

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 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; reporting to the Board on the provisions of Corporate Governance Code in Appendix C1 of the Listing Rules; studying topics defined by the Board; performing the responsibilities and duties of the supervisory committee as stipulated in laws and regulations, regulatory provisions; 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 three (3) to seven (7) directors, who are not members of the management and are not executive directors. They shall be nominated by the chairperson of the Board, not less than half of the independent directors or not less than one-third of the directors, and elected by the Board. More than half of the members shall not hold any posts in the Company other than director, and shall not have any relationship with the Company that may affect their independent and objective judgement. A majority of the members of the Audit Committee shall be independent directors. The employee director may be elected as a member of the Audit Committee.

Article 4 The Audit Committee shall have one (1) chairperson, who shall be an independent director and shall be responsible for taking charge of the work of the Audit Committee. The chairperson shall be nominated by the chairperson of the Board and elected at the meeting of the Audit Committee. When the chairperson is unable to fulfill his/her duties, he/she shall designate one (1) independent director in the Audit Committee to perform his/her duties on his/her behalf. If there is no designation by the chairperson, more than half of the members shall elect an independent director in the Audit Committee to perform the duties of the chairperson on his/her 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 the expiration of their terms of office. If a 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 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 (1) independent director of the members shall be a financial, accounting or auditing professional, or have not less than five (5) 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.

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 (2) 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. to review the financial control and internal control system of the Company, and:

(1) to ensure 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 reporting 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) to 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. to discuss the internal control systems with management to ensure that management has performed its duty to have effective internal control systems;

3. to consider 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 provide opinions and improvement proposals to the Board in respect of the internal control issues of the Company; to review the internal control assessment report submitted by the internal control department on a regular basis; to accept and handle the complaints concerning major issues in internal control in a timely manner and supervise the rectification of the major issues as identified by the internal and external audit;

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

5. to review the internal audit policies of the Company and make proposals to the Board, and guide the effective operation of the internal audit of the Company; to review and monitor the effectiveness of the internal audit functions; to review the internal audit work report and assess the results of the internal audit work; to review the annual internal audit plan of the Company, the internal audit budget and the human resources plan, make proposals to the Board, and be responsible for management and implementation after consideration and approval by the Board, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; to meet the responsible officer of the internal audit department and exchange views on a regular basis; to review the annual work plan and work report of the internal audit department;

6. to review the financial and accounting policies and practices;

7. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or internal control systems and management's

response; to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;

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

9. to review arrangements employees of the Company 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;

10. other matters as stipulated by laws, regulations, normative documents and the Articles of Association, as required by domestic and foreign regulatory authorities, and as authorized by the Board.

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

Article 10 The Audit Committee is responsible for performing the responsibilities and duties of the supervisory committee as stipulated in laws and regulations and regulatory provisions, including but not limited to:

1. to examine the financial affairs of the Company;

2. to supervise the acts of the directors, the president and other senior management personnel in the performance of their duties, and propose the removal of the directors, the president and other senior management personnel who have violated laws, regulations, the Articles of Association or the resolutions of the shareholders' general meeting;

3. to require the directors, the president and other senior management personnel to correct their acts if such acts damage the interests of the Company;

4. to propose the convening of extraordinary general meetings, and to convene and preside over the extraordinary general meetings when the Board fails to perform the duties to convene and preside over the shareholders' general meetings as prescribed in the Articles of Association;

5. to initiate lawsuits against the directors and senior management personnel according to the Company Law;

6. to present proposals to the shareholders' general meetings;

7. to nominate independent directors;

8. to provide opinions to the Board on the appointment and dismissal of the responsible financial officer;

9. to provide opinions to the Board on the appointment and dismissal of the accounting firm that undertakes the Company's audit work;

10. to provide opinions to the Board on the disclosure of financial accounting reports;

11. to exercise any other functions and powers of the supervisory committee conferred by laws and regulations and regulatory provisions.

Article 11 Relationship between the Audit Committee and the external accounting firm:

1. to make 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. to consider the remuneration and terms of engagement of the external accounting firm;

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

4. to review and ascertain the independence and objectivity of the external accounting firm in respect of its provision of non-audit services, decide whether to retain such accounting firm to provide

non-audit services, formulate relevant rules and implement such rules;

5. to meet at least twice a year with the external accounting firm to discuss matters concerning the audit; and

6. to act as the key representative between the Company and the external accounting firm and oversee the Company's relations with the external accounting firm.

Chapter IV Rules of Procedure

Article 12 The meetings of the Audit Committee shall include regular meetings and extraordinary meetings. Regular meetings shall be held at least once a quarter, in principle before the regular meetings of the Board, and shall be notified in writing to all members not less than seven (7) business days prior to the meeting. However, in case of emergency, the preceding time limit for notification of meetings shall not apply.

Article 13 An extraordinary meeting may be convened upon the proposal of the chairperson or not less than one-third of the members. Extraordinary meetings shall be notified in writing to all members not less than three (3) business days prior to the meeting. However, in case of emergency, the preceding time limit for notification of meetings shall not apply.

Article 14 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, proposal(s) for the meeting, the contact person and contact information, and the date of issuing the notice.

Article 15 Meeting materials shall be provided to all members at least three (3) business days in advance. In case of emergency, the preceding time limit shall not apply.

Article 16 A meeting shall be held only if not less than two-thirds and not less than the minimum number of members are present. In principle, the meeting shall be held on-site (including video conference, telephone conference, etc. which can ensure real-time communication and discussion among

all participants participating in those meetings). Provided that all members are able to fully express their opinions, the meeting may also be conducted by way of written resolutions.

Article 17 The meetings shall be convened and presided over by the chairperson. When the chairperson is unable to attend, he/she may authorize another member who is an independent director to preside over the meeting on his/her behalf. When the chairperson fails to make such authorization, a member who is an independent director shall be elected by more than half of all members to preside over the meeting.

Article 18 The members shall attend the meetings in person. If a member cannot attend the meeting in person for any reason, he/she may authorize another member in writing to attend the meeting on his/her behalf. The power of attorney shall specify the proxy's name, authorized matters, the scope of authorization and the valid term, and shall be affixed with the signature or seal of the principal.

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

Article 19 Voting in the meetings shall be conducted by a show of hands, voice vote or open ballot. Each member shall have one (1) vote. Resolutions of the meeting must be passed by more than half of all members.

Article 20 Directors, senior management, persons in charge of relevant departments and intermediary personnel may be invited to attend the meeting when necessary, and the list of such attendees shall be agreed in advance by the chairperson or the member presiding over the meeting on behalf of the chairperson.

Article 21 Members and attendees shall keep confidential of all matters considered at the meetings. Unauthorized disclosure of the relevant information is prohibited.

Article 22 Minutes shall be taken for the meetings. The first draft of the minutes shall be sent to all members within one (1) week after the meeting, and each member has the right to express his/her opinion within one (1) week after the receipt of the first draft; when the final draft is sent to all members, the members who attended the meeting and the recorder(s) shall sign on the minutes. Minutes shall be kept at the Company's domicile in China. Resolutions and minutes of meetings shall be clear and traceable.

Article 23 The relevant departments of the Company shall provide the Audit Committee with the required information in a timely manner, including but not limited to:

1. regular financial reports (including annual, quarterly and monthly reports);
2. reports on special financial budget and final accounts;
3. internal regular and special audit reports;
4. external audit reports and audit contracts;
5. audit reports, capital verification reports and appraisal reports on asset transfer and purchase;
6. disclosure of the Company's financial information and related materials;
7. analysis, proposal and summary reports of the management on internal control and annual confirmation of the effectiveness of internal control;
8. other relevant information.

Article 24 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 Supplementary Provisions

Article 25 In these Terms of Reference, the meaning of "not less than" includes the number itself, while "more than" excludes the number itself.

Article 26 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, such provisions shall prevail.

Article 27 These Terms of Reference shall be interpreted and amended by the Board and shall come into effect upon issuance.

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