

**THE EUROPEAN INVESTMENT TRUST PLC ("the Company")
AUDIT AND MANAGEMENT ENGAGEMENT COMMITTEE
TERMS OF REFERENCE**

1. Constitution

The Audit and Management Engagement Committee (the "Committee") was established by a resolution of the Board of Directors of the Company. The Committee is accountable to the Board. These Terms of Reference were approved by the Board and adopted by the Committee on 18 May 2010.

2. Composition of the Committee

The Committee will be established by the Board and shall comprise at least two independent Directors. At least one member of the Committee should have recent and relevant financial experience.

a. Attendance

- i. The following may be required to attend the relevant parts of Committee meetings:-
- The Fund Manager.
 - The External Auditors.
 - The Fund Administration Manager at Edinburgh Partners Limited or his/her delegate.
 - The Head of Regulatory and Operational Risk at Edinburgh Partners Limited or his/her delegate.
- ii. The Company Secretary will act as to the Committee.

b. Meetings

The Committee will meet at least twice a year (currently May and November) 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. Background

All the Directors are non-executive and the Company has no employees. Investment management and administration services are undertaken by or on behalf of Edinburgh Partners Limited.

The Executive Management Committee established by Edinburgh Partners Limited is responsible for matters pertaining to Edinburgh Partners Limited. The Committee will therefore not consider matters relating to Edinburgh Partners Limited, save as they affect the Company. The Committee will expect to be given prompt warning by Edinburgh Partners Limited of matters of significant concern to the Company.

Any matter considered by the Edinburgh Partners Limited Executive Management Committee, which is relevant to the Company, shall be reported to the Committee without delay.

4. Responsibilities

a. Financial Reporting

- i. The Committee will review the significant financial reporting issues and judgements made in preparing the annual and interim reports, preliminary announcements and related formal statements (eg summary financial statements and release of price sensitive information) and the accounting policies adopted and the contents of such documents. 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. In particular, the Committee should satisfy itself that the annual and interim accounts and any other significant published financial information are properly and carefully prepared, and give a fair representation of the Company's affairs.
- iii. 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 November (finals) and May (interims). At these meetings, the Fund Administration Manager at Edinburgh Partners Limited 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 adopted are appropriate.
- iv. 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 Committee is responsible for reviewing the Company's internal control and risk management systems and making recommendations to the Board.

- i. At the November Board Meeting the Committee will receive a statement by the directors of Edinburgh Partners Limited on internal corporate governance (SAS70 report).
- ii. Each quarter a control report will be prepared by Edinburgh Partners Limited, together with a risk issues table annually. At the meeting in November, the Head of Regulatory and Operational Risk at Edinburgh Partners Limited, or his/her deputy, will be in attendance to provide a verbal report to the Committee.
- 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, 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, if that is the case.

The Committee will review on an annual basis the statement by the directors of Edinburgh Partners Limited on internal corporate governance containing a report in relation thereto from the reporting accountant (SAS70 report). Edinburgh Partners Limited will submit with the SAS70 report a letter concerning the policies, procedures and controls associated with the management of the affairs of the Company and a statement that in its opinion the Company can make its own statement on corporate governance in words proposed.

The Chairman of the Committee will meet with the Head of Regulatory and Operational Risk at Edinburgh Partners Limited on an annual basis to discuss relevant matters if necessary.

ii. External

The external auditors of the Company shall be present at the Committee meeting reviewing the annual results (November). 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 Edinburgh Partners Limited in attendance.

The Chairman of the Committee will meet with the external auditors to discuss findings during the course of the audit separate to the Audit Committee meeting if necessary.

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 Fund Administration Manager at Edinburgh Partners Limited at each Committee meeting.

The Fund Administration Manager at Edinburgh Partners Limited will also make recommendations to the Committee concerning the auditors' remuneration and re-appointment. The Committee will approve the terms of engagement and recommend to the Board that it seeks approval from shareholders for such appointment, re-appointment or removal if appropriate, and remuneration.

The Committee will oversee the selection process of possible new appointees as external auditors.

The Committee will consider the acceptance of any new representative of the auditors prior to appointment (current recommendations provide for each audit partner to serve a maximum five year term as audit partner for a company).

The Committee will review the audit letter of representation prior to signature by the Board.

The Committee will assess annually the qualification, expertise and resources of the external auditors and the effectiveness of the audit process.

The Committee will assess annually the independence, objectivity and effectiveness of the external auditors.

If the external auditors resign, the Committee will investigate the issues giving rise to such resignation and consider whether any action is required.

The Committee will develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the auditor. The policy will specify the types of non-audit work from which the external auditors are excluded.

Note: It has been agreed with Edinburgh Partners Limited that all non-audit work to be carried out by the external auditors should be approved by the Committee in advance. If non-audit services are provided, disclosure should be made in the annual report regarding auditor objectivity and independence.

d. **Whistleblowing policy**

The Committee will review arrangements at Edinburgh Partners Limited 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.

e. **Management Agreement**

The Committee will, on an annual basis, review the performance of Edinburgh Partners Limited in providing company secretarial, accounting, administration and support services to the Company and the fee paid to Edinburgh Partners Limited for the services that it provides under the management contract, together with the terms of such contract. Investment performance is reviewed by the Board.

f. **Additional Fees**

The Committee will consider the nature of any extra charges imposed by Edinburgh Partners Limited over and above the management fee and any additional benefits received from managing the Company.

g. **Custodian Agreement**

The Committee shall be responsible for the periodic review of the agreement with JPMorgan Chase for the provision of custodian services to the Company.

h. **Other matters**

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

5. **Reporting**

- a. The minutes of each meeting of the Committee will be circulated to all Directors of the Company and reports made to the Board as appropriate.
- b. These Terms of Reference are to be made available on request and are to be published through the Company's website.

6. **Annual Report Disclosure**

- a. Description of the work of the Committee. (C.3.3)
- b. Formal policy regarding non-audit work. (C.3.7)
- c. Explanation of absence of internal audit function. (C.3.5)
- d. Internal control and management of risk.
- e. Where the Board does not accept the Committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement explaining the recommendation and the reasons why the Board has taken a different position. (C.3.6)
- f. Review the performance of and contractual arrangements with the manager and describe the decisions taken and the rationale for such decisions. (principle 14)