

# **The Britannia Steam Ship Insurance Association Limited**

## **Risk & Audit Group**

### **Terms of Reference**

#### **Purpose**

1. The Risk & Audit Group (the "Group") is a sub-committee of Board of The Britannia Steam Ship Insurance Association Limited ("Association") (the "Board"), which is the primary decision-making body of the Association. The Group is established pursuant to the Association's Articles of Association (the "Articles") and, unless specifically stated otherwise, the terminology, words or expressions used in these Terms of Reference have the same meaning as in the Articles.
2. The Group's primary purpose is to ensure that:
  - (a) the Association's enterprise risk management (ERM) framework is effective;
  - (b) the Association presents financial reports and regulatory returns that are prepared in accordance with appropriate accounting standards and regulatory requirements;
  - (c) the Association is provided with an effective and efficient external audit service from a firm that is qualified, independent and appropriately resourced; and
  - (d) the Association has an effective system of internal controls, including an effective internal audit function.

#### **Membership**

3. The Group shall consist of its Chairman, the Chairman of the Board and three further non-executive directors of the Board, at least one of whom shall be an Expert Director.
4. The Board shall appoint one of its non-executive Director members (but excluding the Chairman of the Board) to act as the Chairman of the Group. The Chairman of the Group and, ideally, at least one other member of the Group, shall hold or have held a senior finance position at a relevant stage during his/her career.
5. Members of the Group shall be appointed for a four-year term and will normally be eligible for re-election only once.
6. Only members of the Group shall have the right to attend meetings. However, representatives of Tindall Riley (Britannia) Ltd (the "Managers"), including the CEO, CFO, CRO and Head of Internal Audit, together with the Chief Actuary and representatives of the external auditors, will normally be expected to attend in an advisory capacity.

## **Duties of the Group**

7. The duties of the Group shall be to:

### Risk

- (a) oversee the Association's ERM framework, including monitoring of its Risk Register (ensuring compliance with Articles 44(1) and 44(2) of the Solvency II Directive);
- (b) advise on the Association's overall risk appetite, tolerances and strategy, taking into account emerging risks and financial industry changes that may be relevant to Britannia's risk policies;
- (c) ensure that due diligence is undertaken before any new strategic decision is taken by the Association, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Association;
- (d) consider and approve the terms of reference of the Risk Management Function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively whilst having adequate independence from management (the first line of defence);
- (e) receive, consider and where appropriate take action in respect of reports from the Managers' Board, in particular, in respect of any material breaches of risk limits and adequacy of proposed actions; and
- (f) ensure that the CRO has direct access to the Chairmen of the Group and the Board;

### External Audit

- (a) consider and make recommendations to the Board on the appointment, reappointment, dismissal and/or replacement of the external auditor;
- (b) review annually the qualification, expertise, resources, and independence of the external auditors and the effectiveness of the audit process;
- (c) review the audit fee and consider from time to time the cost effectiveness of the audit;
- (d) consider any work (other than the statutory audit undertaken by the external audit firm) to ensure that the independence and objectivity of the auditor is not impaired;
- (e) discuss and agree with the external auditor the nature and scope of the audit before the audit commences; and
- (f) discuss issues arising from external audits, and any matters the auditors may wish to raise (in the absence of the Managers where appropriate); and
- (g) review the external auditor's management letter and the Managers' responses;

### Financial reporting

- (a) review and advise the Board on the publication of any financial statements focusing, in particular, on:
  - any changes in accounting policies and practice;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards (and in particular any new accounting standards adopted in the financial year for the first time);
  - compliance with all regulatory and legal requirements; and
  - any related reports, such as the Chairman's Statement, Strategic Report, Corporate Governance Report and Statutory Directors' Report;
- (b) review and approve the Own Risk and Solvency Assessment (ORSA);
- (c) receive the draft annual report from the Chief Actuary;
- (d) review the returns to be submitted to the Prudential Regulation Authority ("PRA"), including the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR)<sup>1</sup> and satisfy itself that the returns comply with the relevant regulations; and
- (e) to ensure outsourcing arrangements are robust and monitored effectively;

#### Internal Controls and Internal Audit

- (a) review the Association's system of internal financial control;
- (b) review from time to time the internal audit function and satisfy itself with regard to its terms of reference and the scope of its remit;
- (c) receive regular reports on the work carried out by those responsible for the Association's internal audit function;
- (d) review the Association's operating, financial and accounting policies and practices;
- (e) receive, consider and act on (if required) an annual report from the Managers on any complaints made against the Association and/or the Managers; and
- (f) consider such other matters as the Board may require;

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<sup>1</sup> At present, the SFCR and RSR are one in the same.

## Whistle-blowing/Fraud Prevention

- (a) ensure that the Managers have appropriate “whistle-blowing” arrangements in place by which members of their staff may raise concerns about possible improprieties in connection with financial transactions or financial reporting (including the procedures for protection of staff who raise concerns from detrimental treatment), the Group shall receive, consider and act as required on an annual report from the Managers’ “Whistle-blowing Officer”;
- (b) receive annually a report from the Whistle-blowing Champion prior to such report being provided to the Board; and
- (c) review and approve the Association’s policies for preventing and detecting financial crime.

## **Meetings**

- 8. The quorum for each Group meeting shall be three members.
- 9. The Group shall meet at least three times per annum, with scheduled meetings being held in January, April and September. If necessary, the Group shall hold further meetings from time to time, as may be called by the Company Secretary or by any member of the Group. The Association’s external auditors may request a meeting of the Group if they consider that one is necessary. At least once a year, the Group shall have the opportunity to meet the Association’s external auditors without the Managers being present.
- 10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, with all available supporting papers, shall be forwarded to each member of the Group and any person required or invited to attend, no later than five working days before the date of the meeting.
- 11. Appendix I details the schedule of regular agenda items for the Group.
- 12. The Chairman shall chair each meeting of the Group. If the Chairman is absent the other Directors present shall choose one of their number as Chairman for that meeting.
- 13. The Managers shall minute the proceedings of each meeting of the Group, including recording the names of those present and in attendance. The Group will report its recommendations to the Board at the next meeting following the Group’s meeting.
- 14. The Group shall provide the Board with copies of the minutes of each meeting.

## **Authority**

- 15. The Group is authorised by the Board to:

- (a) undertake any activity that falls within its terms of reference;
- (b) seek any information that it may require from internal and external sources to carry out its role; and
- (c) obtain independent external professional and/or legal advice at the Association's expense as necessary.

### **Reporting Procedures**

- 16. The Chairman of the Group will make reports on the work of the Group to the Board.
- 17. The Group shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference.

### **Miscellaneous**

- 18. Insofar as their role requires consideration of underwriting or claims information, members of the Group shall have access only to summary information for the Association as a whole and shall not have access to an individual Members' underwriting or claims data which shall remain strictly confidential to the Managers and the Member concerned.
- 19. The Group shall have access to sufficient resources in order to carry out its duties.
- 20. At least once a year, the Group shall:
  - (a) review its own constitution and terms of reference to ensure it is operating effectively and shall recommend the changes that it considers necessary to the Board for approval; and
  - (b) review its own performance and report on that review and any recommendations to the Board.

Adopted by the Board's Restructuring Committee on 27 March 2019

## **Appendix I**

### **Schedule of regular agenda items for the Risk & Audit Group**

#### **For each regular meeting**

Apologies  
Declaration of any conflicts of interest  
Minutes of the previous meeting  
Matters arising from the previous meeting  
Dates and venues of future meetings of the Group  
Managers' risk report

#### **At each January meeting**

External Audit Plan  
Internal Audit Report  
Financial Crime Report  
The Association/Managers Compliance Memorandum

#### **At each April or later meeting**

Report and accounts  
Reserving Report  
Chief Actuary's Report  
ORSA  
SFCR  
RSR<sup>2</sup>  
Internal Audit Report

#### **At each September meeting**

Internal Audit Report  
Whistle-blowing Officer's Report  
Whistle-blowing Policy  
Bribery Act 2010  
Modern Slavery Statement  
Standards of Business Conduct Policy  
Review of the Risk & Audit Groups' constitution and performance  
Risk & Audit Group's Terms of Reference

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<sup>2</sup> At present, the SFCR and RSR are one in the same.