

## **Fidelity China Special Situations PLC (“the Company”)**

### **Terms of Reference for the Unlisted Investment Committee**

#### **1. Function**

The Unlisted Investment Committee (the “Committee”) is appointed by the Board to review and approve investments in unlisted securities and companies (“unlisted investments”) for inclusion in the portfolio of the Company and, once invested in, to review and approve their valuation. The Committee may also review specific other hard to price investments, and their valuations, when required by the Board to do so.

#### **2. Duties**

The Committee shall:-

- (a) review and agree all unlisted investments including pre-IPO opportunities and follow on investments and report all purchases and disposals of such investments to the Board on a quarterly basis;
- (b) review and monitor the ongoing performance of the unlisted and hard to price investments held in the portfolio;
- (c) review and approve or reject the suggested valuation of unlisted and hard to price investments made by Fidelity’s Fair Value Committee (“FFVC”) adhering to the Investment Committees valuation principles (see below) and reporting back to the Board;
- (d) recommend to the Board the maximum level of investment in unlisted securities.

#### **3. Valuation principles**

The Committee will seek:

- To value unlisted and hard to price investments accurately but conservatively
- To take into account the most relevant and up to date information
- The advice of FFVC and any external advice they receive
- To assess the most appropriate valuation methodology and outcome when a difference arises between FFVC and any external advice
- To take into account any external evidence which may have an influence on a valuation
- To consider revaluation of unlisted investments on a quarterly basis and more regularly when there is a catalyst to do so. Catalysts might include the price of a new funding round or a material change in the company’s earnings, earnings outlook or balance sheet. To apply a discount, where appropriate, to the valuation of unlisted investments when compared to similar quoted companies.
- The Committee will review all unlisted and hard to price investments even if they have a very low/immaterial impact to the Company’s NAV. If an investment has a very low valuation, then consideration should be made to writing the value down to zero but monitoring it to ensure increased valuations are not applicable.
- To obtain further information when material uncertainty about a company’s valuation exists.

#### **4. Membership**

The Committee shall consist of at least three Independent non-executive Directors of the Company. The Chairman of the Committee shall be appointed by the Board. In

the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

It is expected that the unlisted Investment Manager attend each Committee meeting.

5. Quorum

The quorum necessary for the transaction of business shall be three Independent non-executive Directors of the Company.

6. Meetings

The Committee shall meet quarterly and at such other times as the Chairman of the Committee shall require.

7. Secretary

The Company Secretary shall be the Secretary of the Committee.

8. Reporting requirements

The Secretary shall circulate the agenda and the minutes of meetings of the Committee to all members of the Board.

9. Authority

The Committee is authorised by the Board to obtain outside legal or other independent professional advice on any matters within its terms of reference at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

10. Conflict of Interests

It is acknowledged that from to time to time the Committee may approve an investment which results in the Company investing in companies or other entities in which FIL (meaning for these purposes FIL Limited or any of its subsidiaries or affiliates) also invests for its own account.

**Amended and approved by the Board on 23 July 2020.**