

HENDERSON INTERNATIONAL INCOME TRUST PLC

Terms of Reference for the Audit Committee

1. Membership

- 1.1 The committee shall comprise at least three members. 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.
- 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 investment trust sector.
- 1.3 Only members of the committee have the right to attend committee meetings. However, the external auditor will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The company secretary or their nominee shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

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

4. Frequency of meetings

- 4.1 The committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the committee chair, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the board chairman, the external audit lead partner and key personnel employed by the manager.

5. Notice of meetings

- 5.1 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.
- 5.2 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 no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.
- 5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such way.

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6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be agreed with the committee chair and then circulated promptly to all members of the committee.

7. Annual General Meeting

- 7.1 The committee chair should attend the annual general meeting to answer shareholder questions on the committee's activities.

8. Duties

- 8.1 To fulfil the duty under section 172 of the Companies Act 2006, each individual Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its Shareholders as a whole and in doing so, have regard to a number of broader matters including:
 - (a) the likely consequences of any decision in the long-term;
 - (b) the need to foster the Company's business relationships with suppliers, customers and others;
 - (c) the impact of the Company's operations on the community and the environment;
 - (d) the desirability of the Company maintaining a reputation for high standards of business conduct; and
 - (e) the need to act fairly between members of the Company.
- 8.2 Committee members should have regard to these matters when considering the business of the Committee.
- 8.3 The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

Financial reporting

- 8.4 The committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 8.5 In particular, the committee shall review and challenge where necessary:
 - the application of significant accounting policies and any changes to them;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - the clarity and disclosures made in the Company's financial statements and the context in which statements are made; and

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- all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- 8.6 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.
- 8.7 Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the board.
- 8.8 The committee shall review and make recommendations to the board on the going concern of the Company at year end and half year end.
- 8.9 The committee shall review and make recommendations to the board on the viability statement made by the Company at the year end.

Narrative reporting

- 8.10 The committee shall review the Company's statement on internal controls systems, prior to endorsement by the board, and the policies and process for identifying and assessing business risk 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 and statement on going concern.
- 8.11 Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required under the AIC Code of Corporate Governance (the "Code").

Internal controls and risk management systems

The committee shall:

- 8.12 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and internal control and other internal control and risk management systems;
- 8.13 review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement;
- 8.14 maintain and regularly review the board's risk map, which shall include the principal risks facing the Company, and make recommendations to the board for any appropriate changes;
- 8.15 regularly assess the emerging risks that the Company could face and make recommendations to the board concerning the recognition of relevant emerging risks in the risk map;
- 8.16 review the manager's and the Company's other key third-party suppliers' annual assurance reports on the effectiveness of the internal controls in place at the respective organisations and discuss these with representatives from the Manager's business risk function when required to ensure any appropriate follow up action is undertaken;
- 8.17 review the business continuity plans in place at the Manager; and

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- 8.18 monitor the information security arrangements at the Manager, receiving regular updates from the Chief Information Security Officer.

Compliance, whistleblowing and fraud

The committee shall:

- 8.19 review the adequacy and security of the Manager's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 8.20 ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.
- 8.21 monitor and review the processes, assurance and reporting protocols of all matters in relation to the Bribery Act 2010 and the Criminal Finances Act 2017 compliance. It is recognised that additional "off-cycle" reviews may be necessary following major changes for the Company eg, changes in law or changes of investment policy. The committee will report its findings to the board on a regular basis.
- 8.22 review the Company's Bribery Act policy and Bribery Act register on an annual basis;
- 8.23 review the Company's anti-tax evasion measures on an annual basis; and
- 8.24 receive regular reports from the Manager's representative of the Risk and Compliance departments and monitor the adequacy and effectiveness of its compliance and risk function.

Internal audit

The committee shall:

- 8.25 receive regular reports from the Manager's head of internal audit;
- 8.26 ensure that the Manager's internal auditor has direct access to the board chairman and to the committee chairman;
- 8.27 review and assess the annual internal audit work plan as it relates to investment trusts;
- 8.28 meet with the Manager's head of internal audit at least once a year without the presence of management; and
- 8.29 consider annually whether the Company should have an internal audit function and make recommendations to the board accordingly.

External audit

The committee shall develop and oversee the relationship with the external auditor generally and it shall:

- 8.30 consider and make recommendations to the board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 8.31 conduct the tender process, and make recommendations to the board for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.32 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

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- 8.33 oversee the relationship with the external auditor. In this context the committee shall:
- negotiate and agree their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.34 assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 8.35 satisfy 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;
- 8.36 agree with the board a policy on the appointment of former employees of the Company's auditor to the board, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 8.37 monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 8.38 assess annually the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.39 evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the committee;
- 8.40 develop and recommend to the board the Company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- threats to the independence and objectivity of the external auditor and any safeguards in place;
 - the nature of the non-audit services;
 - whether the external audit firm is the most suitable supplier of the non-audit service;
 - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - the criteria governing compensation;
- 8.41 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.42 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and

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- 8.43 review the findings of the audit with the external auditor. This shall include but not limited to, the following:
- 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;
 - a discussion of any major issues which arose during the audit;
 - the auditor's explanation of how the risks to audit quality were addressed
 - key accounting and audit judgements;
 - the auditor's view of their interactions with the Manager; and
 - levels of errors identified during the audit.
- 8.44 review any representation letter(s) requested by the external auditor before they are signed;
- 8.45 review the Manager's letter of support in response to the auditor's findings and recommendations; and
- 8.46 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

9. Reporting responsibilities

- 9.1 The committee chair shall report formally to the board on its proceedings after each meeting on the contents of its discussions, recommendations and actions to be taken 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 8.4) and how these were addressed;
 - its assessment of the effectiveness of the external audit process (required under paragraph 8.46), the approach taken to the appointment of the external auditor, length of 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.
- 9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 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.
- 9.4 In the compiling the reports referred to in 9.1 and 9.3, 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

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elsewhere in the annual report and accounts, but could provide cross-references to that information.

10. Other matters

The committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference;
- 10.5 work and liaise as necessary with all other board committees;
- 10.6 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.

11. Authority

The committee is authorised to:

- 11.1 seek any information it requires from any employee of the Manager in order to perform its duties;
- 11.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 call representatives of the Manager to be questioned at a meeting of the committee as and when require; and
- 11.4 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the board.