



CORPORATE GOVERNANCE

1. Introduction

The club is regulated as an insurer by the United Kingdom Financial Services Authority and is comprised of members drawn primarily from the European inland waterways and coastal community. It seeks to follow good governance principles that would be generally recognised.

The principle areas of corporate governance are set out in outline below.

2. Board composition and conduct

2.1 Board's conduct of affairs

The principal functions of the board are to:

- Govern and direct the club's affairs
- Set overall policy and decide upon general strategic direction
- Set investment strategy
- Oversee risk management and compliance issues
- Direct the managers and consider their reports on all significant aspects of the club's affairs
- Ensure that there is a suitable allocation of responsibility between itself and the managers
- Satisfy itself that the managers have an appropriate structure for the management of the club
- Ensure that there are suitable systems of control.

A formal management agreement between the club and the managers sets out their respective obligations and responsibilities. The board normally meets twice a year.

2.2 Board composition and guidance

The directors are non-executive, insofar as they are not involved in day-to-day executive management and exercise independent judgement in respect of the club's affairs.

The directors are, by virtue of the Memorandum and Articles of Association, comprised of owners or agents, or directors of, or employed in any executive capacity by a corporation which is the owner, or agent of a ship entered in the club or in The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited.

The board has the benefit of independent expert insurance sector guidance from its managers, and personnel within the managers' group.



2.3 Division of responsibilities between chairman and chief executive

The chairman of the club is non-executive. The club does not have direct employees and day-to-day executive management is contracted to the managers who carry out executive responsibilities in accordance with the obligations and responsibilities set out in the management agreement, and who corporately fulfill the role of chief executive.

2.4 Board membership

The company does not have a formal nomination committee. This role is undertaken by the chairman who consults with the managers and the board. Potential candidates are suggested to the board for consideration which ensures appropriate representation on the board to reflect the club's composition.

One third of the directors must retire from office by rotation at each annual general meeting. Directors must retire from the board if they no longer qualify for board membership, for example if they cease to be an owner of a ship entered in the club or to be a director or executive employee of a member of the club.

2.5 Board performance

The club is a mutual insurance organisation with board members elected from the totality of the membership. There is periodic review of the board's functioning and the board is accountable to the members.

2.6 Executive committee

The board does not believe that it is necessary to establish an executive committee in the context of the structure of the club where day-to-day management responsibilities are undertaken by the managers in accordance with the terms of the management agreement.

2.7 Audit committee

The board does not have a formal audit committee. This task is undertaken by the board which reviews the club's financial statements and appropriate accounting policies in conjunction with the club's auditors, as well as any significant financial or policy issues.

2.8 Access to information

At each board meeting the directors are provided with up-to-date reports on the key financial indicators for the club and on underwriting, claims, investment and general policy issues. The directors are provided with board meeting papers in sufficient time before each board meeting to enable them to have adequate time to understand relevant issues and to focus upon decisions that need to be made.



2.9 Remuneration

The club does not have a formal remuneration committee. The directors receive fees agreed by the whole club membership from time to time in general meeting, appropriate to their non-executive status.

The executive and administrative functions are undertaken by the managers who receive a management fee for their services which is agreed by the board annually, after review of the managers' budgets.

3 Systems of control and structure

The board has satisfied itself that there are suitable and appropriate systems of control within the club's management and that the structure and allocation of responsibilities are appropriate to ensure the proper and effective management of the business.

4 Accountability and audit

The board issues an annual report which sets out a summary of the important issues discussed by it throughout the year, the industry environment and the strategy followed by the board, together with financial statements which give a full explanation of the club's financial position.

The club's accounts are audited by independent registered auditors and published to the members. They are also available on the club's website.

5 Communications with members

Important decisions and matters of general interest to members from each board meeting are reported to the members by circular letter or by bulletin.

The managers publish regular bulletins dealing with all important club and industry issues, including safety and loss prevention, claims and legal matters. These are sent to the members and are also published on the club's website.

Club circular letters dealing with policy issues and the extent of, or proposed changes to the cover provided, are sent to every member.

The managers maintain regular contact with members through visits, handling of claims, underwriting discussions and general advisory assistance.

6 Conflicts of interest and related party transactions

The board has considered the potential conflicts of interest which exist within the club's and the board's operations.



In a mutual organisation the members are also the insuring underwriters. Negotiations relating to any matter concerning members or directors in their capacity as members are conducted at arm's length.

Directors do not participate in board discussions on specific matters concerning their companies as members.

Procedures are in place to ensure that potential conflicts of interest between members and other clients of the managers' group are identified and managed.

Other related party transactions are insignificant.

7 Internal controls and internal audit

The managers have comprehensive internal control procedures covering financial, operating and compliance areas. They report on risk and internal control issues to the board at each meeting. All material risk incidents are reported to the board.

Regular audits of company processes are carried out by the managers' internal audit department, which is independent of the personnel involved with the day-to-day management of the club. The board has direct access to the managers' director of internal controls.

8 Risk management

The board reviews on a regular basis the major business risks facing the club, their potential impact, and the systems in place to manage and mitigate those risks. It reviews internal audit reports, including audit plans and audit results, and notes any incidents in which systems have failed or procedures have not been followed, whether any actual loss was suffered or not.

The managers have a comprehensive risk management system, which provides an effective method of monitoring and controlling risks, and continuously assess business risks and the effectiveness of control processes in place. They report on risk management at every board meeting.

9 Business and ethical values, treating customers fairly and complaints

The club is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The managers have adopted a set of corporate values to ensure that their work on behalf of the club is carried out with integrity and fairness, which have been communicated to all staff.

The managers have in place procedures to prevent the club being involved unwittingly in money laundering. They also have in place whistle-blowing procedures to ensure that members of their staff can raise matters of concern confidentially so that they may be appropriately investigated.



The board and the managers are committed to treating customers, and all stakeholders, fairly and keep under review the quality of service which the club provides, and there is a complaints system which is published on the website.

10 Environmental policy

The club is committed to the protection of the environment. To that end, it seeks to minimise the impact of its business on the environment and to develop the business in ways that are sustainable.

The club requires its members to comply with all relevant environmental regulations, standards and laws, and supports them in developing and maintaining best practice in their operating procedures and practices in order to minimise the impact of their businesses on the environment.

The club translates environmental policy into practical guidelines that assist implementation of responsible operating procedures amongst its membership. It regularly audits members' ships and management to monitor regulatory compliance, and to evaluate and encourage their implementation of good operating procedures. The club encourages members to be 'best in class' and looks at initiatives to help them achieve this. It will not accept for entry or continue to insure members who consistently fail to comply with regulations or fall below acceptable standards of responsible operation.

The day-to-day business of the club is carried out by its managers, who are committed to minimising the impact on the environment of their business operations and to achieving best practice in areas in which they do have an environmental impact. The managers have taken steps to reduce their carbon footprint, and strive to minimise their energy consumption through their energy management policy and by encouraging staff to use energy thoughtfully. Where possible, the managers use energy efficient business appliances and computers, thereby giving rise to energy savings and a reduction in emissions.

Electronic document management systems have been implemented which reduce paper usage. Where practicable, the managers source their supplies from local businesses so as to minimise distribution and transport-related emissions. Suppliers are required, as far as possible, to have an appropriate environmental policy. In order to reduce travel-related emissions, the company has invested in video-conferencing facilities. The managers have also implemented recycling programmes.

The club is actively considering additional ways in which it can contribute to environmental awareness.

11 Money laundering and whistle-blowing

The managers have procedures to prevent the club being involved unwittingly in money laundering or in inappropriate payments. They also have in place whistle-blowing procedures to



ensure that members of their staff can raise matters of concern confidentially so that they may be appropriately investigated.

12 Health and safety

The club strongly supports and encourages safe working practices on board the ships that it insures. The managers have a strong health and safety culture and have adopted appropriate policies to ensure that the management of the club is carried out in a way which protects the health and safety of all those who work on management of the club.

13 Business continuity

The managers have full business continuity contingency plans, which they periodically test, to ensure that the club can continue to operate in the event of a serious incident, such as, for example, a terrorist event. Business records and documentation are stored electronically, are regularly backed-up and are accessible from a number of different locations.