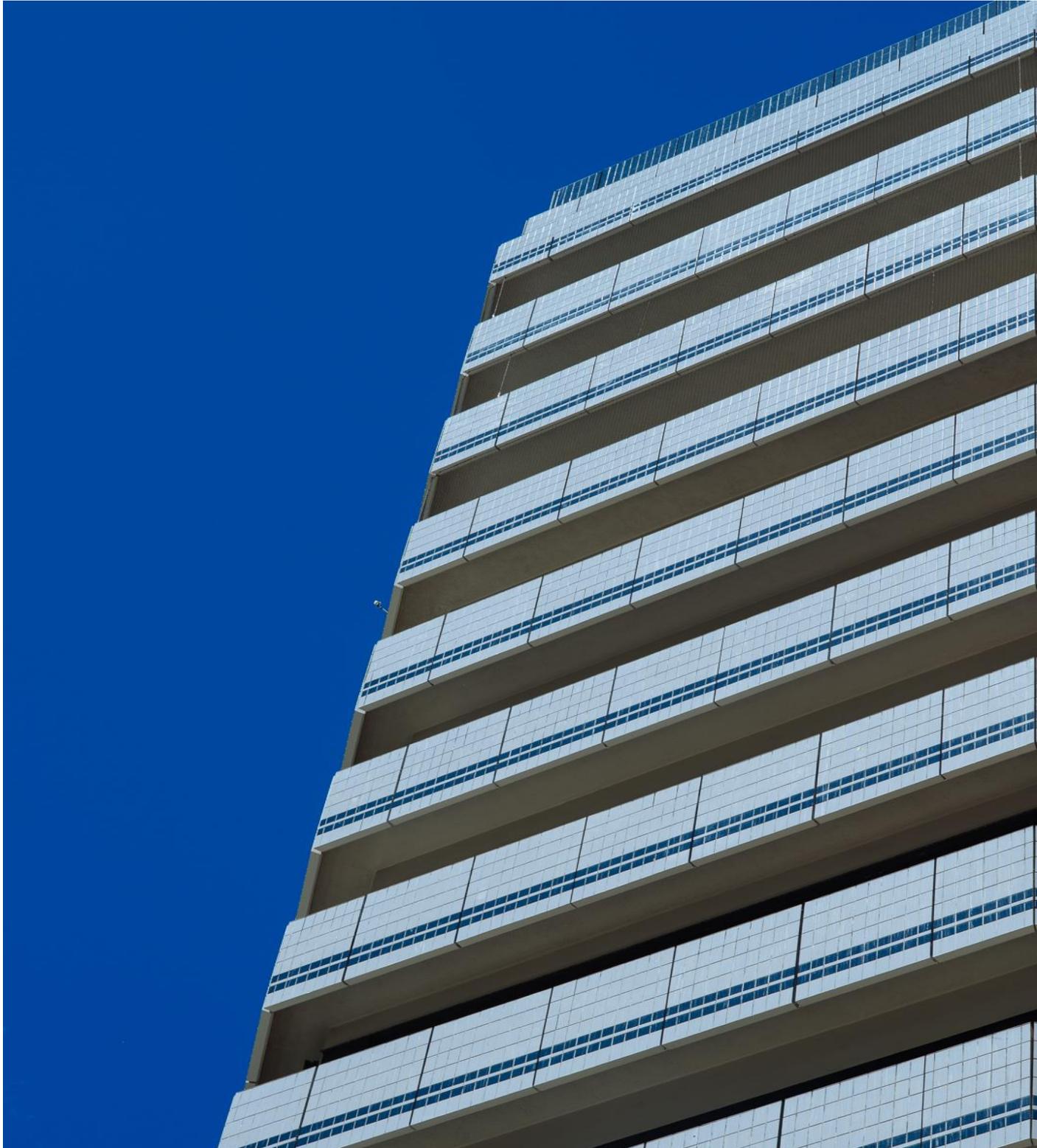


**SWAN GENERAL LTD**  
**TERMS OF REFERENCE - AUDIT AND RISKS COMMITTEE**



**1. CONSTITUTION**

- 1.1 It is hereby established a committee of the Board of Directors of the Company and its relevant subsidiaries known as the Audit and Risks Committee (“the Committee”).
- 1.2 The Committee is deemed to have been established under section 46 of the Insurance Act 2005.

**2. MEMBERSHIP**

- 2.1 The Committee shall comprise of a majority of independent directors appointed by the Board. Members of the Committee shall be appointed by the Board. Non-directors should not be appointed as members of the Committee.
- 2.2 The Board shall appoint a Chairperson from the independent directors of the Committee and determine the period for which he or she shall hold office. In the absence of the Chairperson of the Committee, the remaining members shall elect one of their members present to chair the meeting.
- 2.3 The Chairperson of the Board and any executive director shall not be eligible to be member of the Committee.
- 2.4 The Board shall satisfy itself that the Chairperson of the Committee has the relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 2.5 The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
- 2.6 The external auditor, internal auditor, risk officer, head of finance may be invited to attend meetings of the Committee on a regular basis. Other non-members and members of Management may be invited to attend all or part of any

meeting as and when appropriate and necessary.

- 2.7 Appointments to the Committee shall be for an initial period of up to three years. Appointments can be renewed as long as members continue to be independent.

### **3. SECRETARY**

- 3.1 The Group Company Secretary, or his nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **4. QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be a majority of members.

### **5. FREQUENCY OF MEETINGS**

- 5.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meetings, the Committee Chairperson may maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairperson, the Group CEO, the Risk Officer, the external auditor and the internal auditors.

### **6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairperson or at the request of the external auditor or internal auditor after consultation with the Chairperson.
- 6.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend, well in advance of the scheduled meeting.

- 6.3 The Agenda for the meeting shall be prepared by the Secretary in consultation with the Chairperson.

## **7. MINUTES OF MEETINGS**

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated to the Chairperson of the Committee and thereafter to all members as soon as possible after the meeting. The approved minutes shall be circulated to the Board for information at the ensuing board meeting.

## **8. ANNUAL MEETING**

- 8.1 The Committee Chairperson shall attend the annual meeting to answer shareholder question on the Committee's activities.

## **9. ROLE AND FUNCTION OF THE COMMITTEE**

- 9.1 The Committee shall carry out its role, functions and duties for the Company and the major subsidiaries.
- 9.2 In performing its duties, the Committee will maintain effective working relationships with the Board, management and the external and internal auditors. To perform his or her duties, each Audit Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Company's business, operations and risks.
- 9.3 Consistent with the below mentioned duties, the Committee will encourage continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels.

The role and function of the Committee with regards to the following matters shall be to:

**9.4 Internal audit**

- a) Consider and recommend to the board the appointment or termination of appointment of the internal auditor;
- b) Ensure the internal auditor has direct access to the Board Chairperson and to the Committee Chairperson;
- c) Review and assess the annual internal audit work plan;
- d) Receive any report on the results of the internal auditor's work on a periodic basis;
- e) Review and monitor the senior management's responsiveness to the internal auditor's findings and recommendations;
- f) If required, meet with the internal auditors at least once a year without the presence of management;
- g) Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;
- h) Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the company's internal control, cases of employee fraud, misconduct or conflict of interest.

**9.5 External Audit**

- a) Consider and make recommendations to the Board, to be put to shareholders for approval at the annual meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- b) Ensure that at least once every seven years the audit services contract is put out to tender;
- c) If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- d) Oversee the relationship with the external auditor including (but not limited

to):

- i. Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - iii. Assessing their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- e) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- f) Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present if deemed necessary, to discuss the auditor's remit and any issues arising from the audit.
- g) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- h) Consider whether any significant ventures, investments or operations are not subject to external audit.
- i) Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- j) Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
  - i. A discussion of any major issues which arose during the audit;
  - ii. Key accounting and audit judgements;

- iii. Levels of errors identified during the audit; and
  - iv. The effectiveness of the audit process.
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- k) Review any representation letter(s) requested by the external auditor before they are signed by management.
  - l) Review the management letter and management's response to the auditor's findings and recommendations.
  - m) Reviewing progress on implementation of auditors' recommendations.
  - n) If necessary, develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

#### **9.6 Financial Statements**

- a) The Committee will examine and review the quality and integrity of the financial statements of the Company, including its annual reports and any other formal announcement relating to the organization's financial performance.
- b) The Committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditor;
- c) In particular, the Committee shall review and challenge where necessary:
  - i. The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
  - ii. Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
  - iii. The methods used to account for significant or unusual transactions where different approaches are possible;
  - iv. Significant adjustments resulting from the audit; Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the

external auditor;

- v. The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- vi. All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management;
- vii. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
- viii. The basis on which the Company's has been determined a going concern; Capital adequacy and internal controls;
- ix. Compliance with the financial conditions of any loan covenants; and
- x. Reviewing special documents

#### **9.7 Narrative reporting**

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the Company's performance, business model and strategy.

#### **9.8 For internal control and risks management**

The Committee will assist the Board of Directors in fulfilling their corporate governance responsibilities relating to risk management, i.e., in relation to the identification, measurement, monitoring and controlling of the Company's material risks. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations to develop and implement strategies, policies, procedures and controls to manage the material risks. In this respect, the duties of the Committee shall include:

- a) Ensuring implementation of, and the continuous monitoring of compliance with, the FSC Insurance (Risk Management) Rules 2016 by:

- i. defining and, at least annually, reviewing the risk appetite statements and tolerance levels
  - ii. reviewing the design, completeness and effectiveness of the risk management framework
  - iii. defining and reviewing the risk management strategy
  - iv. receiving and reviewing reports and dashboards from Management for risk monitoring
  - v. reviewing the 3 year rolling business plan;
  - vi. reviewing the Own Risk and Solvency Assessment report;
  - vii. reviewing risk policies;
  - viii. receiving the auditors' and actuary's report on the compliance and effectiveness of the risk management framework and to recommend necessary actions.
- b) Ensuring the economy, efficiency and effectiveness of the Company's operations and internal controls and the implementation of established policies and procedures;
  - c) Maintaining a close relationship with the Risk Officer and management;
  - d) Reviewing and providing an independent and objective oversight on reports submitted by management on corporate accountability and specifically how associated risks are being mitigated;
  - e) Reviewing the continuous management of risk by Management;
  - f) Keep under review the adequacy and effectiveness of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems; and
  - g) Review and approve the statements to be included in the annual report concerning internal controls and risk management.

### **9.9 Compliance, Whistleblowing and Fraud**

The Committee shall:

- a) Review the adequacy and security of the Company's arrangements for its

employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

- b) Review the Company's procedures for detecting fraud;
- c) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- d) Receive and review regular reports from the Compliance Officer and Money Laundering Reporting Officer;
- e) Review the adequacy and effectiveness of the Company's compliance function and policies, procedures and systems for combating money laundering and terrorism financing;
- f) Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;
- g) Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company; and
- h) Review any whistle blowing issue/report, as provided in the Company's Code of Ethics.

## **10. BUSINESS CONDUCT**

The Committee shall:

- a) Monitor the implementation of the Company's Code of ethics;
- b) Review any statements on business conduct and ethical standards or requirements for the Company and assisting in developing such standards and requirements;
- c) Monitor compliance with the requirements of the constitution of the Company, laws and regulations of any other applicable statute;
- d) Identify any violations of ethical conduct; and
- e) Give recommendations on any potential conflict of interest or questionable situations of a material nature.

## **11. REPORTING RESPONSIBILITIES**

11.1 The Committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- a) The significant issues that it considered in relation to the financial statements and how these were addressed.
  
- b) Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  
- c) Any other issues on which the Board has requested the Committee's opinion.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **12. REMUNERATION**

12.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

## **13. OTHER MATTERS**

The Committee shall:

- a) Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
  
- b) Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

- c) When requested, be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- d) Give due consideration to laws and regulations and any other applicable rules and codes as appropriate;
- e) Be responsible for co-ordination of the internal and external auditors;
- f) Oversee any investigation of activities which are within its terms of reference;
- g) Work and liaise as necessary with all other Board Committees; and
- h) Arrange for periodic reviews of its own performance and, when felt necessary, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

#### **14. AUTHORITY**

The Committee is authorised to:

- a) Investigate any activity within its terms of reference;
- b) Seek any information it requires from any employee of the Company in order to perform its duties;
- c) Require other employees of the Group to attend meetings or part of meetings and be heard;
- d) Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so;
- e) Call any employee to be questioned at a meeting of the Committee as and when required; and
- f) Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

**Approved by the Board of Directors on 8 December 2020**

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