

# RELIANCE SURETY & INSURANCE CO., INC.

## Charter of the Audit Committee

### I. PRINCIPAL FUNCTIONS

The principal functions of the audit committee are to:

- a. Oversee the integrity of the company's financial statements and the Company's compliance with related legal and regulatory requirements;
- b. Monitor the adequacy and effectiveness of the Company's accounting and financial reporting, and its internal controls and processes;
- c. Supervise the set-up of an internal audit system;
- d. Recommend the appointment of and oversee the performance of internal auditors as well as independent external auditors

### II. MEMBERSHIP

The members of the audit committee shall be appointed by the Board from among the non-executive Directors and shall consist of not less than three (3) members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications of accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members.

A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one (1) year commencing on the date of his ceasing:

- a. To be a partner of the firm; or
- b. To have any financial interest in the firm, whichever is later.

The chairman of the Audit Committee shall be appointed by the Board and shall be independent non-executive Director.

### III. MEETINGS

Meetings shall be held not less than twice a year. The Chief Financial Officer, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings of the Audit Committee. The external auditors may request a meeting if they consider that one is necessary.

An agenda and accompanying papers should be sent in full to all members of the Audit Committee in a timely manner and at least 7 days before the intended date of a meeting of the Audit Committee (or such other period as agreed by its members).

Senior Management is obliged to supply the Audit Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than is volunteered by Senior Management, the relevant Director should make additional necessary enquiries. The Board and each Director shall have separate and independent access to the Senior Management.

The chairman of the Audit Committee shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Audit Committee's activities.

#### IV. TERMS OF AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within these terms. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the audit committee.

The Audit Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall be provided with sufficient resources to discharge its duties and shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

#### V. ROLES AND RESPONSIBILITIES

##### Relationship with the Group's Auditors

1. Being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
3. Developing and implementing policy on the engagement of an external auditor to supply non-audit services and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

4. Discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
5. Discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss ( in the absence of Senior Management where necessary);

Review of Financial Information of the Group

6. Monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
7. Considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's qualified accountant, compliance officer or auditors;

Oversight of the Financial Reporting System and Internal Control Procedures

8. Reviewing the Group's financial controls, internal control and risk management systems;
9. Discussing with Senior Management any matters in relation to the Group's internal control system and ensuring that Senior Management has discharged its duties in establishing and maintaining an effective internal control system;
10. Considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings;
11. Where an internal audit function exists, ensuring coordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing with the Group, and reviewing and monitoring the effectiveness of the internal audit function;
12. Reviewing the Group's financial and accounting policies and practices;
13. Reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management in respect of the accounting records, financial accounts or systems of control and Senior Management's response;
14. Ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

15. Reporting to the Board on the matters set out in these Terms;
16. Reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
17. Acting as the key representative body for overseeing the Group's relationship with the external auditor; and
18. Considering any other topics, as defined by the Board.

Corporate Governance Functions

19. Developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
20. Reviewing and monitoring the training and continuous professional development of Directors and Senior Management;
21. Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
22. Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
23. Reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

VI. REPORTING PROCEDURES

Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by the Director.

Minutes of the meetings of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.