

## BEAZLEY GROUP PLC

### AUDIT COMMITTEE TERMS OF REFERENCE

Approved by Board Resolution dated 7 September 2004

Reviewed by the Board on 19th June 2006

#### 1. Objective

To conduct a reasonable review of the audit process, recommend the retention or discharge of the External Auditors and employ such internal or external resources as may be required to reasonably ascertain that the internal controls are adequate and that the external audit function is being executed to an appropriate standard.

#### 2. Scope

The Audit Committee is responsible for:

- monitoring the integrity of the Company's financial statements, together with any operating and financial review, interim report, preliminary or other formal announcement relating to the Company's financial performance, and reviewing significant financial reporting judgements contained in them, before submission to, and approval by, the Board, and before clearance by the External Auditors;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems;
- approving the appointment, or termination of appointment, of the head of the internal audit function;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- authorising the internal audit plan and considering outstanding points from previous audits;
- making recommendations to the Board, for it to put to the shareholders for their approval in general meetings, in relation to the appointment of the External Auditors and to approve the remuneration and terms of engagement of the External Auditors;
- reviewing the arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- reviewing and monitoring the External Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- developing and implementing policy on the engagement of the External Auditors for all group company auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- ensuring that Audit Committee meetings are used as an open avenue of communication between Compliance, Internal Audit, the External Auditors and the Board;

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.

### **3. Actuaries**

In respect of any firm of Consulting Actuaries which may be appointed by any group company, the Audit Committee will be responsible for:

- recommending their appointment and termination;
- recommending their terms of reference;
- receiving regular reports from the Consulting Actuaries concerned, independently of management where necessary;
- determining their independence;
- monitoring their performance; and
- approving their fees.

### **4. Members**

The Audit Committee shall comprise not less than three independent Non Executive Directors who, together with the Committee Chairman, shall be appointed by the Board on the recommendation of the Nomination Committee. Other individuals will be required to attend when required by the Audit Committee.

### **5. Quorum**

A quorum of the committee shall be two.

### **6. Frequency**

The Committee shall meet prior to the Beazley Group plc Board meetings:

- in person or by conference call if required. Meetings will be scheduled as required;
- on at least three occasions per year;
- or at any time if requested to the Chairman by any committee member or the External Auditors;

and annually with the internal and External Auditors without management to discuss matters relating to its remit and issues arising from the audits.

**7. Authority and reporting responsibility**

The Committee derives its authority from the Beazley Group plc Board and reports to it quarterly.

**8. Terms of Reference**

The Audit Committee shall review annually its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

**9. Distribution of Minutes**

The minutes for each Audit Committee meeting shall be distributed by the Company Secretary to the whole board and the External Auditors.

**10. Combined Code**

The Audit Committee shall comply with the Combined Code.