

**PING AN INSURANCE (GROUP) COMPANY OF CHINA, LTD.**  
**TERMS OF REFERENCE AND MODUS OPERANDI OF**  
**AUDIT AND RISK MANAGEMENT COMMITTEE**

The primary duties of the Audit and Risk Management Committee under the Board of Directors (the “Audit and Risk Management Committee” or the “Committee”) of Ping An Insurance (Group) Company of China, Ltd. (the “Company”) are to review and supervise the Company’s financial reporting process and conduct risk management. The Committee is also responsible for reviewing the external auditor appointment, the external auditor remuneration and any matters relating to the termination of the appointment or resignation of the external auditors. In addition, the Committee also examines the effectiveness of the Company’s internal controls, which involves regular reviews of the internal controls of various corporate structures and business processes, and takes into account their respective potential risk and urgency, to ensure the effectiveness of the Company’s business operations and the realization of its corporate objectives and strategies. The scope of such examinations and reviews includes finance, operations, regulatory compliance and risk management. The Committee also reviews the Company’s internal audit plan, and submits relevant reports and recommendations to the Board of Directors on a regular basis.

**Composition of the Committee**

- 1 Members of the Audit and Risk Management Committee shall comprise three to seven non-executive directors and shall be elected by simple majority of the Board.

The majority of the Audit and Risk Management Committee must be independent non-executive directors and the chairman must be acted by an independent non-executive director. At least one member of the Committee shall be an independent non-executive director with appropriate professional qualifications as required under Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Executive directors of the Company may sit in on the meetings of the Committee.

- 2 The Audit and Risk Management Committee shall have one chairman who shall be elected by simple majority of the Committee. The chairman shall preside over the work of the Committee.
- 3 The Audit and Risk Management Committee shall have the same term of office as the Board. The term of office of a member of the Committee is renewable upon re-election. During which if members of the Committee no longer act as directors of the Company, they shall automatically lose their office as members of the Committee and the Committee shall fill the vacancy in accordance with relevant provisions referred to above.
- 4 The Audit and Risk Management Committee may, according to the requirements of its work, have one to two secretaries responsible for daily liaison, organization of meetings and other matters.

## **Duties and Powers of the Committee**

5 The Audit and Risk Management Committee shall be authorized by the Board. It is directly accountable to the Board and shall report to the Board. It has full authority, autonomy and discretion in reviewing and supervising the financial reports, internal audit and control procedures, risk control and compliance management of the Company and in supervising the Company's adoption and implementation of internal control systems as established according to international practices.

6 The main duties and powers of the Audit and Risk Management Committee are as follows:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handle any issues arising from resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards; and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to provide non-audit services, and report 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;

Note: For this purpose, the external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally.

- (d) to monitor the integrity of the Company's financial statements and annual report and accounts, Interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting disclosure contained within therein, focusing particularly on the following items in reviewing these reports and statements before submission to the Board:
  - (1) any changes in accounting policies and practices;
  - (2) major judgmental areas;
  - (3) significant adjustments resulting from audit;

- (4) the going concern assumptions and any qualifications;
  - (5) compliance with accounting standards; and
  - (6) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) in regard to (d) above:
- (1) members of the Committee shall liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (2) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and must give due consideration to any matters that have been raised by the Company's Chief Financial Officer (CFO), Chief Internal Auditor (CIA) or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- (h) to consider major investigations findings on internal control matters on its own initiative or as delegated by the Board and management's response;
- (i) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Company's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (m) to be entitled to recommend to the chairman of the Board and the CEO on the removal of the CIA prior to expiry of the CIA's term of office where it is deemed appropriate by the Committee as according to its reasonable judgment, and to submit its recommendations directly to the Board in special circumstances;
- (n) to review the investigation report issued by China Insurance Regulatory Commission on the Company;
- (o) to report to the Board on the matters set out in the Code on Corporate Governance Practices of the Listing Rules;
- (p) to have a full understanding of various significant risks confronted by the Company and their status, to supervise on the effectiveness of operation of the risk management system, and to give advice and recommendations to the Board on the following items:
  - (1) overall objectives, basic policy and working system of risk management;
  - (2) setting of risk management bodies and their duties;
  - (3) risk assessment on major policy decisions and solutions for significant risks; and
  - (4) annual risk assessment report;
- (q) to perform the following compliance duties:
  - (1) to review and submit to the Board the Company's annual compliance report;
  - (2) to examine the Company's half-year compliance report on a regular basis;
  - (3) to listen to the report of the person in charge of compliance and the compliance management department on relevant compliance matters, and to give advice and recommendations to the Board; and
  - (4) other compliance duties prescribed in the Company's Articles of Association or as determined by the Board; and
- (r) to consider other topics as defined by the Board.

## **Rules of Procedures of the Committee**

- 7 Meetings of the Audit and Risk Management Committee shall include regular meetings and extraordinary meetings. Regular meetings shall be held at least four times a year and, in principle, once a quarter, whereas the convening of extraordinary meetings shall be proposed by members of the Committee. The meetings may be held either onsite or offsite. In order to ensure the proportion of attendance, the Committee's offsite meetings may be convened in the form of video or telephone conference and voting may be carried out by fax. All members of the Committee must be notified of the meeting seven days prior to the meeting, except for extraordinary meetings which are not subject to this time restriction. However, the Committee shall ensure that members have sufficient time to study the meeting documents. The meeting shall be chaired by the chairman of the Committee and the chairman, if unable to attend, may appoint another member to act on his behalf.
- 8 Meetings of the Audit and Risk Management Committee shall be held by more than one-half of the members attending the meeting. Each member shall have one voting right. In the case of an equality of votes, the chairman of the Committee shall be entitled to one casting vote. Resolutions proposed at the meeting must be passed by a simple majority.
- 9 The Audit and Risk Management Committee may vote on a show of hands, on a poll or through means of remote communication at the meetings.
- 10 The Company's CIA shall sit in on the meetings of the Audit and Risk Management Committee. The Committee may invite directors, supervisors and other senior management of the Company to sit in on the meetings when it considers necessary.
- 11 The Audit and Risk Management Committee may, at the expense of the Company, engage intermediaries to provide professional advice for its decision-making if necessary.
- 12 The procedures for convening the meeting, means of voting and resolutions passed at the meeting of the Audit and Risk Management Committee must comply with relevant laws, regulations, the Company's Articles of Association and the Terms of Reference of the Committee.
- 13 The Audit and Risk Management Committee shall maintain minutes of the meeting where members attending the meeting shall sign on the minutes. The minutes shall be maintained by the Secretary of Company.
- 14 Resolutions and voting results adopted at the meetings of the Audit and Risk Management Committee shall be reported to the Board in writing.
- 15 Members attending the meeting shall keep confidential of all matters discussed at the meeting. Unauthorized disclosure of the relevant information shall be prohibited.

*Note:* This document was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.