FIL Limited

Pillar 3 - Public Disclosures Report

(as at 30 June 2025)

Contents

1. Introduction

1.1 About this Document

This document has been compiled to explain the basis of preparation, to disclose certain capital requirements for FIL Limited (FIL) and to provide information about the management of certain risks.

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

The Pillar 3 disclosures focus on risk management at a corporate level and therefore do not provide any details on fund or product related risk management activities.

FIL's primary business involves managing mutual funds and segregated institutional mandates. These funds and mandates have independent custodians appointed by either 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.

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

1.2 Background

FIL is a privately-owned company incorporated in Bermuda, dedicated to providing investment solutions and retirement expertise to institutions, individuals, and their advisers globally, to help build better financial futures.

Operating under the brand Fidelity International, FIL offers world class investment solutions and retirement expertise, which encompass customized investment solutions and comprehensive asset management outsourcing services.

Fidelity International manages assets of $469bn (excluding assets managed by Fidelity Canada) on behalf of its customers around the world. Additionally, Fidelity International offers investment administration and guidance services for workplace benefit schemes, advisers, and individuals, with an additional $203bn in assets under administration.

FIL's 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 Regulatory Context

FIL is prudentially supervised on a consolidated basis by the Bermuda Monetary Authority ("BMA") and licensed on a standalone basis under the Investment Business Act 2003.

The Basel II Capital Accord is an international framework aimed at incorporating a more risk sensitive approach to the calculation of regulatory capital. BMA implemented a revised regulatory capital framework in 2008, which is based on the provisions of the Basel II Capital Accord.

The framework consists of three 'pillars':

Pillar 1 sets the minimum capital requirements by providing rules for assessing the 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 if additional capital is required to cover these risks.

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

1.4 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 of 31 December each year and include FIL Limited and its wholly owned or majority-owned subsidiaries, certain partnerships where FIL has a controlling and substantive interest, which includes the sponsored investment products under its control.

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 Prudential Regulatory Authority (PRA) and the Central Bank of Ireland (CBI), respectively. Their primary business involves 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.

1.5 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 it to make economic decisions. Where a disclosure is immaterial, this has been explicitly stated.

1.6 Frequency of Disclosure

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

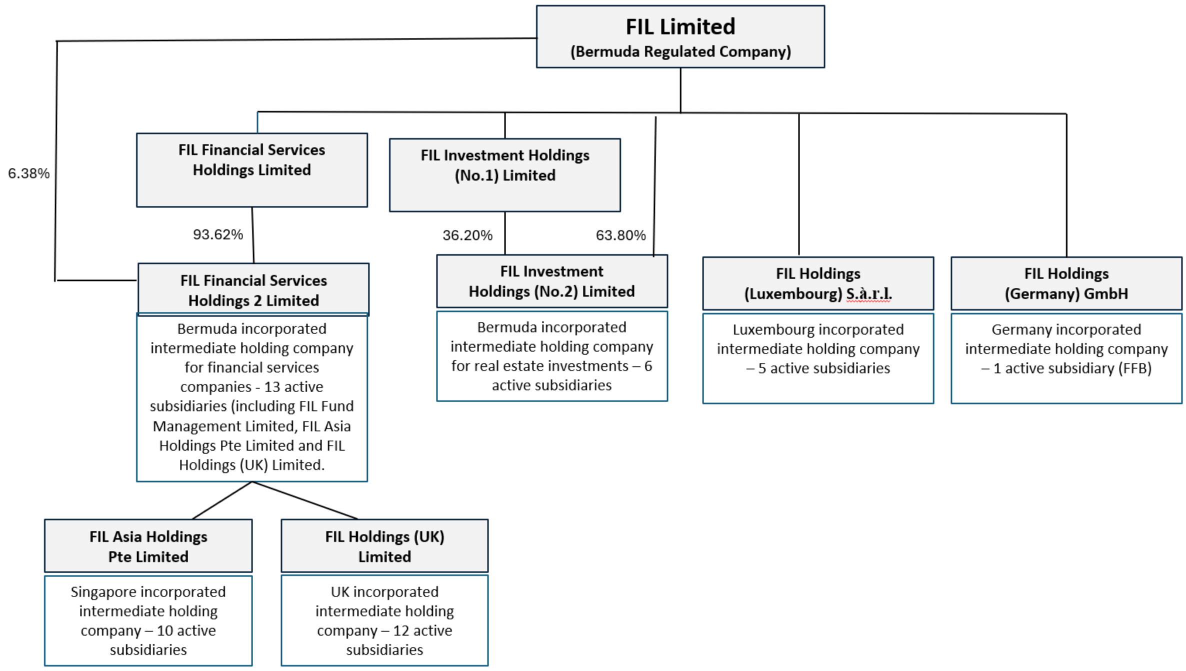
FIL has an accounting reference date of 31 December and disclosures are made then, along with interim disclosures published as of 30 June.

The Pillar 3 disclosures are available for public access on the Fidelity International website. Please click here to download a copy.

1.7 FIL and its Principal Subsidiaries

The principal subsidiaries that affect the consolidated profits or net assets of FIL are illustrated in Chart 1.1. On 1 January 2025 a new company was established, FIL Financial Services Holdings 2 Limited under FIL Financial Services Holdings Limited.

Chart 1.1: FIL Legal Structure



1.8 Sustainability

FIL's purpose is to work together to build better financial futures. Collaboration is important to FIL's business, and it underlines the focus on sustainable long-term outcomes, while considering its impact on society and the environment. Sustainability is incorporated into investment processes and business operations.

FIL's Sustainable Investing Principles document aims to set out the guiding principles and minimum requirements for sustainable investing activities across FIL. The document details FIL's Sustainable Investing Beliefs, integration tools, ratings and processes, stewardship activities, investment solutions, as well as a summary of relevant sustainability regulations. Sustainability integration leads to better long-term financial, environmental and social outcomes for clients and a broad set of stakeholders. For further information, please click here to download the Sustainable Investing Principles document.

FIL's Sustainability report looks back at some of the key developments in 2024 and considers what lies ahead including an update on Corporate Sustainability and its importance for FIL across environment, workplace, suppliers, and the communities FIL operates in. It outlines progress made towards the goals set and the ongoing efforts to be a more sustainable organisation. For further information please click here to download a copy of the report.

In addition, FIL's Climate and Nature report which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) 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 2024 report.

2. Risk Management

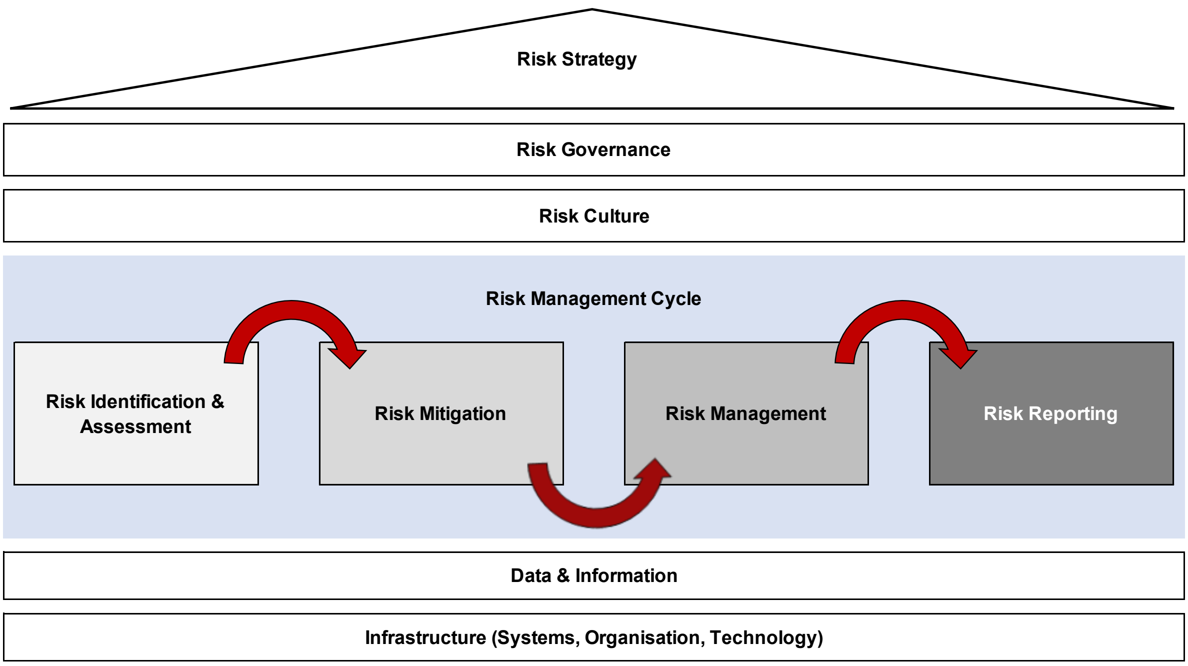
2.1. Risk Management Objectives and Policies

FIL defines risk management through the Enterprise Risk Management (ERM) Framework. The ERM 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 managing risks
- 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.

Chart 2.1: FIL ERM Framework



2.2. Risk Strategy

FIL's risk strategy aims to integrate effective risk management into all of its core operating and decision-making processes across the organisation. This includes identifying and managing the existing and emerging risks within acceptable risk limits for financial risk, and within 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 accept or tolerate to 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 operates a governance structure that ensures that risk-taking is controlled in an appropriate manner.

The FIL Board is responsible for setting the Risk Strategy and maintaining accountability for the oversight of FIL including but not limited to oversight and monitoring of FIL's overall risk profile and risk framework. The FIL Board is also accountable for ensuring the implementation of appropriate governance, structures, and internal controls. This is to ensure compliance with rules, laws and regulations and FIL's policies. These measures are designed to protect clients and customers and to act in the long-term interests of FIL shareholders.

The FIL Board's oversight extends to ensuring that remuneration arrangements across FIL align 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 individuals assigned by the Global Risk Team oversight responsibilities for specific risk types. It constitutes an independent layer for risk and control, 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 as well as 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.

Global Risk Team and individuals assigned by the Global Risk Team oversight responsibilities for specific risk types, 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 These strategies include 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 Policy Owners 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, including clients, firm, and market harms profile where required,
- Risk Appetite limits, tolerances, and breaches,
- Key Risk and Control Indicators,
- Material risk events and audit issues, and
- 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.

Table 3.1: FIL Risk Taxonomy

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

Financial risk

- **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 due to changes in foreign currency exchange rates, interest rates, property prices and equity prices.

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

  FIL's policy is to maintain sufficient liquidity to enable it to inject capital swiftly into subsidiaries to address 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 of 30 June 2025.

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 that are 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.

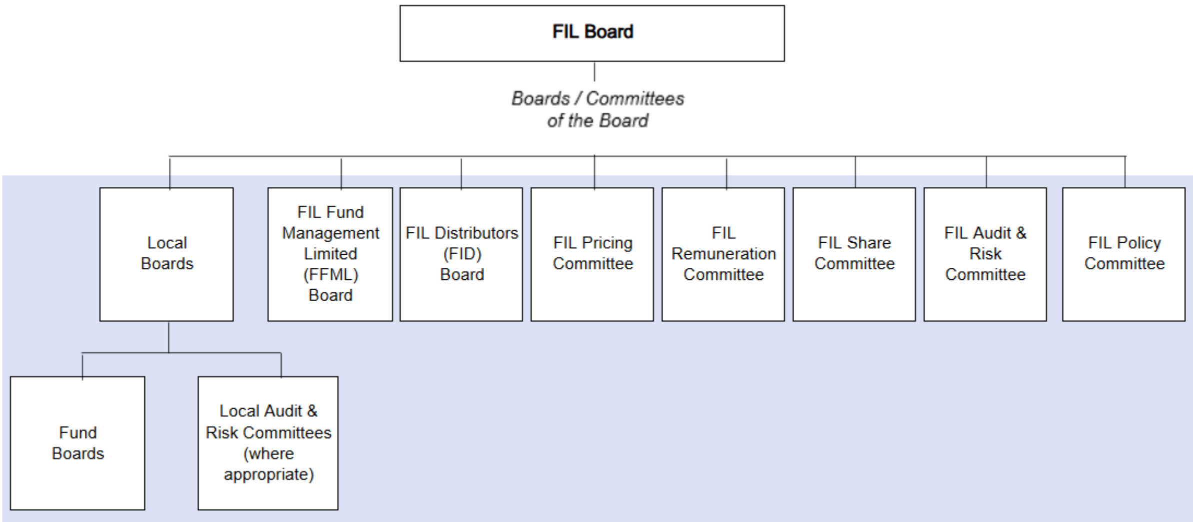
Securitisation Risk is the risk that the capital resources held by the financial institution in respect of assets which it has securitised are inadequate with regards to the economic substance of the transaction, including the degree of risk transfer achieved. FIL does not undertake securitisation and hence this risk is not applicable.

4. Governance Structure

4.1. FIL Board and Committees

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

Chart 4.1: FIL Board and Committees



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 aiming to appropriately manage the associated risks and to comply with legal and regulatory requirements. Additionally, the committee makes recommendations for changes to, and enforcement of, policies and escalates issues of concern to the FIL Board. It also oversees and challenges 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 consistently and effectively applies a principle for employee remuneration, and specifically to oversee the remuneration for specified senior executives.

The Pricing Committee - Pricing Committee is responsible for decision making around all pricing related activities.

The Share Committee - The Share Committee is responsible to take all steps that may be necessary or desirable in connection with all transactions and other matters relating to the shares of the Company including, without limitation, the issue, repurchase, redemption, transfer, sale, and pledge of shares.

The Policy Committee - The Policy Committee is responsible for approving all matters related to global policies.

The FIL Board has delegated certain responsibilities to the following management level oversight committees:

The Conduct Oversight Group oversees the FIL Conduct programme which includes the FIL Code of Conduct and associated policies. Its establishment was approved by the FIL Board to which it reports on a quarterly basis.

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 2025 are Abigail Johnson, Edward C Johnson IV, Glen Moreno, Catherine Sheridan, Patrick Tannock, Gunn Waersted, and Sally Walden. 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 capital positions as at 30 June 2025, based on audited financial statements are shown in the tables below.

Table 5.1: FIL Prudential Consolidated Capital Position

FIL Prudential Consolidated Capital Position	**June 2025** ($'m)
Tier 1 Capital	**3,668**
Permanent share capital and related share premium accounts	346
Reserves	3,530
Non-Controlling interests	-
Less: Goodwill and other intangibles	(208)
Tier 2 Capital	**37**
Reserves / fair value gains on equity securities	37
Hybrid (Debit/equity) capital instruments	-
General Provisions	-
Total Tier 1 and Tier 2 Capital	**3,705**
Less: Deductions from capital	
Investments in insurance subsidiaries and financial entities	(1,321)
Securitisations	-
Other	-
Total (Net) Capital	**2,384**
Less: Pillar 1 regulatory capital requirement at 8% of risk weighted assets (RWA)*	
Credit risk	370
Operational risk	334
Total Pillar 1 Regulatory capital requirement	**704**
Total Pillar 1 Capital Surplus	1,680
Total (Net) Capital as a percentage of BMA Regulatory capital requirement	**339%**
Risk asset ratio (Total (Net) Capital / RWA)	27%
* Total RWA as of 30 June 2025 is **$8,801**	

Table 5.2: FIL Prudential Consolidated Balance Sheet Position

FIL Prudential Consolidated Balance Sheet Position	June 2025 ($'m)
Bank and cash balances	1,144
Accounts receivable	1,227
Invested assets	
Securities available for sale	282
Equity in net assets of investees	1,114
Investments in subsidiaries	202
Equity Securities at FVTNI	2,404
Property investments	625
Debt Securities at Fair Value	377
Other securities	313
Notes receivable	1
Deferred tax and other assets	919
Property, plant and equipment, net	549
Intangible assets	
Goodwill	103
Other intangible assets	105
Total Assets	**9,365**
Total Liabilities	**4,705**
Total Equity	**4,660**
Total Liabilities and Shareholders' Equity	**9,365**

Table 5.3: Reconciliation of Capital Requirements to Prudential Balance Sheet

Reconciliation of Capital Requirements to Prudential Balance Sheet	June 2025 ($'m)
Total equity per prudential balance sheet	**4,660**
Add: Hybrid (debt/equity) and General provisions	-
Less: Disallowed reserves	(483)
Less: Preference shares	(264)
Less: Goodwill and other intangibles	(208)
Tier 1 + Tier 2 Capital	**3,705**

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 repurchase arrangements (Repos) and securities financing transactions.

FIL was required to consolidate its Collateralized Loan Obligation (CLO) vehicles (Fidelity Grand Harbour CLO 2019-1, Fidelity Grand Harbour CLO 2021-1, Fidelity Grand Harbour CLO 2022-1, Fidelity Grand Harbour CLO 2023-1, Fidelity Grand Harbour CLO 2023-2 and Fidelity Grand Harbour CLO 2024-1) under US GAAP in the 31 December 2024 Financial Statements (as FIL retains ownership of the equity tranche of these 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. In November 2024, FIL entered into an agreement to sell its collateral management business together with FIL's ownership interests in the FIL CLO vehicles. The ownership and risks of the CLO business will pass to the buyer at completion. All contractual conditions were satisfied on 3 February 2025, at which point the sale was complete.

FIL was also required to consolidate a variable interest entity (in which the Group is the primary beneficiary) which holds property investments and where the assets are subject to debt arrangements but there is no recourse to FIL.

The NorScan Finland Oy, NorScan Norway AS, and Hasten 23H AB investment properties are subject to limited recourse debt arrangements of EUR 151m.

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 Risk Weighted Assets (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 sufficient 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 2025 is $370m.

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.

Table 6.1: Credit Risk Exposure by Sector

Sector	June 2025 ($'m)
Cash	126
Sovereigns	1,072
Public sector entities	-
Corporates	105
Banks and securities firms	2,571
Real estate and other fixed assets	1,174
Non-trading investment portfolio	653
Other, including prepayments and debtors	3,664
Total Credit Risk Exposure	**9,365**

Table 6.2: Credit Risk Exposure Values by Credit Quality

Quality Rating	June 2025 ($'m)
AAA to AA-	3,153
A+ to A-	453
BBB+ to BB- (& unrated)	142
Below BB-	-
Other not rated exposures	5,617
Total Credit Risk Exposure	**9,365**

'Past due' Assets & Provisions - Financial assets are considered past due when payment has not been made by the contract due date. An asset is deemed impaired when the carrying value exceeds the recoverable amount through sale or use. FIL reviews its financial assets on a regular basis for indicators of impairment**.** As at 30 June 2025, FIL had no material assets past-due greater than 30 or 60 days.

6.4. Market Risk

Financial investments held 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 2025 is $334m.

7. Remuneration Policy and Practices

7.1. Background

FIL is a privately owned company, with the ownership held by the management, certain charities, and the founding family. From time to time, key employees are, offered the opportunity to purchase FIL common shares with their post-tax earnings. This approach fosters a strong alignment between shareholders and management promoting a suitably long-term time perspective. Typically, these shareholdings are generally retained throughout the employee's tenure at FIL and are relatively illiquid. The Board of FIL believes that over the medium to long-term, the majority of a key employee's wealth creation will be derived from their FIL shareholdings, rather than the components of remuneration covered by salary, benefits, bonuses and other incentive plans. FIL has a 'Diversity and Inclusion' policy for all employees. FIL believes that its success is based on fostering an environment where employees are recognised and valued as individuals and are not subjected to any discrimination.

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 remuneration committee is responsible for adopting a group-wide perspective on the principles and parameters of remuneration as well as for the 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 FIL 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 structures the variable component to reflect 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.