



Wise Financial Thinking for Life

## SAGICOR GROUP

Enterprise Risk Management Policy

March 2025

## REVISION CONTROL

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To ensure the validity and relevance of this policy, it will be reviewed every two years and revisions will be done as necessary. The policy may also be revised earlier if there are any significant changes in the frameworks, best practices and regulations that guide Enterprise Risk Management or if there are any significant changes to the business context. Revisions will be documented and summarized in the table below:

REVISION DATE	SUMMARY OF REVISIONS
April 2020	<ul style="list-style-type: none"> <li>• Policy Creation.</li> <li>• Alignment to the COSO 2017 ERM Framework                             <ul style="list-style-type: none"> <li>○ Five interrelated components; supported by 20 key principles.</li> <li>○ Emphasizes the importance of aligning business objectives and strategy with an organization’s mission, vision, and core values.</li> <li>○ Recognizes the importance of corporate culture.</li> <li>○ Focuses on improving value.</li> <li>○ Emphasizes the close relationship between risk and decision-making.</li> <li>○ Refines risk tolerance in risk assessment.</li> <li>○ Builds links to internal control framework.</li> <li>○ Emphasizes the need to integrate ERM into all aspects of an organization’s operations.</li> </ul> </li> </ul>
March 2025	<ul style="list-style-type: none"> <li>• Rephrased introduction and redefined policy purpose</li> <li>• Timeline for revision extended.</li> <li>• ERM Components and Principles simplified.</li> <li>• Chief Risk Officer</li> <li>• Removal of the following sections:                             <ul style="list-style-type: none"> <li>○ Benefits of Risk Management</li> <li>○ Corporate Governance Committee</li> <li>○ Definitions of Information, Organization, and Data from Glossary</li> </ul> </li> <li>• Addition of the following sections                             <ul style="list-style-type: none"> <li>○ Related Policies and Reference Documents</li> <li>○ Proactive Risk Management</li> <li>○ Risk-Based Oversight</li> <li>○ Appendices, to now include Glossary and Portfolio View of Risks</li> <li>○ Definitions of Control, Risk Assessment, Risk Owner and Risk Tolerance to Glossary</li> </ul> </li> </ul>

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## INTRODUCTION

Sagicor Group Jamaica and its subsidiaries (“The Group”, “SGJ”, “Sagicor”) operate in a dynamic environment characterized by growing complexity, volatility, and ambiguity. Such conditions pose risks that can manifest as both threats and opportunities to the achievement of strategic and operational objectives. While it is impossible to eliminate all risks, Sagicor acknowledges the critical role of effective risk management in ensuring continued success and has implemented an integrated framework to manage its risks, including an Enterprise Risk Management (ERM) Policy (“The Policy”). The policy is influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and International Organization for Standardization- ISO 31000:2009 Enterprise Risk Management frameworks.

The Policy is established on the following overarching principles, which should guide decision-making throughout the organization. Individually, each principle is equally important, and taken as a whole, they form Sagicor’s risk management philosophy.

- Sagicor will establish a strong and supportive tone that is communicated from the top of the organization in support of a risk-awareness culture.
- Sagicor will define and establish risk appetite and tolerance statements in the context of creating, preserving and realizing value for its stakeholders.
- Sagicor’s approach to risk management will be conducted in an objective, documented and transparent manner within its Risk Appetite Framework
- Sagicor will ensure effective ERM practices are embedded at the strategic and operational levels of the organization.
- Sagicor will prioritize risks in order to inform decision-making and optimize allocation of resources.

## RELATED POLICIES AND REFERENCE DOCUMENTS

This policy should be read in conjunction with the following related documents:

SGJ – ERM Framework	SGJ Crisis Management Plans
SGJ Fraud Risk Management Framework and Policy	Risk Appetite & Tolerance Statements
ISO 31000	SGJ Taxonomy
COSO Framework	SGJ Liquidity Risk Policy
Risk Based Oversight Framework	SGJ Liquidity Crisis Resolution & Recovery Plan
Operational Risk Management Policy	SGJ’s Cyber Risk Policies
IT Compendium	SGJ’s Business Continuity & Disaster Recovery Plans

### Scope

This Enterprise Risk Management Policy applies to Sagicor Group Jamaica Limited and all its subsidiaries. It also applies to all activities or initiatives undertaken by the Sagicor Group or its subsidiaries, whether at Sagicor offices or other locations.

This Policy forms part of Sagicor’s internal control and Corporate Governance arrangements and is intended to guide enterprise risk management activities across the Group; and be a resource for internal stakeholders, including the Board, senior management, and all team members.

### 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 will communicate Sagicor's position and approach towards the risks it will face in pursuit of achieving value for its stakeholders. It will also identify the roles and responsibilities of the responsible parties involved in Enterprise Risk Management.

## Objectives

The objectives of this Policy are to:

- Establish and communicate Sagicor's commitment to achieving strategic objectives and initiatives within the context of an effective enterprise risk management framework.
- Provide a group-wide approach towards enterprise risk management activities.
- Ensure that key risks are identified, assessed and where necessary treated and reported in a timely manner to the Business, leadership team and appropriate committees and Board.
- Promote a risk-aware culture through enhanced communication.
- Embed risk awareness and management in planning and decision-making processes.
- Improve stakeholder confidence and trust; and
- Identify responsibilities and accountability of key stakeholders.

## ROLES AND RESPONSIBILITIES

Sagicor recognizes that a well-defined governance structure is essential for the effective implementation of the ERM framework. Clearly establishing roles and responsibilities ensures accountability, enhances risk awareness, and promotes a risk-conscious culture across all levels of the organization. Sagicor's risk management approach is guided by the Three Lines of Defense, which define clear distinctions between risk ownership, oversight, and independent assurance.

The successful management of risk requires collaboration between the Board of Directors, executive leadership, risk management functions, business units, and individual team members. Each stakeholder plays a critical role in identifying, assessing, monitoring, and mitigating risks in alignment with the organization's strategic objectives. This section outlines the key responsibilities of various roles, ensuring a structured and integrated approach to risk management.

### Board of Directors and Sub-Committees

The Board of Directors has primary responsibility for risk oversight across the Group, and has a fiduciary responsibility to stakeholders, including setting and reinforcing prudent enterprise risk management practices. They will have relevant technical knowledge and expertise that is relevant to Sagicor's operations and environment.

The Board has the following risk oversight activities for each Enterprise Risk Management component:

Component <sup>1</sup>	Board Risk Oversight Activities
<b>Governance and Culture</b>	<ul style="list-style-type: none"> <li>Assess the appropriateness of Sagicor’s strategy, alignment to the mission, vision, and core values, and the risk inherent in strategy.</li> <li>Define the Board risk governance role and structure including sub-committees for Sagicor.</li> <li>Engage with management to define the suitability of enterprise risk management.</li> <li>Oversee evaluations of Sagicor’s culture and that management remediates any noted gaps.</li> <li>Promote a risk-aware mindset that aligns the maturity of Sagicor with its culture.</li> <li>Oversee the alignment of business performance, risk taking, and incentives / compensation to balance short-term and long-term achievement of strategy.</li> <li>Challenge the potential biases and organizational tendencies of management and fulfils its independent and unbiased oversight role.</li> <li>Understand Sagicor’s strategy, operating model, industry, and issues and challenges affecting Sagicor.</li> <li>Understand how risk is monitored by management.</li> </ul>
<b>Strategy and Objective Setting</b>	<ul style="list-style-type: none"> <li>Set expectations for integrating enterprise risk management into strategic management processes, including strategy planning, capital allocation, etc.</li> <li>Discuss and understand the risk appetite and considers whether it aligns with its expectations.</li> <li>Engage in discussion with management to understand the changes to business context that may impact the strategy and its linkage to new, emerging, or manifesting risks.</li> <li>Encourage management to think about risks inherent in strategy and underlying business assumptions.</li> <li>Require management to demonstrate an understanding of the risk capacity of Sagicor to withstand large, unexpected events.</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>Review Sagicor’s strategy and underlying assumptions against the portfolio view of risk.</li> <li>Set expectations for risk reporting, including risk metrics reported to the Board relative to the risk appetite of Sagicor and external enterprise risk reporting disclosures.</li> <li>Understand how management identifies and communicates key risks as depicted by Sagicor’s portfolio view.</li> <li>Reviews and understands key risks, including emerging risks, and significant changes in the portfolio view of risks; specifically, what responses and actions management is taking.</li> <li>Understand the plausible scenarios that could change the portfolio view.</li> </ul>
<b>Review and Revision</b>	<ul style="list-style-type: none"> <li>Review management’s updates on risk manifesting in actual performance (both positive and negative).</li> <li>Review management’s reports on the enterprise risk management processes and challenge management to demonstrate the suitability and functioning of those processes.</li> </ul>
<b>Information, Communication, and Reporting</b>	<ul style="list-style-type: none"> <li>Identify information, underlying data, and formats (graphs, charts, risk curves, and other visuals) required to execute Board oversight.</li> <li>Access internal and external information and insights conducive to effective risk oversight.</li> <li>Obtain input from internal audit, external auditors, and other independent parties regarding management perceptions and assumptions.</li> </ul>

The Board has also delegated some of its oversight responsibilities to dedicated sub committees including:

- Audit Committee:** Establishes the importance of risk oversight. The committee has the authority and responsibility to question senior management on how it is carrying out its enterprise risk management responsibilities.
- Risk Management Committee:** Establishes the direct oversight of enterprise risk management. The focus of the risk committee is organization-wide risk in financial and non-financial areas that go beyond the authority of the audit committee and its available resources.

<sup>1</sup> The ERM components and corresponding principles are explained on page 12

- **Human Resource and Compensation Committee:** Establishes and oversees the compensation arrangements for the chief executive officer and other executives, as appropriate, to motivate without providing incentives for undue risk taking. It also oversees that management balances performance measures, incentives, and rewards with the pressures created by strategy and business objectives and helps structure compensation models without unduly emphasizing short-term results over long-term performance.
- **Investment and Capital Allocation Committee:** Monitors how capital is deployed across the Group and oversees the solvency position of entities in the Group. The Committee oversees the Group's financial risk management framework and approves the investment policies within which the Group's investment portfolios are managed. Additionally, it ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans.

### **Chief Executive Officer**

The Chief Executive Officer (CEO) is accountable to the Board and is responsible for the execution of the overall enterprise risk management culture, capabilities, and practices required to achieve Sagicor's strategy and business objectives. The CEO will set the tone at the top along with the explicit and implicit values, behaviours, and norms that define the culture of Sagicor.

The CEO's responsibilities relating to enterprise risk management includes but is not limited to:

- Providing leadership and direction to senior members of management, and shaping Sagicor's core values, standards, expectations of competence, organizational structure, and accountability.
- Evaluating alternative strategies, choosing a strategy, and setting business objectives that consider supporting assumptions relating to business context, resources, and capabilities within the risk appetite of Sagicor.
- Maintaining oversight of risks facing Sagicor (e.g., directing management and other team members to proactively identify, assess, prioritize, respond to, and report risks that may impede the ability to achieve the strategy and business objectives).
- Guiding the development and performance of the enterprise risk management process across Sagicor and delegating to various levels of management at different levels of Sagicor.
- Communicating expectations (e.g., integrity, competence, key policies) and information requirements (e.g., the type of planning and reporting systems Sagicor should use).

### **Vice President, Enterprise Risk Management & Group Compliance**

The VP, ERMGC is tasked with overseeing enterprise risk management as a second line of accountability. This role has direct access to the Risk Management Committee of the Board and reasonably direct access to the CEO.

The responsibilities of the VP, ERMGC relating to enterprise risk management includes but is not limited to:

- Collaborating with SFC's Chief Risk Officer to ensure that SGJ's risk management framework and activities align with the parent company's framework and policies.
- Assisting the Board of Directors and management in fulfilling their respective risk oversight responsibilities.
- Establishing ongoing enterprise risk management practices suitable for Sagicor's needs.
- Building and maintaining relationships with those responsible for managing risks through-out Sagicor.
- Overseeing enterprise risk management ownership within the respective lines of accountability.

- Reviewing the operation of enterprise risk management in each operating unit.
- Communicating with management through a forum, such as the risk management committee, about the status of enterprise risk management, which includes discussing key risks and emerging risks.
- Promoting enterprise risk management to the CEO and operating unit leaders and assisting in integrating practices into their business plans and reporting.
- Evolving organizational capabilities in line with the maturity and suitability of enterprise risk management.
- Escalating identified or emerging risk exposures to executive management and the Board.

## **Senior Management**

Senior Management comprises of the CEO and senior team members that lead key operating units and business enabling functions. Each of these roles have different responsibilities and accountabilities within the lines of accountability model.

Functions and responsibilities of senior management relating to enterprise risk management includes but is not limited to:

- Assuming overall responsibility for enterprise risk management at the first line of defense, including the processes used to identify, assess, prioritize, respond to, and report on risk.
- Communicating the enterprise risk management process to the CEO and the Board.
- Considering and discussing key risks and emerging risks.
- Defining roles, responsibilities, and accountabilities at the different levels of management.
- Providing policies, methodologies, and tools to operating units to identify, assess, and manage risks.
- Reviewing Sagicor's risk profile, risk appetite and tolerances.
- Reviewing acceptable variation in performance and taking action where appropriate.

Senior management will guide the development and implementation of enterprise risk management practices within their respective functional or operating unit and verifies that these practices are applied consistently.

Lower-level management and supervisory team members will be directly involved in executing policies and procedures at a detailed level. It is their responsibility to carry out the enterprise risk management process that senior management has designed and implemented. Each level of management is accountable to the next level, with the CEO being ultimately accountable to the Board, and the Board being accountable to external stakeholders such as shareholders.

The lines of accountability model offers Sagicor a balanced approach to managing risk and seizing opportunities, all while enabling risk-based decision-making that is free of bias.

## **Three Lines of Defense / Accountability**

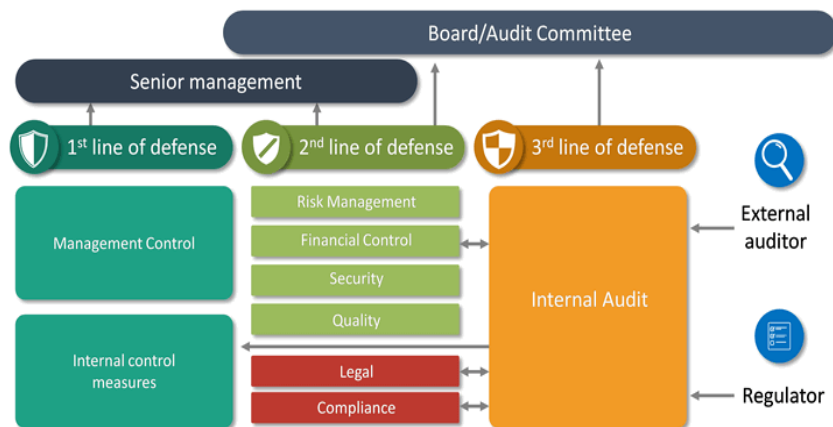


Figure 1: Depicting the three lines of Accountability / Defense

### First Line of Accountability: Core Business

Management is responsible for identifying and managing the performance and risks resulting from practices and systems for which it is accountable. The first line is also responsible for the risks inherent to the strategy and business objectives. As the principal owners of risk, management sets business objectives, establishes acceptable variation in performance, trains team members, and reinforces risk responses. In short, the first line implements and carries out the day-to-day tasks to manage performance and risks taken to achieve strategy and business objectives.

### Second Line of Accountability: Support Functions

Support functions (also referred to as business-enabling functions) include management and team members responsible for overseeing performance and enterprise risk management. They provide guidance on performance and enterprise risk management requirements and evaluate adherence to defined standards. Each of these functions has some degree of independence from the first line of accountability, and they challenge the first line to manage performance and take prudent risks to achieve strategy and business objectives. These organizational functions or operating units support Sagicor through specialized skills, such as technical risk management expertise, finance, product/service quality management, technology, compliance, legal, human resources, and others. As management functions, they may intervene directly in modifying and supporting the first line in appropriate risk response.

Responsibilities of the Second Line includes but is not limited to:

- Supporting management policies, defining roles and responsibilities, and setting targets for implementation.
- Providing enterprise risk management guidance.
- Supporting management to identify trends and emerging risks.
- Assisting management in developing processes and risk responses to manage risks and issues.
- Providing guidance and training on enterprise risk management processes.
- Monitoring the adequacy and effectiveness of risk responses, accuracy, and completeness of reporting, and timely remediation of deficiencies.
- Escalating identified or emerging risk exposures to management and the Board for awareness and potential action.

### Third Line of Accountability: Assurance Functions

Internal audit provides the last line of accountability by performing independent audits or reviews of enterprise risk management practices, identifying issues and improvement opportunities, making recommendations, and keeping the Board and senior management up to date on matters requiring resolution. Two factors distinguish the last line of accountability from the others: the high level of independence and objectivity (enabled by direct reporting to the Board), and the authority to evaluate and make recommendations to management on the design and operating effectiveness of Sagicor overall.

### **External Auditors**

External auditors provide management and the Board with an independent, objective perspective that supports Sagicor’s strategy and business objectives. They assess the fairness of financial statements per accounting standards, aiding external financial reporting. Additionally, auditors enhance enterprise risk management by sharing audit findings, analytical insights, and recommendations. They highlight deficiencies in risk management and internal controls, offering improvements that impact reporting, strategy, operations, and compliance. Significant findings are reported to management and, if necessary, to the audit committee or board.

## **PROACTIVE RISK MANAGEMENT**

Sagicor recognizes the importance of adopting a proactive approach to risk management while ensuring compliance with regulatory requirements. Unlike the compliance-centric view, the proactive view is rooted in the understanding that risks are not isolated threats, but integral components influencing the achievement of desired outcomes. Proactive risk management goes beyond compliance by identifying and addressing risks before they escalate into significant issues.

The following will be incorporated into Sagicor’s ERM practices:

- Forward-Looking Risk Assessments - Using scenario analysis, stress testing, and emerging risk identification to anticipate threats.
- Integration into Strategic Planning– Embedding risk management into business decisions to drive sustainable growth and resilience.
- Early Warning Indicators (KRIs) – Implementing risk indicators that provide real-time insights into potential risk exposures.
- Continuous Improvement – Regularly updating risk frameworks, strategies, and controls to adapt to an evolving risk landscape.
- Developing a Risk-Aware Culture – Encouraging employees to go beyond compliance by actively identifying, assessing, and mitigating risks.
- Leveraging Data and Analytic– Utilizing advanced risk analytics, trend analysis, and predictive modeling to anticipate future risks.
- Enhancing Agility and Adaptability – Ensuring risk frameworks are flexible and adaptable to changing business environments.
- Embedding Risk in Decision-Making – Shifting from a “check-the-box” mindset to a risk-informed decision-making process across all functions.

By adopting a comprehensive and strategic mindset, Sagicor can not only meet its regulatory and compliance requirements, but empower itself as an organization, to proactively seize opportunities and thrive in the face of uncertainty.

## **RISK-BASED OVERSIGHT (RBO)**

A risk-based methodology will be used to guide risk management activities across all entities within the Sagicor Group by prioritizing risk management efforts based on the level of risk each entity presents.

**The key objectives of the Risk-Based Oversight approach are to:**

- a) Enhance risk prioritization by ranking entities based on their inherent and residual risk levels.
- b) Ensure proportional risk management where higher-risk entities receive more frequent and rigorous oversight.
- c) Optimize resource allocation by directing risk management efforts where they are most needed.

**RBO is built on the following key principles:**



**Materiality Of Risk**

Enterprise Risk Management will prioritize risks that are of material concern to entities.



**Origin Of Risks for Sagicor Entities**

This understanding comes from knowing how the entities operate and incorporates being aware of the outside influences on entities such as the business environment and regulatory obligations



**Contrast Between Inherent Risk & Risk Management**

This differentiation is critical in setting expectations for risk management and deciding on the right corrective actions when necessary.



**Sound Judgement**

To ensure that areas identified as having material risks are supported with proper rationale



**Continuous Adaptation & Refinement**

The oversight of enterprise risk management remains flexible, so that when changes in risk are identified, the priorities for supervisory efforts are updated accordingly

**Tiered Ranking of Entities**

The classification of entities into three risk tiers will be based on a combination of quantitative and qualitative considerations, including but not limited to:

<b>Significant Activities</b>	Defined as a line of business, unit or process that is fundamental to the operations of an entity and its ability to meet its business objective.
<b>Inherent vs Residual Risk</b>	Determine the areas that need attentive control management to ensure that strategic and business objectives are not hampered by insufficient risk management
<b>Risk Matrix &amp; Composite Risk Score</b>	Data Gathering via the RBO questionnaire is used to compile a holistic view of the entities and score allotted to each to determine tier ranking.
<b>Liquidity And Capital</b>	An evaluation as to whether there is sufficient liquidity management in place as well as adequate capital to withstand stressed conditions is factored in the rankings



Figure 2: Main activities to be performed for entities within each tier.

## COMPONENTS AND PRINCIPLES

The Group has adopted the components and principles of the COSO Framework in the development of its ERM Policy. Each component and principle of enterprise risk management apply to creating, preserving, and realizing value in the organization. The components and principles do not represent isolated, stand-alone concepts, but highlight the importance of integrating enterprise risk management and the role of decision-making to create enhanced value for stakeholders.



Figure 3: The ERM Components as defined by the COSO Framework

## Governance and Culture

### Principle 1: Exercises Board Risk Oversight

- An independent Board of Directors is positioned to offer expertise and provide oversight of enterprise risk management through its collective skills, experience, and business knowledge without any conflict of interest or undue influence by interested parties.
- The Board of Directors will hold management accountable with respect to strategy, business objectives, and performance targets.

### Principle 2: Establishes Operating Structures

- Operating structures describe how Sagicor organizes and carries out its day-to-day operations and contributes to managing risk exposures to strategic and business objectives.

- The operating structure of Sagikor is aligned with both legal and management structures.
- Management has established an operating structure and designed reporting lines to carry out the strategic and business objectives.
- An integrated approach with all three lines of accountability is applied which enables management to obtain information on how risk associated with the strategy occurs across Sagikor to have a full understanding of the risks embedded in those decisions.

**Principle 3: Defines Desired Culture**

- Sagikor has defined the desired behaviours that characterizes the desired culture.
- Sagikor’s culture will reflect its core values, behaviours, and decisions and will influence how Sagikor identifies acceptable risk and how it manages risk.
- To foster a strong risk-aware culture, team members will be required to complete mandatory Enterprise Risk Management (ERM) training annually. This training ensures a shared understanding of risk principles, reinforces accountability, and supports continuous improvement in risk-informed decision-making across the organization.
- Sagikor will position itself on the culture spectrum, which ranges from risk averse to risk aggressive. Depending on the current economic environment and business opportunity. The closer Sagikor is to the risk aggressive end of the spectrum, the greater the propensity for and acceptance of the differing types and greater amounts of risk to achieve strategic and business objectives.

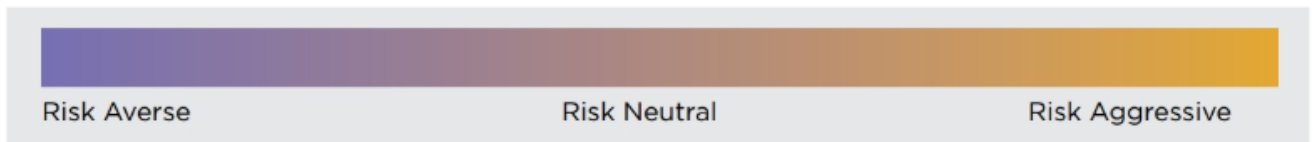


Figure 4: Culture Spectrum

- Sagikor’s risk-aware culture largely affects how risk is identified, assessed, and responded to from the moment of setting strategy through to execution and performance.



**Principle 4: Demonstrates Commitment to Core Values**

- Core values are fundamental to enterprise risk management and will be consistently reflected in actions and decisions applied across Sagikor. The manner in which values are communicated across Sagikor is referred

to as the “tone” of Sagicor. Across the group there is a strong and supportive understanding of, and commitment to, those values communicated by the Board and management.

- Management is required to align core values and behaviours to help team members avoid mistakes and to identify potential wrongdoers, team members or groups. Deviations from standards of conduct will be addressed in a timely and consistent manner, and the response to deviations will depend on its magnitude, with consideration for relevant laws and the established code of conduct.

### ***Principle 5: Attracts, Develops, and Retains Capable Individuals***

- Sagicor is committed to building human capital in alignment with the strategy and business objectives.
- The Group Human Resources function will promote competence by assisting management in developing job descriptions and roles and responsibilities, facilitating training, and evaluating individual performance for managing risk.
- Management will continually identify and evaluate roles that are essential to achieving strategy and business objectives. Additionally, management will establish the structure and process to attract, train, mentor, evaluate and retain high-quality and competent team members.
- Sagicor’s Board and management has established incentives and other rewards appropriate for all team members, considering the achievement of both short-term and longer-term business objectives. Conversely, Sagicor has established appropriate sanctions for team members that fail to perform as expected.

## **Strategy And Objective-Setting**

### ***Principle 6: Analyses Business Context***

- 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 Sagicor’s mission and are consistent with its risk appetite.
- Management will consider business context when developing strategy to support Sagicor’s mission, vision, and core values. Both the internal and external environments, as well as stakeholders, will be considered in strategy and objective setting because they have the ability to influence whether the goals are achieved.
- The external environment comprises of several factors that can be categorized by the acronym PESTLE: political, economic, social, technological, legal, and environmental. The internal environment includes Capital, People, Processes and Technology.
- The effect that business context has on Sagicor’s risk profile will be viewed in three stages: past, present, and future performance. Past performance provides Sagicor with valuable information/experiences which is utilized in shaping its risk profile. An assessment of current performance will highlight current trends, relationships, and other factors that are affecting the risk profile. Management will consider how its risk profile may evolve in relation to where it is heading once all these factors are contemplated.

### ***Principle 7: Defines Risk Appetite***

- The Board and management will choose a risk appetite with an informed understanding of the trade-offs involved. With the support of the Board and the ERM department, management will revisit and reinforce risk appetite over time considering new and emerging situations.
- At a minimum, management will consider the strategic, financial and operating parameters as well as Sagicor’s risk profile, risk capacity and its enterprise risk management capability and maturity when determining risk appetite.
- Risk appetite will be communicated by management, endorsed by the Board, and disseminated throughout Sagicor so that all team members understand the risk appetite statement and tolerances.

- The risk appetite will be defined in the Risk Appetite and Tolerance Statements document for SGJ and the individual subsidiaries.

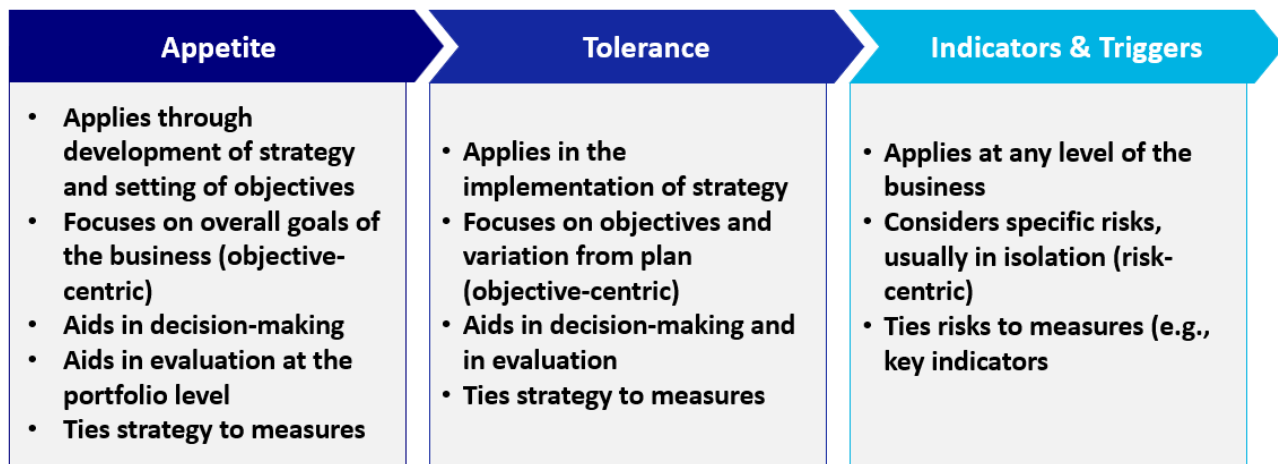


Figure 5: depicts how risk appetite is embedded into decision-making at various levels within Sagicor

### Principle 8: Evaluates Alternative Strategies

- Management will evaluate alternative strategies and potential impact on its risk profile. Alternative strategies will be assessed in the context of Sagicor’s resources and capabilities to create, preserve, and realize value
- When evaluating alternative strategies, management will seek to identify and understand potential risks and opportunities of each strategy being considered. Management and the Board will use these risk profiles when deciding on the best strategy to adopt, given Sagicor’s risk appetite.
- The strategy selected by management will be carried out within Sagicor’s risk appetite; that is, strategy will align with risk appetite. If the risks associated with a specific strategy is inconsistent with Sagicor’s risk appetite or risk capacity, it will either be revised, an alternative strategy selected, or the risk appetite amended.
- Management will determine what resources will be required to support the strategy execution while remaining within the risk appetite.
- A change in strategy will be warranted if management determines that the current strategy fails to create, realize, or preserve value; or a change in business context results in Sagicor facing unacceptable risk or requires resources and capabilities that are not available to Sagicor.

### Principle 9: Formulates Business Objectives

- Business objectives will align with Sagicor’s risk appetite so that the right amount of risk will be accepted. Therefore, when management evaluates a proposed business objective, they will consider the potential risks that may occur and determine the effect on the risk profile.
- If management finds that it cannot establish business objectives that support the achievement of strategy while remaining within its risk appetite or capabilities, a review of either the strategy or the risk profile will be done.
- Management will categorize business objectives to align with specific aspects of the strategy, such as market share, customer focus, or corporate responsibility. Management will also align business objectives with various business groups of Sagicor, such as operations, human resources, or other defined functional areas. If necessary management will incorporate external requirements that set out the manner in which business objectives are categorized for reporting purposes

- Management will establish risk tolerances to enhance value and to determine whether the risks to the achievement of strategy and business objectives are acceptable or unacceptable. Unlike risk appetite, which is broad, tolerance is tactical and focused, and will be expressed in measurable units. In setting tolerance, management will consider the relative importance of each business objective and strategy.

## Performance

### *Principle 10: Identifies Risks*

- Management will identify new and emerging risks as well as changes to any previously identified risks that have the potential to impact the achievement of strategy and business objectives. Where opportunities are identified, they will be communicated to be considered as part of setting strategy and business objectives.
- It is recognized that risk identification is an ongoing process and that not all risks may be known at a given time. The risks identified during assessments represent a snapshot based on available information and may not encompass all potential risks.
- A Risk Register will be used to document the identified risks in a risk assessment and a Risk Inventory will be maintained to house the risks related to Sagicor and its subsidiaries. The risks will be categorised and sub-categorised as defined by the Taxonomy, allowing similar risks to be grouped together.
- Risks will be identified as part of day-to-day activities and will from time to time be supplemented with additional targeted activities such as questionnaires, facilitated workshops, and interviews. In addition, both internal and external data sources will be leveraged in the identification of risks.
- Each identified risk will be assigned a designated risk owner responsible for monitoring, assessing, and implementing mitigation strategies. Risk owners will be responsible for ensuring that risks are effectively managed within their respective areas and will report on their status to the Enterprise Risk Management (ERM) function, fostering accountability and proactive risk management.

### *Principle 11: Assesses Severity of Risk*

- Risks identified and included in Sagicor's risk inventory will be assessed to understand the severity of each to the achievement of strategy and business objectives. Given the severity of risks identified, management will decide on the resources and capabilities to be deployed for the risk to remain within Sagicor's risk appetite.
- The severity of risks will be assessed at multiple levels (across divisions, functions, and business units) in line with the strategy and business objective it impacts. Risks deemed important at the operating unit level may be less important at a division or organization level. Common risks across business units, divisions, and functions will be grouped using standardized risk terminologies and categories. Similarly, risks measured at escalating levels within Sagicor will also be grouped. Risks that are of low severity individually may become more or less severe when considered collectively across business units or divisions.
- Measures and thresholds used to assess the severity of risks will be tailored to the level of the assessment being conducted. The relative severity of various risks will be determined in order to select an appropriate risk response, allocate resources, and support management decision-making and performance. These measures will include a combination of the likelihood of the risk occurring and the impact if the risk was to materialize.
- Reassessments of risks may be triggered by changes in the business context or changes in risk appetite. The severity of a risk and the frequency at which severity may change will inform how often a reassessment may be triggered
- Management will consider both inherent risk and actual residual risk:

Inherent Risk Severity	Residual Risk Severity
<p><b>The risk to Sagicor in the absence of any direct or focused actions by management to alter its severity.</b></p>	<p>The risk remaining after management has taken action to alter its severity. Actual residual risk should be equal to or less than the risk appetite. Where actual residual risk exceeds risk appetite, additional actions should be identified that allow management to alter risk severity further</p>

**Principle 12: Prioritizes Risks**

- Risks will be prioritized in order to inform decision-making on risk responses and optimize the allocation of resources. Risks will be prioritized based on their severity, the importance of the corresponding business objective, and the established risk appetite. Prioritization will also consider the severity of the risk compared to risk appetite. Greater priority will be given to risks that are likely to approach or exceed risk appetite.
- Risks with similar assessments of severity will be prioritized differently. That is, two risks may both be assessed as “moderate,” but management may prioritize one given its greater velocity and persistence or because the risk response for one risk provides a higher risk-adjusted return than for other risks of similar severity. How a risk is prioritized will inform the risk responses that management considers.
- While prioritizing risks, management should also recognize that there are risks that Sagicor will choose to accept; that is, some are already considered to be managed to an acceptable amount for Sagicor and for which no additional risk response will be contemplated.

**Principle 13: Implements Risk Responses**

- Management will consider business and strategic objectives, the business context, costs, benefits, obligations, stakeholder expectations, risk appetite and tolerance as well as severity and prioritization of risks when choosing the appropriate risk responses.
- Once management selects a risk response, control activities will be necessary to ensure that those risk responses are carried out as intended. Management will recognize that risks are managed but not eliminated and that some residual risk will always exist, not only because resources are limited, but because of future uncertainty and limitations inherent in all business decisions.
- Management may decide to accept a risk and exceed the established risk appetite if the effects of remaining within the appetite are perceived to be more significant than the potential exposure from exceeding it. In such cases, the appropriate approvals must be granted by the CEO or the Board of Directors.
- Measuring benefits may be more subjective, as they can be difficult to quantify, however, the benefit of a risk response will be evaluated in the context of the achievement of strategy and business objectives. Given the importance of a strategy or business objective, there may not be an optimal risk response from the perspective of costs and benefits. In such instances, management will either select a response or choose to revisit Sagicor’s strategy and business objectives.
- Management will also be responsible for risk responses that addresses regulatory obligations, which again may not be optimal from the perspective of costs and benefits but will comply with legal or other obligations. In selecting the appropriate response, management will consider the expectations of stakeholders such as shareholders, regulators, and customers.
- Risk owners will be responsible for using the assigned priority to select and apply appropriate risk responses in the context of business objectives and performance targets. Risk owners will have sufficient authority to prioritize risks based on their responsibilities and accountability for managing the risk effectively.
- Selecting one risk response may introduce new risks that have not been previously identified or may have unintended consequences, therefore management will assess the severity and related priority and determine the effectiveness of the proposed risk response. On the other hand, selecting a risk response may present new opportunities not previously considered, therefore management will then identify innovative responses, which, while fitting with the response categories described earlier, may be entirely new to Sagicor.



**Principle 14: Develops Portfolio View<sup>2</sup>**

- A portfolio view will be used to allow management and the Board to consider the type, severity, and interdependencies of risks and how they may affect performance. By using a portfolio view, management will identify risks that are severe at all levels within Sagicor. With a portfolio view, management will be positioned to determine whether Sagicor’s residual risk profile aligns with the overall risk appetite; with the understanding that risks across different units may be acceptable for operating units, but taken together may give a different picture at the subsidiary or Group level.
- The portfolio view of risks will be mapped to the strategic objectives of Sagicor and its subsidiaries to identify which risks may have an impact on each objective.
- By adopting a portfolio view of risks, management will ensure a holistic, integrated approach to risk management, allowing for better decision-making, improved risk mitigation, and enhanced organizational resilience.

**Review and Revision**

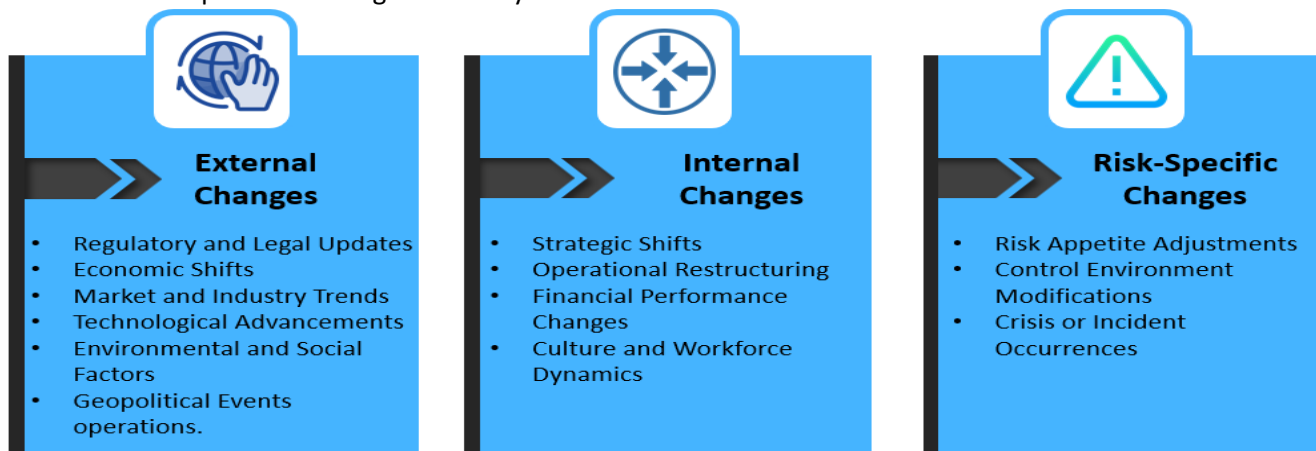
**Principle 15: Assesses Substantial Change**

- Management will anticipate changes when setting strategy, business objectives and performance targets, and will also be aware of the potential for larger, substantial changes that may occur and have a more pronounced effect.
- It will be understood that substantial changes may lead to new risks or changes in the likelihood or impact of a risk and affect key assumptions underpinning strategy. Practices for identifying such changes will also be built into business activities and performed continually.
- During the ordinary course of business, all business units will identify substantial changes and consider how those changes can affect enterprise risk management practices and the achievement of strategy and business objectives. This will require identifying internal and external environmental changes related to the business context as well as changes in culture.

<sup>2</sup> See appendix 2 for examples of graphical depictions of Portfolio Views of Risks

- Identifying substantial changes, evaluating their effects, and responding to the changes are iterative processes that will affect several components of the enterprise risk management framework. A post review will be conducted after a risk event to review how well Sagicor responded and to consider what lessons learned can be applied to future events.
- Significant changes requiring adjustments to risk management strategies, controls or policies must be escalated to senior management and the Board. The ERM function will ensure that responses to these changes are documented, reviewed periodically and integrated into the ERM framework.

Below is a list of potential changes that may be considered<sup>3</sup>



### Principle 16: Reviews Risk and Performance

- A structured approach to review risks and performance will be implemented to ensure alignment with strategic objectives, regulatory requirements and risk appetite, including the use of relevant metrics and indicators to measure the risks across its operations.
- Management will identify and implement relevant Key Risk Indicators (KRIs) to monitor key risks. These indicators will provide early warning signals and facilitate proactive risk management. KRIs will be assessed against predefined risk appetite and tolerance levels to determine whether risks are within acceptable thresholds. Trends will also be analysed over time to identify emerging risks or shifts in the risk environment. The review period for each KRI will be determined based on the nature of the risk and the selected indicator. Assessments may be conducted on a weekly, monthly, quarterly, or annual basis, as appropriate.
- If KRIs have not yet been established for a specific risk, management may:
  - Utilize qualitative assessments, industry benchmarks, or expert judgment to monitor the risk in the interim.
  - Review existing data sources for potential indicators that align with risk monitoring needs.
  - Review existing data sources to identify potential indicators that could serve as proxies for direct KRIs.
- The extent of any corrective actions will align with the magnitude of the deviation in performance, the importance of the business objective, and the costs and benefits associated with altering risk responses. Corrective action may include reallocating resources, revising business objectives, or exploring alternative strategies. Sagicor’s capacity for resources also informs decisions for corrective actions. For business objectives that affect Sagicor as a whole, management may choose to revise the objective instead of incurring the costs of deploying additional risk responses. Whenever significant deviations from the

<sup>3</sup> This list is not exhaustive. Other changes, both anticipated and unforeseen may arise.

tolerance occur, or where performance represents a disruption to the achievement of strategy, management may choose to revise its strategy.

### ***Principle 17: Pursues Improvement in Enterprise Risk Management***

- By embedding continual evaluations into business practices, management will be able to systematically identify potential improvements to its enterprise risk management practices. Pursuing improved enterprise risk management will occur throughout Sagicor. Management will also pursue continual improvement throughout Sagicor (functions, operating units, divisions) to improve the efficiency and usefulness of enterprise risk management at all levels by considering new technology, historical shortcomings, organizational changes and peer comparisons.

## **Information, Communication, and Reporting**

### ***Principle 18: Leverages Information and Technology***

- Management will leverage relevant information when enterprise risk management practices are being applied. “Relevant information” is simply high-quality information that helps Sagicor be more agile in decision-making, giving it a competitive advantage. Risk information will be more than a repository of historical risk data and will support an understanding and development of a complete, current and evolving risk profile.
- Sagicor recognizes that if the underlying data is inaccurate or incomplete, management may not be able to make sound judgments, estimates, or decisions. To maintain high-quality information, management will implement data management systems and establish information management policies with clear lines of responsibility and accountability.
- Management will consider what information is available, what information systems and technology are in use for capturing that information, and what the costs are of obtaining that information. Management and other team members will then identify how information supports the enterprise risk management practices.
- Management will leverage data analytics and cognitive computing such as artificial intelligence, data mining, and machine learning to collect, convert, and analyse large volumes of unstructured data into information that results in better decision-making. These advances will also be combined with human analysis to allow for greater insight.
- In short, advances in data analytics will be used to help Sagicor to avoid “information overload” and use the huge amount of data now available to its advantage. Management will be able to detect correlations in business performance and identify likely trends in performance. Management will also be able to more thoroughly evaluate key assumptions embedded into strategy, which in turn should provide added insight into decisions on alternative strategies, business objectives, and setting of performance targets.
- Data will be well managed to provide the right information to support risk-aware decisions, which requires capturing and preserving quality data while allowing different technologies to manipulate and interact with it.
- Management will understand that technology can introduce new risks to Sagicor, which can be critical to achieving strategy and business objectives. The decision on what technology to implement will depend on factors such as: organizational goals, marketplace needs, competitive requirements, and the associated costs and benefits. Management will use these factors to balance the benefits of obtaining and managing information against the costs of selecting or developing supporting technologies.

### ***Principle 19: Communicates Risk Information***

- Various channels will be made available for communicating risk data and information to internal and external stakeholders when needed.
- Internally, management will communicate strategy and business objectives clearly throughout Sagicor so that team members at all levels will understand their individual roles. Specifically, communication channels will enable management to convey:
  - The importance, relevance, and value of enterprise risk management.
  - The characteristics, desired behaviours, and core values that define the culture of Sagicor.
  - The strategy and business objectives.
  - The risk appetite and tolerance.
  - The overarching expectations of each team member in relation to enterprise risk and performance management.
  - The expectations of team members on any important matters relating to enterprise risk management, including instances of weakness, deterioration, or non-adherence.
- Management will communicate information about strategy and business objectives to shareholders and other external parties, where enterprise risk management is a key topic in these communications so that stakeholders not only understand the performance against strategy, but the actions consciously taken to achieve it.
- There will also be open communication channels to receiving information from internal and external stakeholders.
- Effective communication between the Board and management is critical to achieve strategy and business objectives, and to seize opportunities within the business environment. Effective communication with the Board will start by clearly defining risk responsibilities clearly and having shared understanding of risk and its relationship to strategy and business objectives.
- As part of their oversight role, the Board will ensure that communications regarding risk appetite remain open. This will be accomplished through quarterly meetings; or extraordinary meetings to address specific events. The Board and management will use risk appetites as a touchstone, allowing them to identify risks that are on or off strategy, monitor Sagicor’s risk profile, and track the effectiveness of enterprise risk management practices.
- Management will provide information that helps the Board fulfil its oversight responsibilities concerning risk and will not underplay the importance of qualitative open communications with the Board. A dynamic and constructive risk dialogue will exist between management and the Board, including a willingness to challenge any assumptions underlying the strategy and business objectives. The Board will foster an environment in which management feels comfortable bringing risk information to the Board even if they do not yet have a defined response for that risk either planned or in place. The Board will encourage management to provide more timely and insightful dialogue, rather than waiting until risks evolve.
- For information to be received as intended, it will be communicated clearly. To be certain that communication methods are working, they will be periodically evaluated. This will be done through existing processes such as stating expectations for enterprise risk management in team member performance goals and subsequent periodic performance evaluations.
- Separate lines of communication will be utilized when normal channels are inoperative or insufficient for communicating matters requiring heightened attention. Sagicor will provide a means to communicate anonymously to the Board or delegate—through a whistle-blower hotline. Sagicor will also establish escalation protocols and policies to facilitate communication when there are exceptions in standards of conduct or inappropriate behaviours occurring.

***Principle 20: Reports on Risk, Culture, and Performance***

- Sagicor is committed to transparent, accurate, and timely reporting on risk, culture, and performance to support effective decision-making and strengthen risk governance. Regular reporting ensures that stakeholders at all levels have the necessary information to monitor risk exposure, assess risk culture, and evaluate performance against strategic objectives.
- Reporting requirements will depend on the needs of the report user. Each report user will be provided with different levels of risk and performance information to fulfil their responsibilities. For example, reports to the Board will support decisions on risk appetite and company strategy. Reports to senior management will present a more granular level and support decisions on strategic-setting and budgeting, as well as decisions at the divisional and/or functional level. The next layer of reporting will be even more granular and will support divisional and functional leaders in planning, budgeting, and day-to-day operations. This level of reporting will align with management reporting and Board reporting. At higher levels, risk reporting will encapsulate a portfolio view. In addition, the level of risk information reported to relevant third parties will be determined on a case-by-case basis.
- Regular risk reports will be prepared to provide insights into the organization's risk profile, emerging threats, and key developments. These reports may include KRIs and their trends over time, risk appetite and tolerance breaches, along with corrective actions, significant risk events and their impacts, status of mitigation strategies and their effectiveness and emerging risks that may require attention or strategic planning.
- Risk reporting may be supplemented by commentary and analysis by subject matter experts, such as compliance, legal, and technology experts who can provide commentary and analysis on the severity of risk, effectiveness of risk responses, drivers for changes in trend analysis, and industry developments and opportunities.
- Reporting to the Board will also foster discussions of the performance of Sagicor in meeting its strategy and business objectives and the impact of potential risk in meeting those objectives. This report will be both formal reporting as well as informal information sharing.
- Findings from any assessments of assessments will be reported to senior management and the Board, with recommendations for strengthening a positive risk culture.
- Management will work closely with those who will use reports to identify what information is required, how often they need the reports, and their preferences in how reports are presented. Management will also be responsible for implementing appropriate controls so that reporting is accurate, clear, and complete. The frequency of reporting will be commensurate with the severity and priority of the risk. Reporting will enable management to determine the types and amount of risk assumed by Sagicor, its ongoing appropriateness, and the suitability of existing risk responses.
- Reporting will include one or more of the following:
  1. **Portfolio view of risks**, which outlines the severity of risks at Sagicor level that may impact the achievement of strategy and business objectives. The reporting of the portfolio view highlights the greatest risks to Sagicor, interdependencies between specific risks, and opportunities.
  2. **Profile view of risk**, similar to the portfolio view, outlines the severity of risks, but focuses on different levels within Sagicor.
  3. **Analysis of root causes**, which enables users to understand assumptions and changes underpinning the portfolio and profile views of risk.
  4. **Sensitivity analysis**, which measures the sensitivity of changes in key assumptions embedded in strategy and the potential effect on strategy and business objectives.
  5. **Analysis of new, emerging, and changing risks** which provides a forward-looking view to anticipate changes to the risk inventory, effects on resource requirements and allocation, and the anticipated performance of Sagicor.
  6. **Key risk indicators**, which measures current risk levels against established tolerances limits of Sagicor, outlining potential risks to a strategy or business objective.

7. **Trend analysis**, which demonstrates movements and changes in the portfolio view of risk, risk profile, and key risk indicators.
8. **Disclosure of incidents, breaches, and losses** which provides insight into effectiveness of risk responses.
9. **Tracking of enterprise risk management plans and initiatives** which provides a summary of the plan and initiatives in establishing or maintaining enterprise risk management practices.

## APPENDICES

### Appendix 1: Glossary of Key Terms

**Business Context:** The trends, events, relationships and other factors that may influence, clarify, or change Sagicor's current and future strategy and business objectives. Business context may be:

- ❖ *Dynamic*, where new risks can emerge at any time disrupting the status quo.
- ❖ *Complex*, with many interconnections and interdependencies.
- ❖ *Unpredictable*, where change happens quickly and in unanticipated ways.

**Business Objectives:** Those measurable steps Sagicor takes to achieve its strategy.

**Control:** an existing process, policy, device, practice or other action that acts to minimize negative risk or enhance positive opportunities.

**Core Values:** Sagicor's beliefs and ideals about what is good or bad, acceptable or unacceptable, which influence the behaviour of Sagicor's team members.

**Culture:** The attitudes, behaviours, and understanding about risk, both positive and negative, that influence the decisions of management and team members and reflect the mission, vision, and core values of Sagicor.

**Enterprise Risk Management:** The culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, pre-serving, and realizing value.

**External Environment:** Anything outside of Sagicor that influences the ability to achieve strategy and business objectives.

**External Stakeholders:** Persons not directly engaged in Sagicor's operations but who are affected by Sagicor, directly influence Sagicor's business environment, reputation, brand, and trust.

**Event:** An occurrence or set of occurrences.

**Impact:** The result or effect of a risk. There may be a range of possible impacts associated with a risk. The impact of a risk may be positive or negative relative to Sagicor's strategy or business objectives.

**Internal Control:** A process, effected by Sagicor's Board of Directors, management, and other team members, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. (For more discussion, see Internal Control—Integrated Framework.)

**Internal Environment:** Anything inside of Sagicor that influences the ability to achieve strategy and business objectives.

**Internal Stakeholders:** Parties working within Sagicor such as team members, management, and the Board.

**Likelihood:** The possibility that a given event will occur.

**Mission:** The Group's core purpose, which establishes what it wants to accomplish and why it exists.

**Operating Structure:** The way Sagicor organizes and carries out its day-to-day operations.

**Opportunity:** An action or potential action that creates or alters goals or approaches for creating, preserving, and realizing value.

**Organization:** The term used to collectively describe the Board of Directors, management, and other team members of Sagicor.

**Organizational Sustainability:** The ability of Sagicor to withstand the impact of large-scale events.

**Performance Management:** The measurement of efforts to achieve or exceed the strategy and business objectives.

**Portfolio View:** A composite view of Sagicor’s risk exposures, which positions management and the Board to consider the types, severity, and interdependencies of risks and how they may affect Sagicor’s performance relative to its strategy and business objectives.

**Practices:** The methods and approaches deployed within Sagicor relating to managing risk.

**Reasonable Expectation:** The amount of risk of achieving strategy and business objectives that is appropriate for Sagicor, recognizing that no one can predict risk with precision.

**Risk:** The possibility that events will occur and affect the achievement of strategy and business objectives. NOTE: “Risks” (plural) refers to one or more potential events that may affect the achievement of objectives. “Risk” (singular) refers to all potential events collectively that may affect the achievement of objectives.

**Risk Appetite:** Also called Target Residual Risk Severity. The types and level of risk Sagicor is willing to accept in pursuit of value.

**Risk Assessment:** The process of identifying, analyzing, and evaluating risks.

**Risk Capacity:** The maximum amount of risk that Sagicor can absorb in the pursuit of strategy and business objectives.

**Risk Inventory:** A list/compilation of risks that could impact Sagicor.

**Risk Owner:** The individual who is ultimately accountable for ensuring the risk is managed appropriately.

**Risk Profile:** A composite view of the risk assumed at a particular level of Sagicor, or aspect of the business that positions management to consider the types, severity, and interdependencies of risks, and how they may affect performance relative to the strategy and business objectives.

**Risk Tolerance:** The amount of risk which Sagicor is willing to accept in the event of one or multiple risks materializing.

**Severity:** A measurement of considerations such as the likelihood and impact of events or the time it takes to recover from events.

**Stakeholders:** Parties that have a genuine or vested interest in Sagicor.

**Strategy:** Sagicor's plan to achieve its mission and vision and apply its core values.

**Tolerance:** The boundaries of acceptable variation in performance related to achieving business objectives.

**Uncertainty:** The state of not knowing how or if potential events may manifest.

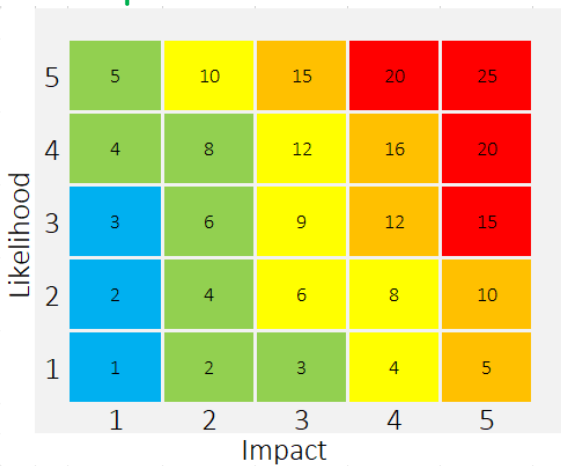
### Appendix 2: Portfolio View of Risks

The following are graphical depictions of portfolio views of risks that may be used to communicate a composite view of Sagicor’s risk exposures.

#### Using Entity Level Objectives



#### Heat Map



#### Table Linking Risks to Strategic Objectives

Portfolio View of Key Risks					
	Strategic Objective #1	Strategic Objective #2	Strategic Objective #3	Strategic Objective #4	Strategic Objective #5
Risk #1	☑				
Risk #2		☑		☑	
Risk #3			☑		☑
Risk #4				☑	
Risk #5	☑		☑		
Risk #6		☑			
Risk #7				☑	
Risk #8	☑				
Risk #9				☑	
Risk #10			☑	☑	
	Very High	High	Moderate	Low	Very Low

**Bowtie**

