

GROUP POLICY ON REPUTATIONAL RISK



> General Characteristics

Title	Credendo Group - Policy on Reputational Risk
Date	July 13 th 2021
Version	1.1
Classification	Internal use - Confidential
Status	Final
Document reference	GP 202107-REPUTRISK.docx
Revision frequency	Annual
Document owner	Group Compliance Officer

> Table of Contents

1. Context.....	2
1.1. Purpose.....	2
1.2. Scope and exclusions.....	2
1.3. Audit.....	2
1.4. Approval, update and distribution	2
2. Introduction.....	2
2.1. Definitions	2
2.2. Risk measurement	3
3. Objectives & Key Principles.....	3
4. Processes & Procedures	4
4.1. Risk identification & assessment	4
4.2. Risk management	4
4.3. Risk monitoring and reporting.....	6
5. Roles & Responsibilities	6
5.1. Board of Directors / Supervisory Board.....	6
5.2. Executive Committee/Management Board.....	7
5.3. Compliance Function.....	7
5.4. Communication Function.....	7
5.5. Reputational risk for Credendo Group	7

1. Context

1.1. Purpose

This Group policy, that is part of the Group policy on risk management, covers reputational risks and outlines:

- > the risk management goals pursued (Objectives & Key Principles),
- > the processes and procedures used for the identification, assessment, management, monitoring and reporting of the risks, together with specific control activities implemented within the framework of the internal control system (Processes & Procedures),
- > the process governance (Roles & Responsibilities).

1.2. Scope and exclusions

This Policy on Reputational Risk applies in the first place to the subsidiaries of Credendo Group that are subject to the Solvency II insurance regulation.¹ However, it is also the reference framework for:

- > other subsidiaries of Credendo Group that might fall under Solvency II-like insurance regulations in the future²
- > parent company Credendo ECA concerning the processes and procedures in place with focus on managing, monitoring and reporting reputational risks, taking into account that Solvency II-specific requirements or references are not applicable.

1.3. Audit

(Group) Internal audit has the right to audit and validate the processes and procedures related to reputational risk and any of its components to ensure their on-going suitability and capability to meet the defined objectives.

1.4. Approval, update and distribution

The Group Policy is approved by the Board of Directors of Credendo ECA. The Board of Directors/Supervisory Board of the subsidiaries of Credendo Group in scope is asked to ratify this Group Policy and approve its completed Appendix.

The Group Policy document is reviewed annually by the Group Compliance function and re-submitted for approval to the Board of Directors of Credendo ECA if changes made are deemed material. The Subsidiary's Appendix with specificities is reviewed annually by the subsidiary function owning the policy. The reviewed document is re-submitted for approval to the Board of Directors /Supervisory Board of the subsidiaries of Credendo Group in scope if changes made are considered material.

The most recent version of this Group Policy document is made available to the staff of Credendo Group, through the corporate intranet, that allows staff to access this document at their convenience.

2. Introduction

2.1. Definitions

The **Solvency II Framework Directive** defines reputational risk as "the risk of potential damage to an undertaking through deterioration of its reputation or standing due to a negative

¹ Credendo STN, STE, XS, SR

² Credendo RUS

perception of the undertaking's image among customers, counterparties, shareholders and/or regulatory authorities" due to:

- > controversial strategic decisions,
- > failure to comply with environmental and social standards,
- > failure to effectively mitigate regulatory, legal or other operational risks (e.g. compliance with international sanctions),
- > offering controversial insurance services,
- > entering into controversial client relationships,
- > controversial acceptance of credit limits because of the nature of debtor, of the transaction, ...
- > inadequate corporate governance and corporate responsibility.

To that extent it may be regarded as less of a separate risk, than one consequent on the overall conduct of the undertaking.

2.2. Risk measurement

Less quantifiable risks (like reputational risk) are **assessed ordinarily using qualitative tags (such as high, moderate, ...) for likelihood and impact of the (inherent and) residual risks**. Likelihood (or probability) represents the possibility that a given event will occur, while impact or severity represents its effect. Inherent risk is the risk in the absence of any actions to alter either the risk's likelihood or impact. Residual risk is the risk that remains after response to the risk. Qualitative risk assessment techniques uncover the bottom-up view of risks - and especially those risks that do not lend themselves to quantification - and are, therefore, a valuable complement to the more portfolio-view or top-down quantitative risk modelling.

The Group risk appetite framework states that **Credendo has no appetite for residual risks assessed as risks occurring at least yearly and having a significant or major impact** (defined taking account of the subsidiary's available own funds). Any identified 'high frequency, high intensity' risk needs effective action of remediation for further mitigation/control by the internal control functions.

3. Objectives & Key Principles

Credendo recognises the importance of maintaining and managing the reputation risk in performing its insurance activities towards all its stakeholders. The Board of Directors/Supervisory Board and the Executive Committee/Management Board should be aware of potential reputational risks Credendo and its entities are exposed to and the correlation with all other material risks. With the objective to apply the best principles, the Board of Directors/Supervisory Board has adopted the current policy on reputational risk in order to avoid or remediate any reputational risks. The policy takes into account that :

- > Credendo and its entities pay great attention to understanding and recognising key values affecting their reputation, expectations of the stakeholders and sensitivity of the market where they operate to loss of reputation or confidence,
- > risk management activities include increasing risk awareness within the entities and a process of regular monitoring and analysis of the potential reputation risk Credendo and its entities may face,
- > each entity has a communication function that is involved in external communication concerning reputation-sensitive topics.

To manage reputational risk, Credendo and its entities have processes and procedures that enable to manage in the most efficient way the events within or outside the Group/entity which might have a negative effect on the Credendo Group as a whole and the entity itself. These processes and procedures are embedded in the internal control systems, in line with the global strategy.

4. Processes & Procedures

An effective risk management system should cover all material risks (material in terms of size and perceived risk profile), irrespective of these risks can be measured quantitatively. The processes and (reporting) procedures that are in place to manage reputational risks fit into the Credendo entity's organisational structure and risk management system and take into consideration nature, scale and complexity of the risks.

4.1. Risk identification & assessment

As reputational risk is typically harder to identify and assess than other types of risks, a conscious approach to it is needed in the overall risk management. Risk identification should be approached in a robust methodical way to ensure that all significant activities within the entity are identified and all the risks flowing from these activities defined.

Effective reputational risk identification considers both internal and external factors that could adversely affect the achievement of the entity's objectives and its reputational risk profile. The risk identification method used is, like the assessment of other less quantifiable risks, **based on a combination of different risk identification techniques**. These techniques are :

- > **internal analysis**, e.g. through risk surveys coordinated by the risk management function. A bottom-up view of risks through standardized surveying to which all business and control functions participate allows identification of risks that otherwise might be missed
- > the **use of risk inventories**, i.e. detailed listings of potential risks common to companies within a particular industry, or to a particular process or activity common across industries.

Signals or situations that could lead to a negative perception and hold a reputational risk for the entity are to be captured in time by the concerned parties and handled with a sense of urgency. Systematic identification of risks includes early recognition and regular, structured recording of any disruptive factors that may have an effect on the overall risk profile.

4.2. Risk management

The Board of Directors/Supervisory Board and the Executive Committee/Management Board set the tone at the top, by creating a culture of integrity and high ethical standards within the entity to minimize the possibility to encounter a situation that can endanger the good reputation of the entity/Credendo.

The purpose of reputational risk management is to determine how potential reputational risks should be handled, to whom they have to be reported and how those risks will have to be dealt with.

Reputational risk is managed basically through:

- > maintaining timely and efficient communications among shareholders, customers, boards of directors, and staff,
- > establishing strong enterprise risk management policies and procedures throughout the organization,
- > implementing controls and corrective measures drawn from the subsidiary's above-mentioned internal analysis,
- > reinforcing a risk management culture by creating awareness at all staff levels,
- > complying with current laws and regulations and with existing policies and procedures,
- > developing and keeping up to date specific guidelines and procedures in all business processes,
- > responding promptly and accurately to regulatory authorities and supervisors (such as external auditors) and law enforcement.

4.2.1. Integrity Policy & Code of Conduct

Credendo Group Compliance has elaborated a Group Integrity Policy and Codes of Conduct which are approved by Credendo ECA's Board of Directors.

- > The primary objective of the Integrity Policy is the observance of the statutory and regulatory requirements as well as the internal standards and values which are laid down by Credendo in order to guarantee the integrity of each company of the Group and the persons working for each subsidiary.

The Compliance function is responsible for acting proactively in the integrity domains, referred to in the Integrity Policy and for monitoring and improving the adherence to the principles. Indeed, **non-respect of one of the specific domains in the Integrity Policy can lead to a negative perception of the image of the company and creates therefore a reputational risk to the company/Credendo.**

- > The Codes of Conduct give further details on the above integrity domains. All persons working for the Group must have the appropriate behaviour in order to construct a diligent, sound, honest and professional relationship with its various partners. This applies to persons directly employed by an entity of the Group as well as persons working indirectly for the entity via outsourcing or similar arrangements.

4.2.2. Specific guidelines & procedures in business processes

All persons working for Credendo acknowledge that protecting the good reputation of the Group and its entities is the duty for every person working for the entity, both during and after working hours.

From organisational perspective, each department within the company bears the first responsibility to make sure that potential reputational risks are avoided or mitigated. The entity's communication function and/or the spokesman will be involved as soon as a potential threat against the reputation of the company will occur and will take the measures required in terms of internal and external communication concerning the reputation sensitive topics.

Specific guidelines and procedures are (to be) developed by the different departments to take account of the reputation of the company in all decision-making and to minimize the exposure to reputational risks. The guidance of Compliance can be sought to assist in the development of such procedures. The specific guidelines developed by each department will be coordinated by the local Compliance officer.

Guidelines and procedures in place to manage underwriting risks³ are also part of the reputational risk management program :

- > guidelines on insurance policy underwriting introduce criteria on prospect selection, appropriate standards concerning brokerage etc.
- > the underwriting rules and guidelines on risk acceptance underwriting require essential and updated underwriting information
- > Credendo Group's cover policy takes account of international sanctions against countries, sectors and possible debtors
- > all underwriting respects the legal framework including license requirements
- > complaints handling procedures are compliant with relevant minimum quality requirements

³ Cf. Group Policy on Underwriting Risk.

4.2.3. Controls and corrective measures drawn from the internal analysis

In the internal analysis of identified reputational risks each subsidiary assesses:

- > the effectiveness of measures taken to reduce and mitigate the inherent reputational risk
- > the measures needed to reduce and mitigate residual reputational risk to an acceptable and proportionate level

Remediation for a further control/mitigation of the identified 'high frequency, high intensity' residual risks (occurring at least yearly and having a significant or major impact) is followed-up by the subsidiary's internal control functions.

4.3. Risk monitoring and reporting

It is the responsibility of each person working for Credendo to report any situation holding a reputational risk for the entity as soon as possible to their direct management, who will inform Compliance, or directly to the Compliance Officer. The Compliance officer will inform the communication department and the spokesperson if needed (see 4.2.2).

Any employee who reports in good faith a breach or suspected breach of legal or ethical standards can do so confidentially and will not be subject to retaliation or suffer any recrimination for making that report.

- > staff's awareness is increased respectively by performance interviews and training sessions on the Group's core values ('customer intimacy, reliability, respect'), on compliance requirements and reputational risk
- > to ensure that the identification of reputational risks stays up to date, the Integrity Policy and Code of Conduct are reviewed on a regularly basis by the (Group) Compliance function, taking into account relevant legal and regulatory developments, sector guidance, best practices, societal expectations
- > the Compliance function keeps record of the various reported breaches and practices as mentioned under 4.1, as well as of the actions that have been taken to mitigate this reputational risk. The Executive Committee/Management Board is informed of the reported or identified situations that could have an impact on the reputation of the entity.
- > an overview of all potential reputational risks that were reported to Compliance is included in the annual compliance reports
- > reputational risks are included as risks that are not or hard to quantify in the description of the risk profile (included in a.o. the Own Risks & Solvency Assessment)

5. Roles & Responsibilities

5.1. Board of Directors / Supervisory Board

The Board of Directors/Supervisory Board of each entity promotes and encourages the principles as set out in current policy, and sets the tone and culture for the organisation as a whole.

The Board of Directors/Supervisory Board approves the policy on reputational risk and needs to approve any future changes given its ultimate responsibility in the integrity domain.

The Board of Directors/Supervisory Board will be informed on a regular basis of all threats that have occurred and actions that have been taken in respect of safeguarding the reputation of the company.

GROUP POLICY ON REPUTATIONAL RISK



5.2. Executive Committee/Management Board

The Executive Committee/Management Board is responsible for elaborating and updating the policy on reputational risk.

The Executive Committee/Management Board needs to ensure that everyone working for the company is aware of the existence of the policy, and applies the principles set out in this policy.

The Executive Committee/Management Board will take the appropriate actions, proportionate with the potential reputational risk.

5.3. Compliance Function

The Compliance Officer has a coordinating and initiating role with respect to mitigate the reputational risk of the entity.

The Compliance Officer is responsible for the implementation of a reputational risk management system and its monitoring. He will take the appropriate actions when the principles above are not respected.

The Compliance Officer will report to his Executive Committee/Management Board and Board of Directors/Supervisory Board regarding the reputational risks that occurred in that relevant period and actions that have been taken to safeguard the company's reputation.

5.4. Communication Function

The communication function and/or spokesman of each Credendo Group entity are involved in all external communication concerning reputation-sensitive topics.

He will be informed by the Executive Committee/Management Board and the Compliance Officer of any serious threat that could damage the reputation of the company in order to be able to communicate adequately towards the media, the general public, the customers and the stakeholders.

5.5. Reputational risk for Credendo Group

Whenever a local situation has the potential to damage in a serious way the reputation of the Credendo Group as a whole or another entity that is part of the Credendo Group, the concerned entity will inform as soon as possible the members of the Executive Committee of the parent company, as well as the Group Compliance officer.

This decision to inform the parent company of the Credendo Group is in principle taken by the Executive Committee/Management Board of the concerned entity but can be taken by any member of the Executive Committee in case required by circumstances.

The primary objective of this notice is to take subsequently a common Group position on the actions to be taken on entity or Group level in order to mitigate the reputation risks as much as possible. Any decision to mitigate the risk of reputational damage to which the Group is exposed will be taken in consent with the different group entities that are involved.

GROUP POLICY ON REPUTATIONAL RISK



> Change history

Version	Date	Revision description	Changed by
1.0	December 20, 2016	Policy document submitted to the Board of Directors of Credendo ECA	Geert Goossens
1.1	January 2017	Rebranded	Geert Goossens

> Ratification history (Group Policy including Appendix)

Entity	Body	Approval date	Document
Credendo ECA	Board of Directors	December 20, 2016	GP 201612-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 17, 2018	GP 201807-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 16, 2019	GP 201907-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 14, 2020	GP 202007-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 13, 2021	GP 202107-APPECA REPUTRISK.docx

GROUP POLICY ON REPUTATIONAL RISK



Group Policy on Reputational Risk – Appendix Credendo ECA

This document is an appendix to the Credendo Group Policy on Reputational Risk document, which describes the overall framework of management of reputational risk within Credendo. Therefore, the full content of the Credendo Group Policy on Reputational Risk is de facto applicable to all Credendo entities in scope, unless any specific topic described in this appendix overrides the Group approach. This appendix will be revised on a yearly basis.

> General characteristics

Title	Credendo ECA appendix to Credendo Group Policy on Reputational Risk
Date	July 13 th 2021
Version	1.1
Classification	Internal use - Confidential
Status	Final
Document reference	GP 202107-APPDD REPUTRISK.docx
Revision frequency	Annual
Document owner	Credendo ECA Compliance function

> Table of Contents

1. Credendo ECA Risk Management specifics	2
2. Signatures	2

GROUP POLICY ON REPUTATIONAL RISK



1. Credendo ECA Risk Management specifics

There are currently no specific topics for Credendo ECA that merit a deviation from the Group Policy on Reputational Risk.

2. Signatures

The Board of Directors of Credendo ECA agrees to adhere to the Credendo Group Policy on Reputational Risk and the specificities for Credendo ECA as detailed in this document.

> Change history (Appendix)

Version	Date	Revision description	Changed by
1.0	December 20, 2016	Initial version	Geert Goossens
1.1	January 18, 2017	Rebranded	Geert Goossens

> Ratification history (Group Policy including Appendix)

Entity	Body	Approval date	Document
Credendo ECA	Board of Directors	December 20, 2016	GP 201612-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 17, 2018	GP 201817-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 16, 2019	GP 201907-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 14, 2020	GP 202007-APPECA REPUTRISK.docx
Credendo ECA	Board of Directors	July 13, 2021	GP 202107-APPECA REPUTRISK.docx