

FOREIGN & COLONIAL INVESTMENT TRUST PLC

Terms of Reference of the:

Audit Committee

Nomination Committee

FOREIGN & COLONIAL INVESTMENT TRUST PLC (“the Company”)

AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE

TERMS OF REFERENCE

1. Constitution

The Audit and Management Engagement Committee (the "Committee") was established by a resolution of the Board of Directors of the Company on 12 February 1992. The Committee is accountable to the Board.

Articles of Association:

122.1 Proceedings of committees

All committees of the Board shall, in the exercise of the powers delegated to them and in the transaction of business, conform to any mode of proceedings and regulations which the Board may prescribe and subject thereto shall be governed by such of these Articles as regulate the proceedings of the Board as are capable of applying.

2. Composition of the Committee

The Committee is established by the Board and shall comprise at least three independent Directors of the Company and, for reasons of good governance, is to exclude the Chairman of the Company. The Board should make appointments to the Committee on the recommendation of the Nomination Committee, in consultation with the Committee Chairman. At least one member of the Committee should have recent and relevant financial experience. In the event that any two Directors of the Committee become directors of another company, they will consider if one or both should resign as Committee members and such decision should be ratified by the Board.

a. Attendance

i. The following may be required to attend the relevant parts of the meetings:-

The Fund Manager

The External Auditor

Head of Investment Trust Accounting (London)

Head of Audit, Risk & Compliance

Head of Investment Trusts

ii. F&C Management Limited is Secretary to the Committee.

b. Meetings

The Committee will meet at least three times a year and additional meetings shall be called by the Secretary at the request of the Chairman of the Committee.

A quorum shall be any two members including the Chairman of the Committee, or the Chairman's nominated delegate.

3. Responsibilities

a. Financial Reporting

- i. The Committee will review the significant financial reporting issues and judgements made in preparing the annual and interim reports, preliminary announcements and related formal statements (eg release of price sensitive information) and the accounting policies adopted and the contents of such documents. The Committee will also review the adequacy and scope of the external audit thereof and compliance with regulatory and financial reporting requirements, the clarity and completeness of disclosures in the financial statements, consider whether the disclosures made are set properly in context and review such matters necessary to maintain the Company's investment trust status from a taxation perspective and other taxation issues as appropriate.
- ii. In particular, the Committee should satisfy itself that the annual and interim accounts and any other significant published financial information are properly and carefully prepared, and give a fair representation of the Company's affairs. It will review the valuation of unlisted investments at the half and full year stage in order that the Directors can be satisfied that such investments have been valued at fair value.
- iii. For the purpose of exercising its responsibilities, as set out in i. and ii. above, the Committee will meet shortly before the accounts are presented to the Board in February (finals) and July (interims). At these meetings, the Head of Investment Trust Accounting of F&C will report any changes in accounting policy or treatment affecting the Company's report and accounts and any other material matters which the members of the Committee might not otherwise understand. The Committee will consider whether the accounting policies adopted are appropriate.
- iv. The Committee shall have timely and unrestricted access to relevant documents relating to the affairs of the Company.

b. Internal Controls and Risk Management Systems

The Committee is responsible for reviewing the Company's internal control and risk management systems and making recommendations to the Board.

- i. At the meeting reviewing the annual results (February) the Committee will receive a statement by the directors of F&C on internal corporate governance containing a report in relation thereto from the reporting accountants (FRAG report).
- ii. Each quarter a control report and a risk issues table will be prepared by the Group Director of Audit and Risk of F&C and at the meeting in February, he or his deputy will be in attendance to provide a verbal report.
- iii. Each year a compliance report will be produced regarding the Company. This will be presented by the Head of Audit, Risk and Compliance of F&C or by his deputy at the meeting of the Committee in February.
- iv. The Committee should review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Committee shall report and make any necessary recommendations to the Board in relation to such policies, procedures and controls with the exception of those matters relating

to the setting of investment strategies, objectives and restrictions and adherence thereto. Such matters shall remain the responsibility of the Board.

c. Audit

i. Internal

The Committee will, on an annual basis in February, monitor and review the need for an internal audit function and make the appropriate recommendation to the Board and explain in the annual report why such a function is not necessary.

The Committee will review on an annual basis in February the statement by the directors of F&C on internal corporate governance containing a report in relation thereto from the reporting accountant (AAF report). The FCAMH audit committee will submit a letter concerning the policies, procedures and controls associated with the management of the affairs of the Company.

ii. External

The external auditors of the Company shall be present at the Committee meeting reviewing the annual results and interim results (February and August). The Committee shall at any time meet separately with the auditors if it so desires, however, the Committee will meet with the external auditors at least once a year without F&C in attendance.

The Committee will meet with the external auditors to discuss findings during the course of the audit.

In order to monitor the Company's relationship with its external auditors and to ensure that full information is made available to them, the Committee will receive a report from the Head of Investment Trust Accounting of F&C at the February Committee meeting.

The Head of Investment Trust Accounting of F&C will also give advice to the Committee concerning the auditors' remuneration for audit and non audit-services and re-appointment. The Committee will approve the terms of engagement and recommend to the Board that it seeks approval from shareholders of such appointment, re-appointment or removal if appropriate, and remuneration.

The Committee will oversee the selection process of possible new appointees as external auditors.

The Committee will meet with and consider the acceptance of any new representative of the auditors prior to appointment (current recommendations provide for each audit partner to serve a maximum five year term as audit partner for a company).

The Committee will review the audit letter of representation prior to approval and signature by the Board.

The Committee will assess annually in February the qualification, expertise and Resources of the external auditors and the effectiveness of the audit process.

The Committee will assess annually in February the independence, objectivity and effectiveness of the external auditors.

The Committee will consider at the October meeting the Audit Plan for the forthcoming year end financial statements.

If the external auditors resign, the Committee will investigate the issues giving rise to such resignation and consider whether any action is required.

The Committee will develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the auditor. The policy will specify the types of non-audit work from which the external auditors are excluded.

d. Whistleblowing policy

The Committee will review arrangements at F&C by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to establish that, in so far as they may affect the Company, arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

e. Management Agreement

The Committee will, on a regular basis, review the investment management agreement and monitor the performance of, and fixed fee paid to, F&C for the investment management, secretarial, financial, administration, marketing and support services that it provides under the management contract, together with the terms of such contract including the level and structure of fees payable, the length of the notice period and best practice provisions generally. The Committee will provide a report to the Board on its observations for use at the Board's annual review of the Manager.

f. Extra Charges and Benefits to F&C

The Committee will consider all extra revenues and benefits accruing to F&C as a result of acting as managers to the Company, including commission arising on saving scheme dealings.

g. Custodian Agreement

The Committee shall be responsible for the periodic review of the effectiveness and efficiency of the service of, and the performance of, and fees paid to, JPMorgan Chase for the provision of custodian and related banking services to the Company under the custodian agreement.

h. Other Service Providers

The Committee shall be responsible for the periodic review of services provided by third parties, or via F&C, to the Company with regard to their effectiveness and competitiveness eg the registrar, the savings plan administrators.

i. Trade Marks and Intellectual Property Rights

The Committee should be responsible for reviewing the trade mark agent and the trade marks and intellectual property held by the Company and make recommendations to the board with costings, if it is considered that any further trade marks should be taken out/protected in the UK or overseas.

j. Stock Lending Activities

The Committee shall be responsible for the annual review of the stock lending restrictions in place with F&C, JPMorgan Chase and the sub-managers, if any, together with noting the stock lending counter party list.

The Committee will also review the stock lending trading and performance of F&C and JPMorgan Chase, the results achieved for the year and the agreed share of profits between F&C/JPMorgan Chase, and the Company.

k. Dealing

The Committee shall be responsible for the annual review of dealing efficiency and costs.

l. D&O Liability Insurance Cover

The Committee shall be responsible for the annual review of the D&O liability insurance terms of the policy and premium payable.

m. Debenture Certificate

The Committee shall be responsible for the review of the annual certificate of compliance to the trustees of the 11 ¼% £110,000,000 Debenture Stock 2014 prior to Board approval.

n. Sub- underwriting Limits

The Committee will review the sub-underwriting limits on an annual basis.

o. Other matters

The Committee will review such other matters as directed by the Board.

4. Reporting

- a. The minutes of each meeting of the Committee will be circulated to all Directors of the Company.
- b. Each year the Committee will produce a report on the matters with which it has dealt and will submit such report to the Board meeting together with a copy of the Terms of Reference for review by the Board.
- c. These Terms of Reference are to be made available on request and are to be published through the F&C website.

5. Annual Report Disclosure

- a. Description of the work of the Committee. (C.3.3)
- b. Formal policy regarding non-audit work. (C.3.7)
- c. Explanation of absence of internal audit function. (C.3.5)
- d. Internal control and management of risk.
- e. Where the Board does not accept the Committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement explaining the recommendation and the reasons why the Board has taken a different position. (C.3.6)

6. General Powers

The Committee is empowered to employ the services of such advisers as it deems necessary to fulfil its responsibilities subject to a cost limit of £25,000. Consultation would be made to the Chairman of the Board in respect of costs exceeding £25,000 which will be ratified at the next Board meeting.

**FOREIGN & COLONIAL INVESTMENT TRUST PLC
("FCIT")**

NOMINATION COMMITTEE

TERMS OF REFERENCE

Constitution

The Nomination Committee of FCIT (the 'Nomination Committee') was established by a resolution of the Board of Directors of FCIT (the 'Board') in 1994. The Nomination Committee is accountable to the Board. These Terms of Reference, drafted in accordance with the Combined Code and the AIC Code of Corporate Governance were adopted by the Nomination Committee on 30 January 2008 and approved by the Board 5 March 2008.

Responsibilities

The Nomination Committee shall:

1. review regularly the Board structure, size and composition and diversity and age profile, as well as the balance of knowledge, experience and skill range and, having considered succession planning and agreeing a tenure policy, make recommendations to the Board with regard to any changes that are deemed necessary; prepare job specifications, as appropriate and draft letters of appointment for approval by the Board;
2. be responsible for identifying (taking external advice where appropriate) and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Senior Independent Director;
3. establish an induction programme and process for identifying professional development and training needs (A.5.1) and review and update the Directors' Handbook periodically for approval by the Board;
4. make recommendations for changes to the chairmanship and membership of the Company's committees;
5. make recommendations with regard to any variation in the terms of Directors' appointments and in the standard period of appointment for which a Director is appointed.
6. recommend directors to the Board who are retiring by rotation/whose term of appointment is due to expire/who are eligible for annual re-election having served 9 years to be put forward for re-election/re-appointment.
7. assess and recommend which directors are independent or not independent for approval by the Board and for disclosure in the Annual Report and Accounts;
8. be responsible for considering Directors' requests for authorisation of conflicts of interest situations and for making recommendations to the Board on whether or not the situation should be authorised in accordance with the Conflicts of Interests – Authorisation Policy and Procedure, and:-

- i) review annually any conflict situations which have been authorised, together with any updates provided by Directors. Provided there has been no material change in circumstance and the Committee is of the view that the Conflict situation has not affected the Director in his role as a Director of the Company, the Committee will not recommend any change to the terms of the authorisation or withdrawal of authorisation.
 - ii) review, following receipt of a notification from a Director that the facts of the conflict situation have changed materially, the change in circumstance and consider whether a new authorisation should be given, or the terms of the existing authorisation varied, or whether the existing authorisation should be withdrawn. The Committee will make its recommendation to the next scheduled Board meeting where the Board will decide whether to withdraw, vary or maintain the existing authorisation.
9. review annually the time required to perform duties of a Director and assess whether Directors are spending enough time to fulfil these duties; and
10. prepare a statement for the Annual Report (A4.6) about its activities (including process used for appointments; explaining if external advice or open advertising has not been used; membership of the committees, number of meetings and attendance, and on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed).

Membership

The Nomination Committee shall normally comprise a minimum of two independent non-executive directors of FCIT. Members of the Nomination Committee shall be appointed by the Board. In the event that one of the members is unable to attend a meeting, the Chairman has the authority to co-opt one of the other independent Directors from the Board, should such action be deemed necessary.

The Chairman of the Nomination Committee shall be appointed by the Board.

Secretary

The Company Secretary of the Nomination Committee shall be F&C Management Limited

Meetings

The Nomination Committee will meet at least twice a year and additional meetings as required shall be called by the Secretary at the request of the Chairman of the Committee.

A quorum shall be any two members including the Chairman of the Nomination Committee, or the Chairman's delegate.

Reporting

The minutes of each meeting of the Nomination Committee shall be circulated to all members of the Nomination Committee. Any director may, upon request to the Secretary, provided that there is no conflict of interests, obtain copies of the Nomination Committee's agenda and minutes.

Reports shall be made to the Board as appropriate.

General powers

The Nomination Committee is empowered to employ the services of such advisers as it deems necessary to fulfil its responsibilities and incur appropriate fees up to £50,000 on any one occasion for so doing before reverting back to the Board for approval.

The Terms of Reference are available on request and are published on the FCIT website.

Articles of Association:

122.2 Proceedings of committees

All committees of the Board shall, in the exercise of the powers delegated to them and in the transaction of business, conform with any mode of proceedings and regulations which the Board may prescribe and subject thereto shall be governed by such of these Articles as regulate the proceedings of the Board as are capable of applying.