

**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;

“**Combined Code**” means the Combined Code on Corporate Governance published from time to time by the Financial Reporting Council and as adopted by the UK Listing Authority into the Listing Rules;

“**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;

“**Listing Rules**” means the rules and regulations made by the Financial Services Authority in its capacity as the UK Listing Authority, and contained in the UK Listing Authority’s publication of the same name;

“**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.

2. Purpose

The Committee shall:

- 2.1 assist the Board on matters of financial reporting and internal control;
- 2.2 oversee both the internal and external audit arrangements of the Group;
- 2.3 foster a sound risk management approach throughout the business;
- 2.4 consider how to apply the principles of the Combined Code;
- 2.5 monitor compliance with the Listing Rules and Bermudian company law.

3. Amendment of Terms of Reference

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.
- 4.4 The Chairman of the Committee shall be appointed by the Board, on the recommendation of the Remuneration & 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

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

6. Power to remove members

The Board may remove a member of the Committee.

7. Frequency and timing of meetings

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

8. Quorum

The quorum for the meetings shall be two.

9. Attendance at meetings

- 9.1 The Chairman of the Company, Chief Executive Officer, Finance Director 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 Finance Director and Head of Internal Audit shall generally be expected to attend meetings, unless requested not to do so.
- 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

Meetings shall be held at the Company's head office in Bermuda. In exceptional circumstances meetings may be held in Guernsey or Switzerland.

11. Authority to set the agenda

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

12. Committee Packs

- 12.1 Committee Packs shall be collated and circulated to members at least five Business Days prior to each meeting of the Committee, by the Secretary, at the behest of any member.
- 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

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

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 United States of America or United Kingdom of Great Britain. 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.

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

18.1 External auditors

The Committee shall:

- 18.1.1 assess annually the independence and effectiveness of the external auditor;
- 18.1.2 oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- 18.1.3 recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor above £50,000, and shall ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
- 18.1.4 meet the external auditors regularly. This will include meetings without executive management and will include assessing their qualifications, expertise and resources;
- 18.1.5 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;
- 18.1.6 review the external auditor's management letter and management's response.

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 review management's and the internal auditor's reports on the effectiveness of systems of internal control, make appropriate recommendations to the Board on them, and approve the statements to be included in the annual report concerning internal controls 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 consider reports on whistleblowing, to determine and recommend a resulting course of action, to monitor its implementation, and to report to the Head of Compliance, the Board, or any relevant third party deemed by the Committee to be appropriate;
- 18.2.6 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.

18.3 Financial Reporting

The Committee shall review and challenge, where necessary, in relation to the interim and annual financial statements of Hiscox Ltd:

- 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 prior to the endorsement of the accounts by the Board;
 - 18.3.8.4 the policies and processes for identifying and assessing business risks and the management of those risks by the Group.

19. Reporting

- 19.1 The Chairman of the Committee shall make a verbal summary report at each Board meeting immediately following each Committee meeting ;
- 19.2 The Committee shall make a statement in the annual report on its activities during the year and on the independence of the external auditors.

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 Head of Internal Audit;
- 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.