

## **CORPORATE COMPLIANCE FUNCTION CHARTER**

### **MISSION**

The role of the Corporate Compliance function (“Compliance”) is to support executive management and the Board of Argo Group International Holdings, Ltd. (the “Company”) and its non-Americas operations in ensuring it remains compliant with relevant regulations in the territories in which it operates. Compliance achieves this by monitoring regulatory developments, advising management on maintaining compliance, monitoring and reporting on compliance performance and the provision of compliance training to staff.

Compliance is a second line of defense function and does not relieve executive management of their responsibility for effective control.

The Corporate Compliance function is established by the Company Risk & Capital Committee (the “Committee”) of the Board of Directors. Compliance’s responsibilities are agreed and periodically reviewed by the Committee as part of its oversight role.

### **PROFESSIONALISM AND REGULATORY REQUIREMENTS**

The Compliance function will ensure it adheres to the Code of Conduct and professional standards of compliance related institutes of which staff are members as well as international best practice guidance for a compliance function.

The Bermuda Insurance Code of Conduct (6.52) requires that insurers ‘develop a function to assist it with monitoring and evaluating its compliance with jurisdictional laws and regulations, internal controls, policies and procedures.’”

The Compliance function will also need to meet regulatory expectations in other non-US jurisdictions in which Argo Group operates. These generally include a requirement for the role, authority and responsibilities of the function to be documented.

Lloyds’ Minimum Standards (GOV 6.3) require organizations to have an effective compliance function. The compliance function shall include:

- Advising the board on compliance with laws, regulations and administrative provisions adopted pursuant to the Solvency II framework directive, Lloyd’s rules / requirements and other relevant regulatory requirements;
- An assessment of the possible impact of any significant changes in the legal environment on the operations of the business;
- The identification and assessment of compliance risk;

- Assessing the adequacy of the measures adopted by the business to prevent non-compliance; and
- A compliance policy that defines the responsibilities, competencies and reporting duties of the function.

## **AUTHORITY**

The Compliance function derives its authority from the Board Risk & Capital Committee via the Chief Risk Officer and reports on its activities back to the Committee. The scope of activities of the function includes all the activities of the Company excluding Americas operations, which are supported by the Americas Regulatory Compliance function.

The function's work will include, but not be restricted to, reviewing the compliance policies and procedures and their performance in practice by management to ensure the effective management of regulatory risks, including:

- Managing regulatory relationships with the Bermuda Monetary Authority (BMA) as the Group Supervisory and regulatory authority for Bermuda-based subsidiaries.
- Managing other key international regulatory relationships.
- Ensuring that Argo Group evaluates its ongoing compliance with the Bermuda Insurance Code of Conduct (ICC) and periodically inform management of improvement action plans required;
- Maintaining policy governance in terms of providing a Group-level Policy framework;
- Providing second line of defense compliance monitoring oversight;
- Providing regulatory compliance training and advice to management and staff of Argo Group's non-American operations;
- Providing Compliance assurance reporting to Board(s) and Committee(s) within the Argo Group;
- Monitoring and advising on regulatory developments and changes;
- Designing effective, efficient and economic solutions to the way in which regulatory requirements are implemented.

## **ORGANIZATION**

The Risk & Capital Committee will:

- Approve the Corporate Compliance function charter.
- Approve the Compliance strategy and annual plan;
- Receive communication from the Chief Risk Officer on the Corporate Compliance function's performance relative to its plan and other matters;
- Make appropriate inquiries of management and the Chief Risk Officer to determine whether the Corporate Compliance function is appropriately resourced.

The Chief Risk Officer will communicate and interact directly with the Risk & Capital Committee, including in executive sessions and between Committee meetings as appropriate.

## **INDEPENDENCE**

The Corporate Compliance function is a second line of defense function. It therefore has a dual role in both supporting first-line management in discharging its accountabilities for managing compliance risk exposures, but also providing constructive challenge and assurance to executive management and the Board over the effectiveness of the Company's compliance arrangements.

## **RESPONSIBILITY**

The function manages a Compliance plan that covers all aspects of the function's work and progresses the delivery of the Company's Compliance strategy. This includes the following elements:

### **Regulatory Guidance, Training & Creation of a Compliance Culture**

- The compliance function is expected under the Insurance Code of Conduct (ICC 6.52) to promote and sustain a corporate culture of compliance and integrity. It achieves this by providing advice and training on compliance matters;
- Provide accurate and timely regulatory guidance to all interested parties, reviewing the methods for communication to ensure they remain fit for purpose;
- Works in conjunction with the Americas Legal Regulatory Compliance function to deliver the Group's use of online training to support and enhance company-wide understanding of compliance issues such as to Anti-Bribery & Corruption (ABC), Data Protection, Money Laundering, Insurance Conduct of Business, financial crime and sanctions;
- Ensure staff are informed of mechanisms that are in place to allow staff to anonymously raise concerns over compliance deficiencies and breaches (ICC 6.52).

### **Relationships with regulators**

- Act as principal point of contact with the Bermuda Monetary Authority as Group supervisor and regulatory authority for Argo Re Limited and other Bermuda-based subsidiaries;
- Support the Principal Representative role holder (for Argo Re Limited and other Bermuda-based subsidiaries) and provide Group Representative (for Argo Group) role holder able to discharge their accountabilities under Bermuda laws and regulations (ICC4.21-4.23);

- To ensure there are appropriate systems and processes in place that ensure appropriate, timely and effective communication with the BMA and other relevant regulators occurs (ICC4.14);
- Support the Board and senior management in ensuring Argo Group communicates with the BMA in an open and cooperative manner (ICC 4.16);
- To be the principal point of contact in the United Kingdom for the Prudential Regulatory Authority (PRA), the Financial Conduct Authority (FCA) and for Lloyd's from a regulatory perspective;
- To be the principal point of contact for other EMEA regulators including Malta Financial Services Authority (MFSA) in Malta, Dubai Financial Services Authority (DFSA) in The United Arab Emirates, Monetary Authority of Singapore (MSA) in Singapore, FINMA in Switzerland; and the IVASS in Italy;
- To ensure compliance with the requirements of the PRA and FCA roles for the Senior Insurance Managers' Regime.

### **Monitoring of Regulatory Developments**

- Monitor developments in International regulation and circulate relevant information to interested parties within the Group;
- Monitor/assess the impact of regulatory and/or legislative developments on Argo's activities and, where required, provide guidance to the business.

### **Compliance Policy Framework**

- Maintain a Policy Management Framework for Group-level Policies to ensure Argo Group remains in compliance with applicable international regulatory requirements;
- Establish clear ownership of policies and a regular review workflow to meet regulatory requirements (ICC 5.43);
- Maintain Compliance function policies, guidelines and procedures;
- Ensure that Policies and Procedures, including those related to legal, ethical conduct and regulatory compliance, are effectively owned by management and maintained up to date as well as effectively communicated to staff (ICC 6.52).

### **Compliance Monitoring**

- To establish and maintain a Group-wide compliance monitoring program capable of evaluating local and Group-level compliance performance against a range of regulatory and Argo Group policy requirements (ICC 6.52);
- The scope of Compliance monitoring to include at least Anti-Bribery & Corruption (ABC), Anti-Money Laundering (AML) and terrorism financing, Anti-Fraud, Code of Conduct & Business Ethics, Conflict of Interest, Fit & Proper, international sanctions, legal and

regulatory compliance management, market business conduct (including insider trading and market abuse), Outsourcing Review, Gift and Entertainment review, and non-public personal information protection (including data protection and retention).

- To support management in putting place plans to address deficiencies or non-compliance situations (ICC 6.52).

## **Reporting**

- Report, as required, to the Risk & Capital Committee as well as Committees and Boards of appropriate entities within the Argo Group.
- To oversee the timely review, sign-off and submission of regulatory filings including the Bermuda Solvency Capital Requirement (BSCR) submissions for both Argo Group and Argo Re.

## **COMPLIANCE STRATEGY AND ANNUAL PLANS**

The Chief Risk Officer is responsible for defining an overall Corporate Compliance strategy that articulates the Company's medium-term aspirations in terms of developing its Compliance program. This strategy covers a 3-year period and articulates how the Company addresses stakeholder expectations, including regulators. The function's annual plan contributes towards achieving this strategy and is endorsed by the Chief Risk Officer, and approved by the relevant committees and Boards within the Argo Group.

## **REPORTING AND MONITORING**

The Compliance function will provide quarterly reporting, to risk committees and other management meetings to provide executive management and Boards with assurance over Compliance performance.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The function will manage a Compliance plan that covers all aspects of the function's work and progress in delivery of the Company's Compliance strategy.

The Chief Risk Officer will periodically review the operational performance of the Corporate Compliance function and report on their conclusions to the Argo Group Board Risk & Capital Committee.

## **APPROVAL**

Re-approved by the Risk & Capital Committee on February 17, 2020.