

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE (THE “COMMITTEE”)  
OF THE BOARD OF DIRECTORS (THE “BOARD”)  
OF THE NORTH AMERICAN INCOME TRUST PLC (THE “COMPANY”)**

**AUTHORITY**

The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires from any employee of Aberdeen Asset Management plc/Aberdeen Asset Managers Limited (the “Manager”). All such employees are directed to co-operate with any such request made by the Committee.

If the Committee considers it necessary or desirable so to do, it is authorised to obtain advice or information from, or secure the services of, external sources with relevant experience and expertise to assist it in the performance of its duties and to invite persons representing any such sources to attend meetings of the Committee. The cost of obtaining such advice or services shall be borne by the Company.

**MEMBERSHIP**

The Committee shall be made up of at least three members. All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board can be a member of the Audit Committee provided he/she was considered independent on appointment. The quorum shall be two members.

**MEETINGS**

The Committee shall meet at least two times in each year, at such times and locations as may be agreed by its members. In addition, any member of the Committee may at any time convene a meeting of the Committee. If they consider that one is necessary or desirable, the Company’s auditors may also request a meeting of the Committee at any time.

Such employee(s) of the Manager as are appropriate for the purpose and (a) representative(s) of the Company’s auditors shall attend meetings, if appropriate, of the Committee (but they shall have no right to vote at such meetings). Any member of the Board who is not a member of the Committee shall have the right to attend (but not to vote at) any meeting of the Committee.

At least once in each year, the Committee shall meet with the Company’s auditors without the presence of any employee of the Manager.

**TRAINING**

An induction programme shall be provided for new Audit Committee members and ongoing training will be available for existing members of the Committee.

**ROLE AND RESPONSIBILITIES**

The main roles and responsibilities include:

**Financial reporting**

- to monitor the integrity of the financial statements of the company and any formal announcements relating to the company’s financial performance, reviewing significant financial reporting judgements contained in them;
- where requested by the board, to provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company’s position and performance, business model and strategy;
- to report on the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;

- to consider significant accounting policies, any changes to them and any significant estimates and judgements. Taking into account the external auditor's view, the audit committee should consider whether the company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements. To review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context;
- to review compliance with the investment trust status and applicable legal and regulatory requirements;
- to review related information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk management.
- to assess the integrity of the Company's viability statement in the annual report which determines whether the Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due. The Committee should specify the recommended period to be covered (should be longer than 12 months) and why they consider that period to be appropriate.

### **Risk management and internal control systems (including internal audit, compliance, fraud detection and whistle blowing)**

- to review the company's internal financial controls and the company's internal control and risk management systems;
- to determine the appropriateness of reliance on the Manager's risk management and internal controls systems;
- to monitor and review the effectiveness of the Manager's internal audit function. In its review of the work of the Manager's internal audit function, the audit committee should receive a report on the results of the Manager's internal auditors' work on a periodic basis, review and monitor the Manager's responsiveness to the internal auditor's findings and recommendations. To meet with the Manager's head of internal audit at least once a year. The Audit Committee Chairman should also have access to meet with Aberdeen Group's AC Chairman;
- to review arrangements by which staff of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- to review and approve the statements included in the annual report in relation to internal control and the management of risk.
- to carry out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity and to describe how these principal risks are being managed or mitigated (viability statement).

### **External audit**

- to 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 and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to meet the external auditors, without the Manager, to discuss matters relating to its remit and any issues arising from the audit;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to 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; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- if the external auditor provides non-audit services, to provide an explanation of how auditor objectivity and independence are safeguarded;
- to explain how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted.

## **CORPORATE GOVERNANCE**

The Committee shall review its performance, effectiveness and terms of reference annually and recommend any changes it considers necessary to the Board for approval.

## **REPORTING**

The secretary of the Committee shall circulate an agenda before each meeting of the Committee to all members of the Committee and the Company's auditors and, after each such meeting, shall circulate the minutes of such meeting to all members of the board and the Company's auditors.

The Audit Committee Chairman shall report to the Board on its proceedings after each meeting and shall make whatever recommendations to the Board it deems appropriate.

The Audit Committee Chairman should be available, at the request of the Chairman of the Board, to attend the AGM and respond to shareholder questions of the Committee's activities.

The Committee shall report on its activities in the company's Annual report.

September 2016