

Henderson Diversified Income Limited (the “Company”)

Terms of Reference for the Audit Committee

1. Duties

The Committee’s duties shall be to:

1.1 Monitor the integrity of the Company’s financial statements and any formal announcements relating to the Company’s financial performance and review significant financial reporting judgements contained in them, including:

1.1.1 Reviewing the consistency of accounting policies both on a year to year basis and;

1.1.2 Reviewing and challenging where necessary the Company’s financial statements including:

- (a) Decisions requiring a major element of judgement;
- (b) the extent to which they are affected by any unusual transactions;
- (c) the Company’s investments, in particular the valuation of unquoted or other unusual investments;
- (d) the clarity of disclosures;
- (e) significant adjustments resulting from the audit;
- (f) the going concern assumptions;
- (g) compliance with accounting standards and proposed changes to accounting policies;
- (h) corporate governance statements relating to audit and risk management;
- (i) compliance with stock exchange and other legal requirements; and
- (j) the Company’s statement on internal control systems prior to endorsement by the Board.

1.2 Review the Company’s internal financial controls and the Company’s internal control and risk management systems, including receiving a report from the management company confirming that it has conducted the Company’s affairs in compliance with the regulations applying to it, together with information regarding any unusual transactions or complaints relating to savings schemes or similar products;

1.3 Consider the scope of the work undertaken by the management company’s internal audit function;

1.4 Make recommendations to the Board for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment or removal of the external auditor and to recommend the remuneration and terms of engagement of the external auditor;

1.5 Review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and Jersey professional and regulatory requirements. The Committee shall request an annual report from the auditors on policies and processes for maintaining and

monitoring independence. A report on the audit firm's own internal quality control procedures shall be obtained;

1.6 Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

1.7 Report to the Board, identifying any matters in respect of which it considers action or improvement is required, and make recommendations as to the steps to be taken.

2. Membership

2.1 The Committee shall be appointed by the Board and shall consist of not fewer than two members the majority of whom shall be independent directors of the Company.

2.2 The Chairman of the Committee shall be appointed by the Board.

2.3 An induction programme is required for new audit committee members and ongoing training is required for all members.

3. Quorum

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

4. Meetings

4.1 The Committee shall meet at least once a year in addition to at such other times as the Chairman of the Committee, the external or internal auditors or any Committee member may require.

4.2 The meetings should coincide with the availability of external and internal audit plan and when interim statements, preliminary announcements and the full annual report are near completion.

4.3 At least annually, the Committee should meet external and the manager's internal auditors without management to discuss the remit and issues arising from the audit.

4.4 The Company's auditors shall be advised of the timing of Committee meetings and shall have the right to attend such meetings. The Committee shall also have direct access to the management company's heads of internal audit and compliance and any other key business heads as deemed necessary.

5. Secretary

5.1 The Company Secretary shall be the secretary of the Committee and shall, unless and to the extent from time to time determined by the Committee, attend all meetings of the Committee.

5.2 The Secretary shall circulate the minutes of the Committee meetings to all members of the Board.

6. Reporting Requirements

6.1 The results of work carried out for the Committee should be reported to and considered by the Board. The Committee should identify areas where action or improvement is required and recommended to the Board the steps which should be taken.

6.2 The Committee shall make whatever recommendations to the Board it deems appropriate.

6.3 The Committee should report to the Board where it is not satisfied with the Company's financial reporting.

7. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and seek any information it requires from the management company in order to perform its duties. It is authorised to obtain outside legal or other independent professional advice at the Company's expense, up to a limit of £5,000 for any one issue, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

8. Review

The Committee should review its own performance, constitution and terms of reference on an annual basis to ensure it is operating at maximum effectiveness. Any changes should be recommended to the Board for consideration.

9. Communication with Shareholders

9.1 The Committee's terms of reference shall be available to shareholders upon request. A separate section in the Corporation Governance Report shall describe the work of the Committee in discharging its responsibilities (see 6.2 above).

9.2 The Chairman shall be present at the AGM to answer questions on the Annual Report and Accounts and on any matters within the Committee's remit.

Approved by the Board on 14 June 2007

Updated by the Board on 18 January 2011