



CINCINNATI FINANCIAL CORPORATION

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Effective January 31, 2004
Re-approved February 2005

Audit Committee Charter Cincinnati Financial Corporation

- I. **Statement of Purpose** – The audit committee is a standing committee of the board of directors. The purpose of the committee is to oversee the process of accounting and financial reporting of the company and the audits and financial statements of the company. The committee is expected to maintain free and open communication (including private executive sessions at least twice annually) with the independent auditors, the internal auditors and management of the company. In discharging this oversight role, the committee is empowered to retain outside counsel or other experts that the committee, in its sole discretion, deems necessary to fulfill its duties.
- II. **Membership**
- A. The members of the committee shall be appointed by and may be removed by the board of directors. Committee members shall meet the independence requirements of applicable law and the listing standards of the exchange on which its shares are traded. The committee shall be comprised of at least three members. The board of directors also shall designate a committee chair.
- B. The members of the committee shall consist of individuals who can read and understand financial statements and who are generally knowledgeable in financial and auditing matters, including at least one member who qualifies as a “financial expert” as defined by the applicable exchange listing rules.
- III. **Primary Responsibilities**
- A. *General* – The committee has the powers and responsibilities delineated in this charter. The committee may rely on the representations of management and the opinions of experts retained by the corporation when reaching business judgments. It is not the committee’s responsibility to prepare and certify the Company’s financial statements, to guaranty the independent auditor’s report or to guaranty other disclosures by the company. These are fundamental responsibilities of management and the independent auditor. Committee members are not company employees and are not performing the functions of auditors or accountants.
- B. *Direct Responsibility for Auditor Engagement* – The committee is solely responsible for appointment (subject to shareholder ratification), engagement approval, compensation and oversight of the independent auditor that audits the financial statements of the company.
- The committee shall pre-approve all services of the independent auditor, subject to *de minimus* exceptions for other than audit, review or attest services that are approved by the committee prior to completion of the audit. The engagement of the independent auditor may be entered into pursuant to pre-approved policies and procedures established by the committee, provided the policies and procedures are detailed as to the particular services and the committee is informed of each service.
- The committee shall be directly responsible for overseeing the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent auditor shall report directly to the committee.
- C. *Oversight of the Company’s Independent Auditor* – The committee shall assure the regular rotation of the lead audit partner as required by Section 10A(j) of the Exchange Act.

The committee shall set clear hiring policies for employees or former employees of the independent auditor that are consistent with Section 10(A)(1) of the Exchange Act.

- D. *Company Disclosures and Financial Statements* – The committee shall review annual and quarterly financial statements with management and the independent auditor. It is anticipated that these discussions will cover quality of earnings, review of reserves and accruals, reconsideration of the suitability of accounting principles, review of highly judgmental areas, audit adjustments (whether or not recorded) and such other inquiries as may be appropriate.

The committee shall obtain, review and discuss reports from the independent auditor regarding:

- all critical accounting policies and practices to be used
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the company; ramifications of use of these alternative disclosures and treatments; and the treatment preferred by the independent auditor and the reasons for favoring that treatment and
- other material written communications between the independent auditor and company management, such as any management letter or schedule of unadjusted differences

The committee shall discuss with the independent auditor and then disclose the matters required to be discussed and disclosed by SAS61, including any difficulties the independent auditor encountered in the course of the audit work, any restrictions on the scope of the independent auditor's activities or on the access to requested information and any significant disagreements with management.

The committee shall review the chief executive officer's and chief financial officer's disclosure and certifications under Sections 302 and 906 of the Sarbanes-Oxley Act.

- E. *Oversight of Internal Controls* – The committee shall provide guidance and oversight to the internal audit function of the company, including review of its organization, plans and results. The committee shall discuss the quality and adequacy of the company's internal controls with management and with both the internal and independent auditors. The committee shall review management's report on internal controls, which must state management's responsibility for controls and include an assessment of their effectiveness. The committee also shall review the independent auditor's report that attests to management's internal control report.
- F. *Review Disclosure Controls and Procedures* – The committee may review and approve the disclosure controls and procedures implemented by management to ensure that information required to be disclosed in a company's periodic and current reports is recorded, processed, summarized and reported within the applicable time periods.
- G. *Review Related Party Transactions* – The committee shall review and pre-approve all related party transactions.
- H. *Complaint Procedures* – The committee shall establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by company associates of concerns regarding questionable accounting or auditing matters.

The committee shall ascertain annually from the independent auditor whether the company has issues under Section 10A(b) of the Exchange Act.

The committee shall review with management and the independent auditor any correspondence with regulators and any published reports that raise material issues regarding the company's accounting policies.

See the Board Committee Joint Charter Provisions for additional items applicable to all standing committees, including the audit committee.