

THE HERZFELD CARIBBEAN BASIN FUND, INC.

AUDIT COMMITTEE CHARTER

ARTICLE I PURPOSE

The purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors of The Herzfeld Caribbean Basin Fund, Inc. (the “Fund”) in undertaking and fulfilling its oversight responsibilities in connection with:

- (a) reviewing the financial reports and other financial information prepared by the Fund for submission to any governmental or regulatory body or the public and monitoring the integrity of such financial reports;
- (b) reviewing the Fund’s systems of internal controls established for finance, accounting, legal compliance and ethics;
- (c) reviewing the Fund’s accounting and financial reporting processes generally and the audits of the financial statements of the Fund;
- (d) monitoring compliance with legal and regulatory requirements;
- (e) monitoring the qualifications, independence and performance of the Fund’s independent registered public accounting firm; and
- (f) providing effective communication between the Board, senior and financial management and the Fund’s independent registered public accounting firm.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full power and all necessary resources to retain special legal, accounting or other consultants to advise the Committee.

ARTICLE II MEMBERSHIP AND TERM

2.1. Membership. The Committee shall consist of at least three members of the Fund’s Board of Directors. Committee members shall meet the independence requirements of the Nasdaq Stock Market, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the Securities and Exchange Commission (“Commission”). Accordingly,

- (a) The Committee shall be composed entirely of Directors who are not “interested persons” (as defined in the Investment Company Act of 1940) of the Fund;
- (b) Each member of the Committee must be an independent, non-executive Director free from any relationship that, in the judgment of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director;

(c) Each member of the Committee must not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Fund or any subsidiary thereof other than in such member's capacity as a Director;

(d) Each member of the Committee must be financially literate⁶¹ at the time of appointment to the Committee or must become financially literate within a reasonable period of time after his or her appointment to the Committee; and

(e) At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

2.2. Term. Each member of the Committee shall serve until his resignation or he is otherwise removed. Any vacancy occurring in the Committee shall be filled by the remaining Committee members. The members of the Committee will elect a Chairman by formal vote of the Committee's full membership.

ARTICLE III RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Fund's independent registered public accounting firm shall be accountable to the Committee. The Committee will ascertain that the independent registered public accounting firm will be available to the full Board at least annually (and more frequently if deemed appropriate by the Committee) to provide the Board with a timely analysis of significant financial reporting issues. The Committee will not engage the independent registered public accounting firm to perform any services set forth in Section 10(A)(g) of the Exchange Act.

ARTICLE IV MEETINGS

The Committee shall meet on a regular basis and is empowered to hold special meetings, as circumstances require, all in accordance with the Fund's charter and bylaws.

(a) The Committee shall meet at least annually with management of the Fund and with the Fund's independent registered public accounting firm to discuss any issues arising from the Committee's oversight obligations.

(b) The Committee shall meet at least annually with the independent registered public accounting firm (outside the presence of management) to discuss any issues arising from the Committee's oversight obligations.

⁶¹ The term "financial literacy" means that a member of the Committee must have the ability to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. The term "financial literacy" does not mean that a member must have a chief financial officer's or accounting practitioner's understanding of generally accepted accounting principles, consistently applied, as adopted in the United States of America by the Financial Accounting Standards Board ("GAAP").

(c) The Committee shall meet at least annually with management (outside the presence of the independent registered public accounting firm) to discuss management's evaluation of the work performed by the independent registered public accounting firm and the appropriateness of their fees.

(d) The Committee shall keep minutes of each meeting and those minutes shall be reported to the Board of Directors.

ARTICLE V RESPONSIBILITIES

The following functions are the common recurring activities of the Committee in carrying out its oversight role. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

(a) Conduct an annual performance evaluation of the Committee.

(b) Review and reassess the adequacy of this Charter not less than annually and recommend any proposed changes to the Board for consideration and approval.

(c) Review with management and the independent registered public accounting firm the audited financial statements and related footnotes, and the clarity of the disclosures in the financial statements, to be included in the Fund's Annual Report on Form N-CSR and N-SAR, prior to the filing of such forms, and its Annual Report to Shareholders, including a review of major issues regarding accounting and auditing principles and practices and any related party transactions as well as the adequacy of internal controls that could significantly affect the Fund's financial statements, and review and consider with the independent registered public accounting firm the matters required to be discussed by PCAOB Auditing Standard 1301 "Communications with Audit Committees".

(d) Review with management and the independent registered public accounting firm their judgments about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity and transparency of the disclosures in the financial statements.

(e) Prepare the report required by the rules of the Securities and Exchange Commission regarding the Committee to be included in the Fund's annual proxy statement. The Committee will include a statement within such report on whether the Committee has recommended that the financial statements be included in the Fund's annual Report to Shareholders, and the Fund's Annual Report on Forms N-CSR and N-SAR. The Committee should also ensure that a copy of this Charter is included within the Fund's proxy statement at least once every three years.

(f) Discuss with management and the independent registered public accounting firm the effect of regulatory and accounting initiatives, including pronouncements by the Financial Accounting Standards Board, the Securities and Exchange Commission and other agencies or bodies, on the Fund's financial statements.

(g) Review disclosures made to the Committee by the Fund's President and Chief Executive Officer and Chief Financial Officer, or the Fund's disclosure committee or any member thereof, during their certification process for Form N-CSR, about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Fund's internal controls.

(h) Review any relevant financial reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent registered public accounting firm.

(i) Obtain from the independent registered public accounting firm their recommendation regarding internal controls and other matters relating to the accounting procedures and the books and records of the Fund and the correction of controls deemed to be deficient. After the completion of the audit, the Committee shall review with the independent registered public accounting firm any problems or difficulties the independent registered public accounting firm may have encountered.

(j) Receive periodic reports from the independent registered public accounting firm regarding relationships between the independent registered public accounting firm and the Fund consistent with PCAOB Rule 3526 "Communication with Audit Committees Concerning Independence". The Committee shall also discuss with the independent registered public accounting firm any such disclosed relationships and their impact on the independent registered public accounting firm's independence. The Committee shall take appropriate action to ensure the continuing objectivity and independence of the independent registered public accounting firm.

(k) The Committee shall have the sole authority to appoint or replace the independent registered public accounting firm (subject, if applicable, to stockholder ratification).

(l) The Committee shall be directly responsible for the compensation and oversight of the work of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent registered public accounting firm shall report directly to the Committee.

(m) The Committee shall pre-approve all auditing services and permitted non-audit services (including the fees for such services and terms thereof) to be performed for the Fund by its independent registered public accounting firm in one of two methods. Under the first method, the engagement to render the services would be entered into pursuant to pre-approval policies and procedures established by the Committee, provided (i) the policies and procedures are detailed as to the services to be performed, (ii) the Committee is informed of each service, and (iii) such policies and procedures do not include delegation of the Committee's responsibilities under the Exchange Act to the Fund's management. Under the second method, the engagement to render the services would be presented to and pre-approved

by the Committee (subject to the *de minimus* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Committee prior to the completion of the audit). The Chairman of the Committee will have the authority to grant pre-approvals of audit and permissible non-audit services by the independent registered public accounting firm, provided that all pre-approvals by the Chairman must be presented to the full Committee at its next scheduled meeting.

(n) Adopt “whistleblower” procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees, as well as employees of any investment adviser, administrator, principal underwriter or any other provider of accounting related services of or to the Fund, of concerns regarding questionable accounting or auditing matters.

(o) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

(p) Recommend to the Board policies for the Fund’s hiring of employees or former employees of the independent registered public accounting firm who participated in any capacity in the audit of the Fund.

(q) Review with the Fund’s counsel legal matters that may have a material impact on the financial statements, the Fund’s compliance policies and any material reports or inquiries received from regulators or governmental agencies.

(r) Conduct or authorize investigation into any matters within the Committee’s scope of responsibilities with full access to all books, records, facilities and personnel of the Fund and direct access to the independent registered public accounting firm. The Committee has the ability to retain, at the Committee’s request, special legal, accounting or other consultants, experts or advisors it deems necessary in the performance of its duties.

(s) Consider such other matters in relation to the financial affairs of the Fund and its accounts, and in relation to the audit of the Fund, as the Committee may, in its discretion, determine to be advisable.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Fund’s financial statements are complete and accurate and are in accordance with the accounting principles generally accepted in the United States of America. This is the responsibility of management and the independent registered public accounting firm.

The Committee recognizes that the Fund’s management is responsible for preparing the Fund’s financial statements, and the independent registered public accounting firm are responsible for auditing or reviewing those financial statements in compliance with applicable law. The Committee also recognizes that management of the Fund and the independent registered public accounting firm have more time, knowledge and more detailed information on the Fund than do Committee members. Consequently, in carrying out its oversight responsibility, the Committee will not provide any special assurances as to the Fund’s financial statements or any professional certification as to the independent registered public accounting firm’ work. In addition, it is not the duty of the Committee to conduct

investigations, to resolve disagreements, if any, between management and the independent registered public accounting firm, or to assure compliance with laws and regulations.

ARTICLE VI AUTHORITY TO ENGAGE ADVISERS; FUNDING

In discharging its oversight role, the Committee is empowered to retain special legal, accounting or other consultants to advise the Committee. The Fund will provide for appropriate funding as determined by the Committee, for payment of compensation to the independent public accountants and to any consultants, experts or advisors engaged by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The date of the adoption of this charter by the Audit Committee was February 5, 2004

The date of the adoption of this charter by the Board of Directors of the Fund was February 5, 2004.

The date of the first amendment of this charter by the Audit Committee and by the Board of Directors of the Fund was August 11, 2016.

The date of the second amendment of this charter by the Audit Committee and by the Board of Directors of the Fund was August 14, 2018.

The date of the third amendment of this charter by the Audit Committee and by the Board of Directors of the Fund was May 16, 2019.