



Enterprise Risk Management

The Guardian Group is a Caribbean financial services group whose offerings include Life and Health Insurance and Pensions, Property and Casualty Insurance and Asset Management and Investment Advisory Services.

We are committed to increasing shareholder value through the prudent management of risks inherent in the production, distribution and maintenance of these products and services. We also continue to explore opportunities to develop and expand our business organically, and through acquisition, with strategic plans being subject to careful consideration of the trade-off between risk and reward, and subject to the risk appetite and tolerance criteria approved by the Board of Directors.

All of the Group's activities involve the measurement, evaluation, acceptance and management of some degree of risk, or combination of risks including insurance, market, credit, operational, strategic and business risks. The Board and Management consciously promote a responsible approach to risk to ensure that the Group's long-term survival and reputation are not compromised in the pursuit of growth and market expansion. This is driven by our obligation and intent to create value for our shareholders by optimizing the opportunities for reward by:

- Maintaining a comprehensive perspective on risk reduction as it relates to the erosion of critical sources of shareholder value through our focus on earnings volatility reduction and the avoidance of earnings related surprises.
- Optimizing risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off.
- Building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk.
- Increasing our resistance to financial contagion and resilience to the impact of external events.
- Assuring compliance with all applicable laws and internal procedures.

The Board and Management consciously promote a responsible approach to risk to ensure that the Group's long-term survival and reputation are not compromised in the pursuit of growth and market expansion. The Group intends to demonstrate a culture of Risk management which over time will further embed the first line of responsibility for risk management with our businesses and improve risk and control issues. The responsibility for risk management is fully vested in the Board of Directors which in turn delegates such to specifically authorized Board Committees, the Executive Board and Management. The Group will avoid products, markets and businesses where it cannot objectively assess and manage the associated risks. All existing products, businesses and markets and the consideration of any new initiatives must be compliant with the Group's Risk Appetite.

Risk Management is sponsored by the Board which oversees the risk appetite and profile of the Group to ensure that business developments are consistent with the Group's risk appetite and goals. The Board of Directors delegates its authority to the GHL Board Risk and Compliance Committee (GHL R&C) which has responsibility for ensuring that an appropriate enterprise risk management framework is in place including the development and implementation of risk control policies. The Committee receives information on the Group's risk profile, breaches of the policy framework and external developments

which may impact on the effectiveness of the enterprise risk management framework. The Committee also approves significant changes to Risk Management policies and Framework and assures that all such responsibilities, reporting and policies are consistent throughout the Group. The terms of reference for the Committee are outlined in a specific Charter which has been approved and formally adopted by the Board of Directors.

The GHL Group Risk Management function (GRM) defines and owns the Group Risk Architecture and is responsible for the development of an overall risk management strategy, framework, and the establishment and communication of procedures guidelines and standards. GRM also serves as an independent, objective focal point for all risk related issues that affect the Group's short and long term strategic plans, operating and financial performance through the development and implementation of operational and financial RM structures, tools and limits. GRM drives the integration of risk management with the strategy development process, provides a risk based perspective on proposed business plans and transactions and ensures effective alignment between the ERM process and capital, resource allocation and investment decisions through collaboration with the Group Executive Committee and Board Investment Committee.

GRM also guides and reports on the work of the Business Unit Executive Risk Committees which review and assess the integrity and adequacy of the risk management function of the Business Unit including organizational structures, policies and processes and on the basis of such assessment, recommend to the Board for its approval detailed risk control policies and procedures and subsequent fundamental changes to such policies and procedures. GRM has a representation on the BU Executive RM Committees, with the Group CRO acting as Chairman. The terms of reference for the BU Executive Risk management Committees have been outlined in Charter documents which have been approved by their respective Board Audit Risk and Compliance Committees.