

Beazley plc

Audit Committee

Terms of reference

Approved by board resolution dated 9 December 2022

1. Objectives

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal financial controls and the audit process.

2. Members

2.1 The audit committee shall comprise not less than three independent non-executive directors who, together with the committee chair, shall be appointed by the board on the recommendation of the nomination committee. All members of the committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies, and the committee as a whole shall have competence relevant to the sector in which the company operates. The chair of the board shall not be a member of the committee.

Other individuals will be required to attend when requested by the audit committee. The committee may request other directors, management, staff or external advisors to attend committee meetings for the purpose of informing or assisting the committee in the discharge of its duties. These will normally include:

- the chief executive officer, the group finance director, the chief underwriting officer, the chief risk officer, the head of internal audit and the external audit lead partner; and
- selected executive management representing Beazley's business operations.

2.2 The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect a non-executive member to chair the meeting.

3. Secretary

The company secretary or their nominee shall act as the secretary of the committee.

4. Quorum

A quorum of the committee shall be two.

5. Frequency of meetings

5.1 Meetings shall be aligned with those of the board, and occur at such a time before a board meeting so that all business can be properly and fully conducted and referrals and minutes passed to the board in line with the requirements of the board.

- 5.2 The committee shall meet at least quarterly or at any time if requested to the chair by any committee member or the external auditors.
- 5.3 The committee shall meet at least annually with the head of internal audit, the external auditors and the head of actuarial, without management, to discuss matters relating to their remit and any issues identified from their work.

6. Notice of meetings

- 6.1 Meetings of the committee shall be summoned by the secretary of the committee at the request of the chair of the committee or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

7. Minutes of meetings

- 7.1 Minutes of committee meetings shall be circulated promptly to members of the committee and the chair of the board and made available to the board if appropriate.

8. Annual General Meeting

- 8.1 The chair of the committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the committee's activities
- 8.2 The committee shall consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor.

9. Duties

9.1 Financial and narrative reporting

9.1.1 The committee shall monitor the integrity of the company's financial and narrative statements, together with any operating and financial review, (including any disclosures such as the Task Force on Climate-Related Financial Disclosures (TCFD) report), interim report, preliminary or other formal announcement relating to the company's financial performance, and review significant financial reporting judgements contained in them, before submission to, and approval by, the board, and before clearance by the external auditors.

9.1.2 In particular, the committee shall review and challenge where necessary:

- 9.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the company/group;
- 9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 9.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 9.1.2.4 the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and

9.1.2.5 all material information presented with the financial statements, such as the business review, strategic report and the corporate governance statements relating to the role of the committee.

9.1.3 The committee should review the content of the annual report and accounts and advise the board on whether, taken as whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

9.1.4 The committee shall review the Solvency and Financial Condition Report and Regular Supervisory Report, as required.

9.2 Internal financial controls

The committee shall:

9.2.1 Review the effectiveness of the company's internal financial controls.

9.3 Internal audit

The committee shall:

9.3.1 Recommend to the board the appointment, or termination of appointment, of the head of the internal audit function.

9.3.2 Monitor and review the effectiveness of the company's internal audit function.

9.3.3 Review and approve the internal audit plan.

9.3.4 Review and monitor management's responsiveness to the internal auditor's findings and consider outstanding points from previous audits.

9.3.5 Review and approve the internal audit charter, ensure the function has the necessary resources and access to information to enable it to fulfil its mandate and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.

9.3.6 Receive a report on the results of the internal auditor's work and review internal audit reports and make recommendations to the board on a periodic basis.

9.3.7 Meet with the head of internal audit at least once a year without the presence of management.

9.3.8 Ensure the internal auditor has direct access to the board chair and to the committee chair, and is accountable to the committee.

9.4 External audit

The committee shall:

9.4.1 Conduct a tender process and make recommendations to the board, about the appointment, reappointment and removal of the external auditor.

- 9.4.2 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 9.4.3 Oversee the relationship with the external auditor including (but not limited to):
 - 9.4.3.1 annually assessing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional, regulatory and ethical requirements;
 - 9.4.3.2 developing and implementing a policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required;
 - 9.4.3.3 the approval of external auditor remuneration and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 9.4.3.4 approve external auditor terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 9.4.4 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit and the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.
- 9.4.5 Review and approve the annual audit plan to ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 9.4.6 Review the findings of the audit with the external auditor.

The committee shall also:

- 9.4.7 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 9.4.8 Review the management letter and management's response to the auditor's findings and recommendations.
- 9.4.9 Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

9.5 Actuaries

In respect of any firm of consulting actuaries which may be appointed by the company for a review of insurance reserving, the audit committee will be responsible for:

- 9.5.1 recommending their appointment and termination;
- 9.5.2 recommending their terms of reference;
- 9.5.3 receiving regular reports from the consulting actuaries concerned, independently of management where necessary;

- 9.5.4 determining their independence;
- 9.5.5 monitoring their performance; and
- 9.5.5 recommending to the board the approval of their fees.

The audit committee will not consider anything required to be done by a regulated entity in this regard.

10. Reporting responsibilities

- 10.1 The committee chair or their nominee will report formally to the board following all committee meetings, at least quarterly at all scheduled board meetings, and at such other times as necessary.
- 10.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The committee shall report to the board on how it has discharged its responsibilities.
- 10.4 The committee shall compile a report on its activities to be included in the company's annual report.

11. Other matters

The committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties and seek any information it requires from any employee of Beazley in order to perform its duties.
- 11.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 11.3 Give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.
- 11.4 Have oversight of the work of the internal and external auditors.
- 11.5 Oversee any investigation of activities which are within its terms of reference.
- 11.6 Work and liaise as necessary with all other board committees and with the audit committees of the regulated subsidiaries.
- 11.7 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.
- 11.8 Ensure that audit committee meetings are used as an open avenue of communication between internal audit, the external auditors and the board.
- 11.9 The committee will receive reports from the audit committees of the regulated subsidiaries.

11.10 The minutes for each audit committee meeting shall be made available by the company secretary to the whole board and the external auditors.

The chair shall:

11.11 Be available to shareholders to discuss significant matters within the committee's remit.

12. Authority

The committee is authorised by the board to:

12.1 Seek any information it requires from any employee of Beazley in order to perform its duties.

12.2 Obtain legal or other independent professional advice or assistance from external advisors with relevant expertise and experience, as it considers necessary, at the company's expense.

12.3 Call any employee to be questioned at a meeting of the committee as and when required.

12.4 Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board.