

**ARGO GROUP INTERNATIONAL HOLDINGS, LTD.****Corporate Governance Guidelines  
And  
Terms of Reference**

The following Corporate Governance Guidelines, along with the Code of Conduct & Business Ethics and supporting Policies and Procedural Guidelines, have been adopted by the Board of Directors (the “Board”) of Argo Group International Holdings, Ltd. (the “Company”) to provide a governance framework for the Company. This comprehensive framework includes principles of corporate discipline, accountability, responsibility, compliance, and oversight to govern the business activities of the Company. These Corporate Governance Guidelines reflect the Board’s commitment to ensure that the Company’s business is effectively directed, managed and conducted in a sound and prudent manner with integrity, due care, and the professional skills that are appropriate. These Corporate Governance Guidelines are in addition to and are not intended to depart from, change or interpret the Bermuda Companies Act 1981, the Bermuda Insurance Act 1978, the Certificate of Incorporation or Bye-laws of the Company, or any other United States or other international law or stock exchange regulation applicable to the Company. The Corporate Governance Guidelines are subject to modification from time to time by the Board.

**I. DEFINITIONS**

- a. References to "the Company" are to Argo Group.
- b. References to "subsidiary companies" are to any company which is wholly owned or controlled by the Company from time to time.
- c. References to "the Board" are to the Board of Directors of the Company.
- d. References to "Argo Group" are to Argo Group International Holdings, Ltd and its subsidiaries.
- e. References to the Company’s “CEO” are to the Chief Executive Officer of the Company.
- f. References to the “Senior Management” are to the chief and senior executives as defined in the Bermuda Insurance Act, Section 1A(9).

## **II. PURPOSE**

The purpose of the Board is to:

1. Ensure that the Company fulfills all obligations to its shareholders and other stakeholders;
2. Ensure that the Company operates within the framework of applicable laws and regulations of the jurisdictions in which Argo Group conducts business;
3. Ensure that Argo Group's Senior Management or the Board are made aware of matters material to the current or future operation of the Company as required or appropriate.

## **III. GUIDELINES**

### **1. Board Structure and Membership**

#### A Majority of the Board Should be Independent

The Board believes that a majority of the members of the Board should be independent directors. To be "independent," a director must meet the independence rules of the New York Stock Exchange ("NYSE") listing requirements and the rules and regulations of the United States Securities Exchange Commission ("SEC"). Members of the Audit Committee must meet the additional independence requirements set forth by Section 10A(m)(3) of the Securities Exchange Act of 1934, Rule 10A-3 promulgated under the Securities Exchange Act of 1934 and Sections 303A.01 and 303A.02 of the NYSE Listed Company Manual. Further, each member of the Human Resources Committee shall also qualify as a "non-employee director" under Section 16 of the Exchange Act and as an "outside director" under Section 162(m) of the U.S. Internal Revenue Code.

#### Size of the Board

The Bye-laws of the Company prescribe that the number of directors will be not less than three or more than thirteen.

### Term Limits and Retirement

The Board does not believe that term limits for service as a director would be in the best interest of the shareholders. As an alternative to term limits, the Nominating and Corporate Governance Committee of the Board of Directors will review annually each director's eligibility, fitness and propriety prior to recommending any director for continued service or re-election to the Board.

The Board does not believe a requirement to mandate retirement by a certain age would serve the best interests of the shareholders. Therefore, there is no mandatory retirement age for directors.

### When a Director Changes Occupation

Individual directors who substantially change the responsibilities they held when they were elected to the Board should volunteer to resign from the Board. Although the Board does not believe that such a change should necessarily cause the director to leave the Board, this offer of resignation will provide an opportunity for the Board to review the continued Board membership of such a director under changed circumstances. It is expected that an executive director who leaves the employ of the Company will leave the Board at the time such individual ceases to be employed by the Company, although the Board will determine at such time whether it is in the best interests of the Company to retain such director as a non-executive director.

### Disclosures by Directors

Individual directors shall have an affirmative obligation to inform the Board of any material changes in their qualifications, circumstances or relationships that impair or could have the potential to impair their eligibility to serve as an independent member of the Board or its Standing Committees.

### Other Public Company Directorships

The Company does not have a policy limiting the number or type of other public company boards of directors for which a director may serve.

### Selection of Chairperson and CEO

The Board is free to make the selection of the Chairperson of the Board and the Chief Executive Officer in the manner and based upon the criteria that the Board deems appropriate at the time of such selection. The Board has no policy requiring the separation of the role of Chairperson and CEO.

## **2. Operation of Board Meetings**

The Board shall have at least four regularly scheduled meetings per year. Special meetings will be called as necessary. Notice of, an agenda and information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting will be distributed sufficiently in advance of the meeting so that directors have a reasonable opportunity for review and preparation, unless doing so would compromise the confidentiality of competitive information. In the event of a pressing need for the Board to meet on short notice, it is recognized that written materials may not be available in advance of the meeting. Management will attempt to provide presentation materials that are brief and that clearly communicate the essential information.

The Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary will be present or otherwise available during Board meetings. In addition, with the concurrence of the Board, the Chairperson of the Board may invite one or more members of management to be in regular attendance at Board meetings and may include other officers and employees from time to time as appropriate under the circumstances.

Directors are expected to attend meetings of the Board and meetings of the committees of the Board of which they are members. The independent directors shall have regularly scheduled meetings at which only independent directors are present ("executive sessions") on a regularly scheduled basis not less than two times a year to consider such matters as they may deem appropriate.

### **3. Director Qualifications**

Nominees will be evaluated and recommended to the Board by the Nominating and Corporate Governance Committee in accordance with its Charter and the principles and policies outlined therein. Nominees shall demonstrate and maintain the general qualities of "fitness and propriety", showcasing especially the attributes probity, competence and soundness of judgment for fulfilling the responsibilities of the respective position held or to be held, and the diligence with which the person is fulfilling or likely to fulfill those responsibilities.

The Board believes that directors should be stockholders and have a financial stake in the Company. Accordingly, the Board will establish Equity Ownership Guidelines to specify target levels of share ownership recommended for individual directors based on length of service.

### **4. Board of Directors Functions**

The fundamental responsibility of the Board of Directors is to exercise its business judgment in what it reasonably believes to be the best interests of the Company and its shareholders. The Board of Directors, by itself or through its Committees, shall:

- a. Review and approve appropriate strategies, policies and business plans for the Company based on the recommendations of the CEO and Senior Management and monitor the Company's performance against such plans
- b. Provide oversight for the Company's framework for risk management and systems for internal control over financial reporting and disclosure
- c. Establish corporate governance standards for the Company, including the Company's Code of Conduct & Business Ethics as well as the Policies and Procedural Guidelines which support and give effect to same.

- d. Provide oversight and evaluate performance and compensation for CEO and Senior Management.
- e. Establish effective succession plans for the CEO and Senior Management.
- f. Establish and enforce standards for director qualification and for prompt disclosure as required by applicable law or regulation of any waivers granted to directors.
- g. Monitor and provide oversight regarding the Company's adherence to the Policies and Procedural Guidelines established for the following functions and operational areas: Investments, Internal Audit, Compliance, Outsourcing, Actuarial and Underwriting.

The Chairperson of the Board sets the agenda for the Board meetings with the understanding that certain items necessary for appropriate Board oversight, such as annual budgets and long range plans, must appear periodically on the agenda. Board members may suggest that particular items be placed on the agenda.

In the event that the Board determines that designation of a lead director separate from the Chairperson would serve the best interests of the Company and its shareholders, his or her duties would include: assisting the Board in assuring compliance with and implementation of these Corporate Governance Guidelines, coordinating the agenda for and moderating the sessions of the Board's independent directors and acting as principal liaison between the independent directors and members of management or other directors on sensitive issues.

## **5. Board Committees**

The Board of Directors will maintain an Audit Committee, an Executive Committee, a Human Resources Committee, an Investment Committee, a Nominating and Corporate Governance Committee, a Risk & Capital Committee (collectively the "Standing Committees") and such other committees it deems appropriate. The Standing Committees shall have written charters addressing each committee's purpose, composition, organization, authority, duties and responsibilities and other material guidance and considerations consistent with the terms of the Standing Committee Terms of Reference attached as Appendix "A" hereto. Each Standing Committee shall have the authority to engage independent legal, financial or other advisors as it deems necessary.

Standing Committees shall be chaired by independent directors, except that the Board may determine that the Executive Committee shall be chaired by a non-independent director. The

Audit Committee, Nominating and Corporate Governance Committee and Human Resources Committee shall be comprised entirely of independent directors.

The Nominating and Corporate Governance Committee shall be responsible, after consultation with the Chairperson of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees, including a designee as Chairperson. After reviewing the Nominating and Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairpersons and members of the committees on an annual basis.

The Nominating and Corporate Governance Committee shall annually review the Standing Committee assignments and shall consider the rotation of Chairpersons and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

The Chairperson of each committee, in consultation with committee members, will determine the frequency and length of committee meetings.

The Chairperson of each committee, in consultation with appropriate members of Senior Management, will develop the committee's agenda. Each director may recommend agenda items for any committee meeting.

## **6. Director Access to Management and Outside Advisors**

Directors shall have full and free access to Senior Management and the right to select appropriate independent advisors. Any director or committee that wishes to meet with an officer or employee of the Company should arrange such meeting through the CEO or, if preferable given the purpose of the meeting, through designated legal counsel.

## **7. Communications with Non-Management Members of Board of Directors**

An officer, employee, stockholder or other interested party who has an interest in communicating with non-management members of the Board of Directors may do so by directing the communication to the Secretary of the Company. The Secretary will provide a summary of all appropriate communications to the addressed non-management directors.

## **8. Formal Evaluation of the Chief Executive Officer**

Annually, the Human Resources Committee should evaluate the compensation package of the CEO and will consider the performance of the CEO in the course of its deliberations.

## **9. Director Orientation and Continuing Education**

The Company shall familiarize new Directors with the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. In addition, the Company shall periodically provide materials or briefing sessions for directors on subjects that would permit the Directors to maintain the necessary level of expertise to perform their responsibilities as Directors.

## **10. Management Succession**

The CEO shall prepare, annually, a short-term succession plan which delineates a temporary delegation of authority to certain officers of the Company, if all or a portion of Senior Management should unexpectedly become unable to perform their duties. The short-term succession plan shall be approved by the Human Resources Committee and shall be in effect until the Board has the opportunity to consider the situation and take action, when necessary.

## **11. Evaluation of Board Performance and Compensation**

The Board of Directors and each of its committees will conduct an annual self-evaluation to determine their effectiveness. The reviews will focus on the performance of the Board of Directors as a whole and the performance of each committee. The Nominating and Corporate Governance Committee shall be responsible for establishing the evaluation criteria and implementation of the evaluation process.

Senior Management shall report periodically to the Human Resources Committee on the status of the Company's director compensation practices in relation to other companies of comparable size and the Company's competitors. The Human Resources Committee shall determine the form and amount of director compensation in accordance with its charter, with full discussion and concurrence by the Board.

The Company's directors who are also employees of the Company shall not receive additional compensation for their service as directors. The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of

the Company's stock through the payment of a portion of director compensation in the Company's stock, options to purchase the Company's stock or other similar stock-based compensation.

## **12. Board Interaction with Third Parties**

The Board believes that Senior Management generally should speak for the Company, and to the extent separate communications are required from the Board itself, the Chairperson of the Board speaks for the Board. Each director shall refer all inquiries from various constituencies, including the press, investors and customers, to management.

## **IV. REVISIONS**

The Board recognizes that from time to time it may be appropriate to change its corporate practices, and will review, with the assistance of the designated legal counsel, these Guidelines and other aspects of the Company's governance framework as it deems necessary in the best interest of the Company or as required by any applicable laws and regulations.

## **V. ADOPTION**

The "Board of Directors Terms of Reference & Corporate Governance Guidelines" and any changes made during the reviews shall be adopted by resolution of the Board.

A copy of these Corporate Governance Guidelines will be made available on the Company's website.

**APPENDIX “A”**  
**STANDING COMMITTEE TERMS OF REFERENCE**

I. Executive Committee.

The Executive Committee shall consist of the Chairperson of the Board and two other directors and may be convened by the Chairperson of the Board to consider and act on matters relating to the Company which arise in between meetings of the Board of Directors. The Executive Committee may exercise all powers and authority of the Board in the management of the business of the Company consistent with the Company’s Bye-laws.

II. Investment Committee.

The Investment Committee assists the Board in the oversight of the Company’s key investment objectives, strategies and policies. The Investment Committee is responsible for (a) approval of the Company’s investment policies, strategies, and transactions and (b) review of the performance of the Company’s investment portfolios. All investment transactions are ratified by the full Board. The Board has adopted a written charter for the Investment Committee that specifies the scope of the Investment Committee’s responsibilities.

III. Audit Committee.

The Audit Committee consists of “independent directors” in accordance with the applicable corporate governance listing rules of the New York Stock Exchange (“NYSE”) and the rules and regulations of the United States Securities and Exchange Commission (“SEC”) as currently in effect. The Audit Committee assists the Board in its oversight of the quality and integrity of the accounting, auditing, and financial reporting processes of the Company. Its primary responsibilities include (a) review of quarterly and annual financial results and other financial information of the Company, (b) the appointment, replacement, compensation and oversight of independent, outside auditors, (c) review of all recommendations by the auditors with respect to accounting methods and internal controls of the Company, (d) review and advance approval of audit and non-audit services provided by outside auditors and the scope of such audits and services, and (e) oversight of the performance of the Company’s internal audit function. The Audit Committee’s role further includes discussing with Senior Management, Internal Audit and the independent, outside auditors the Company’s

processes to manage its business and financial risk, and processes for compliance with significant applicable legal and regulatory requirements. In addition, the Audit Committee shall establish procedures for complaints relating to accounting, internal accounting controls or auditing matters as well as procedures for confidential, anonymous submission by Company employees of any concerns regarding questionable accounting or auditing matters. The Board has adopted a written charter that specifies the scope of the Audit Committee's responsibilities.

#### IV. Human Resources Committee.

The Human Resource Committee consists of "independent directors" in accordance with the applicable corporate governance listing rules of NYSE and the rules and regulations of the SEC as currently in effect. The Human Resources Committee of the Board is established to (a) discharge the responsibilities of the Board relating to compensation of the Company's executives, (b) review and discuss with the Company's Senior Management the Compensation Discussion and Analysis ("CD&A") required by the SEC's rules and regulations, (c) produce an annual report on executive compensation transmitted to the shareholders in the Company's proxy statement, (d) advise the Board on the adoption of plans and policies that govern the Company's compensation programs, and (e) oversee such programs. The Committee has responsibility for establishing, implementing and monitoring adherence with Argo Group's compensation philosophy. The Board has adopted a written charter that specifies the scope of the Human Resources Committee's responsibilities.

#### V. Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee consists of "independent directors" in accordance with the applicable director independence rules of NYSE and the rules and regulations of the SEC as currently in effect. The purpose of the Nominating and Corporate Governance Committee is to (a) establish criteria for Board member selection and retention, (b) identify individuals qualified to become Board members, (c) recommend to the Board individuals to be nominated or re-nominated for election as directors, (d) recommend directors for appointment to one or more of the Board's Standing Committees, (e) oversee the evaluation of the Board and management and (f) develop and recommend to the Board a set of corporate governance guidelines applicable to the Company. The Board has adopted a written charter for the Nominating and Corporate Governance Committee that specifies the scope of the Committee's responsibilities.

## VI. Risk & Capital Committee.

The Risk & Capital Committee assists the Board in its oversight of the Company's management of enterprise-wide key risks to which the Company is exposed, as well as the guidelines, policies and processes by which the Company assesses and manages its exposure to risk. The Committee is further charged with overseeing the various measures of capital adequacy and solvency used by the Company from an operational perspective or prepared by the Company to comply with regulatory requirements. The Committee has a primary role in approving risk appetite, risk tolerances and risk limits and ensuring enterprise risk exposures are appropriately managed to within defined tolerance limits. "Risk appetites" are broad statements used to guide the Company's risk and reward preferences over time, all consistent with, among other factors, business prudence, market opportunities, the underwriting pricing cycle and the investment climate. The Board has adopted a written charter for the Risk Committee that specifies the scope of the Risk Committee's responsibilities.