

Risk Management Policy

Rationale

Argo Group (“the Company”) is committed to establishing and maintaining a sustainable risk management framework as an integral part of its business model supporting business planning and capital management.

Enterprise Risk Management (ERM) is a company-wide process sponsored by Argo’s Board that identifies, assesses, monitors, manages and reports risks that could materially influence Argo’s ability to deliver its strategic objectives. ERM is intended to be a business enabler that enhances the Company’s performance and shareholder value as well as a means of providing assurance to the Board and shareholders that various regulatory and legal requirements are met.

The Company considers the implementation of an effective risk management framework as a strategic imperative, not only to meet regulatory requirements such as those laid out in the Bermuda Monetary Authority’s (“BMA”) Code of Conduct and the regulations in Countries in which the Company conducts business, but also to gain a competitive edge by improving its understanding of its own risks and capital requirements for solvency on a per risk and an aggregated basis.

The contents of this Risk Management Policy (the “**Policy**”) and the risk management framework that supports should be observed by all board members, officers, third-party providers (collectively defined herein as “**key functionaries**”), and employees of Argo Group International Holdings, Ltd. and its subsidiaries (collectively referred to as “Argo”, “Argo Group” or the “**Company**”).

In applying this Policy, the Company will:

- Ensure that risks are made visible by ensuring they are identified, assessed, managed and monitored on an ongoing basis;
- Articulate a clear risk appetite in terms of its ability and willingness to take risk;
- Assign clear accountability for managing risks and ensure those with these accountabilities establish policies and procedures for managing material risks within risk appetite;
- Act when material risks fall outside its agreed risk appetite.

Background

Argo operates in an environment of uncertainty. The Company recognizes that creating a sustainable business model and enduring shareholder value come from actively seeking and accepting opportunities, while managing threats within acceptable bounds.

The Company’s Vision for risk management is as follows – “Risk intelligence enables Argo to achieve its strategic objectives by taking appropriate risks and exploiting opportunities”.

In support of this Vision, Argo operates a Risk Management Policy and framework which seeks to achieve the following:

- Risk Governance & Culture –ensure clear accountabilities are defined and a risk aware culture is fostered in line with Argo’s Purpose and Values;
- Risk Identification and Prioritization –ensure current and emerging risks that could materially impact its financial resources, volatility of resources or the viability of its business model are understood and articulated in a timely manner;
- Risk Appetite, Tolerances and Limits –ensure clear boundaries for acceptable risk taking are defined by the Board;
- Risk Management and Controls –ensure conscious management decisions are taken to secure opportunities and bring threats within acceptable bounds;
- Risk Reporting and Communication –ensure communication of risk information to different levels in the organization to support decision-making.

The Company’s Risk Management Strategy is to ensure that all staff have access to the appropriate tools, processes and training to enable them to make informed and timely risk-taking decisions. This implies five key principles adopted in the manner in which the framework is implemented:

- “Risks are made visible”
- “Risks are discussed and understood”
- “Risks are owned”
- “Appropriate action is taken”
- “Argo Group learns from its risk taking”

The risk management function is provided with authority from the Board, as directed by management, through the Chief Risk Officer to:

- Provide the infrastructure and information systems required to create a sustainable risk management framework;
- Deliver an Own Risk and Solvency Assessment (“ORSA”) process capable of informing the Board and senior management on the Company’s solvency and risk profile on an ongoing basis;
- Ensure the risk management framework established by this Policy is supported by a sound governance and internal control system designed to meet the Bermuda Code of Conduct.

Authority, Responsibility and Accountability

Argo Group Board

- Approve the Risk Management Policy ("the Policy") and any changes made to it;
- Retain primary responsibility for the Policy and oversee compliance with the Policy; Delegate day to day responsibility for the implementation and maintenance of the Policy, including the risk management framework, to Chief Risk Officer;
- Ensure independence of the Risk Management Function from the underwriting and business operations in respect of the managerial reporting relationships;
- Ensure that the Chief Risk Officer has direct communication with the Company's Board.
- Ensure that the Chief Risk Officer and Risk Management Function have access to all Company personnel and information as needed to enable them to ensure compliance with this Policy.
- Evaluate the Policy and compliance with the Policy, to include adoption of any changes deemed necessary, on an annual basis

Chief Risk Officer

- Implement and maintain the Policy;
- Ensure compliance with the Policy;
- Report to the Company's Board and CEO or CFO as required or appropriate regarding compliance with the Policy;
- Ensure that the risk management framework is applied consistently across the entire organization including processes to identify, analyze, manage and report risk exposures and related control systems;
- Support the Board in articulating the Company's risk appetite and monitor risk exposures against agreed risk tolerance limits;
- Develop plans and processes to ensure the delivery of the Company's risk strategy;
- Recommend risk response and treatment options to the extent that identified risks fall outside the Company's risk tolerance;
- Ensure risk exposures are monitored and reported against as required by this Policy;
- Consult and coordinate with the various functions with respect to implementation of this Policy;
- Evaluate the Policy and compliance with the Policy and recommend adoption of any changes deemed necessary to the Board on an annual basis.

Compliance or designated legal counsel

- Review the Policy at least annually;
- Provide appropriate guidance as requested or required;
- Report to the Chief Risk Officer and/or CEO as required or appropriate;
- Maintain a record of relevant correspondence, inquiries and investigations related to this Policy.

Heads of Business Divisions, Business within the Divisions, and Corporate Departments

- Responsible for working with their respective Executives, Senior Management and all employees to promote and maintain awareness of the Policy and its standards;
- Responsible, as the first line of defense, for establishing procedures that are intended to ensure that all employees are complying and continue to comply with this Policy;
- Report immediately any breaches of this Policy to the relevant Business Division's Executive local compliance Officer and/or designated legal counsel, and the appropriate Group Compliance employee and/or designated legal counsel;
- Provide timely and accurate information as required by the applicable procedures to the relevant Business Division's Executive local Compliance Officer and/or designated legal counsel, and appropriate Group Compliance employee and/or designated legal counsel;
- Refer requests for Policy and/or Procedure interpretation and/or application to the relevant Business Division's Executive, local Compliance Officer and/or designated legal counsel, and the appropriate Group Compliance employee and/or designated legal counsel.

Policy Considerations

Exceptions or Waiver

None

Revision

The Chief Risk Officer, in consultation with the CEO and senior management of the Company, shall review this Policy at least annually and propose any recommended major changes to the Board.

Adoption

This Policy and any change made during the reviews shall be adopted by resolution of the Board.

Ownership:

Policy Owner(s)
Chief Risk Officer

Version Control:

Version:	Effective Date:	Reviewed By:
1	11/2011	Compliance
2	5/2016	Chief Risk Officer
3	5/2017	Chief Risk Officer
4	2/2018	Chief Risk Officer
5	2/2019	Chief Risk Officer
6	2/2020	Chief Risk Officer

Document Governance:

Implementation	
Approved by:	Argo Group Board of Directors
Approval Date:	17 th February 2020

Related Materials:

Argo Group Risk Management Framework
