



## CORPORATE GOVERNANCE

The Association is committed to high standards of corporate governance and, while it is not bound by the Combined Code on Corporate Governance, it seeks to comply voluntarily with those key aspects of the Code that are relevant to its business.

The Committee of the Association comprises a non-executive chairman and deputy chairman, up to 25 non-executive directors drawn from its shipowner Members, one non-executive director who is expert in insurance matters, and two executive directors from the Association's Managers. The Committee is responsible for all strategic aspects of the business of the Association. In practice, it delegates some of its powers to sub-committees and responsibility for the day-to-day management of the Association to the Managers, Tindall Riley (Britannia) Ltd, who are responsible for ensuring that appropriate information, which is adequate to enable the Committee to discharge its duties and to oversee the business effectively, is provided on a timely basis. There are nevertheless a number of matters that are reserved exclusively for decision by the Committee and these are reviewed and updated at least annually. The Committee meets three times a year.

### Principal Sub-Committees

As referred to above, certain of the Committee's powers are delegated to sub-committees. The membership of these sub-committees is set out on page 21, and their operations are reviewed below.

### Finance and Advisory Sub-Committee (FASC)

The FASC, which meets four times a year, comprises 11 directors of the Association and its principal responsibilities include undertaking reviews of the following matters:

- Policy year results and proposed calls
- Reinsurance
- Investments
- Expenses
- Business risks
- Compliance matters.

### Audit Group

This Group comprises four non-executive directors of the Association. Its responsibilities include the financial statements and the FSA return, including their external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Committee. The Audit Group meets twice a year.

### Remuneration Group

The Group comprises five members of the FASC. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The Group meets twice a year.

### Nominations Sub-Committee

The Nominations Sub-Committee comprises four non-executive directors of the Association and the Chairman of Tindall Riley (Britannia) Ltd. Its principal responsibilities are to make recommendations to the Committee on the appointment of new directors, the re-election of existing directors, and the appointment of the chairman and deputy chairman of the Committee. The Nominations sub-committee meets as required during the year.

### Regulation, risk management and risk-based capital

The Association is regulated in the UK by the Financial Services Authority (FSA), which operates a risk-based approach to supervision and which places increasing emphasis on the need for regulated firms to have in place robust risk management frameworks. These form the basis of compliance with Individual Capital Adequacy Standards, the FSA's risk-based approach to the calculation of minimum regulatory capital, under which the Association is required to calculate its Individual Capital Assessment (ICA). The processes developed by the Association have become an integral part of the way in which the Committee assesses the financial impact of the major strategic and financial decisions that it takes.

The Association's risk management framework is based around the Britannia Business Risk Review (BRR), a comprehensive risk register in which all material risks to the Association's business are identified and their probabilities of occurring and potential impact are assessed. It also records the internal controls and procedures in place to mitigate the risks identified. The BRR is updated at least annually. An ongoing programme of internal control reviews ensures that the controls and systems are appropriate and effective.

During the year, the Association adopted a revised free reserves (economic capital) strategy that sets an overall risk-based benchmark for the level of capital that should be held, consistent with the Association's risk appetite. The strategy uses the same methodology used to measure the ICA, but calibrated to a higher confidence level.