

**CHARTER OF THE BOARD RISK OVERSIGHT COMMITTEE
RELIANCE SURETY & INSURANCE CO., INC.**

I. INTRODUCTION

The Risk Oversight Committee (the "Committee") is established as a committee of the Reliance Surety & Insurance Co., Inc. ("RSICI", "Corporation") Board of Directors (the "Board") responsible to assist the Board in ensuring there is an effective and integrated risk management process is in place and will be responsible for the oversight of RSICI's system to ensure its functionality and effectiveness.

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, majority of whom should be independent directors.
- 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 At least one member of the BROOC has relevant thorough knowledge and experience on risk and risk management.
- 2.5 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.

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;
- 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 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;

- 3.4 The Committee can invite members of management or others to attend meetings and provide pertinent information as necessary;
- 3.5 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;
- 3.6 Members may give their consent or approval to an item in the agenda in writing or by any electronic means;
- 3.7 Minutes of the Committee meetings shall be kept and members shall be furnished copies thereof and any action taken or resolution decided;
- 3.8 The Committee shall report to the Board on its activities following each meeting.

IV. AUTHORITY

The Committee is authorized to:

- 4.1 Investigate or cause to be investigated, any activity within its terms of reference;
- 4.2 Obtain, at the Corporation's expense, external legal and/or other professional advice on any matter within its terms of reference as the Committee deems necessary, and to secure the attendance of such advisors at Committee meetings as necessary;
- 4.3 Seek any information it requires to perform its duties; and
- 4.4 Delegate any of its duties as appropriate to such person or persons as it thinks fit whilst retaining responsibility and oversight for any and all actions taken.

V. DUTIES & RESPONSIBILITIES

The Committee has the following duties and responsibilities:

- 5.1 Oversee the development and implementation of a formal ERM Plan that contains the following elements:
 - a. Common language or register of risks;
 - b. Well-defined risk management goals, objectives and oversight;
 - c. Uniform processes of identifying, assessing, evaluating and measuring risks as well developing strategies to manage and mitigate prioritized risks;
 - d. Designing and implementing risk management strategies; and
 - e. Continuing assessments and monitoring to improve risk strategies, processes and measures.
- 5.2 Evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, look for

emerging or changing material exposures, and stays abreast of significant developments that may seriously impact the likelihood of harm or loss;

- 5.3 Review the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on RSICI;
- 5.4 Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its Stakeholders;
- 5.5 Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- 5.6 Report to the Board on a regular basis, or as deemed necessary, the Corporation's risk, material risk exposures, the actions taken to reduce the risks, and recommends appetite levels, risk tolerance limits, further action or plans, as necessary.

VI. CHIEF RISK OFFICER

- 6.1 Subject to the Corporation's size, risk profile and complexity of operations, a Chief Risk Officer ("CRO") should be appointed from within the organization;
- 6.2 The CRO is the main proponent of ERM and has the following functions, among others:
 - 6.2.1. Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
 - 6.2.2. Communicate the top risks and the status of implementation of risk management strategies and action plans to the Committee;
 - 6.2.3. Collaborate with the Chief Executive Officer in updating and making recommendations to the Committee;
 - 6.2.4. Suggest ERM policies and related guidance, as may be needed; and
 - 6.2.5. Provide insights on whether (i) risk management processes are performing as intended; (ii) risk measures reported are continuously reviewed by risk owners for effectiveness; and (iii) established risk policies and procedures are being complied with.