

# Statement of Corporate Governance

## Compliance with Combined Code

There is a commitment to high standards of corporate governance throughout the Group. On 7th July 2009, the Company's share listing on AIM was cancelled and its shares admitted to the Main Market of the London Stock Exchange (the "Main Market"). As a Bermudian company, whether admitted on AIM or the Main Market, the Company has not been required to comply with the principles set out in the revised Combined Code on Corporate Governance published in June 2006 (the "Code"). However, whilst AIM listed, the Company used the Code as guidance for its Corporate Governance when practicable and appropriate having regard to the Group's size. Following admission to the Main Market, although the Company continues not to be required to comply with the Code, it is the intention of the Board to comply fully with its principles and provisions.

The remainder of the Statement of Corporate Governance that follows is as included in the Company's Annual Report and Accounts 2008 and as such contains forward-looking statements as to the Company's move from AIM to the Main Market.

For the purposes of the Statement, and as part of the preparation for the Company's move to the Main Market, the Board performed a detailed review of its compliance with the principles set out in Section 1 of the Code. Subject to certain matters set out below, the Board concluded that the Company complied with the Code in 2008.

## Independence of Mr Palmer

The Combined Code sets out certain circumstances which may be relevant to the determination of the independence of Non-executive Directors, among which is board tenure for longer than nine years. Clifford Palmer has been a director of a group company since 1998, firstly as a Non-executive Director of Omega Underwriting Agents Limited (the Lloyd's managing agent for Syndicate 958) and subsequently as a Non-executive Director on the Group Board from 2003 to date. The Company recognises and understands potential concerns investors may have regarding long-serving Non-executive Directors but nevertheless continues to regard Clifford Palmer as being independent in character and judgement, in accordance with the provisions of the Code. The Company believes that a long association with the Group gives Clifford invaluable knowledge and experience of the Group's business and operations. He has also provided continuity on the Board through a period of fast growth and complex changes.

## Independence of Mr Warren

Nick Warren is a senior vice president of International Advisory Services Limited ("IAS"), a Bermudian company which provides office space for, and accounting, administration and information technology services to, the Omega Group. Nick has disclosed to the Company that the remuneration he receives from IAS is material to him.

The Board recognises that the holding by a director of a material business relationship with the Company may affect the independence of that director. However, the Board considers that the relationship between the Group and IAS is not material to either IAS or the Group, either in operational or financial terms. The Board continues to believe that notwithstanding Nick's role at IAS and the transactions referred to at Note 33 he remains independent in character and judgement in accordance with the provisions of the Code.

## Chairman of the Audit Committee

The Board recognises that the performance of the role of Chairman of the Audit Committee by the Company Chairman, Walter Fiederowicz, is not consistent with the principles of the Combined Code. The Board believes that it was appropriate for Walter to perform this role in 2008 and that he has performed both of these roles effectively. However, in the context of the ongoing preparation for a move to the Main Market, the Board has concluded that it is appropriate to strengthen the Audit Committee's membership through the appointment of an additional independent Non-

executive Director with recent and relevant financial experience, Coleman Ross. The Board expects to appoint Coleman to be Chairman of the Audit Committee with effect from 1 April 2009.

## Senior Independent Director

During 2008, in view of the size and nature of the Group and its investor profile, the Board did not consider it appropriate to appoint a Senior Independent Director. The Board will consider the need for this appointment on an annual basis moving forward.

The Board is accountable to the Company's shareholders for good governance and the statements set out below describe how Corporate Governance principles are applied by the Group.

## Internal control and risk management

The respective responsibilities of the directors and the auditors in connection with the annual report and accounts are explained on pages 37 and 38 and the statement of the directors on going concern appears on page 27.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The process has been in place up to the date of approval of the annual report and accounts. The process, including related procedures and controls, are kept under regular review and recommendations for changes are made as appropriate.

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The directors consider proper risk management to be crucial to the Group's ongoing success and give a high priority to ensuring that adequate systems and structures are in place to measure, analyse and limit exposure to risk.

The directors have performed an annual assessment of the Group's system of internal control using the Financial Reporting Council guidance "Internal Control – Revised Guidance for Directors on the Combined Code". This assessment included review and discussion of Board papers which summarised the key elements of the group's internal control system, assessed the robustness of those control elements, described how those elements have operated to date, proposed planned improvements to the control environment and explained the reasons for those improvements.

In reviewing the supporting Board papers and forming their view as to the effectiveness of the system of internal control, the directors took into account the nature and quality of regular and annual reporting to them during 2008 and 2009.

In the context of the Group's continued growth and forthcoming listing on the Main Market, the directors believe that continued enhancement to the Group control environment is appropriate. In this context, the Group is committed to further investment in financial reporting systems and processes and the Group's internal assurance processes.

Notwithstanding these planned control enhancements the directors have concluded that the Group's system of internal control has been effective up to the date of this report. In forming this view, the directors have taken into account the existence of mitigating controls and processes that the Group has in place which provide the directors with comfort as to the overall effectiveness of the control environment.

## Internal Audit

The Board, as part of its annual review of the Group's system of internal control, has formally considered the appropriateness of the Group's approach to the internal assurance. This has included the current absence of a formal internal audit function. The Board has concluded that, during 2008, the Group's approach to internal

controls assurance was appropriate for the Group's size and risk in light of the nature of its business and the size of the Group. As part of the Group's preparation for the listing on the Main Market and in the context of the Group's ongoing growth, the Board will evaluate the most appropriate internal assurance processes for the Group going forward.

#### Board of Directors

The Bye-Laws provide for a Board consisting of different classes of Directors, divided into Class I Directors, Class II Directors and Class III Directors. The Class I Directors are scheduled to serve until the Company's 2009 Annual General Meeting, the Class II Directors are scheduled to serve until the Company's 2011 Annual General Meeting and the Class III Directors are scheduled to serve until the Company's 2010 Annual General Meeting.

After their initial terms of office, each Class I, Class II and Class III Director may be elected for a further three year term of office at the relevant Annual General Meeting at which their initial term expires.

The Board consists of three Executive Directors and four Non-executive Directors divided into the different classes of directors as follows:

**Class I Directors:** Richard Tolliday (Chief Executive Officer) and Christopher Clarke (Non-executive Director)

**Class II Directors:** John Robinson (Chief Underwriting Officer), Walter Fiederowicz (Non-executive Chairman) and Penny James (Chief Financial Officer)

**Class III Directors:** Clifford Palmer (Non-executive Director) and Nicholas Warren (Non-executive Director)

#### Attendance at committees

The following schedule shows individual attendance by directors at meetings of the Board and of other committees in the year ended 31 December 2008:

Director	Board		Audit		Remuneration		Investment		Nomination	
	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended
W M Fiederowicz	6	6	4	4	5	5	4	4	1	1
R V Tolliday	6	6	–	–	–	–	4	4	1	1
J D Robinson	6	4	–	–	–	–	–	–	–	–
P J James	6	5	–	–	–	–	4	4	–	–
C A Clarke	6	4	4	4	–	–	4	4	–	–
C F Palmer	6	3	4	3	5	4	–	–	1	1
N P Warren	6	6	4	4	2	2	4	4	–	–

#### Audit Committee

The Audit Committee was established in September 2006 and has formal terms of reference.

The current members of the Audit Committee are Walter Fiederowicz (the Committee Chairman), Clifford Palmer, Christopher Clarke and Nicholas Warren all of whom served throughout the year.

The Committee's primary responsibilities are to keep under review the scope and results of the audit and its effectiveness and the independence and objectivity of the auditors; to review the interim and annual financial statements and any formal announcements relating to the Company's financial performance and to review significant financial reporting judgments contained in them; to monitor the quality of internal controls and ensure that the financial performance of the Company is properly measured and reported on.

The Committee receives and reviews reports from the Company's management and auditors relating to the interim and annual

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Decisions concerning the direction and control of the business are made by the Board, which meets at least six times each year and more frequently where business needs require. The Board has a schedule of matters reserved for its decision, including, inter alia, statutory matters; approval of financial statements and dividends; appointments and terminations of directors, officers and auditors; appointments of committees and setting of terms of reference; review and approval of Group performance against budgets; approving risk management strategy and material contracts; and determining the authority levels within which management is required to operate.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. This is in addition to the access which every director has to the Company Secretary, who is charged by the Board with ensuring that Board procedures are followed.

The Company has established properly constituted audit, remuneration, investment and nomination committees of the Board with formally delegated duties and responsibilities.

accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least three times a year and has unrestricted access to the Company's auditors.

The Audit Committee is responsible to the Board for keeping under review the nature and extent of non-audit services provided by the external auditors. The Audit Committee's responsibilities include inter alia, assessing all relationships with the audit firm, including their partners and staff; assessing the nature and level of fees for non-audit services in relation to the audit fee; obtaining confirmation of independence from the auditors; and ensuring the appropriateness of the firm as providers for non-audit services. The split between audit and non-audit fees for the year under review appears in Note 9 to the financial statements. The Audit Committee is satisfied that the nature of the non-audit services provided by, and related fees paid to, the Group's external auditors has not compromised their independence or objectivity.

The terms of reference of the Audit Committee are published on the Company's web-site at [www.omegaww.com](http://www.omegaww.com).

# Statement of Corporate Governance continued

## Remuneration Committee

The Remuneration Committee was established in September 2006 and has formal terms of reference.

The Remuneration Committee's principal objectives are to make recommendations to the Board on the Company's framework of executive directors' remuneration and its cost; to determine the remuneration of the executive directors and senior management of the Group; and to determine targets for, advise on, and monitor, any performance related bonus or other incentive schemes.

The Remuneration Committee is also responsible for the granting of long term incentive awards and share options pursuant to the share incentive plans in operation from time to time.

The current members of the Remuneration Committee are Clifford Palmer (Committee Chairman) and Walter Fiederowicz, who served throughout the year, and Nicholas Warren who was appointed to the Committee on 5 September 2008. Full details of directors' remuneration and a statement of the Company's remuneration policy are set out in the Report of the Remuneration Committee which is set out on pages 31 to 36.

Copies of executive directors' service contracts and the terms and conditions of appointment of the Non-executive Directors are available for inspection at the Company's registered office during normal business hours.

The terms of reference of the Remuneration Committee are published on the Company's web-site at [www.omegauw.com](http://www.omegauw.com).

## Investment Committee

An Investment Committee was established in September 2006 and has formal terms of reference.

The current members of the Investment Committee are Christopher Clarke (Committee Chairman), Walter Fiederowicz, Richard Tolliday, Nicholas Warren and Penny James all of whom served throughout the year.

The Investment Committee's principal terms of reference are to recommend, for approval by the Board, investment strategies and policies, and the appointment of fund managers for all investments; to monitor the performance of investment strategies against set

benchmarks; and to monitor the cash flow, liquidity and working capital of the Company and the other members of the Group.

The terms of reference of the Investment Committee are published on the Company's web-site at [www.omegauw.com](http://www.omegauw.com).

## Nomination Committee

The Nomination Committee was established in September 2006 and has formal terms of reference.

The Nomination Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes; making recommendations concerning the appointment of, and changes in, the members and chairman of each of the Audit, Remuneration, Investment and Nomination Committees; identifying, and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and reviewing annually the time required from each Non-executive Director.

The current members of the Nomination Committee, who served throughout the year are Walter Fiederowicz (Committee Chairman), Richard Tolliday and Clifford Palmer.

The terms of reference of the Nomination Committee are published on the Company's web-site at [www.omegauw.com](http://www.omegauw.com).

## Communication

The Company recognises the importance of communication to stakeholders. The full annual report and accounts, as well as the interim report, are mailed to all shareholders and on request to other parties who have an interest in the Group's performance. All reports are available to be downloaded from the corporate website, [www.omegauw.com](http://www.omegauw.com) which is updated regularly with news and information about the Group.

The Board holds a regular dialogue with institutions and the analyst community, as well as general presentations after the announcement of preliminary and interim results. The Board is advised of any specific comments from institutional investors to enable them to develop an understanding of the views of major shareholders. All shareholders have the opportunity to put forward questions at the Company's Annual General Meeting.