

## **ALLIED WORLD ASSURANCE COMPANY HOLDINGS, LTD CORPORATE GOVERNANCE GUIDELINES**

### **I. General Philosophy**

The Board of Directors (the “Board”) of Allied World Assurance Company Holdings, Ltd (the “Company”) sets high standards for the Company’s and its subsidiaries’ employees, officers and directors. Implicit in this philosophy is the importance of sound corporate governance. The following principles have been approved by the Board and, together with applicable laws and regulations, the Company’s Memorandum of Association, Bye-laws, Code of Business Conduct and Ethics, Code of Ethics for Chief Executive Officer and Senior Financial Officers and the charters of the various committees of the Board, provide the framework for the governance of the Company. The Board recognizes that from time to time it may be appropriate to change its corporate governance practices, and will review these guidelines and other aspects of the Company’s governance as it deems necessary in the best interests of the Company or as required by any applicable laws or regulations.

### **II. Responsibilities of the Board**

The Board, by itself or through its committees, shall: (i) review corporate performance; (ii) oversee and evaluate management’s systems for internal controls, financial reporting and public disclosure; (iii) establish and oversee corporate governance standards; (iv) oversee and evaluate the performance and compensation of the chief executive officer (“CEO”) and the other officers subject to Section 16(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the related rules promulgated thereunder (the “non-CEO executive officers”); (v) plan for effective succession of the CEO and non-CEO executive officers; (vi) set standards for director qualifications and nominate director candidates for election to the Board; (vii) be apprised of relations with shareholders; (viii) set a tone for a climate of corporate trust and confidence; and (ix) promptly disclose waivers of the Company’s codes of ethics for executive officers, principal accounting officers or directors as required by applicable laws or regulations.

### **III. Director Qualifications**

The Nominating & Corporate Governance Committee (the “Nominating Committee”) is responsible for reviewing the requisite skills and characteristics of members of the Board. Nominees for directors will be recommended to the Board by the Nominating Committee in accordance with the charter of the Nominating Committee and these Corporate Governance Guidelines.

#### **Independence**

A majority of the members of the Board shall be “independent” directors pursuant to the independence requirements of the New York Stock Exchange (the “NYSE”), as in effect from time to time, and the Company’s Board Policy on Director Independence. Determinations as to whether a particular director qualifies as an independent director shall be made by the Board. Members of the Audit Committee shall satisfy the additional independence requirements set forth by Section 10A(m)(3) of the Exchange Act, and Rule 10A-3 promulgated under the

Exchange Act. Each member of the Compensation Committee shall also qualify as a “non-employee director” under Section 16 of the Exchange Act and as an “outside director” under Section 162(m) of the U.S. Internal Revenue Code. Directors shall have an affirmative obligation to inform the Chairman of the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as “independent.”

### Director Qualities

The following is a list of the general qualities directors should demonstrate and the criteria that the Board, through its Nominating Committee, considers in evaluating candidates for election to the Board:

- high personal and professional ethics, values and integrity;
- education, skill and experience with insurance, reinsurance or other businesses and organizations that the Board deems relevant and useful, including whether such attributes or background would contribute to the diversity of the Board as a whole;
- ability and willingness to serve on any committees of the Board; and
- ability and willingness to commit adequate time to the proper functioning of the Board and its committees.

Each director should maintain an acceptable level of attendance, preparedness and participation with respect to meetings of the Board and its committees. Only independent directors may serve on the Audit Committee, the Compensation Committee and the Nominating Committee, as set forth in the charters of each committee. A majority of the members of the Investment Committee and Enterprise Risk Committee, including each committee’s Chairman, must be independent directors.

### Chairman of the Board

The Chairman of the Board may be a management or a non-management director and may or may not be the same individual as the CEO, at the option of the Board. The Board believes it should be free to make this determination depending on what it believes is best for the Company in light of all the circumstances.

### Tenure and Retirement Policy

There are no limits to the number of terms a director may serve on the Board as the Company wishes to take full advantage of the valuable contributions of directors who have been able to develop, over a period of time, insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. Similarly, the Board does not believe it to be in the Company’s best interests to establish a mandatory retirement age for directors. The Board has determined that the knowledge, expertise and continuity provided by experienced directors is more valuable than ensuring new Board members by setting specific term or age limits. Before recommending the nomination of each incumbent director for an

additional term, the Nominating Committee will review each director's overall performance by assessing each director's independence, attendance, experience, qualifications, contributions to and insight into the Company.

### Board Resignation Policy

If an officer serving on the Board resigns or retires from his executive position with the Company or if a non-management director's external job changes from the time such director was last elected, such individual shall offer his or her resignation from the Board at the same time; however, whether or not the individual shall continue to serve on the Board is a matter for discussion, on a case by case basis, at that time amongst the Board.

## IV. Structure and Functioning of the Board

### Size of the Board

While the Board need not adhere to a fixed number of directors, the number of directors should be a sufficiently large group to address the important issues facing the Company while being small enough to encourage personal involvement and discussion.

### Meetings of the Board

The Board believes that at present regular quarterly meetings are appropriate for the Company; however, the number of scheduled Board meetings may vary over time depending on the circumstances. Special meetings or informational calls may be scheduled as necessary by the Chairman of the Board or by a majority of the non-management directors.

### Executive Sessions of the Non-Management Members of the Board

The non-management directors shall hold regular executive sessions without the presence of management. If the Chairman of the Board is a non-management director, the Chairman shall serve as the presiding director of the non-management meetings of the Board. If the Chairman of the Board is a member of management, the Board's lead independent director shall preside at such meetings. Non-management directors may also meet or hold information calls at such other times, as appropriate, as determined by the Chairman of the Board or, if the Chairman of the Board is a member of management, by either the lead independent director or a majority of the non-management directors. If there is a non-management director who is not an "independent" director, the "independent" directors shall hold an executive session without the presence of non-"independent" directors at least once annually.

### Attendance of Non-Directors at Meetings of the Board

The Chairman of the Board or a majority of the non-management directors will have discretion to request that other members of management, as appropriate, attend meetings of the Board. The Secretary of the Company will generally attend all meetings of the Board and its committees, except executive sessions of the Board and its committees and any meeting of the Compensation Committee during which the Secretary's compensation will be discussed (unless specifically invited by the Compensation Committee).

## Agendas and Presentations at Meetings of the Board

The Board should establish schedules and agendas for each meeting, specifying the date of the meeting, the subjects to be covered and ensuring that all relevant materials are provided. The lead independent director should establish the agenda for each board meeting; however, all directors have the right to place items on the board agenda.

## Board Committees

The Board will maintain an Audit Committee, Compensation Committee, Nominating Committee, Investment Committee, Enterprise Risk Committee and such other committees as it determines appropriate.

The Audit Committee, Compensation Committee, Nominating Committee, Investment Committee and Enterprise Risk Committee shall have written charters. These charters will address each committee's purpose, duties and responsibilities as well as qualifications for committee membership, committee structure and operations, and reporting to the Board.

The Audit Committee shall oversee the broad range of issues surrounding the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Audit Committee's purpose shall be (1) to assist the Board in monitoring (a) the Company's financial statements and internal controls, (b) the Company's compliance with legal and regulatory requirements as well as its ethical standards and policies, (c) the independent auditors' qualifications and independence and (d) the performance of the Company's internal audit function and independent auditors; and (2) to prepare the report required to be prepared by the Audit Committee pursuant to the rules of the Securities and Exchange Commission (the "Commission") for inclusion in the Company's annual proxy statement.

The Compensation Committee's purpose shall be to (1) carry out the Board's responsibilities relating to the compensation of the Company's CEO and non-CEO executive officers; (2) recommend to the Board an annual report on executive compensation for inclusion in the Company's proxy statement or annual report on Form 10-K in accordance with applicable rules and regulations, and review and discuss with management the "Compensation Discussion and Analysis" section included therein; and (3) approve, administer and oversee, as applicable, the Company's incentive-compensation and equity-based plans and approve any awards made under these plans.

The Nominating Committee's purpose shall be to assist the Board in fulfilling its responsibilities by (1) identifying, evaluating and nominating candidates for election as directors and for appointment to serve on the Board's committees; (2) reviewing and making recommendations to the Board regarding the Board's composition and structure; (3) overseeing the evaluation of the Board and its committees; and (4) overseeing all corporate governance matters and practices and make recommendations to the Board.

The Investment Committee's purpose shall be to (i) adopt, maintain and oversee compliance with the Company's Investment Policy Statement, (ii) oversee the investment strategy and investment advisors of the Company and any of its subsidiaries and (iii) oversee investment risk exposures.

The Enterprise Risk Committee's purpose shall be to oversee, review and help management assess those risks and exposures that could materially impact the Company.

#### V. Director Responsibilities

Directors must exercise sound business judgment and act in what they believe, in good faith, to be the best interests of the Company. In discharging this obligation, directors may reasonably rely on the honesty and integrity of the Company's management as well as that of its independent auditors and legal counsel.

In order to oversee effectively the management of the Company, all directors are expected to attend meetings of the Board and meetings of committees of the Board of which they are members. Directors are expected to be prepared for these meetings and to be able to devote the time required. Information and data that are important to the understanding of the business to be conducted at a Board or committee meeting will generally be distributed sufficiently in advance of the meeting.

#### Meetings of Shareholders

The Board does not have a formal policy regarding the attendance of directors at meetings of shareholders; however, it encourages all directors to attend the Annual Meeting of Shareholders.

#### Membership on Other Boards

Directors may serve on up to three additional boards of public companies unless this limitation is waived or the service is otherwise permitted by the Board. Members of the Audit Committee and Compensation Committee are subject to further limitations on board service as set forth in the committee charters. It is the policy of the Board that every director notify the Chairman of the Board prior to accepting any invitation to serve on another public company board to ensure that significant conflicts of interest, antitrust issues or a failure of independence are unlikely to arise. The Board expects individual directors to use their judgment, in light of their other commitments, in accepting directorships of *non-public* corporations or charitable organizations and to ensure that sufficient time and attention will be devoted to Company matters.

#### Conflicts of Interest

Directors have an obligation to promptly disclose any potential conflict of interest to the Chairman of the Board and to recuse themselves from any discussion or decision affecting their personal, business or professional interests.

#### VI. Director Access to Management and Outside Advisors

Directors shall have reasonable access to management. Any meetings or contacts that a director wishes to initiate should be arranged through the CEO, unless, due to the nature of the issue, doing so would not be appropriate. In such instances, the arrangements may then be made

in some other manner. Directors should use their judgment to ensure that any such contact is not disruptive to the Company's business operations.

In addition, the Board, or the non-management directors as a group, shall have the authority and ability to conduct investigations with access to all books, records, facilities and personnel of the Company and its subsidiaries. The Board, or the non-management directors as a group, shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special or independent counsel, accountants or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. The Company shall provide adequate funding to the Board, or the non-management directors as a group, to engage such advisors and shall fund other ordinary administrative expenses that are necessary or appropriate for the Board in carrying out its duties.

#### VII. Director Compensation

The Board believes that director compensation generally should be competitive with that paid to directors of public corporations of similar attributes. The Board feels it is appropriate for the compensation of directors to include a substantial equity-based component, which the Board believes helps to align the interests of directors with shareholders and is consistent with the Board's compensation philosophy for the Company's executive officers. Directors may receive compensation in the form of cash or equity-based securities. The form and amount of director compensation shall be determined by the Board based upon the recommendation of the Compensation Committee. Compensation may include an annual retainer, a fee for attending Board and committee meetings and reimbursement for reasonable expenses.

#### VIII. Director Orientation and Continuing Education

All new directors will be provided with a comprehensive set of materials on the operations and finances of the Company and shall have the opportunity to meet informally with members of senior management. All directors will be supported in their endeavors to receive ongoing education in subjects relevant to their duties as a director and the business of the Company.

#### IX. Management Succession

The independent members of the Board shall undertake appropriate succession planning for the CEO and non-CEO executive officers, as appropriate, as well as implement policies regarding succession in case of emergency or the retirement of the CEO.

#### X. Lead Director

When the Chairman of the Board is a member of management, the independent members of the Board may designate one independent director to serve as the lead independent director. The lead independent director's responsibilities include:

1. organizing and presiding over all meetings of the Board at which the Chairman of the Board is not present, including all executive sessions of the non-management and independent directors;
2. serving as the liaison between the Chairman of the Board and the non-management directors;
3. overseeing the information sent to the Board by management;
4. approving meeting agendas and schedules for the Board to assure that there is sufficient time for discussion of all agenda items;
5. facilitating communication between the Board and management;
6. being available to communicate with and respond to certain inquiries of the Company's shareholders; and
7. performing such other duties as requested by the Board.

#### XI. Board Interaction with the Public

The Board believes that the Chairman of the Board speaks for the Board and that management speaks for the Company. Directors are encouraged to refer any direct inquiries concerning the Company to the Chairman of the Board or the CEO, as appropriate. The Board may determine that the lead independent director is the appropriate person to speak for the Board in certain circumstances.

#### XII. Communications with Non-Management Members of the Board

An employee, officer or other interested party who has an interest in communicating with non-management members of the Board may do so by directing the communication to the General Counsel of the Company. Persons who desire to communicate with the non-management directors should send their correspondence addressed to the attention of the General Counsel, c/o Allied World Assurance Company Holdings, Ltd, 27 Richmond Road, Pembroke HM 08 Bermuda. The General Counsel will provide a summary of all appropriate communications to the addressed non-management directors.

#### XIII. Annual Performance Evaluation

The Nominating Committee will annually assess the functioning of the Board and its committees in accordance with the charter of the Nominating Committee. The Audit Committee, Compensation Committee and Nominating Committee will each complete an annual self-evaluation pursuant to its respective committee charter. The Nominating Committee will review the performance of individual Board members typically in connection with a director's proposed nomination for a subsequent term.

A copy of these Corporate Governance Guidelines, as well as the charters of the Audit Committee, Compensation Committee, Investment Committee, Nominating Committee and Enterprise Risk Committee, will be made available on the Company's website at [www.awac.com](http://www.awac.com).