

AUDIT COMMITTEE TERMS OF REFERENCE

Function

To ensure that the Company maintains the highest standards of integrity, financial reporting and internal control.

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall comprise a Chairman and at least 2 other members. The quorum shall be 2.
- 1.2 All members shall be independent non-executive directors.
- 1.3 Members' appointments should be renewed at the same time as their re-appointment to the Board.
- 1.4 An induction programme is required for new audit committee members and on-going training is required for all members.
- 1.5 Representatives of the external auditors and a representative from Fidelity's internal audit department shall be invited to attend meetings. Other individuals may be invited to attend. No person other than the Committee Chairman and Committee members has the right to attend Meetings.

2. Secretary

The Company Secretary shall act as the Secretary of the Committee. Minutes of the Committee shall be circulated to all members of the Board unless a conflict of interest exists.

3. Frequency of Meetings

- 3.1 Meetings shall be held at least twice a year and at such other times as the Chairman of the Committee, the external or internal auditors or any Committee member may require.
- 3.2 The meetings should coincide with the availability of external and internal audit plans, when the half-yearly report, preliminary announcements and the full annual report are near completion and, if deemed necessary, when the interim management statements are near completion.
- 3.3 At least annually, the Committee should meet external and internal auditors without management to discuss the remit and issues arising from the audit.

4. Reporting Responsibilities

- 4.1 The role of the Committee is for the Board to decide. The results of work carried out for the Board should be reported to and considered by the Board. The Committee should identify matters where action or improvement is needed and recommend to the Board the

FIDELITY EUROPEAN VALUES PLC

steps which should be taken.

- 4.2 The Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the Company's Annual Report and Accounts.
- 4.3 The Committee should report to the Board where it is not satisfied with the Company's financial reporting.

5. Duties

The Committee's duties shall be to:-

- 5.1 monitor the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them; including:-
- 5.1.1 reviewing the consistency of accounting policies both on a year to year basis; and
- 5.1.2 reviewing and challenging where necessary the Company's financial statements including:-
- (a) decisions requiring a major element of judgement;
 - (b) the extent to which they are affected by any unusual transactions;
 - (c) the Company's investments, in particular the valuation of unquoted or other unusual investments;
 - (d) the clarity and completeness of disclosures;
 - (e) significant adjustments resulting from the audit;
 - (f) the going concern assumption;
 - (g) compliance with accounting standards and proposed changes to accounting policies;
 - (h) corporate governance statements relating to audit and risk management;
 - (i) compliance with stock exchange, listing, prospectus and disclosure and transparency rules and other legal requirements; and
 - (j) the Company's statement on internal control systems and procedures for detecting fraud prior to endorsement by the Board; and
 - (k) the half-yearly report and, if deemed necessary, the interim management statements prior to endorsement by the Board
- 5.2 review the Company's internal financial controls and the Company's internal control and risk management systems; including receiving a report from the management company confirming that it has conducted the Company's affairs in compliance with the regulations applying to it, together with information regarding any unusual transactions or complaints relating to savings schemes or similar products.
- 5.3 Review the company's procedures for detecting fraud.
- 5.4 to monitor and review the effectiveness of the Manager's internal audit function and in its duty to oversee the relationship with the external auditor, the Committee is to seek to ensure co-ordination with the activities of the internal audit function.

FIDELITY EUROPEAN VALUES PLC

- 5.5 make recommendations to the Board for it to put to the Shareholders for their approval in general meeting in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- 5.6 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. It should request an annual report from the auditors on policies and processes for maintaining independence and monitoring this. The qualification, expertise and resources of the auditors and effectiveness of audit process should also be assessed, covering all aspects of the audit service.

The Committee should approve terms and remuneration, including reviewing the engagement letter at start of each audit and the scope of the audit. Additional work should be arranged if necessary. The Committee should ensure that the level of fee is appropriate and that effective audit can be conducted for this fee.

The Committee should develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor.

- 5.7 report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

6. Authority

The Committee is authorised to:

- 6.1 seek any information it requires from the Manager in order to perform its duties;
- 6.2 obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- 6.3 call any member of the Manager to be questioned at a meeting of the Committee as and when required.

7. Review

- 7.1 On an annual basis the Committee should review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. Any changes should be recommended to the Board.
- 7.2 On an annual basis the Board should review the Committee's effectiveness.

8. Resources

- 8.1 The Committee should have access to sufficient resources and the services of the Secretariat.
- 8.2 Papers should be available to the Committee in a timely manner.

8.3 Funds to be available for professional advice (see 6.2 above).

9. Remuneration

Additional remuneration should be considered for members of the Committee. The Chairman should be paid more than other Members as he will spend more time on Committee matters.

10. Annual Audit Cycle

10.1 *Start of cycle* - ensure appropriate audit plans are in place.

10.2 *During cycle* - review:- findings with external auditors and discuss major issues arising whether resolved or not; key accounting and audit judgements; levels of errors identified; letters of representation before signature.

10.3 *On-going monitoring* - review management letter and management's responsiveness to external auditors' findings and recommendations.

10.4 *End of cycle* - assess effectiveness of audit process.

11. Communication with Shareholders

11.1 Terms of reference should be available to Shareholders. A separate section in the Annual Report should describe the work of the Committee in discharging its responsibilities (see 4.2 above).

11.2 The Committee Chairman should be present at the AGM to answer questions through the Company Chairman on the Annual Report and the matters within the Committee's remit.

Approved on 19 February 2008