

BRIT Limited**MEMORANDUM ON CORPORATE GOVERNANCE****INTRODUCTION**

Brit Limited (“the Company”) endorses the statement in the UK Corporate Governance Code (the “UK Code”) that the purpose of Corporate Governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. Though the Company is no longer listed on the Stock Exchange it will seek to maintain a standard of governance in accordance with the Code and as stipulated by regulators.

The Company is committed to maintain strong corporate governance to this end, for the benefit of its shareholders, employees and wider stakeholders.

A. PURPOSE

The purpose of this memorandum is to consolidate the corporate governance rules and procedures for the composition and processes of Brit Limited, its subsidiaries (“the Group”) and its Committees. This memorandum aims to set out rules and procedures to ensure that the Group addresses the Standards of Governance set out in the UK Corporate Governance Code (the “UK Code”) published in September 2012. This memorandum shall remain in force whilst Fairfax Financial Holdings Limited (“FFHL”) owns 70.08% of the Company and Omers Administration Corporation (“Omers”) holds 29.92% of the Company (the “shareholders”).

Nothing in the Memorandum on Corporate Governance, nor anything in any of the attached appendices is intended to amend, detract from or conflict with the Articles of Association of the Company, and in any such event, the Articles of Association shall prevail.

B. THE BOARD

The Board shall provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board together with the Boards of Brit Syndicates Limited (“BSL”) and Brit Insurance (Gibraltar) PCC Limited (“BIG”) shall set the Company’s strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board shall set the Company’s values and standards in accordance with the values and standards of its shareholders.

B.1. COMPOSITION

B.1.1 The minimum number of directors to be appointed to the Board of Directors shall be four directors and the maximum shall be eight. Furthermore FFHL and Omers will be able to nominate the Directors set forth below:

Omers 1

- B.1.2 Should there be at any time less than four directors appointed Omers shall not be entitled to nominate any such directors but shall be entitled to nominate a fourth director.
- B.1.3 Provided that Omers continues to hold Class A shares FFHL and Omers shall be entitled to nominate that number of directors set out below in accordance with their respective Percentage Investment interest. On the basis that Omers holds any shares and the Pensions Benefits Act (Ontario) prohibits the administrator of a pension plan from investing the moneys of the plan in the securities of a company to which are attached more than 30% of votes that may be cast to elect the directors of the Company, in no event shall the number of directors that Omers shall be entitled to nominate exceeds 30% of the total number of directors.

<u>Percentage Investment Interest</u>	<u>Number of Nominees</u>
Less than 30% and a minimum of one share	1
Greater than or equal to 30% but less than 50%	3
Greater than or equal to 50% but less than 70%	4
Greater than or equal to 70% but less than 90%	5
Greater than or equal to 90% but less than 100%	7

B.2 FREQUENCY OF MEETINGS

- B.2.1 The Board shall meet sufficiently regularly to discharge its duties effectively, and shall meet not less than five times in each year.
- B.2.2. The Chairman shall hold regular meetings with the Non-Executive Directors without the Executive Directors and Senior Executives present (Code provision A.4.2).
- B.2.4 Led by the Senior Independent Director, the Non-Executive Directors shall meet annually without the Chairman present to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

B.3 NOTICE OF MEETINGS

- B.3.1 The dates of the meetings of the Board and its Committees to be held in any calendar year, shall be arranged by the Company Secretary by the end of the previous calendar year and notified in advance to the Directors
- B.3.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall (save in exceptional

circumstances) be forwarded to each Director and any other person required to attend, no later than five business days before the date of the meeting. Such notice and agenda, together with supporting papers, shall be sent to Directors, and to other attendees as appropriate, at the same time. Failure to provide documents relating to any issues for discussion at the meeting will not preclude discussion about the same nor any decision relating thereto, at a meeting of the Board.

- B.3.3 It may be necessary to convene additional Board meetings on dates other than those set out in the advance notice referred to in B.3.1 above. When such unscheduled Board meeting are required they ought to be convened at not less than 48 hours' notice and with Directors given such details of the matters to be considered at the Board meeting as is practicable in the circumstances. If circumstances arise when the Chairman or the Chief Executive Officer together determine as constituting an "emergency" a Board meeting should be capable of being convened at even shorter notice, although notice must still be given to each Director of the meeting unless, in the case of any Director, it is impossible to do so.

B.4 CONDUCT OF MEETINGS

- B.4.1 The quorum for Board meetings shall consist of a majority of the board of directors that are in office provided that the quorum includes one director nominated by FFHL and at least one director nominated by Omers.
- B.4.2 If no quorum is present within half an hour following the time at which the meeting is scheduled to take place, the meeting shall stand adjourned to the same day in the immediately following week (or, if that day is not a business day, the next following business day) at the same time and place or on such other date, time and place as the Directors in attendance may determine provided that at least five (5) business days' prior written notice of such adjourned meeting is provided to the directors and if no such quorum is present within half an hour following the time at which the adjourned meeting is scheduled to take place, the Directors there present shall constitute a quorum for the transactions of the business for which the meeting was called.
- B.4.3 Proceedings of meetings of the Board shall be conducted in an open and transparent manner. Directors shall be mindful of, and act in accordance with their fiduciary duties and take decisions objectively in the interest of the Company.
- B.4.4 The Directors shall regulate their proceedings as they see fit. In order to be effective, a decision of the directors must be approved by either a resolution passed by a majority vote of the number of Directors present and constituting a quorum at a meeting of Directors duly called or (ii) an instrument signed by all the Directors.
- B.4.5 Any issue as to whether a Director has a right to vote in Board proceedings shall be determined in the manner provided for by the Articles of Association.
- B.4.6 In the event of a vote of the directors being tied, the Chairman shall not have a casting vote.

B.5. MATTERS RESERVED

- B.5.1 The matters set out in Appendix 1 shall be reserved for determination and/or approval by the Board. These matters shall be subject to review from time to time.
- B.5.2 Transactions of any Group company with related parties of the Company may be required to be referred to the Audit Committee and/or the Board as provided for in the Audit Committee terms of reference and list of matters reserved for the Board.

B.6. MINUTES OF MEETINGS

- B.6.1 The proceedings and resolutions of all meetings of the Board shall be minuted. The minutes shall include the name of those present and in attendance.
- B.6.2 In the event that the Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they should ensure that their concerns are recorded in the minutes.

C. BOARD COMMITTEES**C.1. COMMITTEES**

- C.1.1 It is for the Board to constitute from time to time ad hoc Committees to deal with matters reserved for the Board which may not practically be considered by the Board, and which the Board considers are appropriate and/or suitable for delegation.
- C.1.2 Where Committees are constituted by the Board, the members of such Committees shall be appointed or removed by the Board.
- C.1.3 The Board shall be responsible for the appointment and removal of the Chairman of any Committee. In the absence of the Chairman of a Committee, the remaining members of the Committee there present may elect one of themselves to chair the meeting.
- C.1.4 The Board shall regularly review the membership of each Committee to ensure that the membership is refreshed and that undue reliance is not placed on particular individuals.
- C.1.5 Board Committees shall be provided with sufficient resources to undertake their duties. In particular, Board Committees may obtain expert legal, financial or other advice, as is necessary to fulfil their duties. A Board Committee shall notify the Group Director of Legal & Compliance of the Company prior to obtaining expert legal advice, and the Chief Financial Officer prior to obtaining expert financial advice. To the extent that it is inappropriate to notify such persons such advice may be sought by a Director following consultation with the Chairman.
- C.1.6 In addition to any ad hoc Committees, that Board shall establish the following standing Committees: Audit Committee, Remuneration Committee and Nomination Committee,

- C.1.7 Save as required by applicable law or regulatory authority, the Board may, at any time, abolish any standing Committee or establish new or replacement standing

C.2 AUDIT COMMITTEE

- C.2.1 There shall be an Audit Committee of at least two members
- C.2.2 The members of the Audit Committee shall be Non-Executive.
- C.2.3 The Chairman of the Board shall not be a member of the Audit Committee.
- C.2.4 The Board shall satisfy itself that at least one member of the Audit Committee has significant, recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- C.2.5 The quorum for meetings of the Audit Committee shall be two members who are all directors of the Company.
- C.2.5 The Audit Committee shall meet before each set of financial results are released by the Company (i.e. quarterly). The Chairman shall be responsible for calling additional meetings of the Audit Committee either by himself, or at the request of another member of the Audit Committee, if they consider it necessary (and as requested by the external auditors).
- C.2.6 The Terms of Reference of the Audit Committee are attached as Appendix 2.

C.3. REMUNERATION COMMITTEE

- C.3.1 There shall be a Remuneration Committee of at least three members of the Board of Directors.
- C.3.2 The quorum for meetings of the Remuneration Committee shall be three members who are all Directors of the Company.
- C.3.3 The Remuneration Committee shall meet at least twice a year. The Chairman of the Remuneration Committee shall be responsible for calling additional meetings of the Remuneration Committee either by himself, or at the request of another member of the Remuneration Committee, if they consider it necessary.
- C.3.4 The Terms of Reference of the Remuneration Committee are attached at Appendix 3.

C.4. NOMINATION COMMITTEE

- C.4.1 There shall be a Nomination Committee of at least three members of the Board of directors.
- C.4.2 The quorum for meetings of the Nomination Committee shall be three members who are all Directors of the Company.

C.4.3 The Nomination Committee shall meet at least once a year. The Chairman of the Nomination Committee shall be responsible for calling additional meetings of the Nomination Committee either by himself, or at the request of another member of the Nomination Committee, if they consider it necessary..

C.4.4 The Terms of Reference of the Nomination Committee are attached at Appendix 4.

D. BRIT SYNDICATES LIMITED (“BSL”)

D.1 BSL is an approved Lloyd’s managing agent and its purpose is to manage the affairs of the Syndicate 2987.

D.2. Directors of the BSL board shall be appointed by the BSL board following the recommendation of the Brit Limited Nominations Committee.

D.3. The BSL board shall consist of at least five directors.

D.4. There shall at all times be appointed two non-executive directors to the BSL board who are considered independent.

D.4. When determining whether a non-executive director can be regarded as independent, the Board should consider whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the directors judgement.

In determining the independence of a non-executive director the BSL board shall take into account the following relationships and circumstances:

- has been an employee of the managing agent or Group within the last five years;
- has, or has had within the last three years, a material business relationship with the managing agent either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the managing agent;
- has received or receives additional remuneration from the managing agent apart from a directors fee, participates in the company’s share option or a performance-related pay scheme, or is a member of the company’s pension scheme;
- has close family ties with any of the managing agents advisors, directors or senior employees;
- holds cross directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; and
- has served on the Board for more than nine years from the date of their first election.

D.5. Notwithstanding BSL’s articles of association, a quorum shall be more than half of the directors, including at least two non-executive directors.

- D.6. Resolutions shall be adopted by more than half the votes cast.
- D.7. In the event of a vote of the directors being tied, the Chairman shall not have a casting vote.
- D.8. The group Director of Legal & Compliance shall be the Secretary to the BSL board.
- D.9. The BSL board shall establish an Audit Committee, Risk Oversight Committee and Investment Committee as standing Committees of the BSL Board.
- D.10. The Terms of Reference of the BSL Board are attached at Appendix 5.

D.2 BSL AUDIT COMMITTEE

- D.2.1 There shall be a BSL Audit Committee of at least two members.
- D.2.2 At least one member of the BSL Audit Committee shall have significant, recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- D.2.3. The quorum for meetings of the BSL Audit Committee will be two members.
- D.2.4 The BSL Audit Committee shall meet at least three times a year. The Chairman shall be responsible for calling additional meetings of the BSL Audit Committee either by himself, or at the request of another member of the BSL Audit Committee, or the senior management of the Group, if they consider it necessary.
- D.2.5 The terms of reference of the BSL Audit Committee are attached at Appendix 6.

D.3 BSL RISK OVERSIGHT COMMITTEE

- D.3.1 There shall be a BSL Risk Oversight Committee of at least three members.
- D.3.2 The quorum for meetings of the BSL Risk Oversight Committee shall be at least two members.
- D.3.3 The BSL Risk Oversight Committee shall meet at least five times a year. The Chairman shall be responsible for calling additional meetings of the BSL Risk Oversight Committee, either by himself, or at the request of another member of the BSL Risk Oversight Committee, or senior management of the Group, if they consider it necessary.
- D.3.4 The terms of reference of the BSL Risk Oversight Committee are attached at Appendix 7.

D.4 BSL INVESTMENT COMMITTEE

- D.4.1 There shall be a BSL Investment Committee of at least four members,
- D.4.2 The quorum for meetings of the BSL Investment Committee shall be at least three members, one of whom must be a non-executive director;

D.4.3 The BSL Investment Committee shall meet at least 4 times a year. The Chairman shall be responsible for calling additional meetings of the BSL Investment Committee either by himself, or at the request of another member of the BSL Investment Committee, or the senior management of the Group, if they consider it necessary.

D.4.4 The terms of reference of the BSL Investment Committee are attached at Appendix 8.

E. THE CHAIRMAN

E.1 The Directors may at any time elect from their number, and remove, a Chairman of the Board of Directors. The Chairman of the Company, will also act as Chairman of BSL.

E.2 Should FFHL cause the Chairman to resign his position as Chairman of the Board, upon the resignation or removal of a Chairman FFHL, acting reasonably, will appoint a director as Chairman.

E.3 The Chairman shall be responsible for leadership of the Board of both the Company and BSL ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman's role shall include the following:

- demonstrate the highest standards of integrity and probity, and ethical leadership;
- chair meetings of the Company's shareholders and the Board;
- set the agenda for Board deliberations, with the help of the Executive Directors and the Company Secretary, to be primarily focussed on strategy, performance, value creation and accountability, and ensure that issues relevant to these areas are reserved for Board decision;
- ensure (via liaison with the Company Secretary) that Directors receive accurate, timely, clear and high quality information;
- ensure that the Board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy, and that there are no 'no go' areas which prevent Directors from operating effective oversight in this area;
- regularly consider succession planning and the composition of the Board;
- make certain that the Board has effective decision-making processes and applies sufficient challenge to major proposals;
- ensure the Board Committees are properly structured with appropriate terms of reference;
- promote a culture of openness and debate at Board meetings
- encourage all Board members to engage in Board and Committee meetings by drawing on their skills, experience, knowledge and independence;
- foster relationships founded on mutual respect and open communication both in and outside the boardroom, between the Non-Executive Directors and the Executive team;

- develop productive working relationships with all Executive Directors and the CEO in particular, providing support and advice while respecting executive responsibility;
- take the lead on issues of Director development needs, including through induction programmes for new directors and regular reviews with all directors;
- act on the results of Board evaluation;
- be aware of, and respond to, your own development needs, including people and other skills, especially when taking on the role for the first time;
- ensure appropriate risk management processes are put in place and other key policies are properly developed and adopted; and

F. THE CHIEF EXECUTIVE OFFICER

F.1 The Shareholders with the approval of the Board may appoint the Chief Executive Officer, subject to the recommendation of the Nomination Committee

F.2 The Chief Executive shall be responsible for the daily operation and running of the Company and its businesses supported by the management team. The Chief Executive's role shall include the following:

- to delegate responsibilities to an Executive Committee of the Company, such members to be appointed by the Chief Executive Officer
- to be responsible and accountable to the Board for the management and operation of the Group;
- to prepare and implement plans and programmes for the attainment of approved objectives and to recommend such plans and programmes to the Board as appropriate;
- to provide leadership in the Group's commitment to attaining high business standards generally;
- to create the conditions within the Group for the efficient operation of all business units;
- to establish and maintain relationships with the Company's major external bodies; and
- to keep the Board informed on all matters of material importance;

G.1 SENIOR INDEPENDENT DIRECTOR

G.1.1 The Directors may appoint one of the Non- Executive Directors which it has determined to be independent (in accordance with B.1.5 above) to be the Senior Independent Director.

H.1 OTHER DIRECTORSHIPS

The Board shall not agree to a full time Executive Director taking on the Chairmanship of a FTSE Company before consultation with the Chairman and Chief

Executive Officer, nor more than one external non-executive directorship role without the approval of the Nomination Committee.

I.1 INDEPENDENT ADVICE

All Directors are authorised (acting individually, or jointly), after consulting the Chairman, to obtain, at the Company's expense, outside legal or other professional advice on any matter where they judge such advice necessary to discharge their responsibilities as Directors. Any Director seeking such advice shall notify the Group Director of Legal and Compliance or Chief Financial Officer of the Company as appropriate. To the extent that it is inappropriate to notify such persons, such advice may be sought by a Director following consultation with the Chairman

J. COMPANY SECRETARY

J.1 Under the direction of the Chairman, the Company Secretary shall ensure good information flows between the Boards and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development.

JJ.2 The Company Secretary shall be responsible for advising the Group and, where relevant, any Committee to which the Board has delegated a corporate governance function, on all governance matters.

J.3 All Directors of the Group shall have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

J.4 Both the appointment and removal of the Company Secretary shall be a matter for the Board as a whole.

K. BOARD INDUCTION, TRAINING & EVALUATION

K.1 The Chairman in conjunction with the Company Secretary shall ensure that new non-executive Directors, receive a full, formal and tailored induction on joining the Board.

K.2 The Company will make available resources to ensure that the Directors continually update their skills and maintain the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees.

K.3 The Board under the supervision of the Chairman shall undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual directors and that of the Group as a whole.

K.4 The Non-Executive Directors led by the Senior Independent Director shall be responsible for the performance evaluation of the Chairman, taking into account the views of the Executive Directors.

- K.5 The Board shall give consideration from time to time to appointing an external facilitator to carry out an evaluation of the Group and its Committees.
- K.6 Individual evaluation shall aim to show whether each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties). Such individual evaluation shall be overseen by the Chairman (save for his own evaluation).