FIL Limited

Pillar 3 - Public Disclosures

30 June 2023

Contents

1. Introduction

1.1. About this Document

This document has been compiled to explain the basis of preparation and to disclose certain capital requirements for FIL Limited (FIL) and along with information required about the management of certain risks and for no other purpose.

The disclosures do not constitute any form of audited financial statement and have been produced solely for the purposes of Pillar 3 regulatory disclosure requirements.

The Pillar 3 disclosures focus on risk management at a corporate level and therefore do not give any details of fund or product related risk management activities. The vast majority of the business of FIL comprises managing mutual funds and segregated institutional mandates. These have independent custodians appointed by the mutual fund or the beneficial owner of the institutional account, as the case may be, and are segregated from FIL's own corporate balance sheet.

The disclosures have been reviewed and approved by the Directors of FIL.

1.2. Background

FIL is a privately-owned company incorporated in Bermuda, which operates with the commitment and resources to provide investment solutions and retirement expertise to institutions, individuals and their advisers worldwide to help build better financial futures. FIL trades under the brand Fidelity International.

Fidelity International offers world class investment solutions and retirement expertise, including tailored investment solutions and full-service asset management outsourcing.

Fidelity International manages assets of $381bn (excludes assets managed by Fidelity Canada) on behalf of its customers around the world. Fidelity International also provides investment administration and guidance services for workplace benefit schemes, advisers, and individuals, with a further $157bn in assets under administration.

Clients include pension funds, central banks, sovereign wealth funds, large corporates, financial institutions, insurers, wealth managers and private individuals.

Within the FIL Group, there are no material deposit-taking, market-making or investment banking entities, except for deposit taking activities within FIL Fondsbank GmbH (FFB). FFB has a banking license from Germany's financial regulator, but its banking activities are limited and only ancillary to its fund platform services.

1.3. Sustainability

FIL's purpose is to work together to build better financial futures for all our stakeholders: including clients, employees, and communities. FIL's philosophy seeks to align with that purpose, to achieve sustainable outcomes through FIL's products and services, investment process as well as through its corporate activities.

FIL's Sustainable Investing Principles document details the sustainable investing framework, FIL's approach to sustainable client solutions, exclusions, investment stewardship and engagement, and the integration of ESG risks and opportunities across the investment management process. Sustainability integration leads to better long-term financial, environmental and social outcomes for clients and a broad set of stakeholders. As active investment managers, FIL integrates material sustainability considerations into its fundamental research as it believes it can drive better decisions and outcomes, which are integral to the financial futures of FIL's clients. For further information, please click here to download the Sustainable Investing Principles document.

FIL's 2023 Corporate Sustainability Report (CSR) outlines how FIL approaches sustainability, progress made towards the goals set and the ongoing efforts to make Fidelity a more sustainable organisation. For further information please click here to download a copy of the report.

In addition, FIL's Task Force on Climate-related Financial Disclosures (TCFD) report aims to provide more transparency to stakeholders on key aspects of climate risks and opportunities including, but not limited to governance, strategy, and risk management as well as information on the metrics and targets used. For further information, please click here to download the 2023 report.

1.4. Regulatory Context

The Basel II Capital Accord is an international framework aimed at incorporating a more risk sensitive approach to the calculation of regulatory capital. The Bermuda Monetary Authority (BMA) implemented a revised regulatory capital framework, based on the provisions of the Basel II Capital Accord, designed for global financial institutions licensed under the Investment Business Act 2003 and Investment Funds Act 2006 ("the framework").

The framework consists of three 'pillars':

Pillar 1 sets minimum capital requirements by providing rules for the measurement of credit, market and operational risk.

Pillar 2 requires firms to conduct an internal assessment of capital adequacy based on the firm's actual risk profile to determine whether additional capital is required to cover these risks.

Pillar 3 focuses on disclosure requirements, including the key information required to assist external parties in their assessment of the capital adequacy of the organisation.

FIL is regulated for prudential purposes by the BMA.

1.5. Basis of Preparation

The disclosures included in this document relate to FIL on a consolidated basis. The consolidated financial statements are prepared under US GAAP as at 31 December each year and include; FIL Limited and its wholly owned or majority-owned subsidiaries, certain partnerships in which FIL has a controlling and substantive interest and those sponsored investment products which it controls.

For the purposes of the Pillar 1 capital calculations, FIL does not consolidate its life insurance subsidiaries, FIL Life Insurance Limited and FIL Life Insurance (Ireland) DAC, which are regulated by the UK Prudential Regulatory Authority and the Central Bank of Ireland respectively. Their business is predominantly related to the provision of regulated unit-linked pension contracts.

FIL holds significant non-controlling interests in regulated Canadian financial entities and these investments are deducted from FIL's regulatory capital.

1.6. Materiality

Regulations permit the omission of one or more of the required disclosures if that information is immaterial. A disclosure is deemed to be material if the omission of that information would likely change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Where a disclosure is considered to be immaterial, this has been stated.

1.7. Frequency of Disclosure

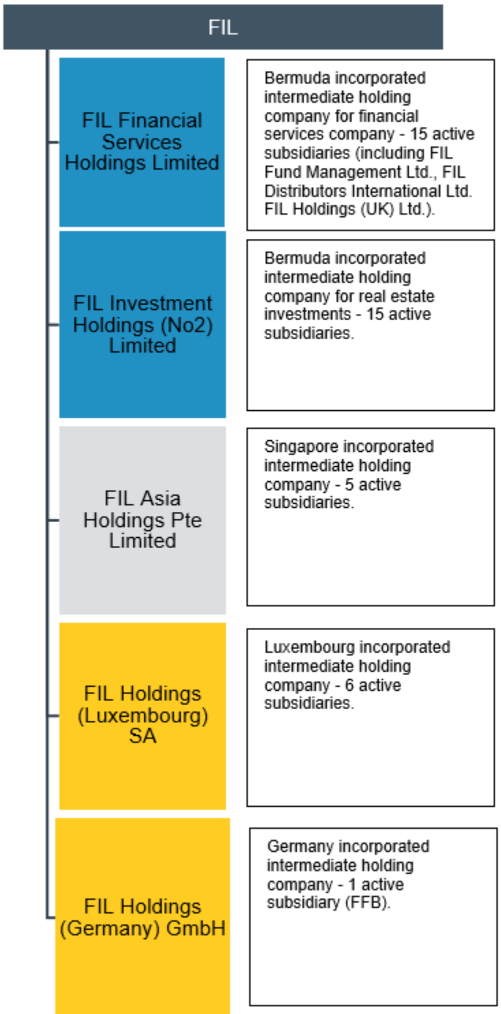
These disclosures are required to be made on a biannual basis, in line with BMA guidance. If appropriate, some disclosures will be made more frequently.

FIL has an accounting reference date of 31 December and disclosures are made then, along with interim disclosures published as of 30 June.

The disclosures are all published on the Fidelity International website: Click Here

1.8. FIL and its Principal Subsidiaries

The principal subsidiaries that primarily affect the consolidated profits or net assets of FIL are shown in the table below:



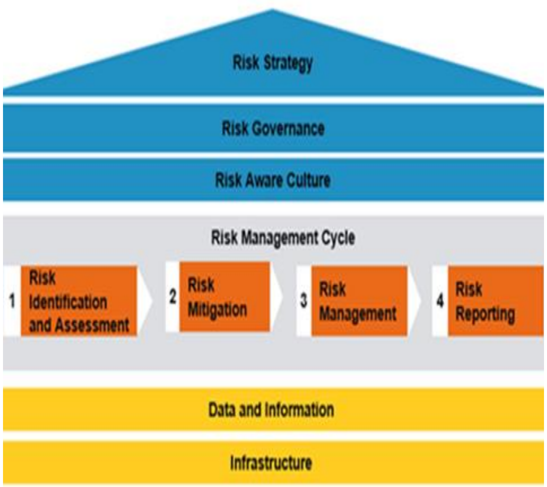
2. Risk Management

2.1. Risk Management Objectives and Policies

Risk management is defined across FIL by the Enterprise Risk Management (ERM) Framework. The framework supports the effective identification of risks, potential events and trends which may significantly affect FIL's ability to achieve its strategic goals or maintain its operations.

The ERM Framework includes:

- the application of a common enterprise-wide risk management framework, activities and processes across the organisation
- clear assignment of roles, responsibilities and accountabilities for risk management
- the effective use of appropriate risk identification and assessment, mitigation and management strategies
- the integration of relevant, reliable and timely risk management information into reporting and decision-making processes
- the identification and assessment of existing and uncertain future events that may influence the achievement of business plans and strategic objectives



2.2. Risk Strategy

FIL's risk strategy is to ensure that effective risk management is embedded in all core operating and decision-making processes across the organisation and that existing and emerging risks are identified and managed within acceptable risk limits for financial risk and risk tolerances for non-financial risks.

FIL's risk strategy is supplemented by a risk appetite framework which includes Risk Appetite statements and related metrics that reflect the aggregated level of risk that the organisation is willing to assume or tolerate achieve its business objectives.

FIL's risk management framework includes both qualitative and quantitative monitoring of risk metrics, escalation processes and action management plans to ensure that the organisation remains within risk appetite statements, limits and tolerances.

2.3. Risk Governance

FIL is committed to the highest standard of corporate governance, business integrity and professionalism in all its activities.

The FIL Board is responsible for setting the Risk Strategy and maintains accountability for oversight of FIL including but not limited to oversight and monitoring of FIL's overall risk profile and risk framework. The FIL Board is accountable for ensuring that appropriate governance, structures and internal controls are implemented to ensure compliance with rules, laws and regulations and FIL's policies; and that these are consistent with protecting clients and customers and are in the long-term interests of FIL shareholders. The FIL Board's oversight also ensures that remuneration arrangements across FIL are consistent with effective risk management and that relevant outsourced activities have a robust system of internal control and have appropriate oversight by FIL management.

The FIL Board is responsible for the supervision, leading and controlling of its subsidiaries. It is responsible for the implementation of the ERM framework and has created a governance structure to provide oversight and direction to the business through delegated authorities to designated committees and forums as represented in Section 4. The committees inform the FIL Board of the risk profile and effectiveness of the risk management framework. The FIL Board receives matters escalated for consideration from subsidiary boards and committees.

The risk management structure at FIL is designed on a 'Three Lines of Defence' basis to ensure clear accountabilities for all risk management activities in the organisation.

The 1st Line of Defence is risk owners, owning all risks emerging from their respective business and/or processes and being accountable for managing, monitoring and mitigating these risks on an ongoing basis in line with established policies, tools and procedures.

The 2nd Line of Defence, which includes the Global Risk Team and risk-type controllers, comprises an independent risk and control layer responsible for the design of core enterprise and specific risk-type frameworks, methodologies and tools, and provides risk oversight.

The 3rd Line of Defence is internal audit, which provides independent assurance on the adequacy of the design and effectiveness of the 1st and 2nd lines of defence.

The Global Chief Risk Officer is responsible for developing and implementing an appropriate risk framework to oversee the execution of risk practices and processes; and ensuring appropriate risk oversight across the three lines of defence. The Global Chief Risk Officer chairs or is a member of several internal risk committees.

Regional Chief Risk Officers report directly to the Global Chief Risk Officer and assume responsibilities for oversight and supporting adherence to the risk strategy and ERM framework requirements within their region.

2.4. Risk Aware Culture

FIL has adopted an approach to promote, embed and measure a strong risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to FIL's core values and beliefs. This approach also includes alignment of compensation and performance structures which incentivise risk accountability and the right risk behaviours.

2.5. Risk Identification and Assessment

The FIL risk taxonomy provides a consistent approach for the classification, identification and definition of risk and covers all relevant risks across the organisation.

As part of the risk management cycle, a risk assessment is conducted to ensure understanding of risk levels, including materiality and impact. Identifying and understanding root cause, materiality drivers, themes and impacts of individual and aggregated risks are considered throughout the risk assessment process.

Risk-type controllers, in conjunction with the Global Chief Risk Officer, are responsible for review and challenge of the aggregated risks identified and assessed by risk owners.

2.6. Risk Mitigation and Management

Risk mitigation strategies are crucial for ensuring levels of residual risk are managed within risk appetite and includes a defined control environment, remediation processes, strategic de-risking of processes, risk transfer (insurance), disposal of assets or reduction of exposure, diversification and collateral.

Risk-type controllers are responsible for prescribing, monitoring and testing minimum control requirements aligned to FIL's risk appetite for that risk-type. Risk owners are expected to meet the minimum control requirements and to develop and implement additional controls to appropriately manage their specific risks and risk levels.

2.7. Risk Reporting

The following items are reported to the FIL Audit and Risk Committee, whose responsibilities are outlined in Section 4, on at least a quarterly basis:

- Risk Register; including risk ratings, trends and forward-looking profiles

- Key Risk Profile updates
- Risk Appetite metrics and breaches
- Key risk and control indicators; including Risk Events and audit issues
- Material risk event details
- Other Key Risks and issues for attention

2.8. Board Declaration

The FIL Board considers the current risk management arrangements to be adequate.

3. Risk Profile

3.1. FIL's Risk Profile

FIL is exposed to the following risks which have been acknowledged by the FIL Board, documented in FIL's risk taxonomy and assessed.

Key Risks	Risk Types
Financial	Counterparty / credit risk Market risk Liquidity risk Pension risk
Operational	Operational delivery risk Duties to customer risk Employment practices & workplace safety Regulatory risk Financial crime risk Financial reporting risk Information security risk Technology failure risk Business process disruption risk Record & data management risk Information security risk Tax compliance risk
Investment	Fund counterparty / credit risk Fund market risk Fund liquidity risk
Strategic	Market dynamics risk Business strategy risk Business performance risk Insurance / Underwriting risk
Environmental, Social & Governance (ESG)	Environmental and Climate risk Social Risk Governance Risk

Financial risks:

- **Counterparty/Credit Risk** is the risk of a counterparty failing to meet their financial obligations to FIL when due.

- **Market Risk** is the risk of an adverse financial impact due to changes in fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices.

- **Liquidity Risk** is the risk that FIL either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

  It is FIL's policy to maintain sufficient liquidity to enable it to inject capital rapidly into subsidiaries to meet all reasonably foreseeable requirements and scenarios. There are no significant regulatory or exchange control restrictions that would prevent this and the required currencies can generally be obtained either same day or the next business day. There are some limited restrictions on repatriating capital surpluses from subsidiaries back to FIL.

- **Pension Risk** is the risk caused by a contractual or other liability to, or with respect to, a pension scheme. It also includes the risk that FIL fails to make payments or other contributions to a pension scheme arising from a moral or ethical obligation.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Investment Risk arises in the investment funds managed by FIL. It is borne by investors, provided FIL manages the funds within limits and in line with investor expectations. FIL is actively managing communications and disclosures with investors to ensure that the risk profile of the funds is transparent and understood by those who ultimately bear this type of risk. The risks are monitored through risk indicators to ensure the funds are not exposed to significant credit or concentration risk with respect to their primary counterparties.

Strategic Risk is the risk that FIL cannot compete effectively, becomes unviable, or if the business strategy being pursued is inappropriate or incomplete. This includes risks related to market dynamics, business strategy and business performance risk. Typically, Strategic risks affect the revenues and/or profitability of FIL.

ESG Risk is an environmental, social or governance factor or condition that can cause harm to FIL as an organisation or assets managed on behalf of clients. This includes risks related to environmental and climate risk, social risk and governance related risk.

There are no subsidiaries where actual capital resources are lower than the local minimum capital requirements as at 30 June 2023.

3.2. Other Risks

The following risks have also been considered and are not currently material to FIL:

Concentration Risk is the risk of large individual exposures and significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors (sector, economy, geography location, instrument type). FIL does not have significant concentrations of clients, fund strategies or other receivable balance sheet exposures amounts, and the risk is mitigated through credit exposures being diversified across a range of approved counterparties in accordance with agreed limits. Counterparty monitoring is performed on a regular basis.

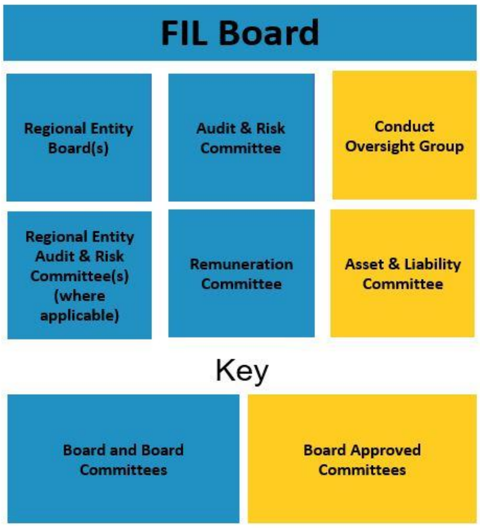
Residual Risk (a sub-category of credit risk) is the risk that recognised risk measurement and mitigation techniques used by the credit institution prove less effective than expected. FIL has an immaterial residual risk.

Securitisation Risk is the risk that the capital resources held by the financial institution in respect of assets which it has securitised are inadequate with regard to the economic substance of the transaction, including the degree of risk transfer achieved. FIL has an immaterial securitisation risk exposure.

4. Governance Structure

4.1. FIL Board and Committees

The structure of the FIL Board and its committees and forums is referenced below:



The FIL Board has formed the following standing committees of the Board:

The Audit and Risk Committee is responsible for ensuring that the management of the businesses implement and maintain a risk management and internal control framework in order to manage the associated risks appropriately and to comply with legal and regulatory requirements. It makes recommendations for changes to, and enforcement of, policy and escalates issues of concern to the FIL Board. It directs oversight and challenge activities from the internal audit, general counsel (including compliance) and the risk management teams.

The Remuneration Committee has been established to help ensure that FIL applies a consistent and optimal approach to the principles and delivery of employee remuneration, and specifically to oversee the remuneration for specified senior executives.

The FIL Board has approved the following key management oversight committees:

The Conduct Oversight Group has responsibility to the Board and is a referral point on policy issues relating to FIL's Code of Conduct.

The Asset and Liability Committee is a business committee of FIL, responsible for the management of capital and liquidity across FIL. It acts as the pre-approval forum for specified matters, and it fulfils an additional function as a technical discussion forum for matters relating to capital and liquidity generally.

Global internal risk management resources and committees provide specialist expertise and services. These include key control functions such as Risk, Internal Audit, Legal and Compliance. Central functions such as Finance, Technology and Human Resources have vital roles to play in the sound and prudent management of the business. Full escalation routes have been established between committees and the FIL Board.

4.2. Board Membership

The FIL Board is largely comprised of experienced non-executive directors, whose appointment is the responsibility of voting Shareholders.

The FIL Board members as of 30 June 2023 are Abigail Johnson, Anthony Bolton, Anne Richards, Edward C Johnson IV, Glen Moreno, Catherine Sheridan, Patrick Tannock, Gunn Waersted, and Jacques de Vaucleroy.

The FIL Board conducts a periodic self-assessment of the Board as a whole and of individual Board members, as well as its governance practices, and takes corrective actions or makes improvements as deemed necessary or appropriate.

5. Capital

5.1. Capital Resources

Tier 1 capital is the highest-ranking form of capital and includes permanent share capital, retained profits and other reserves. Included in Tier 2 capital are reserves/fair value gains on equity securities. The unaudited capital positions as of 30 June 2023 are shown in the tables below.

FIL Prudential Consolidated Capital Position	30 Jun 23 $'m
Tier 1 Capital	
Permanent share capital and related share premium accounts	501
Reserves	3,364
Non-Controlling interests	-
Less: Goodwill and other intangibles	(233)
Tier 2 Capital	
Reserves / fair value gains on equity securities	16
Hybrid (Debit/equity) capital instruments	-
General Provisions	26
Total Tier 1 and Tier 2 Capital	**3,674**
Less: Deductions from capital	
Investments in insurance subsidiaries and financial entities	(1,259)
Securitisations	(91)
Other	
Total (Net) Capital	**2,324**
Less: Pillar 1 regulatory capital requirement at 8% of risk weighted assets (RWA)*	
Credit risk	386
Operational risk	339
Total Pillar 1 Regulatory capital requirement	725
Total Pillar 1 Capital Surplus	**1,599**
Total (Net) Capital as a percentage of BMA Regulatory capital requirement	320%
Risk asset ratio (Total (Net) Capital / RWA)	25.64%
* Total RWA as at 30 Jun 2023 is $9,064	

FIL Prudential Consolidated Balance Sheet Position	30 Jun 23 $'m
Bank and cash balances	1,234
Accounts receivable	1,601
Invested assets	
Securities available for sale	898
Equity in net assets of investees	1,239
Equity Securities at FVTNI	2,144
Property investments	590
Other securities	331
Notes receivable	4
Deferred tax and other assets	453
Property, plant and equipment, net	545
Intangible assets	
Goodwill	102
Other intangible assets	131
Total Assets	**9,272**
Total Liabilities	**5,050**
Total Equity	**4,222**
Total Liabilities and Shareholders' Equity	**9,272**

Reconciliation of Capital Requirements to Prudential Balance Sheet	30 Jun 23 $'m
Total equity per prudential balance sheet	4,222
Add: Hybrid (debt/equity) and General provisions	26
Less: Disallowed reserves	(224)
Less: Preference shares	(117)
Less: Goodwill and other intangibles	(233)
Tier 1 + Tier 2 Capital	**3,674**

5.2. Asset Encumbrance

Encumbered assets are defined as assets pledged as collateral or that are restricted to be used for secured funding, for example, mortgage loans pledged in favour of covered bond holders, securitised assets and collateral for repos and securities financing transactions.

FIL is required to consolidate its Collateralised Loan Obligation (CLO) vehicles (Fidelity Grand Harbour CLO 2021-1 and Fidelity Grand Harbour CLO 2022-1) under US GAAP in the 31 December 2022 Financial Statements (as FIL retains ownership of the equity tranche of both CLOs and was identified as the primary beneficiary), but FIL has no ability to utilize the assets of the CLOs and there is no recourse to FIL for the CLO liabilities. FIL opened a warehouse for the next Fidelity promoted CLO during Q1 2023 and this warehouse has been consolidated in the 30 June 2023 results. This next CLO, Fidelity Grand Harbour CLO 2023-1, was launched and priced on 7 June 2023 and closed on 25 July 2023.

The NorScan Finland Oy, Norscan Norway AS, and Hasten 23H AB investment properties are subject to limited recourse debt arrangements of EUR 151m. 4 Cannon Street is owner occupied property subject to a full recourse debt obligation of GBP 96m. The 4 Cannon Street debt was repaid on 30th August 2023.

6. Capital Adequacy

6.1. Calculation of Capital Requirements - Pillar 1

The BMA requires FIL to report the Pillar 1 capital requirements under the standardised approach for credit and operational risk based on 8% of RWA for each applicable exposure class. FIL's Pillar 1 capital requirements are formally reported to the BMA on a quarterly basis.

6.2. Calculation of Capital Requirements - Pillar 2

Under Pillar 2 an internal capital assessment is undertaken to analyse the key risks that could threaten FIL's ability to meet its objectives and obligations. The assessment determines the capital required to withstand severe annual losses at a 99.5% confidence level. FIL performs the assessment annually or more frequently if changes to the business warrant it. It uses scenario modelling and stress testing to assess all risks faced by the business, taking into account any mitigation that is in place, or could realistically be affected.

Capital is held to ensure that FIL maintains a suitable margin in excess of the higher capital requirement of Pillar 1 or Pillar 2.

6.3. Credit Risk

The credit risk assessment includes on and off-balance sheet items that are required to be assessed as credit risk exposures under Pillar 1. The credit risk requirement at 30 June 2023 is $386m.

FIL uses a dedicated team of credit risk specialists that undertakes in-depth ongoing reviews of external ratings and other market information of all FIL approved bank counterparties, allowing proactive measures to be taken by FIL to manage exposures, including but not limited to, counterparty limit reductions or suspensions on a timely basis where necessary.

Exposure Values by Sector:

Sector	30 Jun 23 $'m
Cash	74
Sovereigns	1,241
Public sector entities	-
Corporates	115
Banks and securities firms	2,514
Real estate and other fixed assets	1,135
Non-trading investment portfolio	560
Other, including prepayments and debtors	3,633
Total Credit Risk Exposure	**9,272**

Exposure Values by Credit Quality:

Quality Rating	30 Jun 23 $'m
AAA to AA-	3,084
A+ to A-	601
BBB+ to BB- (& unrated)	185
Below BB-	-
Other not rated exposures	5,402
Total Credit Risk Exposure	**9,272**

'Past due' Assets & Provisions

Financial assets are considered to be past due when payment has not been made by the contract due date. An asset is considered as impaired when the carrying value of the asset is greater than the recoverable amount through sale or use. FIL reviews its financial assets on a regular basis for indicators of impairment.

As at 30 June 2023 FIL had no material assets past-due greater than 30 or 60 days.

6.4. Market Risk

Financial investments that constitute FIL's investment capital are considered to be non-trading, as they are not managed with a view to making profits or avoiding losses on a short-term basis. Pillar 1 capital is therefore not required to be calculated for market risk, but the non-trading positions held, are included within the credit risk requirements, as prescribed by the Pillar 1 standardised approach.

6.5. Operational Risk

FIL has adopted the standardised approach for operational risk to calculate the capital requirement under Pillar 1. The operational risk requirement as at 30 June 2023 is $339m.

7. Remuneration Policy and Practices

7.1. Background

FIL is a private company owned by management, certain charities and the founding family. Key employees are, from time to time, offered the opportunity to purchase FIL common shares out of their own post-tax monies, which helps to ensure strong alignment between shareholders and management and also inculcates a suitably long-term time horizon. Such shareholdings are generally retained throughout the individual's employment at FIL and are relatively illiquid. The Board of FIL believes that over the medium to long-term the majority of the wealth creation of a key employee will be derived from their FIL shareholdings, rather than the components of remuneration covered by salary, benefits, bonus and other incentive plans.

FIL has a 'Diversity and inclusion' policy for all employees. FIL believes that its success is based on maintaining and developing an environment where employees are recognised as individuals and individuals are not discriminated against.

7.2. Decision-Making Process

The remuneration policy is set at FIL level, in keeping with our vision and values, and group policies and practices. Subsidiary company Boards have no formal responsibility for setting local remuneration policy, except as prescribed by local legal requirements.

7.3. Remuneration Committee and Oversight

FIL has established a remuneration committee as described in Section 4. The committee has responsibility for taking a group-wide perspective on the principles and parameters of remuneration, and for oversight of the remuneration for specified senior executives.

The remuneration policy and compensation for individuals is set with an appropriate level of challenge and independence for a privately-owned asset management company.

The FIL Board and senior management take full account of FIL's strategic objectives in setting the remuneration policy and the Board is mindful of its duties to shareholders and other stakeholders. In making decisions on remuneration, senior management seeks to preserve shareholder value by ensuring the successful recruitment, retention and motivation of employees.

No individual is involved in decisions relating to their own remuneration.

7.4. Pay and Performance

FIL remuneration is made up of fixed pay i.e. salary and benefits and performance-related pay which is designed to reflect performance against a range of quantitative and qualitative targets.

The remuneration package is structured in a way that the fixed element is sufficiently large to enable the company to operate a fully flexible and discretionary bonus policy.

FIL sets the variable component in a manner which takes into account individual performance, performance of the individual's business unit and the overall results of FIL as a whole.

Staff performance is formally evaluated annually. The evaluations also consider the staff member's contribution in promoting sound and effective risk management where appropriate.