



GROUP INTERNAL AUDIT CHARTER

The Group Internal Audit Charter has been adopted by the Validus Holdings Audit Committee and was last reviewed by the Committee on **February 8, 2017**.

A. PURPOSE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (*Institute of Internal Auditors – definition of Internal Auditing*)

B. OBJECTIVES AND SCOPE

Assurance Objectives: Group Internal Audit provides independent assurance to the Audit Committee and Executive Management that the organization's risk management processes and control framework are operating effectively and efficiently, and that there is compliance with the Board's policies and procedures.

Consulting Objectives: Group Internal Audit provides independent assessments and advice for improvements to processes and risk management that will advance the goals and objectives of the organization. This is best achieved through assessments and advice at the beginning of projects so that risks may be identified and managed, and that internal controls may be designed at the most efficient time.

Scope: The scope of Group Internal Audit work, which will be specified in the Internal Audit Plan agreed by the Audit Committee, encompasses the examination and evaluation of the organization's policies, procedures and data to address the above objectives and key activities include the review of:

- Policies and procedures approved by the Board
- Governance and oversight structures and processes
- Risk management procedures and reports
- Financial and operating information
- Compliance to procedures and relevant regulations
- Organizational culture and ethics
- Business operations and their effectiveness and efficiency in managing risk
- Projects and business change initiatives

Opportunities for improving management of risks, internal control, governance, profitability, and the organization's effectiveness may be identified during audits. This information will be communicated to the Audit Committee and to Executive Management.

Group Internal Audit activity shall be conducted at all times in accordance with the mandatory *International Standards for the Professional Practice of Internal Auditing* adopted by the Institute of Internal Auditors (IIA). All members of the Group Internal Audit team shall meet or exceed the ethical standards delineated by the IIA in its *Code of Ethics*.



C. AUTHORITY

Group Internal Audit is established by the Validus Holdings (VH) Audit Committee of the organization pursuant to applicable laws and regulations, customs of corporate governance and best practices. This Charter and all future amendments to it are approved by the VH Audit Committee, and it shall be reviewed periodically and updated as required.

The Chief Audit Officer is hired, evaluated, retained and terminated by the VH Audit Committee. The VH Audit Committee seeks input from Executive management in making its selection.

The Chief Audit Officer is delegated the authority to operate Group Internal Audit on behalf of the VH Audit Committee, with scope over all subsidiary operations in the Group. In addition to any group-wide Internal Audit requirements, subsidiary Audit Committees retain the right to consider and expand the Internal Audit Plan presented by the Chief Audit Officer directly to that Committee and require periodic updates on the status of their respective audit plans and any changes needed.

The Chief Audit Officer is authorized to allocate resources, determine scopes of work, and apply the techniques necessary to accomplish the audit objectives required by the Audit Committee (subject to budgetary agreement between the Audit Committee and Executive Management). The Chief Audit Officer is authorized to hire, retain, train and develop Internal Audit staff to achieve the objectives, and he/she is authorized to terminate Internal Audit staff when necessary (subject to applicable laws and customs).

D. ACCESS

The Chief Audit Officer and designated Internal Audit staff, as appropriate, are granted authority for full, free and unrestricted access to all of the organizations' functions, records, files and information systems, personnel, contractors, physical properties, rental locations, and any other item relevant to the function, process or department under review. All of the employees of the organization are required to assist the staff of Group Internal Audit in fulfilling their audit functions and fiduciary duties.

The Chief Audit Officer shall have free and unrestricted access to the Chairman of the VH Audit Committee, members of the Audit Committee, and the Chairman and members of the Board of Directors of all Group companies, subject to applicable laws. The Chief Audit Officer shall also have free and unrestricted access to the Chief Executive Officers in all Group companies, the other Executives, Management and all personnel, contractors and vendors of the organization.

Documents and information given to Group Internal Audit shall be handled in the same prudent and confidential manner as by those employees normally accountable for them.

E. INDEPENDENCE

Organizational Placement: To provide for the independence of the Group Internal Audit Department, the Chief Audit Officer reports functionally to the VH Audit Committee and administratively to Executive Management. The Chief Audit Officer shall freely discuss audit policies, audit observations and agreed actions, audit follow-up, guidance issues and other matters as necessary.

Potential Impairment of Independence: The Chief Audit Officer should discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the VH Audit Committee as necessary.



F. RELATIONSHIP TO THE RISK MANAGEMENT AND INTERNAL CONTROL PROGRAMS

Management is responsible for implementing the system of risk management. Group Internal Audit will assist by evaluating risk management during each audit and through consulting activities. Group Internal Audit will periodically conduct an independent enterprise risk assessment with the goal of formulating the Internal Audit Plan. Information gathered during the enterprise risk assessment may be shared with management.

Management is responsible for implementing the system of internal control and reporting compliance with obligations under Solvency II, Sarbanes-Oxley (SOX) and other legislation. Group Internal Audit will assist management by evaluating internal controls during each audit and, where planned and agreed, evaluating specific controls on behalf of management to minimize duplication of testing but without compromising independence.

G. PROCUREMENT OF EXPERTISE OUTSIDE OF THE INTERNAL AUDIT DEPARTMENT

The Chief Audit Officer may occasionally need to obtain expertise of persons outside of the Department. This expertise may be obtained within the organization through appropriate arrangements with management. When obtaining this expertise, care must be taken to avoid conflicts of interest within the organization that could damage the quality of the audit work performed and/or conclusions obtained. Expertise may also be obtained from outside the organization through contracts. In such cases, the contract should contain appropriate provisions regarding the nature of the services provided and professional standards to be applied. The VH Audit Committee should be informed about the use of all external consultants obtained.