



# 華潤啤酒(控股)有限公司

**China Resources Beer (Holdings) Company Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Codes: 291 (HKD counter) and 80291 (RMB counter))**

## **Terms of Reference for Audit Committee**

### **Constitution**

1. The board of directors of the Company (the “**Board**”) has established a Committee known as the Audit Committee (“**Committee**”).

### **Membership**

2. The members shall be appointed by the Board from amongst the Non- Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent. At least one of the independent members shall have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
3. A former partner of the Company’s existing auditing firm (“**Firm**”) is 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.
4. The Chair of the Committee (“**Chair**”) shall be appointed by the Board and should be an Independent Non-Executive Director and in his absence, members present may elect any member to chair a Committee meeting.

### **Attendance at meetings**

5. The Chief Financial Officer, the Director of the Internal Audit Department, Company Secretary and Director of the Board Office, Director of Board Affairs of the Board Office and a representative of the external auditors shall normally attend meetings. However, at least twice a year the Committee shall meet with the external and internal auditors without other executive Board members present. The Director of Board Affairs of the Board Office, the Company Secretary (or such other person appointed by the

Chair) shall be the secretary of the Committee and in his/her absence, such other person appointed by the Chair shall act as secretary of the relevant Committee meeting (“Secretary”).

### **Frequency and procedure of meetings**

6. Meetings shall be held not less than twice a year and special meetings may be called at the discretion of the Chair or at the request of the Board or Senior Management to review significant control or financial issues. The external auditors may request a meeting if they consider that one is necessary. The members may adopt from time to time the procedure governing the convening of the Committee meetings, the means and procedure for the passing of resolutions at meetings of the Committee. Two members shall form a quorum.

### **Authority**

7. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
8. The Committee is authorized 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 at the Company’s expense.

### **Duties**

9. The duties of the Committee shall be:

#### **Relationship with external auditor**

- (a) to act as the key representative body for overseeing the Company’s relations with the external auditor;
- (b) to consider and be primarily responsible for making recommendations to the Board on (i) the appointment, reappointment and removal of the external auditor; (ii) the audit fee and the terms of engagement of the external auditor; and (iii) any questions of its resignation or dismissal, taking into account the quality and rigour of the audit, the quality of the audit service provided, the auditing firm’s quality control procedures, relationships between the external auditors and the Company, and the independence of the auditors. The external auditors appointed by the Company shall be among the big four international accounting firms and shall be approved by the Shareholders at the AGM;
- (c) to review annually and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards issued from time to time by the Hong Kong Institute of Certified Public Accountants;

- (d) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and to ensure co-ordination where more than one audit firm is involved;
- (e) to develop and implement policy on engaging an external auditor (which includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) to supply non-audit services, to report to the Board, identifying and making recommendations on any matters where action or improvement is needed. Where the external auditor provides non-audit services, the Committee should conduct annual reviews to consider the nature of the non-audit service, whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit, and the aggregate fees paid to the external auditors and a breakdown of the fees paid for audit and non- audit services for the financial year;

### **Review of financial information**

- (f) to monitor integrity of the Company's financial statements and annual report and accounts, and interim report (or quarterly reports when required by the Listing Rules or when deemed appropriate by the Company), and to review quarterly (as the case may be) significant financial reporting judgments contained in them. In reviewing these reports 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, members of the Committee should:
  - (i) liaise with the Board and Senior Management and meet with the auditors at least twice a year to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary); and
  - (ii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer(s) or auditors.

## **Oversight of the financial reporting, risk management and internal control systems**

- (h) to review the Company's financial controls, risk management and internal control (including financial, operational and compliance controls) systems;
- (i) to discuss the risk management and internal control systems with management 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, internal audit and financial reporting functions;
- (j) to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- (k) to consider the confirmation from the management on the effectiveness of the risk management and internal control systems, and to review the Company's statement on its risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) 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 to review and monitor the effectiveness of the internal audit function;
- (m) 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;
- (n) to review the group's financial and accounting policies and practices;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to report to the Board on the matters in paragraph D.3.3 of part 2 of the Corporate Governance Code (as amended from time to time);
- (q) to monitor management's progress on implementing any new key financial reporting standards, and to stay updated with tax legislature and regulatory developments in relation to financial reporting;
- (r) to consider other topics, as defined by the Board; and
- (s) to review arrangements (including but not limited to the arrangements as set out under the whistle-blowing policy of the Company) which employees (including secondees), officers and directors of the Group and external third parties who deal with the Group (including but not limited to customers and suppliers) 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.

### **Other Procedures**

10. The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
11. The Chair, in consultation with the Secretary, should be primarily responsible for drawing up and approving the agenda of each Committee meeting. The Chair, with the assistance of the Accounts Director of the Board Office, shall ensure that all members shall have sufficient information in a timely manner to enable effective discussion at a Committee meeting and be briefed on the issues arising at each Committee meeting. The Secretary shall record minutes of all duly constituted meetings of the Committee. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member, the external auditor and Director of the Internal Audit Department including dissenting views of any member. The Secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all members for comments and records within a reasonable time after each meeting. The Chair shall report at the forthcoming Regular Board Meeting any key decisions made and shall table before the Board an index of meetings and issues discussed.
12. Unless otherwise defined, terms and expressions used herein shall have the same meanings as defined in the Corporate Governance Practice Manual of the Company.
13. These Terms of Reference has been prepared in English and Chinese, and both versions possess equal status and have the same effect.