

ELECTRIC & GENERAL INVESTMENT TRUST PLC

AUDIT COMMITTEE: TERMS OF REFERENCE

Approved on 12 February 2009

Membership

- The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall comprise of a Chairman and at least two other members.
- All members of the Committee shall be non-executive directors, the majority of whom shall be independent. At least one member of the Committee should have recent relevant financial knowledge.
- The Chairman for the time being shall be Mr John Pocock or such other director as the Board shall select from their number from time to time. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- The Secretary of the Company or their nominee shall act as Secretary of the Committee.
- Appointments to the Committee shall be for a period of up to three years, which may be extended provided the director remains independent.

Meetings

- The Committee shall meet at least three times each year and at such other times as the Chairman of the Committee shall require.
- Meetings will be arranged to tie in with the publication of the Company's financial statements, prior to a Board meeting where accounts or financial statements are to be approved.
- Meetings can be requested by the external auditors if they consider one is necessary.
- Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive Directors, no fewer than 3 working days prior to the date of the meeting.
- The Committee may ask representatives of the Investment Manager and any relevant personnel to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- The Committee shall ask a representative of the external auditors to attend at least the year end Audit Committee meeting and any other meetings as required. The Committee should have at least one meeting, or part thereof, with the external auditor without management being present.
- The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the

authorities, powers and discretions vested in or exercisable by the Committee.

- The Secretary or its nominee shall minute the the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.
- Minutes of Committee meetings shall be tabled at Board meetings for information purposes.
- The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

Authority

The Committee is authorised to:

- seek any information it requires from any employee of the Company's service providers in order to perform its duties; and
- obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Mandate and reporting responsibilities

Internal control and risk assessment

- The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.
- The Committee shall review the whistleblowing arrangements of the Company's third party service providers on an annual basis.
- The Committee shall review the company's procedures for detecting fraud.

Internal audit

- The Committee shall review the need for an internal audit function annually.

External audit

- The Committee shall consider and make recommendations to the Board, to be put to shareholders at the AGM, as regards the appointment, re-appointment and removal of the Company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time.
- The Committee shall meet with the external auditors at least once each year to discuss their remit and any issues arising from the audit.
- The Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- The Committee shall also review the effectiveness of the audit review and approve any representation letter(s) requested by the external auditor before they are recommended to the

Board for approval.

- The Committee shall keep under review the relationship with external auditors including (but not limited to):
 - the independence and objectivity of the external auditors;
 - the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities;
 - approval of their terms of engagement, including an engagement letter issued at the start of each audit and considering the scope of the audit;
 - discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made.

Financial statements

- The Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the Company.
- The Committee shall review and challenge where necessary the Company's financial statements, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature, taking into account:
 - decisions requiring a major element of judgement;
 - the extent to which the financial statements are affected by any unusual transactions and the methods used to report these, where different methods are possible;
 - the clarity of disclosures;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - compliance with stock exchange and other legal requirements;
 - reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company; and
 - all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- The Committee or its Chairman shall meet formally with the Board of Directors at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors.

- In the light of its other duties, 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 Financial Statements.

Other matters

- The Committee shall have access to sufficient resources in order to carry out its duties.
- The Committee shall 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.
- The Committee shall give due consideration to the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate.
- The Committee shall be responsible for co-ordination of the external auditors.
- The Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.
- The Committee should, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

Membership (as at 12 February 2009)

- John Pocock - Chairman
- Gerry Aherne
- Lindsay Bury
- Jonathan Ruffer