

# Compliance Program for XL Group plc

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XL CATLIN



# COMPLIANCE PROGRAM FOR XL GROUP PLC

## I. PURPOSE

The purpose of the XL Group plc Compliance Program (the “Program”) is to (a) help protect XL Group plc companies from financial or reputational harm that arises from noncompliant or unethical conduct and (b) help prevent, detect and remediate compliance failures or risks. By doing so, the Program helps ensure that XL Group plc companies are in compliance with all applicable laws.

## 2. SCOPE AND APPLICATION

The Program is mainly designed to ensure compliance with the XL Group plc Code of Conduct (the “Code”) and the associated Code Supplement. It does not specify measures for ensuring compliance with financial regulations or (re)insurance regulation. In certain circumstances, regulated entities are required to adopt local compliance programs to ensure compliance with local laws, regulations and business practices and to allocate responsibility accordingly.

The Program applies to XL Group plc, all XL Group plc subsidiary companies, and to all permanent and temporary employees, officers and directors except where the application of certain requirements to independent directors would be inappropriate. Such employees, officers and directors are collectively referred to herein as “Employees”. For purposes of this Compliance Program, an XL Group plc subsidiary company is one in which XL Group plc or another XL Group plc subsidiary company owns an interest in excess of 50% or is otherwise designated a controlled company by the Corporate Compliance Director (“CCD”). XL Group plc subsidiary companies are referred to collectively herein as “XL” or “the Company.” In addition, agents, consultants and other third parties acting on XL Catlin’s behalf shall be provided with the Code or a similar Code applicable to such third party agents (“Code for Representatives”) and urged to apply similar standards of ethical and compliant conduct.

Company policy is to comply with all laws, rules and regulations that apply in the countries where we do business. Certain laws of the U.S. or other jurisdictions may have extraterritorial application, including, but not limited to, the U.S. Foreign Corrupt Practices Act and, in some cases, U.S. trade sanctions. These may apply to, or affect, the Company’s activities overseas, and measures must be implemented to ensure awareness and compliance.

## 3. NON COMPLIANCE

Employees who engage in conduct that violates the Code or who fail to take reasonable steps to prevent or detect violations may be subject to one or more of the following: warnings, reprimands, probation, demotion, additional training, temporary suspension, discharge or other actions as may be deemed appropriate. The Company may report criminal activity or other unlawful activity to the appropriate authorities.

It is of the utmost importance that the Company use reasonable efforts not to employ any individual or engage any consultant or agent to act on its behalf whom the Company knows or should through reasonable diligence know has engaged in illegal conduct or other conduct in violation of the law or XL's Code. The Human Resources department has developed procedures to assist with this objective.

#### **4. OVERSIGHT, RESPONSIBILITIES & REPORTING**

##### *4a. Board of Directors*

The Audit Committee of XL Group plc, to the extent it deems necessary or appropriate, shall obtain at least annually, or more frequently if appropriate, written reports from the Company's General Counsel, CCD and Code of Conduct Officers as to whether the Company and its subsidiary/ foreign affiliated entities are in material compliance with applicable legal requirements and the Company's Code of Conduct and Compliance Program.

The Audit Committee advises the Board, at least annually, or more frequently if appropriate, with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct. The Audit Committee shall also review at least annually, or more frequently if appropriate, with the General Counsel, the CCD and, as appropriate, the code of conduct officers, compliance with the Company's Code of Conduct, as well as the implementation and effectiveness and the administration, training, monitoring and auditing of the Compliance Program. The Audit Committee also will discuss with the General Counsel, the CCD, other members of management and the independent auditor, as appropriate, any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

The Nominating and Governance Committee shall review requests from directors and executive officers of the Company for waivers from the Company's Code of Conduct, make recommendations to the Board concerning such requests or grant such requests on behalf of the Board if appropriate, and review any required disclosures relating to such waivers.

##### *4b. Compliance Director*

The XL Group plc Chief Executive Officer, with the concurrence of the XL Group plc Board of Directors, shall appoint a senior level executive as CCD of the Company, who, together with the General Counsel, shall be responsible for formulation and implementation of an effective Compliance Program.

In order to assure the independence of the CCD, and the integrity of the Program, the CCD shall report directly to the XL Group plc Audit Committee (the "Committee") on a periodic basis on matters relating to the Company's material compliance with applicable legal requirements and the Company's Code. He or she shall only be removed from his or her capacity as CCD with the concurrence of the Audit Committee. Further, any material changes to the CCD's authority or status shall be made with the concurrence of the Audit Committee.

The CCD and the General Counsel shall have authority to take actions and implement measures as necessary to assure that the Program is kept up to date,

effective and administered according to the procedures and requirements set forth herein.

*4c. Code of Conduct Officers*

The CCD shall appoint Code of Conduct Officers (“CCOs”) who will have day-to-day responsibility for implementation of the Code in their regions and for carrying out specific duties in accordance with terms of reference supplied by the CCD. CCOs shall have direct access to the CCD and General Counsel and shall report at least annually to the Committee, through the CCD, on compliance with the Code in their regions. The CCD shall meet with the CCOs on a routine basis to discuss implementation measures and any emerging issues.

*4d. Regulatory Compliance*

The Company’s operations are subject to insurance or reinsurance regulation and supervision in each of the jurisdictions where they are domiciled and licensed to conduct business. Generally, regulatory authorities can have broad supervisory and administrative powers over such matters as licenses, fitness of management, standards of solvency, material transactions between affiliates, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, reserves for unpaid losses and loss adjustment expenses, reinsurance, minimum capital and surplus requirements and/or risk based capital standards, dividends and other distributions to shareholders, periodic examinations and annual and other report filings. The Company ensures its compliance with such regulations by the efforts of various Employees responsible for meeting regulatory requirements and through designated regulatory compliance personnel.

*4e. Corporate Transactions Authorizations Schedule*

XL maintains a Corporate Transactions Authorizations Schedule that sets out the limits of authority for specific activities and transactions. This includes high level limits for underwriting, reinsurance purchase, claims, investments, expenditure and other activities. It is the responsibility of business management to assign subordinate limits as appropriate to line staff. Adherence to these limits or rules is overseen by business management, as well as Enterprise Risk Management and Internal Audit.

*4f. Employee Responsibility*

The Code shall stress the importance of each Employee’s responsibility for compliance with the Code and other applicable rules and legal requirements, and for acting in an ethical and responsible manner. Each manager shall encourage compliance by Employees within his or her unit or functional area, and managers shall consult with the applicable CCO in meeting this responsibility.

## **5. CORE ELEMENTS OF THE PROGRAM**

- A. Code of Conduct and Code Supplement
- B. Legal & Compliance Risk Assessment
- C. Prevention, Detection and Remediation
- D. Training & Communications
- E. Annual Acknowledgment
- F. Incident Reporting
- G. Incident Management

### *5a. Code of Conduct and Code Supplement*

XL Group plc maintains a Code that explains general standards of legal, ethical and compliant conduct (incorporating certain specific measures relating to Senior Financial Officers). The Code also explains procedures for reporting violations and XL's Non-Retaliation policy. Material updates to or changes to the Code must be approved by the Board of Directors of XL Group plc. The Code is available on the Company intranet, as well as on the Company's public website.

The Code is accompanied by a Code Supplement that provides additional rules and guidance relating to certain aspects of the Code. The Code Supplement shall be made available to Employees on the company intranet along with other relevant Compliance policies and bulletins.

The Company also maintains a Code for Representatives which applies to business partners acting on XL's behalf including subcontractors, Managing Agents, coverholders, third party claims administrators, underwriting managers and other third parties, collectively "Representatives". The Code for Representatives is distributed to such representatives and is also available on the Company's public website.

### *5b. Legal & Compliance Risk Assessment*

The CCD shall be responsible for leading a biennial assessment of legal and compliance risks affecting the Company, which assessment will be designed to identify and mitigate potential or actual risks to the financial or reputational standing of the Company. The CCD shall be assisted in this exercise by the Legal & Compliance team as well as selected representatives from other business areas. The outcome shall be discussed with the Chief Enterprise Risk Officer.

The CCD shall liaise regularly with other functions (including Internal Audit, Finance, Enterprise Risk Management, Human Resources and Information Security) to encourage convergence of efforts and effective risk management.

### *5c. Prevention, Detection and Remediation*

The CCD shall be responsible for formulating and implementing appropriate procedures and controls that prevent and detect violations of the Code. When violations or control weaknesses that may result or contribute to a violation are detected, during the risk assessment process or otherwise, remediation plans, including necessary controls, will be developed and implemented in consultation with the Chief Risk Enterprise Officer and Head of Internal Audit.

*5d. Training and Communications*

The CCD shall develop an overall compliance training program for all XL Employees in order to raise and reinforce awareness of the Code, and to prevent violations and non compliance. In addition, communications shall be issued periodically and as required to alert Employees or to highlight specific issues.

Mandatory compliance training shall be provided to all Employees (subject to any local laws) on a selected topic or topics each year. In addition, the CCD shall work with business functions and CCOs to develop and deliver ad hoc legal or compliance training in order to mitigate specific risks or to meet regulatory requirements. Training may be conducted online or in person. On an annual basis the CCD shall conduct training for the Board of Directors of XL Group plc. Additionally, new Employees shall receive introductory training on the Code and Code Supplement as part of their orientation. All training shall be designed to maximize effectiveness and minimize operational disruption.

Managers shall be required to assist in implementation of compliance training. Employee failure to comply with the training requirement may result in disciplinary action. The CCD shall annually report to the Audit Committee on completion rates and any exceptions.

*5e. Annual Acknowledgement*

The CCD shall ensure that, subject to local law, all Employees submit an Annual Acknowledgment confirming that the Employee is familiar with the Code and the Code Supplement and that the Employee has fully complied with the Code and the Code Supplement in the preceding 12 months other than for those violations, if any, previously reported or that are reported during this process. The CCD shall report on completion of this exercise to the Audit Committee on an annual basis.

*5f. Incident Reporting*

The CCD shall communicate to Employees in writing procedures for reporting actual, suspected or proposed conduct believed to constitute a violation of XL's Code or Code Supplement. Employees shall be provided with different options for reporting actual or suspected violations of the Code or ethical misconduct. This shall include a tool, administered by a third party, that receives online and telephone based reports for onward transmission to the CCD. This tool can be accessed through the Company intranet, or via the public website. Third parties may also submit reports in this manner. Subject to local law and custom, reports may be submitted anonymously. Any exceptions to the usual reporting procedure to reflect these laws or customs shall be provided to the impacted employees alongside the reporting tool.

Reports made using the electronic reporting tool or through any other channel shall be treated as "compliance incidents" until they are identified as substantiated violations, unsubstantiated allegations, or risk /control issues. These developments shall also be classified and reported on in accordance with the "Incident Receipt, Investigation and Reporting Protocol" in the Code Supplement.

*5g. Incident Management*

The CCD shall maintain a diary system to record all compliance incidents and track them through to resolution. The CCD shall report any material violations of the law or Code to the Audit Committee.

All compliance incidents shall be investigated confidentially in accordance with a formal procedure and with all applicable laws and regulations. Formal remediation plans shall be established for material violations or risk or control issues.

Employees must be advised that: a) XL will not discharge, suspend, demote or take adverse employment action against an Employee who believes and communicates in good faith that a policy or practice is in violation of laws, rules, regulations or ethical standards simply because an Employee makes any such report, unless the Employee has been a willful participant in the wrongdoing or has allowed or encouraged the violation to occur or to continue; b) XL encourages Employees to disclose their own violations of law, rule, regulation or company policy; and c) XL will not promise in advance that Employees who report their own violation of any law, regulation or ethical standard will not be disciplined or otherwise dealt with by applicable authorities; however, the fact that an Employee disclosed his/her own violation will be treated by the Company as a mitigating factor.

**6. MONITORING OF COMPLIANCE PROGRAM, ASSESSMENT & REPORTING**

The CCD, in conjunction with the Deputy Compliance Director and the General Counsel, shall be responsible for overall implementation and evaluation of the Program and shall report, at least annually, on its effectiveness to the XL Group plc Audit Committee. CCOs shall formally report to the CCD on an annual basis on adherence to the Code.

The CCD shall arrange periodic surveys of Employee perceptions of the Code and adherence to ethical and legal standards. In particular, Employee feedback on the annual training exercise should be sought and its effectiveness assessed accordingly.

The CCD and Head of Internal Audit shall meet regularly to discuss adherence to the Compliance Program, resolution of any incidents and remediation of any weaknesses or violations.