



中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

(Stock Code:2328)

Terms of Reference of the Audit Committee (Revised)

The duties and responsibilities of the Audit Committee as revised are set out below:

I. Relationship between the Audit Committee and the external accounting firm:

1. make recommendations to the Board of Directors (the “Board”) in respect of the appointment, 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. consider the remuneration and terms of engagement of the external accounting firm;
3. review the independence 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. 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 monitor the implementation of such rules;
5. meet at least twice a year with the external accounting firm to discuss auditors’ remuneration and matters concerning the audit; and
6. act as the key representative body for overseeing the Company’s relations with the external accounting firm.

II. 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, material judgments, material audit adjustments, assumptions of going concern and any qualified opinions, and whether the Company in compliance with the applicable accounting standards and the provisions relating to financial reporting under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

III. The Audit Committee to monitor and inspect the financial reporting procedures and internal control system of the Company:

1. review the financial control and internal control system of the Company, and
 - (1) ensure that a review of the effectiveness of the internal control systems of the Company and its subsidiaries has been 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. Also, 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 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. discuss with management the internal control system of the Company and ensure that management has performed its duty to establish an effective internal control system;
3. consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings, handle and respond to complaints relating to major internal control problems on a timely basis, supervise the rectification of major problems identified in the process of internal audit and external audit;
4. ensure coordination between internal audit and external audit;
5. review the management rules for the Company's internal audit and provide opinions to the Board, guide the internal audit of the Company to conduct effectively, review and monitor the effectiveness of the internal audit function, review the work reports of the internal audit, consider the Company's annual internal audit plans, internal audit budgets and human resources plans and give opinions to the Board as well as take charge of their implementation after the approval of the Board, ensure that the internal audit department is adequately

resourced and has appropriate standing within the Company, regularly meet and communicate with the officer in charge of the Company's internal audit department, review the annual work plans and annual work reports of the internal audit department;

6. review the Company's financial and accounting policies and practices;
7. review the Management Recommendation Letters issued by the external accounting firm to management, any material queries raised by the external accounting firm to management in respect of accounting records, accounts or the internal control system and inspect management's response in relation thereto, and ensure that the Board will provide a timely response to the issues raised in the Management Recommendation Letters;
8. consider the reports on the progress of audit work from the Responsible Auditing Officer at least quarterly, review the reports on internal control assessment on a timely manner, assess the work of the Responsible Auditing Officer and provide comments to the Board; evaluate the work of the department heads responsible for the finance and accounting function and the internal audit function of the Company;
9. consider the reports on compliance matters from the Responsible Compliance Officer and the Compliance Department, supervise the Company's compliance management, understand the implementation of compliance policies and the existing problems and provide opinions and recommendations to the Board, examine the annual compliance reports of the Company;
10. review arrangements that 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; and
11. other matters authorised by the Board of Directors.

17 February 2020