecisely evaluating an issuer's practices with respect to ESG factors.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

The stocks mentioned are not necessarily holdings invested in by Fidelity. References to specific company stocks should not be construed as recommendations or investment advice. The statements and opinions are those of the speaker, do not necessarily represent the views of Fidelity as a whole, and are subject to change at any time, based on market or other conditions.

Exchange-traded products (ETPs) are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. ETPs that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. ETPs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETP is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETP may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). The degree of liquidity can vary significantly from one ETP to another and losses may be magnified if no liquid market exists for the ETP's shares when attempting to sell them. Each ETP has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

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Past performance is no guarantee of future results.

Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular or, if available, a summary prospectus containing this information. Read it carefully.






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