

ALLIANCE TRUST PLC

AUDIT COMMITTEE

TERMS OF REFERENCE (April 2011)

1. Constitution

It is hereby resolved that the audit Committee of the board formed by resolution of the directors on 19th June 1987 be continued on the following terms:

2. Membership

The Committee shall be appointed by the board from amongst the independent non-executive directors of the Company and shall consist of not less than 3 members at least one of whom should have recent and relevant financial experience. The Chairman of the Board shall not be a member.

The Chairman of the Committee shall be appointed by the board and will not have a second or casting vote in any matter to be determined by the Committee or recommended by the Committee to the Board. Members of the Committee shall be appointed by the board, on the recommendation of the Nomination Committee and in consultation with the chairman of the Audit Committee.

3. Attendance

Only members of the Committee shall have the right to attend meetings. The following may be invited to all or part of any meeting as and when appropriate and necessary.

- The Chief Executive or other executive director
- The Chairman of the Board or other non-executive directors
- The External Auditor shall be invited to attend on a regular basis and will usually attend when audited financial statements are to be approved.
- The Head of Internal Audit and Head of Compliance will normally attend meetings
- The Risk Manager will normally attend meetings when consideration of items of business concerning risk exposure or risk management is on the agenda
- The Committee has the right to meet without any other attendees

4. Secretary

The Company Secretary or his nominee shall act as Secretary of the Committee.

5. Quorum

A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Meetings

The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

7. Notice of meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditor if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

8. Minutes of meetings

The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

Draft minutes of Committee meetings will be circulated promptly to all members of the Committee. Once approved, minutes will be circulated to all other members of the board unless it would be inappropriate to do so.

9. Annual General Meeting

The Committee chairman should attend the annual general meeting to answer shareholder questions on the Committee's activities.

10. Duties

The Committee shall carry out the duties below for the parent company, the group as a whole and any subsidiary undertaking that does not have its own Committee.

11. Financial Reporting

To monitor the integrity of the financial statements of the Company including its annual and half yearly reports and any other formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgments contained in them;

In particular, the Committee will review and challenge where necessary:

- a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
- b) the methods used to account for significant or unusual transactions where different approaches are possible followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- c) the quality of disclosure in the Company's financial reports and the context in which statements are made; and
- d) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

12. Internal Controls

- a) To review and report to the Board on the integrity and effectiveness of the accounting and financial controls of the Company and all its subsidiaries' internal financial controls and risk management systems; appraising and, where appropriate, challenging the actions and judgements of management as they relate to both the financial reporting process and the internal control and risk management regime;

- b) Annually to review changes in the business which require consequent changes to the financial controls or the system of internal control;
- c) To review and approve the statements to be included in the annual report concerning internal controls and risk management.

13. External Audit Function

- a) Make recommendations to the Board, to be put to the shareholders for approval at the Annual General Meeting, in respect of the appointment, reappointment and/or removal of external auditor. To oversee the process for selection of any external auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- b) To oversee the relationship with the external auditor including (but not limited to):
 - i. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. approval of their terms of engagement, 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 UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - v. agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - vi. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - vii. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
 - viii. seeking to ensure co-ordination with the activities of the internal audit function.
- c) Meet regularly with the external auditor, including once to give the final annual audit report. The Committee will meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- d) To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- e) To review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - i. discussion of any major issues which arose during the audit;
 - ii. any accounting and audit judgments;
 - iii. levels of errors identified during the audit; and

- iv. the effectiveness of the audit.

The Committee shall also

- a) review and approve any representation letter(s) requested by the external auditor before they are signed by management;
- b) review the management letter and management's response to the auditor's findings and recommendations; and
- c) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

14. Internal Audit Function

- a) To review the scope and effectiveness of the internal audit function in the context of the Company's overall risk management system;
- b) To consider, as part of the review of effectiveness, proposed changes in arrangements for internal audit proposed by the Company;
- c) Annually to review the remit, authority, resources and scope of work of the internal audit function to ensure that it has adequate resources to enable it to perform its function effectively and in accordance with the relevant professional standard. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions;
- d) To review and assess the annual internal audit plan;
- e) To review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- f) Meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the Committee.

15. Risk Review Function

- a) To review the internal audit plan and the compliance plan in respect of risk management issues;
- b) To ensure that satisfactory procedures are in place to identify the operational, credit, market and liquidity risks arising from the objectives of the Company and its subsidiaries and any other risks deemed by the Committee in its sole discretion to be pertinent to the identification and control of risk within the Company and its subsidiaries (the "risks");
- c) To ensure that satisfactory framework, policies and procedures are in place for controlling, monitoring and managing these risks and for reporting any breaches in compliance with required standards and procedures in accordance with any applicable regulatory requirements and with regard to good practice;
- d) To review and consider matters arising from a number of sources to be satisfied that the risk management framework is dynamic with respect to both internal and external factors. These sources include but are not limited to:
 - i. Large loss events, new activities, companies and vehicles, joint ventures, products and post implementation reviews of key projects;
 - ii. Matters escalated from other committees and meetings such as the Asset Allocation Committee, the Executive Committee and Executive Risk Committee;
 - iii. Compliance, internal audit, external audit, information security, and from external events;

- iv. A report, not more than half-yearly, addressing risk management systems as part of the system of internal control.
- e) To request reports and explanations from management, internal audit or compliance where the Committee believes that risks are not being identified or managed properly or are not in accordance with the risk management framework and agree appropriate action plans;
- f) To review controlling and monitoring procedures which ensure the Company retains its status as an Investment Trust under s1158 of the Corporation Taxes Act 2010 (HMRC requirements for continuous investment trust status);
- g) To report to the Board on any significant issues arising out of any of the above and make recommendations to the Board for any enhancements to processes and procedures.

16. Compliance, whistleblowing and fraud

The Committee shall:

- a) Review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action ;
- b) Satisfy itself as to the adequacy of the company's procedures for detecting fraud ;
- c) Satisfy itself as to the adequacy of the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- d) Review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the company's anti-money laundering systems and controls;
- e) Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.

17. Communications

- a) To facilitate the work of both the external auditor and the internal auditors by:
 - i. providing a forum for discussion of audit findings;
 - ii. helping to resolve any difference of view between management and the auditors.
- b) To satisfy itself that arrangements are in place whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters, and for investigation of matters so raised;
- c) To report to the board on other matters within the Committee's remit as the Committee deem appropriate.

18. Powers

- a) In order to discharge the duties specified:
 - i. the Committee is authorised to seek any information it requires directly or otherwise from any employee of the Company;
 - ii. the Committee may commission from management or third parties such investigation and reports as it thinks fit; and
 - iii. the Committee may require any employee to attend any meeting.

- b) To obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference;
- c) To have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the board.

19. Reporting responsibilities

The Committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall produce a report on its activities to be included in the company's annual report.

20. Other matters

The Committee shall:

- a) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- c) Give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- d) Be responsible for co-ordination of the internal and external auditors;
- e) Oversee any investigation of activities which are within its terms of reference; and
- f) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.