

CHARTER OF THE AUDIT AND RELATED PARTY TRANSACTIONS COMMITTEE

RELIANCE SURETY & INSURANCE CO., INC.

I. INTRODUCTION

The Audit and Related Party Transactions Committee (the "Committee") is established as a committee of the Company's Board of Directors (the "Board") to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, compliance with applicable laws and regulations and review all material related party transactions of the company.

This Charter may be amended from time to time as required, subject to approval by the Board.

II. MEMBERSHIP

- 2.1 The Committee shall each year be appointed by the Board during the annual Organizational Meeting;
- 2.2 The Committee shall comprise of at least three (3) and no more than five members all of whom shall be non-executive directors of the Company;
- 2.3 The Board shall appoint a chairman from among the members of the Committee from time to time. The Chairman shall be independent and must not be the Chairman of the Board or of any other committee;
- 2.4 The Chairman and the members of the Committee shall have a term of one (1) year or until their successors are appointed by the Board; and
- 2.5 All members of the committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

III. MEETINGS

- 3.1 The Committee shall meet at least four (4) times per annum and more frequently as deemed necessary by the chairman of the Committee or at the request of a Committee member or the external or internal auditors;
- 3.2 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee;
- 3.3 The Committee can invite members of management, auditors or others to attend meetings and provide pertinent information as necessary;
- 3.4 The Committee is expected to maintain free and open communication with the external auditor, the internal auditor and management;

- 3.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any person required to attend, no later than five (5) days before the date of the meeting. Supporting papers shall be sent to Committee members and attendees as appropriate at the same time;
- 3.6 Members may attend meetings in person, or through teleconferencing or video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein;
- 3.7 Members may give their consent or approval to an item in the agenda in writing or by any electronic means;
- 3.8 Minutes of the Committee meetings shall be kept and members shall be furnished copies thereof and any action taken or resolution decided; and
- 3.9 The Committee shall report to the Board on its activities following each meeting.

IV. AUTHORITY AND RESPONSIBILITIES

4.1 Audit

- 4.1.1. The Committee shall have the power to conduct or authorize investigations into any matters within its scope of responsibilities, and shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee, and to communicate directly with the internal and external auditors. The Committee is further authorized to seek any information it requires from any employee of RSICI in order to perform its duties;
- 4.1.2. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring or compliance with applicable laws, rules and regulations;
- 4.1.3. Assist the Board in fulfilling its responsibilities with regard to the integrity of the financial statements, the organization of the compliance function and the monitoring of compliance with legal and regulatory requirements, the appropriateness of the internal controls, the effectiveness of the risk management system, the external auditor's qualifications and independence, and the performance of the external auditor and the internal audit function;
- 4.1.4. Review and approve the annual internal audit charter and plan including scope and resources, and any amendment(s) to such plan(s) and evaluate the conclusion of the reports from the internal audit reviews and to ensure its conformity with the objectives of the Corporation;
- 4.1.5. Review the quarterly, half-year and annual financial statements reports before submission to the Board and to pertinent regulatory body, with particular focus on the following matters: (i) any change/s in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from the audit; (iv) going

concern assumptions; (v) compliance with accounting standards; and (vi) compliance with tax, legal and regulatory requirements;

- 4.1.6. Evaluate and determine the non-audit work of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence;
- 4.1.7. Approve and recommend the appointment, reappointment, removal, and fees of the external auditors to the Board.
- 4.1.8. Assess the integrity and independence of external auditors;
- 4.1.9. Exercise effective oversight to review and monitor the external auditor's independence and objectivity
- 4.1.10. Exercise effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.
- 4.1.11. Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, they shall be free from interference by outside parties;
- 4.1.12. Periodically review the status of any legal matters that could have a significant impact on the Company's financial statements;
- 4.1.13. Ensure that RSICI has appropriate procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and
- 4.1.14. Review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including review of ethical, anti-bribery & corruption and whistleblowing guidelines.

4.2 Related Party Transactions (RPT)

- 4.2.1 Evaluates, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- 4.2.2 Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-

Related Parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the committee takes into account, among others, the following:

- The related party's relationship to the Company and interest in the transactions;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Company of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

- 4.2.3 Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- 4.2.4 Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties;
- 4.2.5 Ensures that transactions with Related Parties, including write-off of exposures, are subject to periodic independent review or audit process;
- 4.2.6 Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures;
- 4.2.7 Assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction;
- 4.2.8 Evaluate any matters as may be requested by the Board or the Executive Committee; and
- 4.2.9 The Committee shall take into account whether the RPT is entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances.

The forgoing list of duties is not exhaustive and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the effective performance of its oversight function.

V. MINUTES OF THE MEETING

- 5.1. The committee shall maintain all the minutes of the committee meetings and periodically report to the Board of Directors on significant matters related to the Committee's responsibilities.

VI. TRAINING

The Committee shall be provided with appropriate and timely training both in the form of an induction program for new members and on an ongoing basis for existing members.