



**HISCOX LTD  
TERMS OF REFERENCE AND  
SCHEDULE OF MATTERS RESERVED FOR BOARD DECISION**

**1. Matters reserved for Board determination**

This following sets out the matters specifically reserved for determination by the Hiscox Ltd. Board of Directors (the "Board"). Unless prohibited by statute or the bye-laws of the Company, the Board may delegate any of its duties to a Committee of the Board.

*Corporate Strategy*

The Board has responsibility for the overall leadership of the Group<sup>1</sup> and to set its values and standards and shall do the following:

- a. assess the basis on which the Company generates and preserves value over the long term.
- b. approve the Group's strategic aims and objectives and determine the Group's overall strategic direction, business plans and budgets.
- c. assess and monitor culture throughout the Group.
- d. approve any major new business areas.
- e. have oversight of the Group's operations ensuring competent and prudent management, sound planning, maintenance of internal control systems, adequate accounting and other records and compliance with statutory and regulatory obligations.
- f. consider any matter referred to it by the Group Chief Executive or Executive Management, including issues of significant expenditure and major projects. Projects up to a total cost of US\$5 million do not require formal Board approval in advance.

The Board will ensure that the annual report explains the Board's activities and action taken with regard to the alignment of policy, practices and behaviour throughout the Group to the Company's purpose, values and strategy.

*Mergers and Acquisitions*

The Board shall approve any significant mergers and acquisitions, including any divestments, within the Group. For purpose of this paragraph significant means anything where the transaction value exceeds US\$5 million or where there is reputational risk.

*Capital and debt*

The Board shall:

- a. Approve any changes to the capital and debt structure, including any capital raising or capital reduction including share buy backs, as well as any bonus issues or rights or other share issues.
- b. determine the sufficiency of capital in light of the Group's risk profile and business plans.
- c. determine any changes to the Company's listing.

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<sup>1</sup> Means the Company and its direct and indirect subsidiaries



#### *Investments*

The Board shall, through the Investment Committee, determine the investment strategy for Group funds.

#### *Dividend Policy*

The Board shall determine the dividend policy and shall recommend, approve or declare as appropriate any dividend.

#### *Share Schemes*

The Board shall, upon the recommendation of the Remuneration Committee, approve the Company's share schemes, including option plans, Performance Share Plans and share save schemes.

#### *Financial and other Reporting*

The Board shall:

- a. upon the recommendation of the Audit Committee, approve the consolidated financial statements of the Company including the annual report and accounts and interim accounts.
- b. approve the directors' report, statement on internal control, corporate governance statement and directors' remuneration report.
- c. upon the recommendation of the Audit Committee, approve any significant changes in accounting policies and practices.

#### *Internal Control*

The Board shall ensure that the Group has adequate and sound systems of internal control, risk management and reporting, and at least annually shall review the systems and controls in place including approving statements about the principal risks facing the Company, approving the going concerns statement, reviewing the Company's risk and control processes, approving procedure for detection of fraud and prevention of bribery.

#### *Communications*

The Board shall consider and approve any circular, listing particulars or prospectus issued by the Company including any resolutions to be put forward at a general meeting. The Board shall also approve any announcement relating to the interim and final results, as well as any trading update or any other significant announcement to be made on behalf of the Group.

#### *Board Membership and other appointments*

The Board shall:

- a. approve changes to the size, structure and composition of and appointments to the Board following recommendations from the Nominations and Governance Committee.
- b. ensure adequate succession planning.
- c. approve appointments to and chairmanship of the Board committees following recommendations from the Nominations and Governance Committee.
- d. determine the continuation in office of any director including the termination or suspension of an Executive Director as an employee subject to applicable law and their service contract.

#### *Corporate Governance arrangements*

The Board shall:

- a. review the Group's overall corporate governance arrangements.
- b. ensure there is a formal and rigorous annual review of its own performance and its committees.
- c. authorise any conflicts of interest where permitted by the Company Bye-Laws and ensure that the influence of third parties does not compromise or override independent judgement.

## 2. Engagement with workforce and Other Matters

The Board shall:

- a. consider the views and interests of the Company's key stakeholders in board discussions and decision making.
- b. In relation to engagement with the workforce, determine and consider the most appropriate method for achieving this aim as required by the UK Corporate Governance Code.
- c. review reports arising from concerns raised with it by the workforce and arrange for proportionate and independent investigation of any such matters and follow up action.
- d. approve any political donations, material litigation, Group policies, changes to the Group's pension scheme, or any other decisions likely to have a material impact on the Group and these Reserved Matters.

## 3. Delegation to Management

All matters not specifically reserved for the Board by this Policy or delegated to a Committee of the Board, unless prohibited by statute or the bye-laws of the Company, are delegated to the Group Chief Executive. The Group Chief Executive may further sub-delegate authority where appropriate. Irrespective of delegation, any matter with the potential to have a material impact on the reputation of the Company must be brought to the attention of the Board.

## 4. Constitution and meetings of the Board

- a. *Chairman* - The Chairman should attend the AGM to answer any shareholder questions on the Board's activities. The Chairman shall set the agenda for meetings of the Board.
- b. *Location of meetings* - Meetings shall typically be held in Bermuda or another location subject to the discretion of the Chairman. Meetings shall not be held in the UK or the USA.
- c. *Board Packs*<sup>2</sup> - The Secretary shall ensure that the Board receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- d. *Meetings held by electronic means* - Any Director 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 Director shall participate in any

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<sup>2</sup> Means the meeting agenda, together with such other documents as the Chairman may from time to time determine



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.

All other matters relating to Board Meeting are detailed in the Company's Bye-Laws. If these Terms of Reference conflict with the Bye-Laws, the Bye-Laws shall prevail.

#### **5. Amendment of Matters Reserved for the Board and Terms of Reference**

The Matters Reserved for the Board and Terms of Reference may be amended by the Board.