

**CATHAY PACIFIC AIRWAYS LIMITED**

**國泰航空有限公司**

**Audit Committee – Terms of Reference**

*(Amended and restated with effect from 10th May 2023)*

**Establishment**

1. The Audit Committee (the “**Committee**”) was established by the Board (the “**Board**”) of Cathay Pacific Airways Limited (the “**Company**”) on 1st October 1998 pursuant to Article 127 of the Company’s Articles of Association.

**Committee Purpose**

2. The Committee is charged with supporting the Board in its responsibility for overseeing the provision of all activities related to financial reporting, internal controls, legal and regulatory compliance and corporate governance within the Company (including its subsidiaries). In particular, it is charged with overseeing the internal audit function and the appointment and activities of the external auditors. Its responsibilities exclude oversight of risk management within the Company: this function is performed by the Board Safety Review Committee in regard to safety and security risks arising from the Company’s flight operations and the Board Risk Committee (“**BRC**”) in relation to all other risks.

**Membership**

3. The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company, one of whom should be either the Chair of the Company’s BRC or an Independent Non-Executive Director who is also a member of the BRC. The Committee shall consist of not less than three members, a majority of whom should be independent. A quorum shall be the Chair of the Committee (the “**Chair**”) and one other member. At least half the members voting on any resolution must be independent. Where the Committee is evenly split, the Chair shall have a casting vote.
4. The Chair of the Committee shall be appointed by the Board and shall be an Independent Non-Executive Director of the Company.
5. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,

whichever is later.

### **Attendance at meetings**

6. The following officers of the Company will be Standing Invitees to the Committee: The Chief Executive Officer, Chief Financial Officer (“CFO”), Group General Counsel, General Manager, Group Internal Audit and representatives of the external auditor.
7. Other Directors or executives may be invited to attend from time to time and may attend with the approval of the Chair.

### **Officers Providing Support to Meetings**

8. The CFO shall be responsible for assembling and reviewing the materials for the meeting. The CFO will agree the agenda for the meeting with the Chair one month in advance and will brief the Chair on the materials at least one week in advance. The General Manager, Group Internal Audit and the external auditors will each meet separately with the Committee at least twice a year.
9. The Company Secretary or their alternate shall be the secretary of the Committee and will organise, support, record, and retain the full minutes of Committee meetings. Draft and final versions of minutes of meetings shall be sent to all Committee members for their comment and records within ten working days of each meeting. The Committee meeting’s minutes will be circulated to the Directors of the Company.

### **Frequency of meetings**

10. The Committee shall hold meetings not less than four times a year. Additionally, the Chair will call a meeting if so requested by any member, by the external auditor or by the Chair of the Board. Meetings may be held in person or through electronic means at the discretion of the Chair.

### **Authority**

11. The Committee is authorised by the Board to investigate any activity within its terms of reference or as directed by the Board. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
12. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **Duties**

13. The duties of the Committee shall be:

### Relationship with the Company's auditors

- (a) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;
- (d) to ensure development of a robust process for engaging an external auditor to supply non-audit services, to ensure the implementation of that process and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

### Review of the Company's financial information

- (f) to monitor the integrity of the Company's financial statements, annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the 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;
- (g) regarding (f) above, (i) to liaise with the Board and senior management and (ii) to consider any significant or unusual items that are, or may need

to be, reflected in the reports and accounts and to give due consideration to any matters that have been raised by the CFO, Company Secretary or internal or external auditor;

- (h) to discuss problems and reservations arising from the half-year review and annual audit, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (i) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

Oversight of the Company's financial reporting and internal control systems

- (j) to review the Company's financial and internal control systems;
- (k) to discuss the internal control system with management and to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions;
- (l) to 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;
- (m) to ensure co-ordination between the Committee and the BRC;
- (n) to ensure co-ordination between the internal and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and is free from management or other restrictions, and to review and monitor its effectiveness;
- (o) to review the group's financial and accounting policies and practices;
- (p) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (q) to report to the Board on the matters which fall within these terms of reference;
- (r) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (s) to consider other topics, as defined by the Board;

Corporate governance functions

- (t) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (u) to review and monitor the training and continuous professional development of directors and senior management;
- (v) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (w) to develop, review and monitor the code of conduct and any compliance manual applicable to employees and directors; and
- (x) to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report.

**Reporting procedures**

14. The Committee should 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. The Chair should provide a report to the Board at least semi-annually on the general activities of the Committee.
15. The Chair will also provide recommendations on behalf of the Committee to the Board on any matter requiring their approval.
16. The Committee's terms of reference will be made available on request and by inclusion on the website of Hong Kong Exchanges and Clearing Limited and the Company's website. They will be subject to review by the Board at least every two years.