

F&C GLOBAL SMALLER COMPANIES PLC

AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE (“AUDIT COMMITTEE”) TERMS OF REFERENCE

1. Constitution

The Audit Committee was established by a resolution of the Board of Directors of the Company in April 1993. The Audit Committee is accountable to the Board. These Terms of Reference were approved by the Board and adopted on 15 June 2011.

2. Composition of the Audit Committee

The Audit Committee has been established by the Board and will comprise of all the independent Directors of the Company. It is chaired by Mr L G Cullen. The Board should make appointments to the Audit Committee in consultation with the Audit Committee Chairman. The UK Corporate Governance Code states that at least one member of the Audit Committee should have recent and relevant financial experience. In accordance with the Disclosure and Transparency Rules (“DTR”), at least one member must be independent and at least one member must have competence in accounting and/or auditing (the same member can satisfy both of these criteria). A process for induction and ongoing training has been established.

The Audit Committee Chairman shall attend the annual general meeting to answer any questions on the Committee’s activities.

a. Attendance

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

The Fund Manager
The External Auditor
The F&C Head of Investment Trusts
The F&C Head of Investment Trust Accounting (London)
The F&C Head of Audit & Operational Risk or his deputy
The Secretary
Such other employees of the Manager who the Committee may require to attend

b. Meetings

The Audit Committee will meet at least twice a year (currently June and December) and additional meetings shall be called by the Secretary at the request of the Chairman of the Audit Committee.

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

3. Background

Other than the Directors, the Company has no employees and all services are supplied by F&C Management (“F&C”) which is also the Secretary.

The audit committee established by F&C Asset Management plc (F&C”) is responsible for matters pertaining to the F&C Group. The Audit Committee will therefore not consider matters relating to F&C, save as they affect the Company.

The Audit Committee will expect to be given prompt warning by F&C of matters of significant concern to the Company.

Any matter considered by the F&C audit committee, which is relevant to the Company, shall be reported to the Audit Committee without delay.

4. Responsibilities

a. Financial Reporting

- i. The Audit Committee will review the significant financial reporting issues and judgements made in preparing the annual and half-yearly reports, results announcements and related formal statements (e.g. interim management statements and the release of price sensitive information), the accounting policies adopted and the contents of such documents. The Audit 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 and consider whether the disclosures made are set properly in context.
- ii. In particular, the Audit Committee should satisfy itself that the annual and half-yearly accounts and any other significant published financial information are properly and carefully prepared, and give a fair representation of the Company's affairs.
- iii. For the purpose of exercising its responsibilities, as set out in i. and ii. above, the Audit Committee will meet shortly before the accounts are presented to the Board in June (final results) and December (half-yearly results). At these meetings, the F&C Head of Investment Trust Accounting (London) 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 Audit Committee might not otherwise understand. The Audit Committee will consider whether the accounting policies adopted are appropriate.
- iv. The Audit 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 Audit 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 final results (June) the Audit 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 (AAF report). The F&C audit committee will submit a letter concerning the policies, procedures and controls associated with the management of the affairs of the Company.

The Chairman of the Audit Committee may meet the F&C Head of Audit & Operational Risk and/or the Head of Audit, Risk & Compliance to discuss relevant matters.

- ii. Control reports and a risk issues table will be prepared by F&C regularly. At meetings considering the half-yearly and final results, the Head of Audit & Operational Risk or his deputy will be in attendance to provide a verbal report. A risk issues table and net risk summary are kept up to date for review by the Audit Committee at the meetings considering the half-yearly and final results. The net risk summary is also updated for inclusion in the papers for each Board meeting.

- iv. The Audit Committee should review and approve the statements included in the annual report in relation to internal control and the management of risk.

c. Audit

i. Internal

The Audit Committee will, on an annual basis, 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.

ii. External

The external auditors of the Company shall be present at the Audit Committee meeting reviewing the annual results (June). The external auditors shall only attend the December meeting if asked to review half-yearly accounts. The Audit Committee shall at any time meet separately with the auditors if it so desires, however, the Audit Committee will meet with the external auditors at least once a year without F&C in attendance.

The Chairman of the Audit Committee may 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 Audit Committee will receive a report from the F&C Head of Investment Trust Accounting (London) at each Audit Committee meeting, who will also make recommendations to the Audit Committee concerning the auditors' remuneration and appointment. The Audit Committee will approve the terms of engagement and recommend to the Board that it seeks approval from shareholders such appointment, re-appointment or removal if appropriate, and remuneration.

If the external auditor resigns, the Audit Committee will investigate the issues giving rise to such resignation and consider whether any action is required. It will also oversee the selection process.

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

The Audit Committee will review the audit plan and engagement letter prior to signature by the Board.

The Audit Committee will assess annually the qualification, expertise and resources of the external auditors, their independence and the effectiveness of the audit process. It will also develop and recommend to the Board the Company's position in relation to the provision of non audit services by the auditor.

The Audit Committee should consider the risk of withdrawal of the current auditor from the market.

d. Whistleblowing policy

F&C currently has a whistleblowing policy. The Audit Committee will periodically review arrangements at F&C by which staff may, in confidence, raise concerns about possible improprieties concerning the Company.

e. Management Agreement

The Audit Committee will, on an annual basis, review the performance of and fee paid to F&C for the services that it provides under the management contract together with the terms of such contract

f. Additional Fees

The Audit Committee will consider any extra charges proposed by F&C over and above the management fee.

g. Custodian Agreement

The Audit Committee shall be responsible for the periodic review of the agreement with JPMorgan Chase for the provision of custodian services to the Company.

h. Other matters

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

5. Reporting

If meetings of the Board and of the Audit Committee are held contemporaneously those meetings will be minuted separately.

The minutes of each meeting of the Audit Committee will be circulated to all Directors and reports made to the Board as appropriate.

These terms of reference are to be made available on request and are published through the F&C website.

Annual Report Disclosure

DTR 7.1.5(R) requires a statement disclosing which body carries out the functions listed below and how that body is composed:

1. monitor the financial reporting process;
2. monitor the effectiveness of the issuer's internal control, internal audit where applicable, and risk management systems;
3. monitor the statutory audit of the annual and consolidated accounts; and
4. review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Company.

The UK Corporate Governance Code requires the following disclosures:

1. a report on the review of the effectiveness of the system of internal control (C.2.1);
2. a description of the work of the audit committee in discharging its responsibilities (C.3.3);
3. reasons for the absence of an internal audit function (C.3.5);
4. where the Board does not accept the audit 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); and
5. an explanation of how, if the audit provides non-audit services, auditor objectivity and independence is safeguarded (C.3.7)

The AIC Guide on Corporate Governance requires statements on:

1. the arrangements it has made for an audit committee (principle 5); and
2. the review of performance of and the contractual arrangements with the Manager and a description of the decisions taken and rationale for such decisions (principle 15).

F&C GLOBAL SMALLER COMPANIES PLC

NOMINATION COMMITTEE **TERMS OF REFERENCE**

Constitution

The Nomination Committee of the Company (the "Committee") was established by a resolution of the Board of Directors (the "Board") in 22 March 2004. The Committee is accountable to the Board. These terms of reference were approved by the Board on 15 June 2011.

Responsibilities

The Committee shall:

1. review regularly the Board structure, size and composition, as well as the balance of knowledge, experience and skill range and, having considered succession planning, 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 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. Assessing time commitments of board posts and ensuring candidates have sufficient available time to undertake them;
4. establish an induction programme and review and update the Directors' Handbook periodically for approval by the Board;
5. make recommendations for changes to the chairmanship and membership of the Company's committees;
6. 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;
7. recommend Directors to the Board, who are retiring by rotation/whose term of appointment is due to expire, to be put forward for re-election/re-appointment;
8. assess and recommend which Directors are independent or not independent for approval by the Board and for disclosure in the Annual Report and Accounts;
9. review annually and make recommendations to the Board about the annual approval of the register of Directors' conflicts/possible conflicts of interest; and

10. prepare a statement for the Annual Report (B.2.4) 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 powers of authorisation of conflicts of interest have been operated effectively and that procedures have been followed).

Membership

The Committee shall comprise a minimum of three independent non-executive directors of the Company. Members of the 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 Committee shall be appointed by the Board and shall be required to attend the annual general meeting to answer shareholder questions of the Committee's activities.

Secretary

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

Meetings

The Committee will meet at least once 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.

Reporting

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

Reports shall be made to the Board as appropriate.

General powers

The Committee is empowered to employ the services of such advisers as it deems necessary to fulfil its responsibilities.

These terms of reference are to be made available on request and are to be published through the F&C website.

Articles of Association

121 Delegation to committees

- (A) The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. References in these Articles to committees include sub-committees permitted under this Article.

- (B) Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

- (C) The power to delegate contained in this Article shall be effective in relation to the powers, authorities and discretions of the Board generally and shall not be limited by the fact that in certain Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Board or by a committee authorised by the Board.