

**Terms of Reference  
of the Audit Committee  
of the Board of Directors  
of Postal Savings Bank of China Co., Ltd.**

**(Revised in 2019)**

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## Chapter 1: General Provisions

**Article 1** In order to regulate the decision-making mechanism of the Board of Directors (the **Board**) of Postal Savings Bank of China Co., Ltd. (the **Bank**), and to improve the efficiency and quality of decision-making of the Bank, the terms of reference of the Audit Committee of the Board of Directors of Postal Savings Bank of China Co., Ltd. (the **Terms of Reference**) are formulated with reference to the actual situation of the Bank and in accordance with the *Company Law of the People's Republic of China*, the *Commercial Banking Law of the People's Republic of China*, the *Guidelines on the Operation of Audit Committees of Boards of Directors of Companies Listed on Shanghai Stock Exchange*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the **Hong Kong Listing Rules**) and other laws, administrative regulations, departmental rules, normative documents and relevant requirements of the *Articles of Association of Postal Savings Bank of China Co., Ltd.* (the **Articles of Association of the Bank**) and the *Rules of Procedures of the Board of Directors of Postal Savings Bank of China Co., Ltd.*

**Article 2** The Bank established the Audit Committee of the Board (the **Audit Committee**) to assist the Board to carry out relevant work. The Audit Committee is mainly responsible for examining the risk and compliance of the Bank, accounting policies, financial reporting procedures and financial condition, be responsible for the annual audit of the Bank, making recommendations on the engagement and change of external audit institutions, and submit subjective reports on the truthfulness, accuracy, completeness and timeliness of the audited financial statements to the Board for consideration.

## Chapter 2: Composition

**Article 3** The Audit Committee shall be composed of at least three (3) members, at least one (1) of whom shall be an independent director with appropriate professional qualifications required under the Hong Kong Listing Rules or proper expertise in accounting or related financial management expertise. All members of the Audit Committee must be non- executive directors and the majority of the Audit Committee members must be independent directors.

The Audit Committee shall have one (1) chairman who shall be an independent director and is in charge of the work of the Audit Committee. The chairman of the Audit Committee must work no less than twenty five (25) business days every year in the Bank.

The chairman's main functions and responsibilities shall include, among others:

- i. presiding over the Audit Committee meetings and ensuring the effective operation and performance of duties of the Audit Committee;
- ii. deciding on the agenda of the Audit Committee meetings;

- iii. ensuring that all committee members obtain complete and reliable information about the issues discussed in the meeting;
- iv. ensuring that the Audit Committee reaches a clear conclusion to each proposal which includes passed, rejected or supplementary materials needed for reconsideration;
- v. proposing the convening of extraordinary meetings;
- vi. other functions and responsibilities specified in the Terms of Reference.

**Article 4** The chairman and members of the Audit Committee shall be nominated by the Nomination and Remuneration Committee of the Board and appointed by the Board. The removal of the chairman or members of the Audit Committee shall be proposed by the Nomination and Remuneration Committee and decided by the Board.

**Article 5** The term of office of the Audit Committee members shall be in conformity with that of their directorship. At the expiration of the term of office, they can be re-elected or re-appointed. During the term of office, if any member no longer acts as a non-executive director of the Bank, his or her qualification as a committee member shall terminate automatically.

In the event of a vacancy in the Audit Committee, the Board shall appoint a new member to fill the vacancy in accordance with the provisions of Article 3 to Article 5 of the Terms of Reference. If the vacancy results in less than three (3) members, the Board shall appoint a new member as soon as possible.

**Article 6** The main responsibilities of the Audit Committee members shall include, among others:

- i. attending the Audit Committee meetings, expressing their opinions on the issues discussed at the meetings, and exercising their rights to vote;
- ii. proposing topics to be discussed in the Audit Committee meetings;
- iii. attending relevant meetings of the Bank as participants or observers, conducting surveys and research, and collecting necessary reports, documents, materials and other relevant information for the purpose of performing their duties;
- iv. fully understanding the duties of the Audit Committee as well as their duties as Audit Committee members, familiarized themselves with the Bank's operation and management, business activities and development to ensure that they are capable to perform their duties;

- v. fully ensuring sufficient time and energy for performing their duties;
- vi. other functions and responsibilities specified in the Terms of Reference.

### **Chapter 3: Duties and Powers**

**Article 7** The primary duties and powers of the Audit Committee include:

- i. supervising the Bank's internal control, inspecting and evaluating the compliance of the Bank's core business activities, relevant rules and major operating activities;
- ii. reviewing the Bank's major financial and accounting policies and their implementation, supervising the Bank's financial operations and financial control, and examining the Bank's accounting policies, financial condition and financial reporting procedures;
- iii. reviewing the Bank's basic audit management systems, rules and regulations, medium and long- term audit plans and annual work plans and making recommendations to the Board, supervising the implementation of the Bank's basic audit management systems, rules and regulations and plans;
- iv. reviewing, or under authorization, approving the annual budget of the Bank's internal audit department to ensure the independence of audit work and making recommendations to the Board;
- v. supervising and evaluating the work of the Bank's internal audit department;
- vi. proposing and submitting to the Board for review, the engagement or dismissal of an accounting firm, and supervising and evaluating the work of the accounting firm to ensure the independence and effectiveness of its work;
- vii. reviewing the Bank's annual audit report and other specific opinions issued by external auditors, the Bank's audited annual financial statements, other financial reports and other financial information to be disclosed, and reporting judgments on the truthfulness, completeness and accuracy of the Bank's financial statements and financial information for submission to the Board for approval;
- viii. facilitating communications between the Bank's internal audit department and the accounting firm;

- ix. reviewing the annual audit plans, scope of work and important audit rules of the accounting firm;
- x. other matters required by the laws, administrative regulations, departmental rules and authorized by the Board.

**Article 8** The Audit Committee shall supervise the independence and objectivity of the accounting firm and the effectiveness of the audit procedures, and communicate the audit work plan with the accounting firm before the audit work begins; make a complete and objective assessment on the annual audit work and its quality in accordance with regulatory requirements, and put forward final recommendations to the Board; obtain comprehensive knowledge of and make proper assessment on the accounting firm proposed to be engaged, submit to the Board for consideration after an opinion is formulated, and to convene a shareholders' general meeting for approval; and examine the terms and conditions of the engagement of the accounting firm and compensation, and handle matters related to the resignation, removal or change of the accounting firm.

**Article 9** The Audit Committee shall have the right to require senior management members of the Bank to provide sufficient support to the work of the Audit Committee. The senior management members shall ensure that information on the Bank's financial condition, internal control condition, operating and business condition, etc. is provided to the Audit Committee on a timely basis to assist the Audit Committee to perform its duties. The information provided to the Audit Committee shall be accurate and complete.

**Article 10** The Audit Committee shall have the right to investigate the Bank's internal control, financial information and internal audit matters. The investigation methods shall include but not be limited to attending relevant meetings of the Bank as participants or observers, conducting investigations and research on the Bank's systems, and requiring senior management members of the Bank or relevant persons in charge to report orally or in writing within the prescribed period and answer relevant questions.

The Audit Committee shall study relevant investigation matters and answers made by senior management members or relevant persons in charge, and report the investigation results and suggestions to the Board.

**Article 11** The Audit Committee may present proposals to the Board for the Board's consideration and approval. The Audit Committee shall provide the research and discussion of the relevant proposals in the form of a report, suggestions or summary to the Board for consideration and decision-making.

**Article 12** Specially authorized by the Board, the Audit Committee shall have the power to make decisions on matters within the authorized scope. The Audit Committee shall make periodic reports about the handling of authorized matters to the Board.

**Article 13** The Audit Committee may, when necessary, engage intermediary institutions or professionals to provide professional opinions and the reasonable expenses incurred shall be borne by the Bank.

#### **Chapter 4: Rules of Procedures**

**Article 14** The Audit Committee shall formulate an annual work plan. Audit Committee meetings are classified into regular meetings and extraordinary meetings. At least four (4) regular meetings shall be held each year. The Board, the chairman of the Audit Committee or over two (2) of the Audit Committee members shall have the right to propose an Audit Committee extraordinary meeting.

The Audit Committee meetings shall be held in the form of an on-site meeting or by circulation of written proposals. If the Audit Committee meeting is held in the form of an on-site meeting, teleconference, videoconference or other forms of instantaneous communication may be adopted for the convenience of the committee members attending the Audit Committee meeting. Committee members' participation in the Audit Committee meetings by the aforementioned means shall be deemed to have attended the on-site meeting.

If the Audit Committee meetings are held in the form of teleconference, video conference or by other instantaneous communication means, the Audit Committee must ensure that speeches by other committee members can be heard clearly by members participating at the meeting and that they can communicate with each other.

**Article 15** The notice of meeting shall be delivered to all committee members at least three (3) days before the Audit Committee meeting is convened.

In case of an emergency where an extraordinary meeting shall be held as soon as possible, the above-mentioned notice period may be exempted. However, the chairman of the Audit Committee shall make an explanation at the meeting.

**Article 16** The notice of meeting shall include the time, venue, form, duration and agenda of the meeting, the convener of the meeting, matters to be discussed and relevant materials of the meeting, date of notice, the contact person for the meeting and the contact details, etc.

The notice of meeting may be delivered by hand, or through prepaid mail, fax, e-mail or other means.

**Article 17** The Audit Committee meeting shall be held with the attendance of over two-thirds of all committee members.

Audit Committee members shall attend the meetings in person. If a member cannot attend in person, he or she shall authorize in writing the attendance by another committee member on his or her behalf. The letter of authorization shall include the name of the authorized person, authorized matters and scope of power, and shall be signed and sealed by the principal.

When the Audit Committee convenes a meeting, other directors, supervisors and senior management members of the Bank and the persons in charge of the relevant departments from the head office may be invited to attend the meeting. The list of names of the meeting attendees shall be approved by the chairman of the Audit Committee.

**Article 18** The Audit Committee meeting shall be presided over by the chairman, or by another committee member, also an independent director, designated by the chairman when he or she is unable to perform his or her duties.

**Article 19** The Audit Committee meeting shall vote by a show of hands or by open ballot.

Each committee member shall have one (1) vote; and the resolution of the meeting shall be passed by more than half of the votes of all committee members.

**Article 20** The Audit Committee shall establish a meeting minute system, and the working group shall be responsible for keeping the minutes. Depending on the circumstances, the meeting may adopt on-site audio recording, but written minutes shall be made based on the audio recording.

The written meeting minutes based on the audio recordings shall be sent to all participating committee members for review within ten (10) business days after the conclusion of the meeting. Committee members who request to revise or supplement the minutes shall submit their feedback in writing within five (5) business days after receiving the meeting minutes. After the meeting minutes are finalized, all participating members and the minute recorder shall sign on the final version of meeting minutes.

The meeting minutes shall be regarded as an important document of the Bank and shall be preserved by the Board office in accordance with the archive management system of the Bank.

**Article 21** The proposals and voting results adopted at the Audit Committee meeting shall be submitted to the Board in writing for review and decision-making.



**Article 22** Upon authorization or approval by the Board, if the resolutions passed at the Audit Committee meeting need to be further carried out by senior management members or other relevant persons in charge, the Board office shall inform the relevant senior management members or other relevant persons in charge of such resolutions in writing as soon as possible. The Audit Committee shall have the right to require the above-mentioned personnel to report on the progress of implementation within a prescribed period or at the next meeting.

**Article 23** The committee members and other personnel attending the meeting shall keep confidential the issues discussed and resolved at the meeting, and shall not disclose relevant information without permission. If there is any act in violation of such obligations, the Bank has the right to hold the related persons responsible for legal liabilities.

**Chapter 5: Working Group**

**Article 24** The working group shall be established under the Audit Committee and be responsible for information collection, research support, daily liaisons and organization of meetings. The work of the working group shall be led by the Board office with the involvement of relevant departments such as the Bank’s Audit Office, the Financial and Accounting Department, the Legal Affairs Department, and the Internal Control and Compliance Department in its implementation.

The Board office shall be mainly responsible for service and support work such as daily liaisons, organization of meetings, communication and coordination. Relevant departments shall be mainly responsible for decision-supporting work and specific implementation such as information collection and research support.

**Article 25** The duties of the working group shall include but not be limited to:

- i. being responsible for the daily operation of the Audit Committee;
- ii. arranging Audit Committee meetings and taking meeting minutes;
- iii. being responsible for the preliminary preparation work for the research tasks of the Committee, reviewing materials submitted to the Audit Committee for consideration, and ensuring the management presents reports and meeting documents to the Audit Committee by proper means;
- iv. upon authorization by the chairman of the Audit Committee, reporting the work of the Audit Committee to the Board;

- v. coordinating the arrangement of committee members to attend other relevant meetings of the Bank as participants or observers, and conducting research;
- vi. assisting the committee members to understand the relevant information;
- vii. coordinating the work of the Audit Committee and other committees of the Bank;
- viii. other duties assigned by the Audit Committee.

## **Chapter 6: Coordination and Communication**

**Article 26** If the Audit Committee has significant or special issues to be presented to the Board for its consideration, the Audit Committee shall submit written reports to the Board and may suggest that the chairman of the Board to convene a Board meeting.

The written reports presented by the Audit Committee to the Board shall be signed by chairman of the Audit Committee or by a committee member authorized by him or her.

**Article 27** If any senior management member of the Bank has significant or special issues, he or she shall submit written reports to the Audit Committee and may suggest that the chairman of the Audit Committee to convene a meeting for discussion.

**Article 28** The written reports presented by the senior management members to the Audit Committee shall be signed by the President or senior management members responsible for the relevant issues.

**Article 29** The Audit Committee shall report their work to the Board or make a special report on certain matters if needed.

## **Chapter 7: Supplementary Provisions**

**Article 30** The Board of the Bank shall have the right to interpret and amend the Terms of Reference.

**Article 31** Unless otherwise required herein and subject to any discrepancies, for the purpose of the Terms of Reference, the terms “over” and “at least” in the Terms of Reference shall include the given figure; the terms “more than” and “less than” shall not include the given figure.

**Article 32** Unless otherwise specified, terms used herein have the same meanings as the same terms used in the Articles of Association of the Bank.

**Article 33** For any matters not provided herein and if there is any conflict between the Terms of Reference and the laws, administrative regulations, departmental rules and relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed issued after the Terms of Reference come into effect or requirements of the Articles of Association of the Bank, the laws, administrative regulations, departmental rules, relevant requirements of the securities regulatory authorities of the place where the shares of the Bank are listed, and requirements of the Articles of Association of the Bank shall prevail.

**Article 34** After being considered and approved by the Board, the Terms of Reference shall become effective from the date of the Bank's initial public offering of RMB ordinary shares and their listing on the Shanghai Stock Exchange, upon which the original Terms of Reference of the Audit Committee of the Board of Directors of Postal Savings Bank of China Co., Ltd. (Revised in 2016) (You Yin Fa [2016] No. 89) shall be revoked.