

ALLIANCE TRUST PLC

AUDIT COMMITTEE TERMS OF REFERENCE

20 January 2006

TERMS OF REFERENCE

Constitution

1. 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:

Membership

2. The audit committee shall be appointed by the board from amongst the non-executive directors of the Company and shall consist of not less than 3 members (other than the Chairman of the Board of Directors), at least one of whom should have recent and relevant financial experience. A quorum shall be 2 members.
3. The Chairman of the audit committee shall be appointed by the board and shall not have a second or casting vote in any matter to be determined by the Committee or recommended by the Committee to the Board.

Attendance

4. One of the executive directors of the Company, usually the director charged with responsibility for the finance of the Company, shall normally attend meetings.
5. A representative from the external auditors shall usually attend meetings when audited financial statements are to be approved or when requested.
6. The Head of Internal Audit shall normally attend meetings.
7. The Risk Manager shall normally attend meetings when consideration of items of business concerning risk exposure or risk management are on the agenda.
8. The Chairman of the Company may attend at the invitation of the Committee.
9. The audit committee has the right to meet without any other attendees and to call upon any employee to attend any meeting.
10. The Secretary of the audit committee shall be appointed by the board.

Meetings

11. Meetings shall be held at such times as the committee or the external or internal auditors consider necessary in fulfilment of the following duties.

Duties

12. Financial Statements

- (1) To monitor, report to and recommend to the Board the integrity of the financial statements of the Company and any formal announcements relating to the Company's

financial performance, reviewing significant financial reporting judgements contained in them;

(2) to review, report to and recommend to the Board on accounting policies.

13. Regulation

To review and report to the Board on compliance by any group company with the requirements of the relevant legislation or regulation which applies to it and the relationship of any such company with any appropriate regulatory body supervising or regulating its banking or investment business;

14. Internal Controls

(1) To review and report to the Board on the integrity and effectiveness of

(i) the accounting and financial controls of the Company and all its subsidiaries;

(ii) the system of internal controls of the Company and all its subsidiaries

appraising and, where appropriate, challenging the actions and judgements of management as they relate to both the financial reporting process and the internal control regime

(2) annually to review changes in the business which require consequent changes to the financial controls or the system of internal control.

15. External Audit Function

(1) To review the scope and effectiveness of the audit and the independence and objectivity of the auditors;

(2) To support the independence and objectivity of the external auditors;

(3) To review the external auditor's report and management's response;

(4) Develop and monitor policy on the engagement of the external auditor to supply non-audit services;

(5) To review the nature and extent of non-audit services provided by the external auditors;

(6) To review and recommend to the Board the terms of engagement and remuneration of the external auditor;

(7) To make recommendations in respect of the appointment, reappointment and/or removal of external auditor;

(8) To oversee the process for selection of any external auditor;

/...

16. Internal Audit Function

- (1) To review the scope and effectiveness of the internal audit function and to supervise that function;
- (2) To consider, as part of the review of effectiveness, proposed changes in arrangements for internal audit proposed by the Company;
- (3) Annually to review the remit, authority, resources and scope of work of the internal audit function;

17. Risk Review Function

- (1) To review the internal audit plan and the compliance plan in respect of risk management issues.
- (2) To ensure that satisfactory procedures are in place to identify the operational, credit, market and liquidity risks arising from the objectives of the Alliance Trust Group and any other risks deemed by the Committee in its sole discretion to be pertinent to the identification and control of risk within the Alliance Trust Group including and its subsidiaries (the “risks”).
- (3) 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.
- (4) 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:
 - Large loss events, new activities, companies and vehicles, joint ventures, products and post implementation reviews of key projects.
 - Matters escalated from other committees and meetings such as the Investment Department Management Meeting, the Executive Committee and Executive Risk Management Committee.
 - Compliance, internal audit, external audit, information security, and from external events.
 - A report, not more than half-yearly, addressing risk management systems as part of the system of internal control.
- (5) 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.
- (6) To review controlling and monitoring procedures which ensure the Company complies at all times with s842 Income and Corporation Taxes Act 1988 (Inland Revenue requirements for continuous investment trust status).
- (7) 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.

18. Communications

- (1) To facilitate the work of both the external auditor and the internal auditors by:
 - providing a forum for discussion of audit findings

- helping to resolve any difference of view between management and the auditors.
- (2) 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.
 - (3) to report to the board on other matters within the committee's remit as the committee deem appropriate.

19. **Powers**

In order to discharge the duties specified:

- (1) the Committee is authorised to seek any information it requires directly or otherwise from any employee of the Company; and
- (2) the Committee may commission from management or third parties such investigation and reports as it thinks fit.