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## **THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION (LUXEMBOURG)**

### **GROUP CORPORATE GOVERNANCE CHARTER**



**The West of England Ship Owners Mutual  
Insurance Association (Luxembourg)**

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## INTRODUCTION

This Charter sets out the principles of the Club's corporate governance which are designed to ensure that it provides long term value for its Members as a mutual marine insurer. The Charter, and the terms of reference for each committee, are reviewed annually by the Club's Board and whenever changes are made to the way in which the Club is governed.

The Club's Board is committed to the adoption of best practice standards as are set out in the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange where deemed appropriate for a mutual marine insurer, in order that its governance framework is fully disclosed, clear and transparent.

The terms of the Charter are subject always to all the principles and definitions set out in the Club's Constitution.

## 1. General Meeting

A General Meeting of Members is the Club's paramount governing body. Its powers and responsibilities are set out in the Club's Constitution and are otherwise governed by law. Its principal powers are laid down in the Constitution, in the applicable law and in the Club's Rules.

1. To determine the nature of the Club's business.  
They are:

2. To appoint and dismiss the Club's Directors and auditors.
3. To approve the Club's annual report and accounts.
4. To wind the Club up or change its domicile.
5. To amend the Club's Constitution, its Corporate Governance Charter or its Rules.

The Members must meet once a year for an Annual General Meeting and may meet at other times as determined by the Board or by a sufficient number of Members as specified in the Constitution. Only Members of the Club entered in the register of Members may participate and exercise voting rights in a General Meeting.

## 2. Role of a Director

The Club's Directors must manage the Club's business in the best possible manner to achieve the Club's aims and objectives and serve the general interests of its Members. They must act as a body in which the will of the majority prevails if there is disagreement. A dissenting Director may require his/her dissent to be recorded, but if he/she feels unable to be associated with important majority decisions he/she may resign. A serving Director remains jointly and severally liable for decisions of the Board even if he/she disagrees with them.

The Directors must act conscientiously in delegating their powers. They must ensure that the exercise of any delegated power is properly reported to the Board and that, where necessary, the Board takes the initiatives that a prudent man of business would take in relation to his own affairs. Failure to do so may amount to negligence for which a Director may be jointly and severally liable to the Club for a wrongful act or omission committed during the performance of the mandate.





## 8. Independent Directors

Independent Directors shall be appointed from amongst candidates who are eligible for appointment to the position and have been recommended by the Group Nomination and Remuneration Committee.

Each Independent Director shall be independent in character and judgement. In determining the independence of any Independent Director, the Directors shall consider whether, or not, that person:

1. Has recently been an executive or employee of the Club or an Affiliate of the Club;
2. Receives or has received significant additional remuneration from the Club or an Affiliate of the Club other than the fee received as non-executive Director;
3. Has had a material business relationship with the Club or an Affiliate, either directly or as a partner, shareholder, director or senior executive of a company that has such a relationship;
4. Is a Member of the Club; or
5. Has close family ties with the Club's advisers, Directors or senior employees.

Independent Directors shall be subject to the provisions for re-election as set out in Paragraph 9 and tenure as set out in Paragraph 10.

## 9. Appointments

The Board handles the process of appointments and re-elections of Member and Independent Directors so to maintain an appropriate balance of skills and experience on the Board.

It submits its proposals regarding the appointment or re-election of Board Members, supported by a recommendation from the Group Nomination & Remuneration Committee, to the General Meeting.

Appointments to the Board or to any of its' Committees are subject to the application of the Club's regulatory Fit and Proper process, which assesses any individual's fitness (expertise) and propriety (professional integrity). The Fit and Proper procedure takes place before appointment but also at regular intervals throughout the individual's term.

In the event of a Board Member leaving before the end of their term of office, the remaining Board Members may appoint a new Board Member, with such appointment being confirmed by the General Meeting at its next meeting.

The criteria for termination of appointments of Directors or other members of Committees of the Board are defined under Article 22 of the Constitution.

## 10. Tenure

Each Member Director or Independent Director retires annually under the Club's Constitution and may offer himself for re-election at the Annual General Meeting.

Appointments of Member Directors, or renewal of their directorship, are for terms of a maximum of twelve years.

Appointments of Independent Directors, or renewal of their directorship, are for terms of a maximum of six years.

There is no specific retirement age for Board Members but the Board subscribes to the principles of a diverse composition in terms of age as well as gender.

## 11. Committees of the Board

The Board is assisted by the Group Audit & Risk Committee, the Group Nomination & Remuneration Committee and the Advisory Committee. The Board's affiliated company, International Shipowners Reinsurance Company SA ("ISRe"), also operates as its Investment Committee. The existence and activities of each committee do not reduce the responsibility of the Board as a whole. Committees normally meet 3 times a year immediately before a Board meeting and report their decisions and recommendations at that Board meeting. Each Committee's Terms of Reference is set out in APPENDIX 1 to 4.

As a general principle, all Committees have an advisory role to the Board and are composed of Directors of the Club except in the case of the Advisory Committee which includes as Members individuals who are not Directors. They assist the Board in specific areas and make recommendations to it. However, a Committee has no powers to take decisions relating to the Club's business, except in cases where the Board has expressly delegated powers to that Committee. Notwithstanding such delegation, the Board remains responsible for the proper execution of such powers by and on behalf of the Club.

The duties and responsibilities of the Committees are laid down by the Board and reviewed regularly by the Committees themselves and by the Board. The appointment of the members of each Committee, their dismissal, their remuneration, the term of their appointment, their duties and the working procedures of each such Committee are determined by the Board upon recommendations of the Group Nomination & Remuneration Committee.

## 12. Group Audit & Risk Committee

There shall be a Group Audit & Risk Committee of not more than 5 members.

The Chairman of the Club shall not be a member of the Group Audit & Risk Committee.

The quorum for meetings of the Group Audit & Risk Committee shall be 2 members.

The Board shall satisfy itself that at least one member of the Group Audit & Risk Committee has significant, recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

The Chairman shall be responsible for calling additional meetings of the Group Audit & Risk Committee either himself, or at the request of another member of the Committee or external auditor, if they consider it necessary.

The Terms of Reference of the Group Audit & Risk Committee are attached at *APPENDIX 1*.

### **13. Group Nomination & Remuneration Committee**

There shall be a Group Nomination & Remuneration Committee of not more than 4 members.

The Chairman of the Club and Vice Chairmen shall be members of the Group Nomination & Remuneration Committee. The Chairman of the Club shall not be the Committee Chairman.

The quorum for meetings of the Group Nomination & Remuneration Committee shall be 2 members.

The Terms of Reference of the Group Nomination & Remuneration Committee are attached at *APPENDIX 2*.

### **14. Group Investment Committee**

The Board of ISRe shall perform the role of Group Investment Committee.

The Group Investment Committee shall include at least 4 members, the General Manager and at least 1 Independent Director.

The quorum for meetings of the Group Investment Committee shall be 3 members.

The Terms of Reference of the Group Investment Committee are attached at *APPENDIX 3*.

### **15. Advisory Committee**

There shall be an Advisory Committee of between 10 and 20 members, a maximum of 2 of whom must also be Member Directors.

Members of the Advisory Committee, who are neither Member Directors nor Independent Directors, shall retire annually and may offer themselves for re-election at the Annual General Meeting.

The quorum for meetings of the Advisory Committee shall be 4 members.

The Terms of Reference of the Advisory Committee are attached as *APPENDIX 4*.

### **16. Board Induction and Training**

The Chairman in conjunction with the General Manager shall ensure that new Directors receive a full, formal and individual induction in the affairs of the Board upon appointment.

Each Director shall ensure that he/she properly fulfils his/her duties as a Director and has sufficient time and knowledge to exercise those duties.

The Club will make available resources to ensure that Directors continually update their skills and maintain the knowledge and familiarity with the Club required to fulfil their roles both on the Board and Committees.

## 17. Effectiveness review

The Board under the supervision of the Chairman shall undertake a formal tri-annual evaluation of its own performance and that of its Committees.

## 18. Conflicts of Interest

Except as may otherwise be required by law, a Director or other Member of a Committee who is a director or manager of a competitor of the Club, or supplier or who is employed by a competitor or supplier shall report that fact to either the Board or any of its Committees prior to any deliberations concerning items on the agenda relating (whether directly or indirectly) to such competitor or supplier. This obligation also applies when a close family member of the Director or other Member of a Committee concerned is in any of the above-mentioned positions. The Director or other Member of a Committee shall, unless the Board or relevant Committee determines, leave the meeting while this item on the agenda is being addressed and shall not participate in the deliberations and decision-making.

## 19. Remuneration

The Group Nomination & Remuneration Committee shall recommend the levels of remuneration for all Directors, including Chairman and Vice Chairmen and for members of the Advisory Committee who are not Directors. Such levels are to be approved by the Board and advised to the General Meeting.

## 20. Independent Advice

All Directors are authorised, after consulting the Chairman, to obtain, at the Club's expense, outside legal or other professional advice on any matter where they judge such advice necessary to discharge their responsibilities as Directors.

## 21. Affiliates

The Club has 4 principal Affiliates: International Shipowners Reinsurance Company S.A., ("ISRe") The West of England Reinsurance (Hamilton) Ltd, ("Hamilton"), Hydra Insurance Limited – West of England Cell and West of England Insurance Services (Luxembourg) S.A. ("Services").

ISRe and Hamilton reinsure between them significant portions of the Club's liabilities and the Board of ISRe provides advisory services to the Club in connection with investment strategy. Services manages the Club's day to day business.

The Affiliates apply the same principles of corporate governance as those set out in this charter, but with appropriate modifications to reflect the fact that they are wholly owned companies limited by shares and, in the case of Hamilton, incorporated in a different jurisdiction from the parent.



## *APPENDIX 1*

### GROUP AUDIT & RISK COMMITTEE'S TERMS OF REFERENCE

#### **1. Relationship with the Board**

The Group Audit & Risk Committee (the Committee) to which particular responsibilities are delegated is a Committee of the Board. Nothing in these terms of reference shall be interpreted as a departure from the principles of a unitary Board. All Directors remain equally responsible for the Association's financial management and reporting.

The Committee is authorised by the Board to:

1. investigate any matter within its terms of reference;
2. seek any information that it requires from any director or employee of the Association, and all such persons are hereby directed to co-operate with any request made by the Committee;
3. co-opt any resources it may reasonably require to undertake its duties; and
4. obtain independent legal or independent professional advice, at the Association's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

#### **2. Composition and Resources**

1. The Board may, on the recommendation of the Nomination Committee, appoint or remove members of the Committee, subject to their being at least 3 members at all times. The chairman of the Board shall not be eligible to be a member of the Committee. At least one member of the Committee shall have a professional accountancy qualification and significant, recent and relevant financial experience.
2. The Board shall nominate one of the members of the Committee as Chairman of the Committee. Senior management and the external and internal auditors shall have independent access to the Chairman of the Committee at any time.
3. Committee members shall be provided with any training or other education necessary on first appointment and then on an ongoing and timely basis, to ensure that they are able to discharge their duties satisfactorily.

#### **3. Meeting Arrangements**

1. Meetings shall be held 3 times a year, or as often as the Committee shall require. A quorum shall be 2 members;
2. The external or internal auditors may request an ad hoc meeting if they consider that one is necessary;
3. No one other than Committee members shall be entitled to attend Committee meetings as of right. However, the Committee expects that the General Manager, Chief Executive Officer, Finance Director, Chief Operating Officer and representatives of the External and Internal auditors will attend all meetings, at the Committee's request. The chairman, other directors, the Managers and any relevant third parties shall attend as the Committee may require; and

4. At every meeting, the Committee shall offer each of the external and internal auditors the opportunity of a discussion without any persons other than the Committee members being present.

## 4. Scope

The scope of the Committee includes all subsidiaries and branches as follows:

- The West of England Ship Owners Mutual Insurance Association (Luxembourg);
- West of England Insurance Services (Luxembourg) S.A.;
- West of England (Hellas) Limited;
- International Shipowners Reinsurance Company S.A.;
- The West of England Reinsurance (Hamilton) Ltd;
- The West of England Ship Owners Insurance Services Limited;
- Hydra Insurance Limited - West of England Cell.

## 5. Duties

The duties of the Committee shall be:

### 5.1 Financial reporting

1. to review, and challenge where necessary, the actions and judgments of management, in relation to the Association's financial statements, and review the clarity and completeness of disclosures in them before submission to the board;
2. to monitor the integrity and reliability of the financial information;
3. to discuss any issues arising from the interim review or full-year audit, and any other matters the external auditors may wish to raise;
4. to review reports from the external and internal auditors as appropriate;
5. to review the quality, performance and strength of the Group's financial systems, resources and staff;
6. to discuss as appropriate new accounting standards and other developments and report on the impact of these to the Board; and
7. to consider other matters, as requested by the Board from time to time.

## 5.2 External audit

1. to oversee the Association's relations with the external auditors and consider and make recommendations to the Board on their appointment, reappointment or removal. If new appointees are to be sought as external auditors, the Committee shall oversee the selection process;
2. to approve the terms of engagement and the fees to be paid to the external auditors in respect of audit services and non-audit services and monitor the relationship between these;
3. to assess biennially the qualification, expertise and resources, independence, objectivity and effectiveness of the external auditors and of the external audit process;
4. to discuss with the external auditors, before the audit commences, the nature and scope of the audit;
5. to review the findings of their work with the external auditors, including discussion of the management letter and any major issues that arose during the course of the audit (whether subsequently resolved or not), exercises of material accounting or audit judgments, levels of errors identified by the audit and to consider explanations from management (and where necessary the external auditors) as to why certain errors might remain unadjusted;
6. to review the audit representation letters before consideration by the Board;
7. to develop and recommend to the Board the company's policy in relation to the provision of non-audit services by the external auditors to ensure that the provision of such services does not impair their independence or objectivity; and
8. to investigate the issues giving rise to any resignation of the external auditors and consider whether any action is required.

## 5.3 Internal audit

1. to oversee the Association's relations with the internal auditor(s) and consider, and make recommendations to the Board on their appointment or removal. If new appointees are to be sought, the committee shall oversee the selection process;
2. to assess biennially the qualification, expertise and resources, independence, objectivity and effectiveness of the internal auditor(s);
3. to review and agree in advance the internal audit programme and the resources dedicated to the internal audit function and assess the standing of the function within the Association;
4. to review periodic reports on the results of the internal auditors' work, consider the material findings of their investigations and review management's response;
5. to assess annually the resources for the internal audit function, whether they should be sourced internally or externally, the appropriateness and effectiveness of the internal audit process throughout the Group and in the context of the Association's risk management system, and ensure co-ordination between the internal and external auditors; and
6. to investigate the issues giving rise to any resignation of the internal auditor and consider whether any action is required.

## 5.4 Risk and internal controls

1. to review the scope and effectiveness of the systems established by management for the identification, assessment, management and monitoring of financial and non-financial risk, including specifically those relating to internal financial control, financial reporting, internal control and risk management, and receive reports from management and the external and internal auditors on the effectiveness and integrity of those systems;
2. to consider non-financial risks, insofar as they impact on the commercial or financial position of the Association or its reputation;
3. to review the Group Risk Appetite and to advise the Board on its appropriateness;
4. to review the Group risk framework and policy and to make a recommendation to the Board regarding its acceptance;
5. to review the Group's Own risk and Solvency Assessment (ORSA) report and to make a recommendation to the Board regarding its acceptance;
6. to review and note the Actuarial Function report annually;
7. to review the scope and effectiveness of the systems established by management for the monitoring of and compliance with tax and accounting regulations, and whether all legal and regulatory compliance matters have been considered in the preparation of the Association's financial statements; and
8. to review the Association's procedures for detecting and independently investigating fraud and whistle blowing and ensure that arrangements are in place by which any employee of the Group or the Managers may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or such other matters;

## 5.5 Compliance

1. to review annually the terms of reference of the Compliance Function;
2. to review the Compliance Policy and to make a recommendation to the Board regarding its acceptance;
3. to review annually the Compliance Risk Assessment;
4. to approve every year the Compliance Plan and to review at every meeting progress against plan; and
5. to review at every meeting the Compliance Dashboard.

The Committee shall review these terms of reference and its own performance and effectiveness and that of its Chairman biennially and recommend any necessary changes to the Board.

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## *APPENDIX 2*

### GROUP NOMINATION & REMUNERATION COMMITTEE'S TERMS OF REFERENCE

#### **1. Relationship with the Board**

The Group Nomination & Remuneration Committee (the Committee) to which particular responsibilities are delegated is a Committee of the Board. Nothing in these terms of reference shall be interpreted as a departure from the principles of a unitary Board. All Directors remain equally responsible for the Association's financial management and reporting.

The Committee is authorised by the Board to:

1. investigate any matter within its terms of reference;
2. seek any information that it requires from any director or employee of the Association, and all such persons are hereby directed to co-operate with any request made by the Committee;
3. co-opt any resources it may reasonably require to undertake its duties; and
4. obtain independent legal or independent professional advice, at the Association's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

#### **2. Composition and Resources**

The Board may, on the recommendation of the Nomination Committee, appoint or remove members of the Committee, subject to their being at least four members at all times.

The Board shall nominate one of the members of the Committee as Chairman of the Committee.

Committee members shall be provided with any training or other education necessary on first appointment and then on an ongoing and timely basis, to ensure that they are able to discharge their duties satisfactorily.

#### **3. Meeting Arrangements**

Meetings shall be held 3 times a year, or as often as the Committee shall require. A quorum shall be 2 members;

No one other than Committee members shall be entitled to attend Committee meetings as of right. However, the Committee expects that the General Manager, Chief Executive Officer, Finance Director, Chief Operating Officer will attend all meetings, at the Committee's request. The Chairman of the Club, other Directors, the Managers and any relevant third parties shall attend as the Committee may require.

The General Manager and the Executive Directors shall not attend Committee discussions nor participate in making recommendation relating to the review of their performance and remuneration.

## 4. Scope

The scope of the Committee includes all subsidiaries and their branches as follows:

- The West of England Ship Owners Mutual Insurance Association (Luxembourg);
- West of England Insurance Services (Luxembourg) S.A.;
- West of England (Hellas) Limited;
- International Shipowners Reinsurance Company S.A.;
- The West of England Reinsurance (Hamilton) Ltd;
- The West of England Ship Owners Insurance Services Limited.

## 5. Duties

The duties of the Committee shall be:

1. making recommendations to the Board for the appointment or renewal of the appointment or removal of Directors;
  2. evaluating the independence of independent Directors;
  3. reviewing the Club's Corporate Governance Charter annually and whenever any changes are proposed to the way in which the Club is governed;
  4. making recommendations to the Board with respect to the appointment of Committee members;
  5. making recommendations to the Board with respect to the remuneration (including all benefits) of Directors;
  6. making recommendations to the Board with respect to the appointment of the Directors and for Key Control Function holders;
  7. reviewing the performance of the Directors and the Managers and reviewing recommendations with respect to their remuneration;
  8. reviewing succession planning;
  9. reviewing and evaluating criteria for membership of the Board, and its Committees; and
  10. providing an induction programme for Directors of the Club.
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## APPENDIX 3

### GROUP INVESTMENT COMMITTEE'S TERMS OF REFERENCE

#### 1. Relationship with the Board

The Group Investment Committee (the Committee) to which particular responsibilities are delegated is a Committee of the Board. Nothing in these terms of reference shall be interpreted as a departure from the principles of a unitary Board. All Directors remain equally responsible for the Association's financial management and reporting.

The Committee is required by the Board to:

1. Formulate and, as a minimum, annually review the Investment Policy prior to making recommendations to the Board of Directors of the Club.
2. Define and review the appropriateness of the Club's asset allocation.
3. Determine the most appropriate manner in which assets within each asset class are to be invested, including investment style (e.g. active v passive), the selection of investment managers and their respective benchmark indices.
4. Review at least annually the appointment, retention and termination of investment managers.
5. Monitor the performance of the individual investment managers and in-house portfolios and comparing the overall performance with that expected from the Investment Policy.
6. Ensure that there are strong and relevant financial controls operating within ISRe and that there are properly documented procedures and reporting for the internal management of funds.
7. Monitor and, if necessary, make recommendations as to the way in which those Group assets not included in the Investment Pool are invested.
8. Report to the Directors of West of England and Hamilton on the responsibilities delegated by them at each meeting of the Directors of the West of England or Hamilton and/or at any other intervals prescribed or considered appropriate by the West of England, Hamilton or ISRe.

#### 2. Composition and Resources

1. The Board of ISRe will act as Group Investment Committee of the Club's.
2. Committee members shall be provided with any training or other education necessary on first appointment and then on an ongoing and timely basis, to ensure that they are able to discharge their duties satisfactorily.

#### 3. Meeting Arrangements

1. Meetings shall be held 3 times a year, or as often as the Committee shall require. A quorum shall be 3 members;

2. No one other than Committee members shall be entitled to attend Committee meetings as of right. However, the Committee expects the Chief Executive Officer, Finance Director, Chief Operating Officer will attend all meetings, at the Committee's request. The chairman, other directors, the managers and any relevant third parties shall attend as the Committee may require.

## 4. Scope

The scope of the Committee is described in the Club's Statement of Investment Principles as updated from time to time by the Board.

## 5. Duties

The duties of the Committee are stated in the Club's Statement of Investment Principles as updated from time to time by the Board.

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## *APPENDIX 4*

### ADVISORY COMMITTEE'S TERMS OF REFERENCE

#### **1. Relationship with the Board**

The decision-making body of the Club is the Board, acting on the authority of the Members in General Meeting.

The Advisory Committee has been established to provide guidance to the Board in respect of certain decisions made by the Board. Its members are both Directors and Members of the Club who are not Directors of the Club.

The Chairman of the Advisory Committee shall report proceedings of Committee meeting to the Board.

The Advisory Committee does not carry out any regulated functions and its Members (other than Director members) do not have statutory duties.

#### **2. Composition and Resources**

The Advisory Committee shall have a minimum of 10 and a maximum of 20 members and will be comprised of:

- A maximum of 2 Directors;
- Between 2 to 20 Member representatives;

Appointments of Members are for a term of one year and are subject to re-election from year to year at the AGM. There is no limit on the number of years for which a Member may stand for re-election.

The Board shall nominate one of the members of the Advisory Committee as Chairman of the Committee and another as Vice Chairman. Both the Chairman and Vice Chairman shall also be Directors.

There is no specific retirement age for Members of the Advisory Committee but the Committee subscribes to the principles of a diverse composition in terms of age.

Committee members shall be provided with any training or other induction necessary on first appointment and then on an ongoing and timely basis, to ensure that they are able to discharge their duties satisfactorily.

#### **3. Conduct of Meetings**

Meetings shall be held 2 times a year, or as often as the Board shall require. A quorum shall be 4 members. Each meeting shall be held at a time preceding each meeting of the Board or as otherwise may be directed by the Board.

No one other than Committee members shall be entitled to attend Committee meetings as of right. Representatives of the Managers shall attend all meetings and will prepare all Agenda and related documentation on behalf of the Committee.

Members of the Advisory Committee shall meet as a group at each meeting of the Advisory Committee. The Committee's overall responsibilities will be discharged as a single committee, but for recommendations on and review of Class 2 matters and claims, at least 6 Members shall be appointed as a Class 2 Sub-Committee of the Advisory Committee and shall meet separately for such purposes.

## 4. Responsibilities

The Advisory Committee is responsible for advising the Board on cover, claims and claims-related issues. In particular, the Committee shall:

1. recommend to the Board the passing of Class 1 claims of sizes and types as determined by the Board;
  2. review and report to the Board on significant casualties;
  3. report to the Board on oversight of Class 1 claims trends, the Club's liability environment and claims on the International Group Pool and claims estimating;
  4. report to the Board on oversight of loss prevention initiatives derived from Class 1 and Class 2 claims experience;
  5. review and recommend levels of deductibles for Class 1 and Class 2 cases;
  6. recommend to the Board the passing Class 2 claims of sizes and types determined by the Board and recommend the passing of such claims by the Board and
  7. report to the Board on Class 2, claims trends, the Classes' costs and liability environment and claims estimating;
  8. review and recommend Class 1 and 2 rule changes to the Board; and
  9. review and comment on the Managers' proposals for the setting of calls and releases, and on the Club's financial affairs.
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