

AMLIN PLC
AMLIN UNDERWRITING LIMITED
AUDIT COMMITTEE
TERMS OF REFERENCE
ADOPTED ON 27 FEBRUARY 2008

1. PURPOSE AND CONSTITUTION

- 1.1 The Audit Committee (“the Committee”) is a joint committee of the Boards of Amlin plc (“PLC” or “the Company”) and Amlin Underwriting Limited (“AUL”) and shall lead the process of review, have certain decisions delegated to it, and make recommendations to the Boards of PLC and AUL as appropriate, regarding the external auditors, financial reporting, internal control and internal audit, and regulatory and certain compliance matters.
- 1.2 The PLC Board, on the recommendation of the Nomination Committee, shall appoint the Committee and its Chairman, subject to confirmation by the AUL Board. The Committee shall consist exclusively of independent¹ non-executive Directors of PLC and shall comprise at least three such Directors.
- 1.3 Neither the Chairman of the PLC Board nor of the AUL Board shall be a member of the Committee. At least one member of the Committee should have recent and relevant financial experience.
- 1.4 Within these terms of reference, “Group” is defined as PLC and all its direct and indirect subsidiary undertakings.

2. PROCEDURE

- 2.1 The Committee shall meet as and when it deems necessary; provided that it shall meet at least four times each year.
- 2.2 Any two members of the Committee shall comprise a quorum.
- 2.3 In the absence of the Chairman of the Committee from any particular meeting, the remaining members present shall elect one of their number present to chair the meeting.
- 2.4 The Committee shall meet, at least once a year, the external auditors without executive management being present and shall meet, also at least once a year, the Head of Internal Audit without other executive management being present. The auditors and the Head of Internal Audit may each at any time communicate directly with the Chairman of the Committee and may request a meeting with the Committee.

¹ Independence is as determined by the PLC Board, which in so determining shall take into consideration the guidance contained in the Combined Code. The Chairman of plc cannot be classified as independent for this purpose.

- 2.5 The Committee may request the attendance at its meetings, either by a standing invitation or specific request, of any Director or employee of, or adviser to, PLC, AUL or any of PLC's other subsidiaries, but the invitees have no right of attendance. The Group Chief Executive, Group Finance Director, the Group Chief Risk Officer and the Head of Internal Audit shall generally be expected to attend meetings of the Committee, unless requested otherwise.
- 2.6 Any PLC or AUL Director who is not a member of the Committee may request to attend meetings of the Committee for items of relevance to their company and shall generally be permitted to do so except for executive Directors at meetings or parts of meetings when the Committee requests that no executive management is present, but shall have no right to do so if the Committee decides otherwise.
- 2.7 The Company Secretary of PLC, or his or her deputy, shall act as Secretary to the Committee.
- 2.8 Minutes of Committee meetings shall be circulated to the Committee, in draft, immediately following their approval for circulation by the Chairman of the Committee and, in final form, to all members of the PLC Board with the next set of Board papers following their approval.
- 2.9 The Chairman of the Committee, after each meeting, will make a report to the PLC and AUL Boards on matters of relevance to each respective Board.

3. AUTHORITY

The Committee is authorised by the PLC and AUL Boards to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the relevant Group company's expense, and to require the provision of any information from any Director or employee of any Group company.

4. DUTIES

The duties of the Committee are:

a) *Auditors*

- i. to make recommendations to the PLC, AUL or other Boards of Group companies (as appropriate), for them to put to their shareholders for their approval in general meeting when so required by law, in relation to the appointment, reappointment and, if ever applicable, removal of the external auditors to the respective companies (the "auditors");
- ii. to review and monitor the independence and objectivity of the auditors and the scope and effectiveness, including cost effectiveness, of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- iii. to review and agree with the auditors their Audit Engagement Plan (or equivalent document) in advance of the commencement of each audit;

- iv. to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the auditors;
- v. to approve on behalf of the Board the remuneration and terms of engagement of the auditors, both in respect of their audit and material non-audit services (other than the remuneration of the auditors for their Company, Syndicate 2001 and/or Group audit(s), such approvals of remuneration and detailed terms of engagement may be delegated by the Committee to its Chairman, subject to whatever limitations the Committee may by resolution agree, either generally or in specific instances);

b) *Financial and regulatory reporting*

- i. to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, including the consolidated financial statements of the Group, the interim financial statement and/or quarterly trading statements, focussing particularly on reviewing prior to their submission to the full Board for their approval:
 - (1) accounting policies and practices and any changes thereto;
 - (2) significant financial reporting judgements contained in them, including the methodology, appropriateness and consistency of any material provisions or reserves, including the reserves held for insurance liabilities as recommended by the Group's Reserving Committee;
 - (3) significant adjustments, if any, resulting from audit or auditors' review;
 - (4) the going concern assumption;
 - (5) compliance with accounting standards; and
 - (6) compliance with UK Listing Authority and legal requirements;
- ii. to review the Syndicate 2001 Annual Report prior to its publication, having regard to its accounting policies, areas of key judgement (such as adequacy of the reserving process), audit adjustments, compliance with accounting standards, relevant FSA regulation and relevant Lloyd's byelaws;
- iii. to review the AUL statutory accounts prior to its publication for changes to accounting policies, areas of key judgement, audit adjustments, compliance with accounting standards, relevant FSA regulation (including solvency) and relevant Lloyd's byelaws;
- iv. to review, on behalf of the Board of AUL, the AUL's ICA prior to its submission to Lloyd's.

c) *Review of business risk*

- i. to agree the framework for regular review of the effectiveness of internal control (including financial, operational and compliance controls) having regard to:
 - (1) the risks faced by the Company and the Group, including as reported by the executive Risk Committee; and
 - (2) impacts on the Group of corporate developments and changes in the business environment in which the Group operates;

- iii. to review and consider at least twice yearly the major risks, the evaluation of their associated controls, and mitigating action being taken, for the Group as reported by the Group Risk Committee.
- iv. To receive and review reports on the performance of key controls at least twice yearly;
- v) to review the statement on internal control to be included in the corporate governance statement in the PLC annual report prior to its endorsement by the Board, and specifically to review:
 - (1) procedures for identifying and controlling the risks faced by the Group;
 - (2) the Group's policies for the prevention and detection of fraud;
 - (3) the Group's policies for ensuring that it complies with relevant regulatory and legal requirements; and
 - (4) the effectiveness of internal control;

d) *Internal Audit*

- i. to monitor and review the effectiveness of the Group's internal audit function;
- ii. to agree the internal audit programme with the Head of Internal Audit and to review its effectiveness;
- iii. to discuss and consider problems and reservations arising from audits, including internal audits, and any matters which the auditors or the Head of Internal Audit may wish to discuss (in the absence of other executive management if appropriate);
- v. to review and consider external auditors' Letters of Recommendation and internal audit findings and any management responses thereto and to consider the progress of corrective action agreed by management as a result of recommendations;

e) *Operational and regulatory compliance*

- i. to monitor and review the effectiveness of the Group's compliance function;
- iii). to review reports on the Company or any of its subsidiaries by the FSA, Lloyd's or any other regulator and to review the Group's compliance with relevant regulations;
- iv). to receive and review summary Group Compliance Reports by the Group Chief Risk Officer at least twice yearly;

f) *Other*

- i. to review arrangements by which staff of any Group company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that

arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;

- ii. to evaluate its own collective performance at least annually;
- iii. to report on its work annually in the Company's Annual Report;
- iv. to consider the nature, quality and timeliness of management information provided to the PLC and AUL Boards; and
- v. to consider other topics that may be referred to it by either the PLC or AUL Board;

in respect of all such matters, reporting to the PLC and/or AUL Board as appropriate, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations to the relevant Board as to the steps to be taken.

Adopted by the Boards of Amlin Underwriting Limited and Amlin plc on 27 February 2008