

INTERNAL CONTROL FRAMEWORK

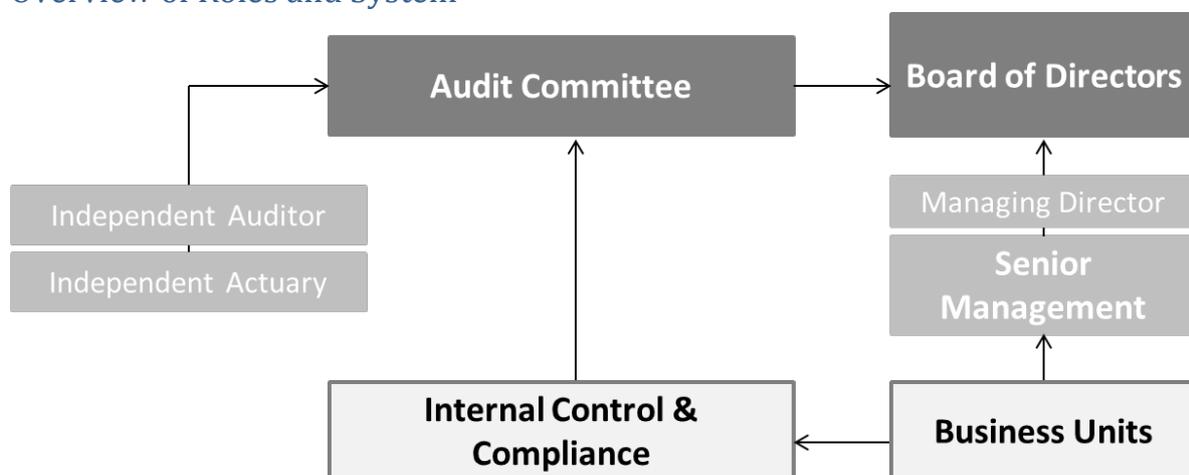
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Internal Control Framework

Standard Insurance has formulated a Framework for Internal Control. In accordance with the framework, the Company has established an internal control system for the company that encompasses structures for customer protection, management control, compliance and risk management. This system is employed to the company to assist the Board and Senior Management in the fulfillment of responsibilities in oversight and management. The Company monitors the status and practical application of its internal control system. Moreover, the Company will continually strengthen and improve its internal control system in light of the results of this monitoring. The review and assessment is conducted on an annual basis on the internal control framework of Standard Insurance.

Overview of Roles and System



Standard Insurance's Internal Control system is a set of checks and balances designed to provide the necessary assurance to the Board in fulfillment of its oversight duties. It covers all business units and activities of the Company. Standard Insurance employs '4 lines of defense' or 'checks and balances' in the controls framework. Each layer acts as a line of monitoring or process assurance to ensure that policies and processes are practiced and being observed.

Business Units

The first line of defence lays in the responsibility business teams. Each Head of business units are entrusted to manage their respective departments in adherence to Standard Operating Procedures and Policies as approved by the Board, and as communicated by Senior Management. Business Unit Heads are responsible to the Senior Management for running units according to Company policies and Standard Operating Procedures.

Senior Management

Secondly, Senior Management is accountable for implementation and execution of approved policies and decisions of the Board. In their implementation, Senior Management and the Managing Director are effectively the channels communicating Board mandates and policies to the operating business units. Business Unit Heads report to the Senior Management on process implementation and flag any breaches in policies. Senior Management has the authority to take necessary actions to remedy compromises in policies.

Internal Control & Compliance Functions (by Compliance Department)

Thirdly, the Internal Control function under provides another line of defence. The Compliance department work independently of Business Units, and provide an alternative layer of monitoring and checks over Business Units. It then acts as a secondary channel for quality control over business practices. Standard Insurance's Compliance department works with the Board to support their oversight, and work with Senior Management to support their administration of the Company.

Board Oversight

Fourthly, the Board through the Audit Committee oversees key risks and Internal Control systems. Both Senior Management and the Internal Control & Compliance functions report to the Audit Committee. The Audit Committee may work with Senior Management or the Internal Control & Compliance functions collectively or independently.

These control functions are periodically reviewed by the Audit Committee, who reports to the Board and make recommendations on its evaluation of the framework. The Audit Committee is responsible for the integrity of financial statements, the effectiveness of the Company's system of internal financial controls, monitoring the effectiveness, performance and objectivity of internal and external auditors.

Segregation of duties and prevention of conflict of interest

Embedded in the system is a segregation of duties that ensure controls are conducted with independence and objectivity. Heads of key business units, such as Business Development, Underwriting, Claims and Finance, are run units according Standard Operating Procedures. The Compliance department manages Internal Control & Compliance functions, operating as an independent department in reviewing business practices against policies.

The Company maintains independence of the Internal Control & Compliance functions by having the responsible department report to the Board's Audit Committee. The set of checks conducted by Compliance are independent from supervision conducted by Senior Management. Where Compliance department monitors business functions with the view of reporting to the Board's Audit Committee, Senior Management concurrently runs separate checks on business units with the view of management and effective implementation of policies.

Both Compliance (through the Audit Committee), and Senior Management report to the Board, who is ultimately responsible that the Company has appropriate systems and functions for internal controls, and to provide oversight to ensure that these systems and the functions that oversee them are operating effectively and as intended.

Authorities

Generally, all practices with deviations from Standard Operating Procedures or other Board approved policies require Managing Director or Board approval. Managing Director Approval applies with certain limits. The Managing Director is authorised to approve any matters which does not require a Board Approval. These shall include the following:

- Insurance risks which require special acceptance or facultative arrangement but with gross premium not exceeding BND 100,000
- Operating decisions not exceeding BND 500,000
- Investments not exceeding BND 500,000

All other matters with implications exceeding limits above require Board approval.

Governance and Ownership of Internal Control Framework

Ownership of this framework is vested with the Board. Any proposed changes and amendments to the framework are to be approved at the Board level. Whilst the Board is responsible for creating the framework, the Audit Committee oversees the systems by regular review of the Internal Control functions, and Senior Management is accountable for the execution of policies within business units and activities.