

# **GUANGZHOU RURAL COMMERCIAL BANK CO., LTD.**

## **Terms of Reference Audit Committee of the Board of Directors (2022 Revision)**

### **CHAPTER 1 GENERAL PROVISIONS**

**Clause 1** To regulate the decision-making mechanism of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd. (the “**Bank**”) and to improve its corporate governance, these Terms of Reference are formulated in accordance with relevant laws, administrative regulations, rules and regulatory documents such as the Company Law of the People’s Republic of China, the Commercial Banking Law of the People’s Republic of China, the Corporate Governance Guidelines for Banking and Insurance Institutions, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (the “**Articles**”) and the Rules of Procedures of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd. and according to the actual circumstances of the Bank.

**Clause 2** The Bank has established the Audit Committee under the Board of Directors (the “**Committee**”). The Committee is accountable to the Board of Directors and assists the Board of Directors in carrying out relevant works and is mainly responsible for the inspection and supervision of the financial information and internal control of the Bank.

### **CHAPTER 2 COMPOSITION**

**Clause 3** The Committee shall be consisted of at least three directors and all of them shall be non-executive directors. The members shall have the appropriate financial, auditing, accounting or legal expertise or working experience that are suitable for the duties of the committee, and shall be in compliance with relevant laws, regulations, relevant provisions and requirements. The majority of the members shall be independent non-executive directors and there shall be at least one independent non-executive director with appropriate professional qualification required under the Listing Rules or appropriate accounting or related financial management expertise.

**Clause 4** The Committee members shall be nominated by the chairman of the Board of Directors or more than one-third of all directors, and shall be elected by the Board of Directors. A former partner of the Bank's existing external auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing:

- (1) to be a partner of such firm; or
- (2) to have any financial interest in such firm, whichever is later.

**Clause 5** The Committee shall have one chairman who shall be an independent director. The chairman shall preside over the work of the Committee and shall be elected by the Board of Directors from members of the Committee.

The chairman of the Committee is responsible for convening and presiding over the meetings of the Committee. If the convenor of the Committee is unable to fulfill his/her duty, he/she shall appoint and delegate his/her duty to another member of the Committee. If the convenor of the Committee fails to fulfill his/her duty and fails to delegate his/her duty to another member of the Committee, any member of the Committee may report to the Board of Directors of the Bank and the Board shall appoint a member to perform the duties of a convenor.

**Clause 6** The term of office of the members of the Committee coincides with that of the directors and members of the Committee may serve consecutive terms if re-elected upon the expiration of their terms. If any member ceases to be a director of the Bank, he/she shall automatically be disqualified as a member, and the Board of Directors shall fill the vacancy according to the Articles, the Listing Rules and these Terms of Reference. The term of office of the replacing member shall expire simultaneously with his/her term as a director.

Where the number of Committee members falls below the minimum requirement due to resignation, removal or any other reasons, the Board of Directors shall fill the vacancies as soon as possible. The Committee shall suspend any exercise of its duties and powers stipulated by these Terms of Reference and such duties and powers shall be exercised by the Board of Directors when the number of the Committee members is less than the minimum requirement stipulated in Clause 3 of these Terms of Reference.

**Clause 7** Any member of the Committee may be replaced in any one of the following circumstances subject to discussion and approval by the Board of Directors:

- (1) he/she tenders his/her resignation in writing;
- (2) he/she is involved in gross misconduct or in violation of the laws, regulations, the Articles and these Terms of Reference during his/her term of office;

- (3) other circumstances in which he/she is considered by the Board of Directors not suitable to serve as a member.

**Clause 8** The office of the Board of Directors shall be responsible for liaising the daily work of the Committee and organizing Committee meetings.

### **CHAPTER 3 RESPONSIBILITIES**

**Clause 9** The major responsibilities of the Committee include:

- (1) reviewing the financial and accounting policy and practice, financial position and financial reporting procedures of the Bank;
- (2) supervising the completeness of financial statements, annual reports and accounts, interim reports and quarterly reports (if to be published) of the Bank, reviewing the major opinions about the financial declarations set out in the statements and reports, preparing analytical report on the authenticity, completeness, timeliness and accuracy of the information set out in audited financial reports and submitting the same to the Board of Directors for review and consideration. In reviewing these statements and reports before submission to the Board of Directors, the Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgement area;
  - (iii) significant adjustments resulting from audit;
  - (iv) going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

and the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer or external auditor.

- (3) making recommendations on the appointment, re-appointment and replacement of external auditors being responsible for annual audit, approving the remuneration and terms of engagement of external auditors and dealing with any questions in relation to its resignation or dismissal;

- (4) reviewing and monitoring the independence and objectivity of the external auditor and effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor on the nature, scope of the audit and relevant reporting obligations before the audit commences;
- (5) developing and implementing the policy on engaging an external auditor to supply non-audit services. The Committee shall report and make recommendations to the Board of Directors on any matters where actions or improvements are needed;
- (6) reviewing the important systems and reports such as internal audit rules, considering and approving the medium and long-term audit plans and annual audit plans, as well as guiding, assessing and evaluating the internal audit work under the authorization of the Board of Directors; supervising the internal audit system of the Bank and its implementation;
- (7) coordinating the communication between internal auditors and external auditors and ensuring the coordination between their work, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank; reviewing and monitoring its effectiveness and acting as the key representative body for overseeing the Bank's relations with the external auditor;
- (8) reviewing and supervising the financial information and its disclosure and financial supervision of the Bank;
- (9) reviewing and supervising the internal control system of the Bank, discussing the risk management and internal control system with the management and ensuring that the management has duly performed its duties and established an effective system, and conducting audits on material connected transactions. The discussion shall include the adequacy of resources, staff qualification and experience, training programmes and budget of the Bank's accounting, internal audit and financial reporting functions;
- (10) considering major investigation findings on risk management and internal control matters as authorized by the Board of Directors or on its own initiative and management's responses to these findings;
- (11) reviewing the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or control systems and the management's responses;
- (12) ensuring that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;

- (13) reviewing and assessing the Bank's examination mechanism regarding possible improprieties of employees of the Bank in financial reporting, internal control or other matters; and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions by the Bank;
- (14) reporting regularly to the Board of Directors on audit works and on the matters in these Terms of Reference;
- (15) considering other topics raised by the Board of Directors;
- (16) urging the senior management to carry out the internal audit of consumer rights and interests protection on a regular basis and supervising the rectification;
- (17) reviewing the internal audit reports in relation to the overall risk management and supervising the rectification;
- (18) other matters required by the laws, administrative regulations, departmental rules, provisions of the securities regulatory authority in the place where the shares of the Bank are listed, and as authorized by the Board of Directors.

**Clause 10** The proposals and resolutions adopted by the Committee shall, if within the authority of the Board of Directors, be submitted to the Board of Directors with relevant information in writing for approval. The Committee shall cooperate with the board of supervisors on its supervision.

**Clause 11** The Committee shall communicate regularly with the Board of Directors, senior management and relevant department heads on matters related to the duties of the Committee and make suggestions and recommendations. The Committee shall convene meetings with auditors at least twice a year.

**Clause 12** The Committee members shall continuously monitor the changes in matters of the Bank in relation to the duties of the Committee and their impact and promptly raise the issue to the Committee for consideration.

**Clause 13** The Committee may organize its members and staff of the Bank to carry out investigations on specific topics and may engage external organizations to provide professional advice on its decisions at the expense of the Bank.

**Clause 14** The Committee members shall duly perform their duties and participate in the meetings and activities of the Committee. If a Committee member fails to attend meetings in person consecutively for two times and fails to appoint other members to attend on his/her behalf, such member shall be deemed as incompetent and may be removed by the Board of Directors.

## CHAPTER 4 MEETINGS AND DECISION-MAKING

**Clause 15** Meetings of the Committee shall be held at least twice a year (at least two of the on-site meetings) and may take the form of on-site meetings (including video, telephone and others), written resolutions, etc.. Meetings shall be convened when proposed by members of the Committee.

**Clause 16** A notice shall be sent to all the members of the Committee at least three days before convening of Committee meetings except in case of emergency.

**Clause 17** A notice of a Committee meeting shall contain the following: date and place of the meeting, duration of the meeting, the reason for holding the meeting and topics for discussion, and date of the notice.

**Clause 18** Before convening a meeting, the Committee shall propose the resolutions for discussion according to the scope of duties as prescribed in Chapter 3 of these Terms of Reference. Members may propose ad hoc resolutions for discussion at the meeting.

**Clause 19** Committee meetings must be attended by at least two-thirds of the members.

**Clause 20** Committee meetings shall be presided over by the chairman. If the chairman is unable to attend the meeting, he/she may appoint another member to preside over the meeting.

**Clause 21** If a member of the Committee is unable to attend a Committee meeting, he/she shall ask for leave from the chairman and provide reasons. He/she shall also study the meeting materials in advance, form definite opinions, and appoint another member in writing to attend as his/her proxy. The proxy form shall contain the names of the appointor and the proxy; a brief opinion of the appointor regarding each of the resolutions; scope of authorization of the appointor and the validity period; indication of voting intention; and signature of the appointor and the date. A valid proxy form shall be submitted to the presider before voting at the meeting.

If a member of the Committee fails to attend a Committee meeting without appointing a proxy to attend on his/her behalf, he/she shall be deemed to have abstained from voting in such meeting.

**Clause 22** The staff of the office of the Board of Directors may attend Committee meetings. Other directors, supervisors, senior management or other staff of the Bank may be invited to attend Committee meetings when necessary.

**Clause 23** The office of the Board of Directors shall be responsible for the preparatory works of Committee meetings by providing written materials in relation to the resolutions of the meetings.

**Clause 24** Members present at the meeting shall consider the resolutions seriously and give full expression of their opinions.

**Clause 25** The Committee meetings shall vote by a show of hands, or by poll. Each member shall have one vote. Resolutions of the Committee meetings can be voted in two ways: onsite meeting and circulating of written resolutions.

A member may vote for or against a resolution or abstain from voting. Every attending member shall choose one out of the aforesaid options. If a member does not make any choice or makes two or more choices, the presider shall require the member to make a choice again. A member shall be deemed as having abstained from voting if he/she makes no choice. A member who has left the meeting before making any choice shall be deemed as having abstained from voting. A member who has not voted during the period for voting shall be deemed as having abstained from voting.

**Clause 26** Attendees who are not members of the Committee may speak at the meeting upon invitation but shall not have voting rights.

**Clause 27** After voting by the attending members, the staff of the office of the Board of Directors shall collect and count the ballots. Where the meeting is held onsite, the presider shall announce the voting results immediately; where the meeting is held offsite, the staff of the office of the Board of Directors shall report to the presider of the voting results before the next day after the voting period, and notify each of the members of the voting results in writing.

**Clause 28** Resolutions of the meetings shall be passed by a majority of all members.

**Clause 29** In the event that a member or his/her close relatives or any other company under their control or their close associates (as defined in the Listing Rules) is directly or indirectly interested in a matter to be considered at a meeting of the Committee, the member shall as soon as practicable disclose to the Committee the nature and extent of such interests. A majority of all members (excluding the interested member) of the Committee is required to resolve as to whether the member shall abstain from voting.

**Clause 30** The vote of the member who has discloseable interests but did not make disclosure to the Committee shall be invalid, and if the voting result is consequently affected, the subject matter shall be voted again. If the new voting result is different from the previous result, the original resolution shall be revoked or, if already implemented, be implemented according to the new voting result.

**Clause 31** If interested members are required to abstain from voting, the quorum of the Committee shall be consisted of no less than two-thirds of the non-interested members, and the resolutions shall be passed by a majority of the non-interested members.

If the number of attending members is less than the quorum after the abstention of interested member(s), resolutions of the meeting shall be put forward to the Board of Directors for consideration and approval.

**Clause 32** The minutes or resolutions of Committee meetings shall specify the abstention of interested member(s).

**Clause 33** The resolutions passed by a Committee meeting shall be in compliance with the laws, regulations, the Articles and these Terms of Reference.

**Clause 34** The Committee shall keep written minutes of its onsite meetings. Members present at the meeting and the minutes note-taker shall sign the minutes. Attending members shall have rights to request to add explanatory notes to their speeches in the minutes.

**Clause 35** Minutes of Committee meetings shall include the following:

- (1) the date and place of the meeting, and the name of the convener;
- (2) the names of members attending the meeting and the names of members (proxies) appointed by others to attend the meeting;
- (3) the agenda of the meeting;
- (4) the summaries of members' speeches; and
- (5) the method and results of the voting for each resolution (voting results shall state the numbers of for, and against votes and number of abstention).

**Clause 36** Resolutions passed by and voting results of Committee meetings shall be reported to the Board of Directors in writing.

**Clause 37** After the authorization or approval by the Board of Directors, where resolutions of the Committee meetings require the implementation by senior management or other responsible officers, the office of the Board of Directors shall, as soon as possible, notify such senior management or other responsible officers in writing. The Committee may require the abovementioned officers to report the progress of implementation within a stipulated period or at its next meeting.



**Clause 38** Attending members and other attendees shall be obliged to keep confidential all matters discussed at the meetings, and shall not disclose any relevant information without authorization.

## **CHAPTER 5 MISCELLANEOUS**

**Clause 39** These Terms of Reference shall become effective from the date of consideration and approval by the Board of Directors of the Bank.

**Clause 40** Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, relevant rules of the securities regulatory authorities of the place in which the Bank's securities are listed and the Articles. If these Terms of Reference conflict with any laws and regulations to be promulgated in the future or the legally modified Articles, the relevant laws and regulations, relevant rules of the securities regulatory authorities of the place in which the Bank's securities are listed and the Articles shall prevail.

**Clause 41** The Board of Directors shall be responsible for the interpretation and revision of these Terms of Reference.