

**HISCOX LTD  
AUDIT COMMITTEE  
TERMS OF REFERENCE**

**1. Interpretation**

In these terms of reference:

“**Board**” means the board of directors of the Company or the directors present or deemed to be present at a duly convened meeting of the directors at which a quorum is present, as the context requires;

“**Business Day**” means Monday to Friday, not including any day which is a Bank Holiday in Bermuda;

“**FCA**” means the UK Financial Conduct Authority;

“**Committee**” means the Audit Committee;

“**Committee Pack**” means the meeting agenda, together with such other documents as the Chairman may from time to time determine;

“**Company**” means Hiscox Ltd;

“**Group**” means the Company and its direct and indirect subsidiaries;

“**Secretary**” means the Secretary of the Committee and includes any Assistant or Deputy Secretary or a person appointed by the Committee to perform the duties of the Secretary, who shall not be a member of the Committee;

“**UK Corporate Governance Code**” means the Code on Corporate Governance published from time to time by the Financial Reporting Council and applicable to the Company at the relevant time.

**2. Purpose**

The Committee shall:

- 2.1 assist the Board on matters of financial reporting and internal control, including, monitoring the financial reporting process and submit recommendations and proposals to ensure its integrity;
- 2.2 oversee both the internal and external audit arrangements of the Group;
- 2.3 consider how to apply the principles of the UK Corporate Governance Code; and
- 2.4 monitor compliance with the FCA's Listing, Prospectus and Transparency Rules, the FCA's Disclosure Guidance, Bermudian company law and any other applicable rules and guidance, as appropriate.

**3. Amendment of Terms of Reference**

- 3.1 These Terms of Reference may only be amended by the Board.

#### **4. Membership**

- 4.1 Only independent Non-Executive Directors of the Company are eligible to be appointed to the Committee.
- 4.2 The Committee shall comprise at least three members.
- 4.3 At least one member of the Committee shall have significant, relevant and recent financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 4.4 The Chairman and other members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee.
- 4.5 The Chairman may arrange for another member to chair a future meeting if he or she will be absent from that meeting. If neither the Chairman nor a Deputy Chairman is present within five minutes of the time fixed for the start of the meeting and no alternative member has been appointed to chair the meeting by the Chairman, the members present shall choose one of their number to act as Chairman for that meeting.
- 4.6 In the absence of the appointed Secretary the Chairman of the meeting shall require some other person to perform the role of Secretary for that meeting.
- 4.7 If the Secretary is also an Executive Director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without the Executive Directors being present.

#### **5. Power to appoint members**

- 5.1 The Board may appoint any eligible person who is willing to be appointed as a member of the Committee, on the recommendation of the Nominations Committee.

#### **6. Power to remove members**

- 6.1 The Board may remove a member of the Committee.

#### **7. Frequency and timing of meetings**

- 7.1 The Committee shall meet on a Business Day at least three times each calendar year.

#### **8. Quorum**

- 8.1 The quorum for the meetings shall be two.

#### **9. Attendance at meetings**

- 9.1 The Chairman of the Company, the Chief Executive Officer, and any other relevant senior management of the Group may attend any meeting of the Committee at the invitation of the Chairman. Such invitees have no right of attendance and the Committee may retract any such invitation at any time.

- 9.2 The Chief Financial Officer and the Head of Internal Audit shall be expected to attend all meetings, unless requested not to do so by the Chairman.
- 9.3 The Committee may invite any external advisers to attend the meeting and shall meet with the external auditors at least once a year without management being present.

#### **10. Location of meetings**

- 10.1 Meetings shall typically be held in Bermuda or another location subject to the discretion of the Chief Financial Officer. Meetings will not be held in the UK or the USA.

#### **11. Authority to set the agenda**

- 11.1 The Chairman shall set the agenda for meetings of the Committee.

#### **12. Committee Packs**

- 12.1 The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 12.2 The Secretary shall ensure one copy of each Committee Pack is retained.

#### **13. Notice of meetings**

- 13.1 A member may, and the Secretary at the request of a member shall, summon a Committee meeting at any time.
- 13.2 All members are entitled to receive notice of meetings which shall state the date, time and location of each meeting. Notice may be given in writing, verbally or by any electronic means. All members are entitled to attend and vote at meetings of the Committee.
- 13.3 A Committee Pack specifying the date, time and location of a meeting shall be deemed to be notice.
- 13.4 A member may waive the requirement that notice be given to him of any Committee meeting, either prospectively or retrospectively.

#### **14. Voting**

- 14.1 Decisions of the Committee shall be made by majority vote. In the case of an equality of votes the Chairman has a second casting vote.

#### **15. Meetings held by electronic means**

- 15.1 Any member may participate in a meeting of the Committee by way of telephone, computer or any other electronic means of communication provided that each person participating in the meeting is able to hear and speak. A person participating in this way is deemed to be present in person although their actual location shall be noted in the minutes and is counted in a quorum and entitled to vote. However, no member shall participate in any meeting while located in the UK or USA. The meeting is deemed to take place where the largest group of those participating is assembled or, if

there is no such group, where the Chairman of the meeting is located.

## **16. Minutes of meetings**

- 16.1 Minutes of meetings of the Committee shall be produced by the Secretary.
- 16.2 The minutes shall detail the proceedings and decisions of the meeting setting out the date, time, and place of the meeting, together with a list of those present and in attendance.
- 16.3 The Secretary shall produce the minutes within 10 Business Days of each meeting and shall submit them to the Chairman for approval.
- 16.4 Minutes of the preceding meeting shall be ratified by the Committee at each meeting.
- 16.5 The Secretary shall ensure the minutes are filed in a book of minutes within 5 Business Days of their being signed.

## **17. Authority to inspect the minutes of meetings**

The following individuals are entitled to inspect the minutes of meetings:

- 17.1 all directors of Hiscox Ltd;
- 17.2 all members;
- 17.3 external Auditors;
- 17.4 employees of the Bermuda Monetary Authority;
- 17.5 Committee Secretary; and
- 17.6 any other person the Chairman of the Committee may from time to time, permit.

## **18. Duties**

The Committee shall carry out the duties below for the Company and the Group as appropriate,

### **18.1 External auditors**

The Committee shall:

- 18.1.1 monitor the audit of the consolidated financial statements;
- 18.1.2 assess annually the effectiveness of the external auditor;
- 18.1.3 oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- 18.1.4 negotiate and agree the audit fee;
- 18.1.5 review and monitor the independence of the external auditor;
- 18.1.6 pre-approve any fees in respect of non audit services provided by the external auditor above £50,000, and ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
- 18.1.7 meet the external auditors regularly. This will include meetings without executive management and will include assessing their compliance with relevant ethical and professional guidance on the rotation of the audit partner, qualifications, expertise and resources;
- 18.1.8 agree with the external auditors the nature and scope of the audit including timetable, audit partners and staff and the

- nature and quality of audit to be undertaken in advance of the audit commencing;
- 18.1.9 review the external auditor's management letter and management's response;
- 18.1.10 Oversee the Internal Audit function.

## 18.2 Internal Audit

The Committee shall:

- 18.2.1 ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- 18.2.2 monitor the effectiveness of the Group's internal audit function and notify the Board if it believes the internal audit function to be insufficiently effective;
- 18.2.3 monitor the effectiveness of the Group's internal control and risk management, including reviewing management's and the internal auditor's reports on the effectiveness of systems of internal control, making appropriate recommendations to the Board on them, and approving the statements to be included in the annual report concerning internal control and risk management;
- 18.2.4 consider and report to the Board on management's response to any major internal audit recommendations;
- 18.2.5 review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- 18.2.6 consider reports on whistleblowing, to determine and recommend a resulting course of action, to monitor its implementation, and to report to the Compliance and Audit Director, the Board, or any relevant third party deemed by the Committee to be appropriate; and
- 18.2.7 meet the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.
- 18.2.8 hold the Chairman accountable for setting the objectives of the Head of Internal Audit, appraising their performance and recommending their remuneration to the Remuneration Committee, taking account of the views of the Chief Financial Officer.

## 18.3 Financial Reporting

The Committee shall review and challenge where necessary:

- 18.3.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
- 18.3.2 the extent to which the financial statements are affected by significant or unusual transactions in the year and how they are disclosed;
- 18.3.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 18.3.4 the clarity of disclosures;
- 18.3.5 significant adjustments resulting from the audit;
- 18.3.6 all material information presented with the financial statements;
- 18.3.7 compliance with statutory and regulatory rules;

18.3.8 the actions and judgements of management in relation to the interim and annual financial statements of Hiscox Ltd before submission to the Board, paying particular attention to:

18.3.8.1 decisions requiring a major element of judgement;

18.3.8.2 the going concern assumption;

18.3.8.3 the Company's statement on internal control systems;

18.3.8.4 the Company's viability statement, prior to the endorsement of the accounts by the Board.

## 19. Reporting

19.1 Where requested by the Board, the Committee shall provide advice to the Board on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

19.2 Where requested by the Board and unless expressly addressed by a separate risk committee composed of independent directors, provide advice on:

(i) the assessment of principal risks facing the Company, including the management and mitigation of those risks; and

(ii) how, taking account of the Company's position and principal risks, the prospects of the Company have been assessed, over what period, and why that period is appropriate, and whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the chosen period, drawing attention to any qualifications or assumptions as necessary.

19.3 The Chairman of the Committee shall make a verbal summary report at each Board meeting immediately following each Committee meeting;

19.4 The Committee shall inform the Board of the outcome of the external audit and explain how the external audit has contributed to the integrity of financial reporting;

19.5 The Committee shall report to the Board on how it has discharged its responsibilities and make a statement in the annual report on its activities during the year, including all relevant information recommended by the UK Corporate Governance Code.

## 20. Authorities

The Committee is authorised by the Board to:

20.1 investigate any authority or state of offers within its terms of reference;

20.2 prevent Executive Directors from attending all or part of any meeting;

20.3 approve the internal audit programme;

20.4 approve the appointment or dismissal of the Compliance and Audit Director;

- 20.5 take any actions the Committee deems reasonable to ensure proportionate and independent investigation of any concerns employees raise under the Company's Whistleblowing Policy;
- 20.6 seek any information it requires from any employee of the Group in order to perform its duties;
- 20.7 obtain at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 20.8 call any employee of the Group to a meeting of the Committee as and when required, provided at least one week's notice is given to that employee;

The Committee is not authorised to establish sub-committees or amend its own terms of reference. These Terms of Reference are subject to Bye-Law 77 of the Company's Bye-Laws.