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<tr><th colspan="6">KEY INSURANCE COMPANY LIMITED</th></tr>
<tr><td>Policy Name</td><td colspan="5">ENTERPRISE RISK MANAGEMENT (ERM) POLICY & FRAMEWORK</td></tr>
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1. INTRODUCTION

Key Insurance Company Limited ("KEY"), a subsidiary of GraceKennedy Financial Group (GKFG), is a general insurance company operating in Jamaica.

To manage the risk exposures inherent to operating within the insurance sector, KEY has implemented an integrated framework to manage the risks to its business. As part of the framework, this Enterprise Risk Management Policy ("the ERM Policy") outlines the deliberate system of principles aimed at guiding Enterprise Risk Management ("ERM") decision making across KEY including all KEY personnel, senior officers and directors who are directly or indirectly involved in the strategic, operations, compliance and financial activities of KEY.

The policy and framework are influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and International Organization for Standardization- ISO 31000:2009 Enterprise Risk Management frameworks. Both frameworks are used conjunctively to establish internal controls to be integrated into business processes and provide guidance to KEY risk management practices.

Enterprise Risk Management reinforces effective reporting and provides reasonable assurance that the organization is operating in compliance with the established laws and regulations.

2 POLICY OVERVIEW

Risk is inherent in all dealings of KEY and presents both an opportunity and a threat to the achievement of strategic and operational objectives. It is not always possible or indeed desirable to eliminate all risk in developing and executing business strategies, however risks should be managed. It is therefore critical that all risk events are properly identified, measured and managed within KEY in order to minimize losses, improve efficiencies, protect stakeholder value, meet regulatory criteria, and maximize opportunities.

It is therefore the policy of KEY that, to give reasonable assurance of the achievement of its business objectives, a risk-based approach to the identification and management of all potential events - threat or opportunity, which could affect the achievement of these objectives, will be utilized.

3. PURPOSE

The purpose of this document is to provide guidance specific to the management of risk to support the achievement of KEY's strategic objectives. It is also intended to ensure that the approach to risk management at KEY is conducted in an objective, documented and transparent manner within its Risk Appetite Framework.

4. SCOPE

This ERM Policy applies to KEY.

4.1 ERM Goals and Objectives

Components of Enterprise Risk Management consists of nine interrelated components. These are derived from the strategic, operational and organizational design of KEY and are integrated within its management processes.

Key components:

(i) Internal Environment – The internal environment encompasses the tone of KEY and sets the basis for how risk is viewed and addressed by its people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which KEY operates.

(ii) Objective Setting – Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with KEY's mission and are consistent with its risk appetite.

(iii) Event Identification – Internal and external events affecting achievement of KEY's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective-setting processes.

(iv) Risk Assessment – Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis taking into consideration various mitigating actions.

(v) Risk Response – Management selects risk responses i.e. avoiding, accepting, reducing, or transferring risk; developing a set of actions to align risks with KEY's risk tolerances and risk appetite.

(vi) Control Activities – Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

(vii) Information and Communication – Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across, and up within KEY.

(viii) Monitoring – The entirety of enterprise risk management is monitored, and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both. Enterprise risk management is not strictly a serial process, where one component affects only the next. It is a multidirectional, iterative process in which almost any component can and does influence another.

(ix) Reporting - Risk reporting is a critical element of the enterprise risk management framework as it provides Management, Audit Committee and Board of Directors with the information needed to make sound decisions that align with the Company’s risk appetite and business objectives.

4.2 Risk Management Principles

KEY employs a risk-based approach to managing its business which is designed to provide reasonable assurance that business objectives will be met. KEY’s approach to risk management is based on the following principles:

(i) Risk assessment should be conducted in the initial stages of any strategy developed, process or project to include the identification, description and estimation of the risk;

(ii) Risks represent both opportunities and threats and therefore effective governance is required to manage uncertainty associated with significant risks and increase the potential for reward through opportunities;

(iii) Risk is an integral part of business, and it cannot be eliminated without eliminating the associated opportunities. It should be managed to a level that is reasonably practical and appropriate for the business and reported on in a timely and transparent manner;

(iv) Effective risk management equips management and staff with the tools to make appropriate risk and return decisions and provides greater assurance that KEY's vision, strategy and objectives will be achieved without any unexpected event;

(v) Successful risk management is a continuous real-time process that is embedded in operational procedures and is reliant upon all employees’ participation, openness, integrity, and accountability;

(vi) Responsibility for risk management is shared;

(vii) Business decisions must be based on an understanding of risk;

(viii) Avoid activities that are not consistent with the values, code of conduct and policies of KEY, GKFG Insurance Segment, GraceKennedy Financial Group Limited, and the parent company (GraceKennedy Limited); and

(ix) Proper focus on the client reduces KEY's risks – knowing your client at the start of, and throughout, the relationship is a key risk management principle in the financial industry.

5. DEFINITIONS

"**Contro**l" means an existing process, policy, device, practice or other action that acts to minimize negative risk or enhance positive opportunities.

"**Impact**" is the outcome or impact of an event, can be both positive and negative, expressed qualitatively or quantitatively and are considered in relation to the achievement of objectives.

"**Likelihood**" this is used as a general description of probability or frequency, expressed qualitatively or quantitatively.

"**Risk"** is the chance of something happening that will have an impact upon objectives. It is measured in terms of impact and likelihood. Business risk arises as much from the possibility that KEY will not realize opportunities, as it does from the possibility that threats will materialize.

"**Risk Appetite**" means the quantum of risk KEY is prepared to take in pursuit of its objectives.

"**Risk Assessment**" is the process for assessing and ranking risk/opportunities based on likelihood of occurrence and the consequence of the risk.

"**Risk Management**" is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

"**Risk Tolerance**" is the quantum of risk which KEY is willing to accept in the event of one or multiple risks materializing. It is represented using key business metrics, often derived from existing key performance indicators.

6. ROLES AND RESPONSIBILITIES

It is important to note that the owners of risk are the first line of defense, and KEY/GKFG Risk as the second line of defense, provides oversight to assess and provide reasonable assurance that the risk management framework is implemented and working as intended. The business has a key responsibility to always operationalize and implement risk management.

As well, similar to the KEY/GKFG Risk function, the Group Internal Audit function is also independent, and will function in the ambit of the three lines of defense.

6.1 Board of Directors

The KEY Board has oversight responsibilities and accountability for an effective risk governance framework and is ultimately accountable for determining KEY's risk profile. This includes a strong risk culture, a well-developed risk appetite articulated through a Risk Appetite Statement, and well-defined responsibilities for risk management and control functions. The Board should ensure that risk management functions are properly positioned, staffed, and resourced and that they carry out their responsibilities independently, objectively, and effectively. They should ensure that there are regular reviews of key policies and controls, confirming that they are identifying and addressing significant risks. They should also make decisions on whether adequate controls are in place to manage risk exposure to acceptable limits.

The Board should identify and fully appreciate the business risk issues and key performance indicators affecting the ability of KEY to achieve its vision and strategic objectives and must ensure that appropriate systems are in place for the management of the identified risks and measurement of their impact, so that KEY's assets, profits and reputation are suitably protected.

Each member of the Board shall understand their accountability for risk management within KEY.

The Board shall provide oversight to the Risk Management Process by:

(i) Providing stakeholders with assurance that key risks are properly identified, assessed, mitigated, and monitored;

(ii) Monitoring the entities' exposure to key risks that could adversely impact its strategy, reputation or long-term viability. Engage in regular discussion with management to understand any change to the organization's context that may impact the strategy and result in new or emerging risks. Consider whether or not the resultant risk exposure is consistent with the organization's risk appetite;

(iii) Overseeing alignment of business performance, risk taking, and incentives/compensation to balance short-term and long-term strategic achievement;

(iv) Requiring management to demonstrate an understanding of the risk capacity of the entity to withstand specified, unexpected events;

(v) ensuring the receipt of credible and accurate information regarding the risk management processes of KEY in order to give the necessary assurance to stakeholders;

(vi) ensuring that the various processes of risk management cover the entire spectrum of risks that KEY is exposed to;

(vii) Maintaining and approving a formal risk management policy and risk appetite statement for KEY. This policy, along with the risk appetite statement, may be used as a reference point in matters of dispute and uncertainty such as appetite for risk;

(viii) Ensuring that management has established an effective risk management structure within KEY;

(ix) Review periodic reports from the Risk Management Function / Risk Management Committee and discuss, request and approve suggested actions;

(x) Ensuring, that they are kept apprised of the most significant risks to KEY and whether they are being managed appropriately;

(xi) Setting the appropriate tone as it relates to risk management, which will guide the organization in creating a strong control environment;

(xii) Ensuring the internal audit function assesses the risk management practices and internal controls of KEY;

(xiii) Ensuring that an external audit or review of the programme is carried out on a periodic basis at a minimum every three to five years; and

(xiv) Mandating that a risk assessment of all the KEY's business relationships and transaction types are conducted to determine which business relationships or transaction types are high risks to KEY.

Of note, these responsibilities sit at both KEY and GKFG boards.

6.2 Audit Committee

The KEY Board has charged the Audit Committee with the responsibility for overseeing the risk management programme on its behalf in accordance with its Terms of Reference. The committee should provide an evaluation of the performance of risk management and internal control. In ensuring that management has established an effective risk management framework in KEY, the committee will:

(i) Foster and promote a strong risk-awareness culture by setting the 'tone at the top.' Encourage open and transparent discussion of risks. Monitor the risk culture and advise the KEY General Manager (GM)/Board on any action that should be taken to strengthen KEY;

(ii) Review the adequacy, efficiency and effectiveness of KEY's risk management framework;

(iii) Review, challenge and advise the KEY GM/Board on KEY's risk appetite statements. Discuss their continuing appropriateness and make recommendations for change as necessary;

(iv) Oversee KEY's processes for comparing overall risk exposure to risk appetite and monitor/challenge any occasions where the two are not aligned;

(v) Review the activities and structure (including resources) of the risk management function. Advise the KEY GM/Board if these are inadequate;

(vi) Ensure that risk is considered in all major decisions – including in the strategic planning process and the approval process for new programmes, activities, processes and systems;

(vii) Discuss strategies taken to manage risk, both on an aggregated basis and by material risk type, in order to ensure management actions, keep risk exposure within the stated risk appetite;

(viii) Review the significant risks and exposures to KEY and their mitigation strategies;

(ix) Review risk assessments and reports prepared by Audit, Risk and Compliance Officers;

(x) Challenge management to ensure that their actions promote effective risk and compliance management; and

(xi) Ensure that adequate capital and other financial resources are maintained for the operations of KEY.

The Audit Committee will inquire of management and assurance providers about significant risks or exposures including illegal acts and assess the steps management has taken to minimize such risk to KEY and the markets in which it operates. To establish and maintain a robust risk and compliance framework, the GKFG Risk Manager and the Chief Compliance Officer - GKFG, are standing invitees to the Audit Committee.

6.3 GK Group ERM Committee

The GK Group ERM Committee will provide risk management policy guidance to GKFG and by extension KEY and will recommend changes consistent with the risk management processes within GraceKennedy Group.

6.4 GKFG Shared Services Leaders (Heads of Units)

The Shared Service Leadership is responsible for identifying, assessing, quantifying, reporting, and managing all risks within their lines of business. They are accountable to the KEY Board for designing, implementing, and monitoring of the risk policy and the processes of risk management integrating them into the relevant day-to-day activities of KEY. They also ensure alignment of business strategy with corporate culture, appetite, and policy.

6.5 KEY General Manager

It is the responsibility of KEY Management who are the closest to the changing nature of risks affecting the business to ensure that these are identified, managed and monitored on a continuous basis.

Management will adhere to the risk management practices by:

a. Designing the KEY Risk Appetite Statement subject to KEY limits; and

b. Implementing a systematic approach to assess, manage, report, monitor, and mitigate risks that could affect the achievement of their:

(i) Strategic Objectives;

(ii) Strategic Initiatives;

(iii) Key Process;

(iv) New products and/or services;

(v) Establishing a review mechanism for reporting progress on significant risk mitigation projects in KEY;

(vi) Establishing a process for evaluating new activities including initiatives, products, services or systems, to ensure adequate consideration of risk impact and likelihood;

(vii) Escalating key risk issues identified promptly as appropriate;

(viii) Establish a procedure for identifying and correcting breaches of established limits;

(ix) Conducting stress tests on capital and liquidity throughout KEY;

(x) Ensuring that the activities within their purview are carried out in accordance with applicable laws, regulations, codes and standards;;

(xi) Ensuring that the expectations as it relates to compliance management are clearly documented and disseminated;

(xii) Conform to the guidelines around concentration risks;

(xiii) Monitor their concentration risk exposures;

(xiv) Report on all concentrations above prescribed regulatory or internal policy limits. These may include investments counterparty limits, asset class limits (FX or fixed income investments), or general levels of underwriting concentration above risk appetite;

(xv) Review their gearing position in line with KEY's Risk Appetite;

(xvi) Demonstrate an ability to manage risk exposures that may have a contagion effect on GKFG and GKL, and report in a timely manner any risk concerns.

6.6 Role of the Group Chief Risk and Compliance Officer (GCRCO), GK

The GCRCO has full oversight for the risk management function of the GraceKennedy Group of Companies, of which KEY is a part. These Guidelines and any subsequent changes must be approved by the GCRCO.

The responsibilities of the GCRCO include:

(i) Developing, updating and monitoring the risk framework guiding GraceKennedy Group (GK);

(ii) Ensuring an appropriate structure is in place to adequately mitigate risk across the GK;

(iii) Continuous improvement of the risk management programme across GKFG, and by extension KEY; and

(iv) Ensuring the risk function is equipped and trained to handle the requirements of GKFG and by extension KEY.

6.7 Role of the GK Group Risk Manager

The GKL-RM is responsible for:

(i) Providing strategic, operational and advisory support in the implementation of the risk management frameworks across GK;

(ii) Advising on the implementation of systems/processes to standardise and improve the efficiency of the risk management frameworks across GK including systems/processes re capturing, documenting, monitoring, analysing and reporting on risks and controls;

(iii) Facilitating (with the assistance of management, risk owners and their designees) the creation and maintenance of risk templates capturing: plans to prevent risk occurrence; mitigation plans to manage consequences and response should the risk occur; indicators/metrics to monitor the risk; and risk accountability; and

(iv) Co-ordinating the risk assessment of the GK's top risks, where risks are identified, assessed and prioritized. Subsequently, facilitates on-going updates on the status of risks leveraging the Enterprise Risk Committee, Executive Committee, other management committees, risk owners and their designees.

6.8 GKFG Risk Manager

The GKFG Risk Manager is responsible for formulating and recommending to the KEY GM and KEY Board, the Risk Management Framework and for maintaining the same.

This will include:

(i) Drafting, recommending changes, and reviewing KEY Risk Management Policy and Guidelines;

(ii) Overseeing the implementation of the Enterprise Risk Management Framework in collaboration with the Executive and Management of KEY;

(iii) Facilitating the periodic review of the Risk Appetite Statement of KEY at least annually;

(iv) Reporting periodically to the KEY GM, Audit Committee, Group Chief Risk & Compliance Officer and the KEY Board on Enterprise Risk Management programme in KEY;

(v) Advising the KEY GM, KEY Audit Committee and the Management on matters to do with Enterprise Risk Management;

(vi) Coordinating the updating and maintenance of risk assessments of strategic objectives, strategic initiatives, key processes and, new products and services and reporting on the list of top risks across KEY;

(vii) Monitoring and reporting on the status of documentation, testing and remediation of internal controls including escalation of issues as required;

(viii) Reporting incidents of fraud or criminal activity impacting KEY;

(ix) Providing support to management in the evaluation of risk issues arising from the execution of KEY's strategies; and

(x) Develop procedures to identify, measure and monitor concentration risk throughout KEY.

6.9 Role of the Risk Analyst, GKFG-Insurance Segment

The IS Risk Analyst(s) inter alia maintains the full register of risk assessments and prepares the Top 10 risk reports. The Risk Analyst(s) also alternates for the GKFG Risk Manager where necessary, and applicable.

6.10 Internal Audit Responsibilities

The role of Group Internal Audit is to evaluate the effectiveness of the risk management processes and activities and provide assurance to management and the Board in respect of the same. Internal Audit will not be responsible for managing risk but will assess whether the programmes implemented to identify and respond to risk events are being used effectively and are adequate. Its role also includes:

(i) Periodically auditing the operations at KEY's locations, and Compliance Unit to evaluate among other things the risk management practices and internal controls of the KEY; and

(ii) Reviewing the adequacy and effectiveness of management's processes for risk management, internal control, and governance.

7. RELATED DOCUMENTS

- GraceKennedy Risk Appetite
- GraceKennedy Financial Group Risk Appetite Statement
- KEY Risk Appetite Statement
- GraceKennedy Risk Appetite Governance Standard
- GraceKennedy Risk Assessment Guideline
- GraceKennedy Risk Assessment Reporting Standard
- GraceKennedy Business Continuity and Crisis Response Group Policy
- GraceKennedy Delegation of Authority Policy

- GraceKennedy Risk Policy
- GraceKennedy Enterprise Risk Management Reporting Calendar
- ICP 16 Enterprise Risk Management for Solvency Purposes

8. DOCUMENT CONTROL & EXPECTATIONS

This document is to be reviewed and revised at least annually by the GraceKennedy Financial Group (GKFG) Risk Team. All changes must be reflected in the change log, accompanied by a version update on the cover of this document. GKFG Risk is required to maintain all finalized versions of this document on its Risk Management SharePoint.

This document may not be altered unless there is an accompanying memo indicating reasons for this change, which must be signed off by the GKFG Risk Manager after consultation with the GK Group Risk Manager, and Group Chief Risk & Compliance Officer, GK (GCRCO).

Failure to comply with this policy may result in disciplinary process/action in accordance with GraceKennedy Limited's Corrective - Disciplinary Action Policy (applicable to all entities including those in the financial group), and formal reporting of non-compliance to the Board.

POLICY HISTORY			
VERSION	**RELEASED**	**REAFFIRMED**	**REVISED**
1	December 1, 2022		