

**WATFORD HOLDINGS LTD  
WATFORD RE LTD.**

Audit Committee Charter

**Organization**

The Audit Committee (the “Audit Committee” or “Committee”) of the Board of Directors (the “Board”) of Watford Holdings Ltd. and Watford Re Ltd. (collectively referred to as the “Company”) shall be composed of no fewer than three directors as determined by the Board. The Audit Committee may also include a non-voting observer (the “Observer”) appointed by Arch Capital Group Ltd. or a subsidiary thereof. Each member (which shall not include the Observer) of the Audit Committee shall meet the independence and other eligibility requirements of the U.S. Securities and Exchange Commission (the “SEC”) and The NASDAQ Stock Market LLC (“NASDAQ”) (unless otherwise permitted by such independence and eligibility requirements of the SEC and NASDAQ) and shall otherwise be independent of the Company’s management and of the Company, and shall be free of any relationship which, in the opinion of the Board, would interfere with the director’s exercise of independent judgment as an Audit Committee member. So long as members continue to be independent, the Committee shall not have a policy of tenure.

Audit Committee members shall be appointed by and may be replaced by the Board. Committee members shall serve for such term or terms as the Board may determine. The Board may remove any member of the Committee at any time, with or without cause.

Unless a Chairman of the Committee (the “Chairman”) is elected by the Board, the Committee may designate its Chairman by majority vote of the full Committee membership. The Chairman of the Board, on the recommendation of the Board, can be a member of and chair the Committee, provided he was considered independent on appointment.

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement in accordance with the audit committee requirements of the NASDAQ. At least one member of the Audit Committee shall qualify as an “audit committee financial expert” as defined in Item 407(d) of Securities and Exchange Commission Regulation S-K.

No director may serve on the Committee if such director simultaneously serves on the audit committee of two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee.

The Committee shall have the authority to establish subcommittees and to delegate any of its responsibilities to such subcommittees as the Committee may deem appropriate, provided that any such subcommittee is composed entirely of directors that meet the independence standards provided herein.

**Purpose**

The primary purpose of the Audit Committee is to assist the Board in overseeing (1) the Company’s accounting and financial reporting processes and the audits of its financial

statements, (2) the integrity of the financial statements of the Company, including the Company's system of internal controls (3) the independent auditor's qualifications, independence and compensation, (4) the performance of the Company's internal audit function and independent auditors and (5) the compliance by the Company with legal and regulatory requirements.

The Committee shall also review the management of corporate governance, risk and regulatory compliance as it relates to the Company, and report its findings to the Board.

The Committee shall also review the internal controls of Arch Underwriters Ltd. ("AUL"), Arch Underwriters Inc. ("AUI") (AUL and AUI, collectively, "Arch"), Arch Investment Management Ltd. ("AIM") and HPS Investment Partners, LLC (formerly known as Highbridge Principal Strategies, LLC) ("HPS") in so far as they impact on the Company to receive comfort on the adequacy and effectiveness of their respective financial, operating, compliance and risk management controls.

The Audit Committee is also responsible for producing an annual report for inclusion in the Company's proxy statement.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary to perform its duties and responsibilities.

It is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are in all material respects complete and accurate and in accordance with generally accepted accounting principles. The Company's financial statements are the responsibility of management. The Company's external auditors are responsible for planning and conducting audits to determine whether the financial statements present fairly in all material respects the financial position of the Company.

### **Meetings**

The Audit Committee shall meet on a regular basis and is empowered to hold special meetings as circumstances require, and shall make regular reports to the Board of Directors. In order to foster open communication, the Audit Committee shall meet regularly with management, the independent auditors and internal audit in separate executive sessions to discuss any matters that the Audit Committee or any of these groups believes should be discussed privately.

### **Committee Authority and Responsibilities**

#### **Retention and Oversight of Auditors**

1. The Audit Committee shall have primary responsibility for making recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, relating to the appointment, re-appointment and removal of the Company's external auditor.

2. The Audit Committee shall consider the appointment of the external auditors and assess annually their effectiveness, objectivity and independence, ensuring that key partners are

rotated at appropriate intervals.

3. The Audit Committee shall recommend the audit fee to the Board and approve any fees in respect of non-audit services provided by the external auditors and seek to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity.

4. The Audit Committee shall review and approve (i) the external auditor's engagement letter and (ii) the letter of representation to the external auditors and any associated letter of comfort from Arch, HPS and/or AIM, as applicable.

#### Independence of Auditors

5. The Audit Committee shall obtain from the independent auditors each year a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Public Company Accounting Oversight Board (the "PCAOB") Ethics and Independence Rule 3526.

6. The Audit Committee shall periodically engage in a dialogue with the independent auditors regarding any relationships or services that may affect their objectivity and independence.

7. The Audit Committee shall review and pre-approve all audit and permitted non-audit services to be provided to the Company by the independent auditors (or subsequently approve non-audit services in those circumstances where a subsequent approval is necessary and permissible). The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permitted non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its next scheduled meeting.

8. Based on a review of the independent auditors' formal statement and reports and the Audit Committee's dialogue with the independent auditors, the Audit Committee shall make a determination regarding the independence of the independent auditors and take other appropriate action, or recommend that the Board take such action.

9. The independent auditors will report directly to the Audit Committee and the Audit Committee will oversee the resolution of disagreements between the Company's management and the independent auditors if such disagreements arise.

10. The Audit Committee shall discuss with the independent auditors the matters required to be discussed under the standards of the PCAOB.

#### Review of Financial Statements and Disclosures

11. The Audit Committee shall review with Company management and the independent auditors the proposed overall scope of the Company's annual independent audit, the adequacy and integrity of the Company's system of internal controls, including information

technology security and control, and the Company's audited financial statements and related disclosures.

12. The Audit Committee shall meet with Company management and the independent auditors to review and discuss the Company's annual financial statements and quarterly financial statements (prior to the Company's Form 10-K and 10-Q filings or release of earnings), including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all internal control reports (or summaries thereof), the matters required to be discussed with the independent auditor by Auditing Standard No. 16, and any other matters that the Committee deems material..

13. The Audit Committee shall discuss with the independent auditors their judgments about the quality (and not merely the acceptability) of the Company's accounting principles as applied in its financial reporting and review and challenge, when considered appropriate, the actions and judgments of Arch, HPS and AIM in relation to the annual financial statements and other formal announcements relating to the Company's financial performance.

14. The Audit Committee shall review with the independent auditors significant changes in accounting principles and practices.

15. The Audit Committee shall, prior to the filing of an audit report, obtain from the independent auditors reports on all critical accounting policies and practices to be used, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors.

16. The Audit Committee shall obtain from, and hold timely discussions with, the independent auditors any other material written communications between the independent auditors and management, including, but not limited to, the management letter and schedule of unadjusted audit differences.

17. The Audit Committee shall review disclosures made to the Audit Committee by the Company's Chief Executive Officer, Chief Risk Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.

18. The Audit Committee shall discuss financial information and earnings guidance provided to analysts and ratings agencies.

19. The Audit Committee shall recommend that the audited financial statements be included in the Company's annual report on Form 10-K, if applicable.

#### Compliance and Ethics and Related Procedures

20. The Audit Committee shall establish procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls

or auditing matters, and procedures for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and shall recommend to the Board the publishing of the Company's audited consolidated financial statements.

21. The Audit Committee shall review periodically with management and independent auditors any codes, programs, standards or policies adopted by the Company from time to time which seek to ensure that the business of the Company is conducted in an ethical and legal manner, as well as the systems established by the Company to monitor compliance with such codes, programs, standards or policies. Such reviews will be undertaken in the manner and not less frequently than required by the terms of the applicable code, program, standard or policy.

22. The Audit Committee shall review periodically with Arch, HPS and AIM and independent auditors any codes, programs, standards or policies adopted by Arch, HPS and AIM from time to time which seek to ensure that their business, so far as it relates to the Company, is conducted in an ethical and legal manner, as well as the systems established by Arch, HPS and AIM to monitor compliance with such codes, programs, standards or policies.

#### Internal Audit

23. The Audit Committee shall establish with management and thereafter review compliance with and the operation of an internal audit function and plans, activities, staffing and organizational structure of the internal audit function.

#### Regulatory Matters

24. The Audit Committee shall review with the Company's counsel any legal and regulatory matters that may have a material impact on the Company's financial statements.

25. The Audit Committee shall arrange for periodic reviews of its own performance and, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

26. The Audit Committee shall review and assess compliance with all applicable rules and regulations of the SEC and NASDAQ specifically applicable to the composition and responsibilities of the Audit Committee.

#### Certain Authorities

27. The Audit Committee is authorized to engage outside counsel and other advisers as it determines to be necessary or appropriate to carry out its duties. The Audit Committee shall have the sole authority to appoint, retain, engage, oversee and terminate any independent or outside legal counsel or other advisers used to assist in the performance of its duties hereunder and shall have sole authority to approve the advisors' fees and other retention terms. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of reasonable compensation to independent auditors, legal counsel or any other adviser retained by the Audit Committee, as well as for payment of ordinary administrative expenses of

the Audit Committee that are necessary or appropriate in carrying out its duties.

28. The Audit Committee is empowered to seek any information it requires from the Company's employees, Arch, HPS and AIM.

Other Responsibilities

29. The Audit Committee shall review and approve all related party transactions.

30. The Audit Committee shall perform such other activities as the Board may from time to time deem necessary or appropriate.