

F&C INVESTMENT TRUST PLC (“the Company”)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Constitution

The Audit 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.

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, will only include the Chairman of the Company as a member in exceptional circumstances. 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 experience. The Audit Committee as a whole should have competence relevant to the sector in which the company operates. 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
The Investment Trust Accountant
Head of Business Risk
Head of Investment Trusts

ii. BMO Investment Business 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, and report to the Board on, the significant financial reporting issues and judgements made in preparing the annual and half-yearly reports, preliminary announcements and related formal statements (eg release of price sensitive information), significant accounting policies, any changes to them and any significant estimates and judgements. 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. The Audit Committee should review related information presented with the financial statements, including the Strategic Report, Directors' Report and corporate governance statements relating to the audit and to risk management as well as assess and evaluate the Company's future prospects and the statement to be made on viability.
- iii. In particular, the Committee should satisfy itself that the annual and half-yearly accounts and any other significant published financial information, including Analyst Presentations, 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. The Committee should review related information presented with the financial statements, including the operating and financial review, and corporate governance statements relating to the audit and risk management.
- iv. Where requested by the Board, the Audit Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- v. 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 Investment Trust Accountant 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 and allocation bases adopted are appropriate.
- vi. 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 Company's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Board that it has done so. The Committee is responsible for reviewing reports received from management on the effectiveness of the 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 BMO GAM on internal corporate governance containing a report in relation thereto from the reporting accountants (ISAE/AAF report).
- ii. Each quarter a Control Report and Risk Assessment will be prepared by the Head of Business Risk and at the meeting in February, he or his deputy will be in attendance to provide an update.
- iii. 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 BMO GAM on internal corporate governance containing a report in relation thereto from the reporting accountant (ISAE/AAF report). BMO GAM's audit and compliance committee will submit a letter concerning the policies, procedures and controls associated with the management of the affairs of the Company.

ii. External

The appointment of the external auditors shall be considered regularly by the Committee. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

The Committee will oversee the relationship with the external auditor including (but not limited to):

- (i) approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- (ii) approval of their terms of engagement for audit services, including any engagement letter issued at the start of each audit and the scope of the audit;
- (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
- (iv) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (v) approval of the terms of engagement of the auditors for any non-audit services in accordance with the agreed policy as set out below.
- (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
- (vii) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

The Committee will consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.

The Committee should ensure that key partners within the appointed firm are rotated from time to time. The acceptance of any new representative of the auditors should be considered prior to appointment (ethical standards requirements provides for each audit partner to serve a maximum five year term as audit partner for a company).

The Committee will ensure that at least once every ten years the audit services contract is put out to tender* to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

*The next tender is due in the second half of 2025 for a potential new appointment at the AGM in 2026

The Committee will meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage to discuss findings.

The Committee will review and approve the annual audit plan and ensure that it is consistent with the scope of the audit for the forthcoming year end financial statements.

The external auditors of the Company shall be present at the Committee meeting reviewing the annual results. 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 BMO in attendance to discuss their remit and any issues arising from 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 Investment Trust Accountant at the February Committee meeting.

The Investment Trust Accountant will also give advice to the Committee concerning the auditors' remuneration for audit and non audit-services and re-appointment.

The Committee will review the audit letter of representation prior to approval and signature by the Board and review the management letter and management's response to the auditor's findings and recommendations.

The Committee will inform the Company's regulator about the outcome of the audit and how it contributed to the integrity of the financial report-DTR 7.1.3 (5).

It will also keep under review its policy on the supply of non-audit services by the auditor which ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditors are not considered to be expert providers of the non-audit services; and
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

In particular, the Committee has a policy that the costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year and cumulatively 70% over three years; and any individual service likely to exceed £5,000 should be agreed by the Committee prior to commencement of the services and be accompanied by terms regarding liability, cost and responsibilities.

d. Whistleblowing/Anti-Bribery/Gifts and Corporate Hospitality Policies

The Committee will review arrangements at BMO 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. It will also review the Anti-Bribery/Anti-Corruption and Tax Evasion policies and procedures that are in place. It will also review the Company's own policies in these matters.

e. Extra Charges and Benefits to BMO

BMO will report and the Committee will consider at the February meeting all extra revenues and benefits accruing to BMO as a result of acting as managers to the Company, including commission arising on saving scheme dealings.

f. Custodian and Depositary Agreements

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, depositary and related banking services to the Company and make any necessary recommendations to the Board .

g. Other Service Providers

The Committee shall be responsible for the periodic review of services provided by third parties, or via BMO, to the Company with regard to their effectiveness and competitiveness eg the registrar, the savings plan administrators and make any necessary recommendations to the board .

h. 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.

i. Dealing

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

j. Banking Covenants

The Committee will review compliance reports relating to the bank facilities and any term loan.

k. Investment Restrictions, Sub- underwriting and Counterparty Limits

The Committee will review the investment restrictions on an annual basis and the cash counterparties half yearly and make any necessary recommendations to the Board.

l. Other matters

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

4. Reporting

a. The Committee Chairman will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of each meeting 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. As part of the disclosure requirements set out in the Appendix, the Committee will compile a report to shareholders on its activities to be included in the Company's Report and Accounts and will describe the work of the Committee in discharging the responsibilities set out in these Terms of Reference and should include:-
- i) A summary of the role of the Committee;
 - ii) The names and qualifications of all members of the Committee during the period;
 - iii) The number of Committee meetings and attendance by each member;
 - iv) A report on the way the Committee has discharged its responsibilities;
 - v) The significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - vi) A statement that the Committee considered the Report and Accounts, taken as a whole, is fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy; and an explanation to the shareholders of how, if the auditors provides non-audit services, auditor objectivity and independence is safeguarded.
- d. These Terms of Reference are to be made available on request and are to be published through the Company's website.

5. 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 £50,000. Consultation would be made to the Chairman of the Board in respect of costs exceeding £50,000 which will be ratified at the next Board meeting.

Dated February 2019