

HENDERSON HIGH INCOME TRUST PLC

Terms of Reference for the Audit Committee

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least two members.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. In addition, the Committee as a whole should have competence relevant to the sector in which the Company operates.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as representatives from the Manager and BNP Paribas Securities Services may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6 Members must declare any conflicts of interest or potential conflicts of interest at the start of each meeting.

2. Secretary

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

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members. 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.

4. Frequency of Meetings, Notice and Minutes

- 4.1 The Committee shall meet at least twice a year and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman and key personnel employed by the Manager.
- 4.3 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead Partner if they consider it necessary.

- 4.4 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 later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 4.5 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 4.6 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 4.7 Draft minutes of committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

5. Annual General Meeting

- 5.1 The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

6. Duties

Financial Reporting

- 6.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, and any formal announcements relating to its financial performance, reviewing and reporting to the Board any significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 6.2 The Committee shall review the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half year reports and related formal statements and challenge where necessary:
 - the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - the clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made;
 - all material information presented with the financial statements, such as the Chairman's Statement, the Portfolio Review, the Strategic Report, the Directors' Remuneration Report and the Corporate Governance Statement (insofar as it relates to the audit and risk management);
 - the Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval

would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook; and

- the Company's statement on internal control systems, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company and the other narrative statements contained in the annual and half-yearly reports, including the viability statement.

The Committee shall:

- ensure that the information presented is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy the Committee should also advise the Board on whether the annual report and accounts informs the Board's statement in the annual report on these matters;
- include details of any significant issues which the Committee considered in relation to the financial statements and how these were addressed; and
- establish a remuneration policy report which will be subject to a binding shareholder vote.

Internal Controls and Risk Management Systems

The Committee shall:

- 6.3** Keep under review the effectiveness of the Company's internal controls and risk management systems.
- 6.4** Review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- 6.5** Monitor and review the remit and effectiveness of the Manager's Internal Audit, Compliance and Business Risk functions in the context of its overall risk management system.
- 6.6** Meet representatives of the Manager's Compliance, Business Risk and Internal Audit, on a regular basis, and if appropriate, without the fund manager being present, to discuss their remit and any issues arising.

External Audit

The Committee shall:

- 6.7** Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. A review of the Audit provision is to be undertaken at least every ten years. The Committee shall develop and oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 6.8** Oversee the relationship with the external auditor including (but not limited to):

- approval of their remuneration, whether for audit or non-audit services, and ensuring that the level of fees is sufficient to enable an adequate audit to be carried out;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services (the policy should consider the nature of the non-audit services, whether the external audit firm is the most suitable supplier, the fees for non-audit services, the criteria governing compensation and assessment of whether non-audit services have a direct or material effect on the audited financial statements see attached Non-Audit Services Policy);
 - on an annual basis, satisfying itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - monitoring the auditor's processes for maintaining independence, its compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - assessing annually the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and consideration of the audit firm's annual transparency reports, where available;
 - investigating the issues giving rise to any resignation and considering what action is required;
 - considering the need to include the risk of the withdrawal of their auditor from the market in their risk evaluation and planning; and
 - meeting regularly with the external auditors and at least once a year, without representatives of the manager being present, to discuss the auditors' remit and any issues arising from the audit.
- 6.9** Review the annual audit plan and ensure that it is consistent with the scope of the audit engagement (after prior review by the Committee Chairman).
- 6.10** Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- a discussion of any major issues which arose during the audit;
 - the auditor's explanation of how the risks to audit quality were addressed;
 - any accounting and audit judgements;
 - the auditor's view of the interactions with the Manager;
 - levels of errors identified during the audit;

- the effectiveness of the audit process; and
- evaluating risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

6.11 The Committee shall also:

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

6.12 At the end of the annual audit cycle, the Audit Committee should assess the effectiveness of the audit process. In the course of doing so, the Audit Committee should:

- review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
- consider the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committees, and in their commentary where appropriate on the systems of internal control; and
- obtain feedback about the conduct of the audit from key people of the Manager involved.

7. Reporting Responsibilities

7.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

This report shall include:

- the significant issues that it considered in relation to the financial statements (required under paragraph 6.1) and how these were addressed;
- its assessment of the effectiveness of the external audit process (required under paragraph 6.8), the approach taken to the appointment or reappointment of the external auditor, length and tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- any other issues on which the Board has requested the Committee's opinion.

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

7.3 The Committee shall compile a report on its activities to be included in the Company's annual report.

The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

- 7.4** In compiling the reports referred to in 7.1 and 7.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

8. Communication with Shareholders

8.1 The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, should be made available. A separate section in the annual report should describe the work of the Committee in discharging those responsibilities.

8.2 The Audit Committee section should include, inter alia:

- a summary of the role of the Audit Committee;
- the names and qualifications of all members of the Audit Committee during the period;
- the number of Audit Committee meetings; and
- a report on the way the Audit Committee has discharged its responsibilities.

8.3 The Chairman of the Audit Committee should be present at the AGM to answer questions, through the Chairman of the Board, on the report on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

9. Compliance with the Bribery Act 2010 and Anti-Tax Evasion

The Committee shall:

9.1 Monitor and review the processes, assurance and reporting protocols of all matters in relation to Bribery Act compliance and anti-tax evasion legislation. It is recognised that additional "off-cycle" reviews may be necessary following major changes for the Company e.g. changes in law or changes of investment policy. The Committee will report its findings to the Board on a regular basis.

10. Other Matters

The Committee shall:

10.1 have access to sufficient resources in order to carry out its duties.

10.2 be provided with appropriate and timely training, in the form of ongoing training at the Company's expense.

- 10.3** give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency sourcebook and any other applicable rules as appropriate.
- 10.4** oversee any investigation of activities which are within its terms of reference.
- 10.5** at least once a year review its own constitution and terms of reference.

11. Authority

The Committee is authorised:

- 11.1** to seek information it requires from employees of the Manager or BNP Paribas Securities Services, as appropriate in order to perform its duties.
- 11.2** to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.
- 11.3** to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

12. Whistleblowing

The Committee:

- 12.1** should review arrangements by which the Manager's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- 12.2** should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.