

AUDIT COMMITTEE Terms of Reference

Prime Responsibility To assist the board in carrying out its responsibilities relating to the company's accounting policies, internal controls, risk management and financial reporting functions.

Membership The committee shall comprise the whole board. A quorum shall be 2 members. The chairman of the committee shall be appointed by the board.

Training An induction programme for new audit committee members and ongoing training for existing members of the committee will be made available by the secretaries, if required.

Attendance at meetings The managing director and representatives of the secretaries, the secretaries' heads of Regulatory Risk and Business Risk & Internal Audit and a representative of the auditors may be required to attend meetings. The auditors are available to attend the meeting as required.

At least once a year the committee will meet the company's auditors without the presence of any employee of the secretaries.

Baillie Gifford & Co shall act as secretaries to the committee.

Frequency of meetings Meetings shall be held not less than twice a year. The auditors may request a meeting if they consider that one is necessary.

Authority The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from the managing director and the secretaries.

The committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties The duties of the committee shall be:

Financial Reporting

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance before submission to the Board, focussing particularly on:
 - (i) any changes in accounting policies and practices
 - (ii) major judgmental areas
 - (iii) significant adjustments resulting from the audit

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- (iv) compliance with stock exchange and legal requirements
- (v) the going concern assumption
- (vi) compliance with applicable accounting standards and practices

Internal Controls and Risk Management

- to review standards of internal control and risk management;

External and Internal Audit

- to consider annually whether there is a need for an internal audit function and to explain the reasons for the absence of such function in the Annual Report;
- to consider the appointment, re-appointment and removal of the external auditor and to make recommendation to the board on the remuneration and terms of engagement of the external auditor;
- to review and monitor the auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to discuss problems and reservations arising from the annual audit, and any other matters the auditor may wish to discuss (in the absence of management where necessary);
- to develop and implement policy on the engagement of the external auditors to supply non-audit services if appropriate;
- to review the auditors' management letter and management's response;

Other Matters

- to review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to establish that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- to review the audit committee terms of reference once a year; and
- to report to the board any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

Reporting procedures

The secretaries shall circulate the minutes of meetings of the committee to all members of the board.