

## Fidelity Emerging Markets Quality Income, Fidelity Europe Quality Income, Fidelity Global Quality Income and Fidelity US Quality Income Indices Consultation

**AMSTERDAM, JANUARY 6, 2025:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Fidelity Emerging Markets Quality Income, Fidelity Europe Quality Income, Fidelity Global Quality Income and Fidelity US Quality Income indices.

### BACKGROUND

To better align with the broader Fidelity Quality Income and Fidelity Quality Value indices series, S&P DJI is proposing to change the ESG data provider from Sustainalytics to MSCI and remove the Sustainable Exposure assessment for the Fidelity Emerging Markets Quality Income, Fidelity Europe Quality Income, Fidelity Global Quality Income and Fidelity US Quality Income indices.

### PROPOSAL

The proposed changes are detailed in the table below:

Proposed Change	Methodology	
	Current	Proposed
Highlights	In addition to the annual reconstitution, the Index will be rebalanced in months other than February in the event any index constituent ceases to pay a dividend (this is established when the Indicated Dividend Yield is 0), identified as having an ESG controversy score of 5, or falls into a Business Activity, Sustainalytics’ Global Standards Screening exclusionary category, as of the relevant Observation Date as described under the Index Maintenance section	In addition to the annual reconstitution, the Index will be rebalanced in months other than February in the event any index constituent ceases to pay a dividend (this is established when the Indicated Dividend Yield is 0), identified as having an ESG controversy score of <b>0</b> , or falls into a Business <b>Involvement, MSCI ESG Global Norms Screens</b> exclusionary category, as of the relevant Observation Date as described under the Index Maintenance section.
Data Source	FactSet Research Systems Inc. (“FactSet”) are used as the main source for the metrics in Eligibility Criteria and Index Construction, unless stated otherwise. Transcriptions have been mapped to FactSet functions in an Appendix that is available on request from S&P DJI and subject to Index Owner’s approval.	FactSet Research Systems Inc. (“FactSet”) <b>and MSCI ESG Research LLC (MSCI)</b> are used as the main source for the metrics in Eligibility Criteria and Index Construction, unless stated otherwise. Transcriptions have been mapped to FactSet functions <b>and MSCI data fields</b> in an Appendix that is available on request from S&P DJI and subject to Index Owner’s approval.
Exclusions based on Controversy Rating	Exclusions Based on Sustainalytics’ Controversy Rating As of each Observation Date, companies identified as having a Sustainalytics Controversy Rating of 5 are excluded from the Selection Universe.	Exclusions Based on <b>MSCI’s</b> Controversy Rating As of each Observation Date, companies identified as having an MSCI Controversy Rating of <b>0</b> are excluded from the Selection Universe

Proposed Change	Current	Methodology
<p>Exclusions Based on Sustainalytics' Global Standards Screening / MSCI ESG Global Norms Screens Overview</p>	<p>Exclusions Based on Sustainalytics' Global Standards Screening</p> <p>Sustainalytics' Global Standards Screening (GSS) provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes, or is linked to violations of international norms and standards. The basis of the GSS assessments is the United Nations (UN) Global Compact Principles. Information regarding related standards is also provided in the screening, including the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions. Sustainalytics classifies companies into one of the following three status:</p> <ul style="list-style-type: none"> <li>• <b>Non-Compliant:</b> classification given to companies that do not act in accordance with the UNGC principles and its associated standards, conventions and treaties.</li> <li>• <b>Watchlist:</b> classification given to companies that are at risk of violating one or more principles, for which all dimensions for Non-Compliant status could not be established or confirmed.</li> <li>• <b>Compliant:</b> classification given to companies that act in accordance with the UNGC principles and its associated standards, conventions and treaties.</li> </ul> <p>As of each Observation Date, companies identified and deemed by Sustainalytics to be Non-compliant are excluded from the Selection Universe.</p>	<p><b>MSCI ESG Global Norms Screens Overview</b></p> <p>MSCI ESG Global Norms screens are not intended to verify ongoing commitments of companies to such norms and conventions or assess the quality of internal compliance monitoring mechanisms of the companies that commit to such external guidelines and standards. Instead, MSCI ESG Global Norms screens leverage MSCI ESG Controversies Flags to identify publicly traded companies and fixed income issuers involved in controversies that may constitute a breach of those global norms and conventions. MSCI has reviewed details of each set of norms and determined a mapping of ESG controversy cases to the specific policies and principles of the following global norms and conventions:</p> <ul style="list-style-type: none"> <li>• The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>• The United Nations Global Compact Principles (UNGC)</li> <li>• The International Labour Organization's (ILO) conventions (Broad and Core Conventions)</li> <li>• The United Nations Guiding Principles on Business and Human Rights (UNGP)</li> </ul> <p>The screening factor values include Fail, Watch List, or Pass Signals based on the Severity of specific cases in which a company is implicated:</p> <ul style="list-style-type: none"> <li>• <b>Fail</b> - The company is directly involved in one or more Very Severe unresolved controversies related to aspects covered by the relevant global norms' policies.</li> <li>• <b>Watchlist</b> - The company has either i) settled most of the stakeholders' concerns related to its involvement in a Very Severe controversy related to aspects covered by the relevant global norm's policies, ii) continues to be involved in such controversy indirectly through its business partners, or iii) is involved in one or more controversies related to aspects covered by the relevant global norms but with a lesser severity.</li> <li>• <b>Pass</b> - The company has not been implicated in any ESG controversy cases related to aspects covered by the relevant global norms' policies, or its involvement in such cases is not considered to be severe enough to warrant a Fail or Watch List Signal.</li> </ul> <p>As of each Observation Date, companies identified and deemed by MSCI to be Non-compliant are excluded from the Selection Universe.</p>
<p>Treatment of missing data</p>	<p>Treatment of Missing Business Activities, Controversy Rating, ESG Risk Rating, and Global Standards Screening Data</p> <p>Companies without Sustainalytics' Product Involvement, Controversies Research, ESG Risk Rating, or Global Standards Screening data</p>	<p>Treatment of Missing <b>MSCI Data</b></p> <p>Companies <b>not in the MSCI ESG Ratings coverage</b> universe will be excluded from the Selection Universe. <b>Other missing MSCI data does not result in exclusion by default.</b></p>

Proposed Change	Methodology	
	Current	Proposed
	coverage will be excluded from the Selection Universe.  <i>For more information on Sustainalytics, please refer to <a href="http://www.sustainalytics.com">www.sustainalytics.com</a></i>	
ESG Exposure	After the previous steps, the index-level exposure to Index Constituents with Sustainalytics ESG Risk Ratings that are less than 30 is assessed. If the total weight attributed to this group is <50%, the weight of the group with Sustainalytics ESG Risk Ratings less than 30 is increased to 50% of the index's weight in proportion to their weights, and the weight of those Index Constituents with Sustainalytics ESG Risk Ratings of 30 or more is reduced to 50% of the index's weight in proportion to their weights. Increasing or reducing the respective weights of index constituents does not occur if the total weight attributed to Index Constituents with Sustainalytics ESG Risk Ratings that are less than 30 is above or equal to 50% or if there are no constituents with an ESG Risk Rating less than 30 in the Final Selection.	After the previous steps, the index-level exposure to Index Constituents with <b>MSCI ESG Ratings that are greater than or equal to BBB</b> is assessed. If the total weight attributed to this group is <50%, the weight of the group with MSCI ESG Ratings greater than or equal to BBB is increased to 50% of the index's weight, and the weight of those Index Constituents with MSCI ESG Ratings of BB or less is reduced to 50% of the index's weight. Increasing or reducing the respective weights of index constituents does not occur if the total weight attributed to Index Constituents with MSCI ESG Ratings that are greater than or equal to BBB is above or equal to 50% or if there are no constituents with an MSCI ESG Rating greater than or equal to BBB in the final selection.
Sustainable Exposure	Fidelity has created a framework to assess an index constituent's sustainability factors. For more information on sustainability factors and definition refer to Appendix V. The index-level exposure to index constituents deemed 'sustainable' is assessed.  Fidelity will score index constituents deemed sustainable according to the sustainability factors and definitions described in Appendix V with a score of 1.  If the sum of index weights of sustainable index constituents is below 1%, but greater than zero, their weights are increased to 1% and the remaining portion of the index's weights are reduced to 99%. Increasing and reducing index weights does not occur if there are no sustainable companies in the Final Selection.	--
Categories of Involvement	Please see the file <a href="#">here</a> for the full list.	Please see the file <a href="#">here</a> for the full list.

## IMPACTED INDICES

Index Name	BBG
Fidelity Emerging Markets Quality Income Index PR	FIDEMQIP
Fidelity Emerging Markets Quality Income Index TR	FIDEMQIT
Fidelity Emerging Markets Quality Income Index NR	FIDEMQIN
Fidelity Europe Quality Income Index PR	FIDEUQIP
Fidelity Europe Quality Income Index TR	FIDEUQIT
Fidelity Europe Quality Income Index NR	FIDEUQIN
Fidelity Global Quality Income Index PR	FIDGLQIP
Fidelity Global Quality Income Index TR	FIDGLQIT
Fidelity Global Quality Income Index NR	FIDGLQIN
Fidelity Global Quality Income GBP Hedged Index PR	FIDGLQPP

## CONSULTATION

Index Name	BBG
Fidelity Global Quality Income GBP Hedged Index TR	FIDGLQPT
Fidelity Global Quality Income GBP Hedged Index NR	FIDGLQPN
Fidelity Global Quality Income EUR Hedged Index PR	FIDGLQEP
Fidelity Global Quality Income EUR Hedged Index TR	FIDGLQET
Fidelity Global Quality Income EUR Hedged Index NR	FIDGLQEN
Fidelity U.S. Quality Income Index PR	FIDUSQIP
Fidelity U.S. Quality Income Index TR	FIDUSQIT
Fidelity U.S. Quality Income Index NR	FIDUSQIN
Fidelity U.S. Quality Income GBP Hedged Index PR	FIDUSQBP
Fidelity U.S. Quality Income GBP Hedged Index TR	FIDUSQPT
Fidelity U.S. Quality Income GBP Hedged Index NR	FIDUSQPN
Fidelity U.S. Quality Income EUR Hedged Index PR	FIDUSQEP
Fidelity U.S. Quality Income EUR Hedged Index TR	FIDUSQET
Fidelity U.S. Quality Income EUR Hedged Index NR	FIDUSQEN

## IMPACT ANALYSIS

S&P DJI conducted an analysis to assess the impact of the proposed changes with the following results:

**Count and Weight Differences (for the rebalances performed in 2022, 2023 and 2024):**

### Fidelity Emerging Markets Quality Income Index

Rebalance Year	Universe stock count	Index stock count <sup>1</sup>	Number of matched stocks <sup>2</sup>	Number of unmatched stocks <sup>3</sup>	Number of stocks no longer in the universe <sup>4</sup>	Weight difference for matched stocks <sup>5</sup>	Total sum of weight differences
2022	1000	153	62	91	52	14.76%	73.50%
2023	1000	155	71	84	52	13.65%	62.14%
2024	1000	147	68	79	35	14.35%	59.87%

### Fidelity Europe Quality Income Index

Rebalance Year	Universe stock count	Index stock count	Number of matched stocks	Number of unmatched stocks	Number of stocks no longer in the universe	Weight difference for matched stocks	Total sum of weight differences
2022	600	77	36	41	6	10.38%	57.24%
2023	600	80	47	33	4	9.58%	48.11%
2024	600	85	49	36	1	6.71%	42.45%

### Fidelity Quality Global Income Index

Rebalance Year	Universe stock count	Index stock count	Number of matched stocks	Number of unmatched stocks	Number of stocks no longer in the universe	Weight difference for matched stocks	Total sum of weight differences
2022	2000	237	166	71	18	7.17%	32.29%
2023	2000	248	176	72	11	5.33%	29.40%
2024	2000	226	172	54	12	5.73%	22.82%

<sup>1</sup> Index stock count for the relevant rebalance date as was reported on the rebalance date (no change applied).

<sup>2</sup> Number of stocks that are included in the index composition both for current and proposed methodology change.

<sup>3</sup> Number of stocks included in the index composition for current methodology that would not be selected under proposed methodology change.

<sup>4</sup> Number of stocks that would be removed from the index universe under proposed methodology change.

<sup>5</sup> Weight differences for the stocks that are included in the index composition both for the current and proposed methodology.

## CONSULTATION

## Fidelity Quality U.S. Income Index

Rebalance Year	Universe stock count	Index stock count	Number of matched stocks	Number of unmatched stocks	Number of stocks no longer in the universe	Weight difference for matched stocks	Total sum of weight differences
2022	1000	112	86	26	9	6.65%	27.12%
2023	1000	114	92	22	4	6.52%	27.18%
2024	1000	100	67	33	131	12.08%	40.43%

## ESG Rating, Dividend Yield and Quality Z-Score comparison (for the rebalance performed in February 2024):

	Index	Current methodology	Proposed methodology
Index level exposure to the Index components above the ESG Rating <sup>6</sup>	Fidelity Emerging Markets Quality Income Index	87%	70%
	Fidelity Europe Quality Income Index	97%	96%
	Fidelity Global Quality Income Index	94%	96%
	Fidelity U.S. Quality Income Index	94%	95%
Dividend Yield <sup>7</sup>	Fidelity Emerging Markets Quality Income Index	4.61%	4.20%
	Fidelity Europe Quality Income Index	4.32%	4.30%
	Fidelity Global Quality Income Index	2.90%	2.80%
	Fidelity U.S. Quality Income Index	2.31%	2.30%
Weighted Quality Z score <sup>8</sup>	Fidelity Emerging Markets Quality Income Index	0.81	0.75
	Fidelity Europe Quality Income Index	0.94	0.8
	Fidelity Global Quality Income Index	0.96	0.91
	Fidelity U.S. Quality Income Index	1	0.99

Additional data and analysis may be made available in the Client Resource Center [www.spglobal.com/spdji/en/client-services/](http://www.spglobal.com/spdji/en/client-services/), which may be updated from time to time throughout the consultation without notice. Additional data and analysis may also be made available upon request.

## IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the February 2025 rebalancing, which takes effect prior to the market open on **February 21, 2025**. If adopted, the changes will first be visible to clients in the pro-forma files beginning on **February 11, 2025**.

## QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

- 1. Do you agree with the proposal to change the ESG data provider from Sustainalytics to MSCI for the impacted indices?**
- 2. Do you agree with the proposal to remove the Sustainable Exposure Assessment from the impacted indices?**
- 3. Should the proposed methodology changes be adopted, do you agree with the proposed implementation date?**

<sup>6</sup> Under current methodology 'ESG rating' refers to Sustainalytics ESG Risk Rating less than 30; under proposed methodology 'ESG rating' refers to MSCI ESG Ratings that are greater than or equal to BBB.

<sup>7</sup> Trailing cumulative dividends per share over the previous twelve months, divided by price per share.

<sup>8</sup> Composite Z score weighted by the index components' weights.

## CONSULTATION

#### **4. Do you have any other comments or feedback regarding the proposed changes outlined above?**

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate the market participants' views and preferences. Please respond to this survey by **Friday, January 17, 2025**, as S&P DJI does not accept responses post the survey closure date. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

*Please be advised that S&P DJI reviews and considers all feedback before a final decision is made. However, S&P DJI makes no guarantees and is under no obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, the change(s) will be announced to clients and posted on the S&P DJI website with prior notice ahead of the effective date.*

Thank you for taking the time to complete this survey.

## **ABOUT S&P DOW JONES INDICES**

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

**FOR MORE INFORMATION:**  
[index\\_services@spglobal.com](mailto:index_services@spglobal.com)

## **CONSULTATION**