



# 中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2328)**

## **Terms of Reference of the Audit Committee of the Board**

### **Chapter I General Provisions**

**Article 1** In order to enhance the working mechanism of the board of directors (the “**Board**”), standardize the operation procedures of the Audit Committee, ensure that the Company’s financial reporting procedures and internal control are in compliance with applicable laws and regulations, prevent and control the risks of operation and management, and improve the level of corporate governance, these Terms of Reference of the Audit Committee are formulated pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Listing Rules**”), laws, regulations, regulatory provisions, the Articles of Association of PICC Property and Casualty Company Limited (hereinafter referred to as the “**Articles of Association**”), as well as the Rules of Procedures of the Board of Directors of PICC Property and Casualty Company Limited (hereinafter referred to as the “**Rules of Procedures of the Board**”).

**Article 2** The Audit Committee is a professional committee under the Board, which is responsible for reviewing the Company’s internal audit management system and making recommendations to the Board; guiding the effective operation of the Company’s internal audit, reviewing the Company’s annual internal audit plan, internal audit budget and human resources plan and making recommendations to the Board, and being responsible for the management and implementation after the consideration and approval by the Board;

reviewing the internal audit work reports, evaluating the results of the internal audit work and supervising the rectification of major issues; assessing the work of the responsible auditing officer and submitting opinions to the Board, and listening to the report of the responsible auditing officer on the progress of the audit work at least once a quarter; nominating the external auditor; reviewing the internal control assessment report submitted by the internal audit department on a regular basis; providing the Board with opinions and recommendations for improvement in respect of the Company's internal control; performing compliance duties; reporting to the Board on the provisions of Corporate Governance Code in Appendix 14 of the Listing Rules; studying topics defined by the Board; and performing other responsibilities and duties as stipulated in laws and regulations, regulatory provisions and the Articles of Association, or as authorized by the Board.

## **Chapter II Composition**

**Article 3** The Audit Committee shall comprise 3 to 5 non-executive directors, who shall be nominated by the chairman of the Board, not less than 1/2 of the independent directors or not less than 1/3 of the directors, and elected by the Board, with the independent directors constituting the majority.

The members of the Audit Committee shall have professional knowledge and experience in finance and other fields appropriate to their duties, or be familiar with the Company's business and management processes and have sufficient professional knowledge and experience in internal control. At least one independent director of the members shall be a financial, accounting or auditing professional, or have not less than five years of experience in finance, accounting or auditing, or otherwise meet the requirements of having appropriate

professional qualifications or possessing appropriate accounting or related financial management expertise as set out in the Listing Rules.

**Article 4** The Audit Committee shall have a chairman, who shall be an independent director and shall be responsible for taking charge of the work of the Audit Committee. The chairman shall be nominated by the chairman of the Board and elected at the meeting of the Audit Committee. When the chairman is unable to fulfill his/her duties, he/she shall designate one independent director to perform his/her duties on his/her behalf. If there is no designation by the chairman, not less than half of the members shall elect an independent director to perform the duties on the chairman’s behalf.

**Article 5** The term of office of the members of the Audit Committee shall be consistent with his/her term of office as a director, and the members are eligible for re-election and reappointment upon expiration of their terms of office. If any member ceases to be a director of the Company during the term, he/she shall automatically cease to be a member.

**Article 6** In the event that the minimum required number of members of the Audit Committee is not reached, the Board shall fill the vacancy in accordance with the provisions of these Terms of Reference.

**Article 7** A former partner of an external accounting firm that provides auditing services to the Company shall not serve as a member of Audit Committee of the Company for a period of two years from the date he/she is no longer a partner of the accounting firm or ceases to have financial interests in the accounting firm, whichever is later.

**Chapter III Terms of Reference**

**Article 8** The Audit Committee shall examine the completeness of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports and review material opinions on financial reporting matters set out in such financial statements and reports.

In reviewing the relevant financial statements and reports, the Audit Committee shall focus on the review of the changes in accounting policies and practices, major judgments, significant audit adjustments, the going concern assumptions and any qualifications, and whether the Company is in compliance with the applicable accounting standards and the provisions relating to financial reporting under the Listing Rules and other legal requirements.

In reviewing the relevant financial statements, reports and accounts, the Audit Committee shall consider any significant or unusual matters that are, or may need to be, reflected in such financial statements, reports and accounts, and give due consideration to any matters that have been raised by the Company's department heads responsible for the finance and accounting function, monitoring function and internal audit function, or the external accounting firm.

**Article 9** The Audit Committee shall be responsible for monitoring and inspecting the financial reporting procedures and internal control system of the Company:

1. reviewing the financial control and internal control system of the Company, and

(1) ensuring that a review of the effectiveness of the internal control systems of the Company and its subsidiaries is conducted at least annually. The review should cover all material controls, including financial, operational and compliance controls;

(2) the annual review should, in particular, consider:

(a) the scope and quality of management's ongoing monitoring of the internal control system, the work of internal audit function and other assurance providers;

(b) the extent and frequency of communication of monitoring results to the Board;

(c) significant control failings or weaknesses that have been identified during the period, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;

(d) the effectiveness of the Company's processes for financial reporting and compliance with the Listing Rules, and the procedures and internal control measures for the handling and dissemination of inside information; and

(e) ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

2. discussing the internal control systems with management to ensure that management has performed its duty to have effective internal control systems;

3. considering major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings, and providing opinions and improvement proposals to the Board in respect of the internal control issues of the Company; reviewing the internal control assessment report submitted by the internal control department on a regular basis; accepting and handling the complaints concerning major issues in internal control in a timely manner and supervising the rectification of the major issues as identified by the internal and external audit;

4. ensuring co-ordination between the internal and external auditors;

5. reviewing the internal audit policies of the Company and making proposals to the Board, and guiding the effective operation of the internal audit of the Company; reviewing and monitoring the effectiveness of the internal audit functions; reviewing the internal audit work report and assessing the results of the internal audit work; reviewing the annual internal audit plan of the Company, the internal audit budget and the human resources plan, making proposals to the Board, and being responsible for management and implementation after consideration and approval by the Board, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company; meeting the responsible officer of the internal audit department and exchange views on a regular basis; reviewing the annual work plan and work report of the internal audit department;

6. reviewing the financial and accounting policies and practices;

7. reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; ensuring the board will provide a timely response to the issues raised in the external auditor's management letter;

8. listening to the report of the responsible auditing officer on the progress of the audit work at least once a quarter, reviewing the internal control assessment report in a timely manner and assessing the work of the responsible auditing officer and submitting opinions to the Board; assessing the work of the responsible officer of the finance and accounting department and the internal audit department of the Company;

9. listening to the report from the responsible compliance officer and the compliance department on the compliance matters; monitoring the compliance management of the Company, learning about the implementation of the compliance policy and the existing issues,

and making proposals and recommendations to the Board; reviewing the annual compliance report of the Company;

10. reviewing arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

11. other matters as authorised by the Board.

The Audit Committee is entitled to nominate the responsible auditing officer for the Board to appoint.

**Article 10** Relationship between the Audit Committee and the external accounting firm:

1. making recommendations to the Board in respect of the appointment, reappointment, removal or non-reappointment of the external accounting firm providing audit services to the Company, deal with any matters concerning the resignation or dismissal of the external accounting firm;

2. considering the remuneration and terms of engagement of the external accounting firm;

3. reviewing the independence and objectivity of the external accounting firm and the effectiveness of the audit procedures, discussing the nature and scope of the audit and the relevant reporting obligations with the external accounting firm before commencement of the audit;

4. reviewing and ascertaining the independence and objectivity of the external accounting firm in respect of its provision of non-audit services, deciding whether to retain

such accounting firm to provide non-audit services, formulating relevant rules and monitoring the implementation of such rules;

5. meeting at least twice a year with the external accounting firm to discuss auditors' remuneration and matters concerning the audit; and

6. acting as the key representative between the Company and the external accounting firm and overseeing the Company's relations with the external accounting firm.

#### **Chapter IV Rules of Procedure**

**Article 11** The meetings of the Audit Committee shall include regular meetings and extraordinary meetings. Regular meetings shall be held in principle before the regular meetings of the Board, and shall be notified in writing to all members not less than seven business days prior to the meeting. However, when there is an urgent matter, it is not subject to the aforementioned time limit for notification of meetings.

**Article 12** An extraordinary meeting may be convened upon the proposal of the chairman or not less than 1/3 of the members. Extraordinary meetings shall be notified in writing to all members not less than three business days prior to the meeting. However, when there is an urgent matter, it is not subject to the aforementioned time limit for notification of meetings.

**Article 13** The notice of the meeting shall be in Chinese, with English if necessary, and shall contain the time, place and method of convening the meeting, the convenor of the meeting, the proposal for the meeting, the contact person and contact information, and the date of issuing the notice.

**Article 14** Meeting materials shall be provided to all members at least three business days in advance. In case of emergency, the preceding time limit shall not apply.

**Article 15** A meeting shall be held only if not less than half and not lower than the minimum number of members are present. Provided that all members are able to fully express their opinions, the meetings may take the form of on-site meetings (including video, telephone and other means to ensure immediate communication and discussion among attendees) or by way of written resolutions.

**Article 16** The meetings shall be convened and presided over by the chairman. When the chairman is unable to attend a meeting, he/she may appoint another member who is an independent director to preside over the meeting on his/her behalf. When the chairman fails to make such appointment, an independent director shall be elected by not less than half of all members to preside over the meeting.

**Article 17** The members shall attend the meetings in person. When a member is unable to attend a meeting, he/she may appoint another member to attend on his/her behalf in writing. The power of attorney shall set out the name of the proxy, subject matters of representation, scope of the authorization and the validity period, with the signature or seal of the principal.

The member attending the meeting as proxy shall submit the written power of attorney before the meeting and exercise his/her rights within the scope of authorization. If a member appoints another member to attend the meeting on his/her behalf, the legal responsibility of the decision made by the attorney within the scope of authorization shall be borne by the principal independently.

**Article 18** Voting in the meetings shall be conducted by a show of hands, voice vote or open ballot. Each member shall have one vote. Resolutions of the meeting must be passed by more than half of all members.

**Article 19** Directors, supervisors, senior management, persons in charge of relevant departments and intermediary personnels may be invited to attend the meeting when necessary, and the list of such attendees shall be agreed in advance by the chairman or the member presiding over the meeting on behalf of the chairman.

**Article 20** Members and attendees shall keep confidential all matters discussed at the meetings. Unauthorized disclosure of the relevant information is prohibited.

**Article 21** Minutes shall be taken for the meetings. The first draft of the minutes shall be sent to all members within one week after the meeting, and each member has the right to express his/her opinion within one week after the receipt of the first draft; when the final draft is sent to all members, the members attending the meeting and the recorder(s) shall sign on the minutes. The minutes shall be kept at the Company's domicile in China. Resolutions and minutes of the meeting shall be clearly traceable.

**Article 22** The relevant departments of the Company shall provide the Audit Committee with the required information in a timely manner, including but not limited to:

- (i) regular financial reports (including annual, quarterly and monthly reports);
- (ii) reports on special financial budget and final accounts;
- (iii) internal regular and special audit reports;
- (iv) external audit reports and audit contracts;
- (v) audit reports, capital verification reports and appraisal reports on asset transfer and purchase;

(vi) disclosure of the Company's financial information and related materials;

(vii) analysis, proposal and summary reports of the management on internal control and annual confirmation of the effectiveness of internal control;

(viii) other relevant information.

**Article 23** With the consent of the Board, the Committee may, for the purpose of performing its duties under the Articles of Association, the Rules of Procedure of the Board or these Terms of Reference, engage intermediaries to provide professional services at the Company's expense.

#### **Chapter V Miscellaneous**

**Article 24** In the Terms of Reference, the meaning of “not less than” includes the number itself, while “more than” excludes the number itself.

**Article 25** Matters not covered in these Terms of Reference shall be implemented in accordance with the relevant national laws, regulations, rules, Listing Rules and other regulatory documents and the provisions of the Articles of Association, Rules of Procedure of the Board and other rules and regulations of the Company. Where otherwise provided in the relevant national laws, regulations, rules, Listing Rules or other regulatory documents, the relevant national laws, regulations, rules, Listing Rules or other regulatory documents shall prevail.

**Article 26** The Terms of Reference shall be interpreted and amended by the Board and shall come into effect on the date of consideration and approval by the Board.

*(The Terms of Reference were prepared in Chinese. The English translation is not an official version and is for your reference only. In case of any inconsistencies and discrepancies between the Chinese and English versions, the Chinese version shall prevail.)*