

**China Pacific Insurance (Group) Co., Ltd.**  
**Terms of Reference of the Audit and Related Party Transaction**  
**Control Committee of the Board of Directors**

**Chapter I General Provisions**

**Article 1** In order to improve the corporate governance structure, strengthen the decision-making function of the Board, implement pre-audit and professional audit, and establish a sound internal supervision mechanism, China Pacific Insurance (Group) Co., Ltd. (the “**Company**”) hereby establishes the Audit and Related Party Transaction Control Committee under the Board and formulates this Working System, in accordance with the *Company Law of the People’s Republic of China* (hereinafter referred to as the “**Company Law**”), the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (hereinafter referred to as the “**Hong Kong Listing Rules**”), the *Corporate Governance Guidelines for Banking and Insurance Institutions*, the *Guidelines on Board Operations for Insurance Companies*, the *Regulations on Internal Audit Work for Insurance Institutions*, the *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions*, the *Articles of Association of China Pacific Insurance (Group) Co., Ltd.* (hereinafter referred to as the “**Articles of Association**”), relevant resolutions of the shareholders’ meeting, and other applicable provisions.

**Article 2** The Audit and Related Party Transaction Control Committee is a specialized working body of the Board established pursuant to the Company’s Articles of Association.

The primary responsibilities of the Audit and Related Party Transaction Control Committee are: (1) overseeing the Company’s financial information and its disclosure, supervising the communication, supervision, and verification work related to internal and external audits, and exercising its supervisory functions over the Company’s business operations and the establishment and implementation of internal control systems; (2) managing, reviewing, and controlling risks associated with related party transactions; and (3) conducting its work pursuant to authorization from the Board and being accountable to the Board.

The Audit and Related Party Transaction Control Committee shall exercise the functions and powers stipulated by the Company Law and other laws, regulations, and regulatory provisions that are vested in the Board of Supervisors.

## **Chapter II Composition of Members**

### **Article 3**

The Audit and Related Party Transaction Control Committee shall consist of no fewer than three directors who do not hold senior management positions in the Company, with independent non-executive directors constituting a majority.

Employee representatives on the Board may serve as members of the Audit and Related Party Transaction Control Committee. Members of the Audit and Related Party Transaction Control Committee must possess professional knowledge and work experience in finance, auditing, accounting, law, or another relevant field commensurate with their duties. Among the independent non-executive directors serving as members, at least one must be a professional in finance, accounting, law, or auditing, or have more than five years of professional experience in finance, accounting, or auditing.

### **Article 4**

A former partner of the accounting firm currently engaged in the Company's audit services shall not serve as a member of the Audit and Related Party Transaction Control Committee for a period of two years commencing from the later of the following dates:

- (i) the date on which the former partner ceases to be a partner of the audit firm; or
- (ii) the date on which the former partner ceases to have an economic interest in the audit firm.

### **Article 5**

The Audit and Related Party Transaction Control Committee shall have one Chairperson, who shall be appointed by the Board from among the independent non-executive directors with an accounting background. Members of the Audit and Related Party Transaction Control Committee shall be nominated by the Chairman of the Board, or by more than half of all independent non-executive directors, or by more than one-third of all directors, and shall be elected and appointed by the Board.

**Article 6**

The term of office for members of the Audit and Related Party Transaction Control Committee shall be concurrent with their term as directors. Upon expiration of their term, members may be re-elected for consecutive terms. If a member ceases to serve as a director or an independent non-executive director during their term, they shall automatically lose their membership, and the Board shall appoint a replacement in accordance with this Working System to fill the vacancy.

A member may resign from their position during their term, which shall take effect upon approval by the Board. The Board shall then appoint a replacement in accordance with this Working System to fill the vacancy.

The Board of Directors shall not remove a member from their position without cause before the expiration of their term.

**Chapter III Duties and Authorities**

**Article 7**

The primary duties and authorities of the Audit and Related Party Transaction Control Committee regarding audit matters are as follows:

- (1) Nominating the external auditor, forming deliberative opinions and providing recommendations to the Board on the appointment (including reappointment), dismissal, and remuneration of the external auditor; approving the remuneration and engagement terms of the external auditor; and handling matters related to the resignation or dismissal of the external auditor. The Committee shall urge the external auditor to act with integrity, diligence, and due care, strictly abide by business rules and industry self-regulatory norms, and rigorously implement internal control systems.

The Committee shall make recommendations to the Board regarding the engagement or replacement of the external auditor, review the audit fees and engagement terms of the external auditor, and shall not be unduly influenced by the Company's major shareholders, actual controllers, directors, or senior management;

The Committee shall submit a report to the Board on a regular basis (at least annually) evaluating the performance of the appointed external auditor and a report on the Committee's own performance of its supervisory duties;

- (2) Reviewing and monitoring, against applicable standards, the independence, objectivity of the external auditor, and the effectiveness of its audit procedures. Prior to the commencement of the audit, the Committee shall discuss with the external auditor the nature, scope, and reporting responsibilities of the audit. The Committee shall review and monitor the independence of the external auditor through the following means:
  - (i) verifying all relationships (including non-audit services) between the Company and the external auditor;
  - (ii) requesting information annually from the external auditor regarding the policies and procedures it has adopted to maintain its independence and monitor compliance with relevant rules, including those concerning the rotation of audit partners and staff; and
  - (iii) meeting with the external auditor at least once a year without management present to discuss matters relating to the auditor's fees, any issues arising from the audit work, and any other matters the auditor wishes to raise.
- (3) Formulating and implementing a policy regarding the provision of non-audit services by the external auditor. For the purposes of this paragraph, "external auditor" includes entities under the same control, ownership, or management as the entity directly responsible for the audit, as well as entities that can reasonably be considered part of its domestic or international practice. The Committee shall report any necessary actions or areas for improvement to the Board and make recommendations;
- (4) Reviewing the Company's internal audit management system and making recommendations to the Board;

- (5) Supervising and evaluating internal audit work. The Committee shall guide the effective operation of the Company's internal audit function, review the Company's annual internal audit plan, internal audit budget, and human resources plan, and make recommendations to the Board. Following the Board's approval, the Committee shall oversee the implementation of these plans. The Committee shall review internal audit work reports, evaluate the results of internal audit work, urge rectification of major issues, promptly handle and address complaints regarding significant problems with internal controls, and review and monitor the effectiveness of the internal audit system. The Committee shall report to the Board on the progress, quality, and significant findings of internal audit work;
- (6) Facilitating communication between internal and external auditors to ensure coordination of their work and to ensure that internal audit personnel have sufficient resources and appropriate status within the Company;
- (7) Reviewing the appointment or dismissal of the Company's Finance Responsible Person;
- (8) Verifying and validating the Company's financial statements, exercising special duty of care, and prudently issuing professional opinions. The Committee shall review the truthfulness, accuracy, and completeness of the financial statements, with a particular focus on significant accounting and auditing issues, and pay special attention to the possibility of fraud, misrepresentation, or material misstatement related to the financial statements, and supervise the rectification of any identified issues;
- (9) Reviewing changes to the Company's accounting policies or accounting estimates, or corrections of material accounting errors, made for reasons other than changes in accounting standards;

- (10) Reviewing the Company's financial information and disclosures, including examining the completeness of the Company's financial statements, financial reports, periodic reports, accounts, and the Internal Control Evaluation Report. Prior to submission to the Board, the Committee shall review the Company's annual, interim, and quarterly reports and accounts, paying particular attention to the following matters:
- (i) changes in accounting policies and practices;
  - (ii) significant judgments;
  - (iii) material adjustments arising from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the financial reporting requirements of the laws and listing rules of the Company's listing jurisdictions;
- (11) With regard to the preceding paragraph (10):
- (i) The Committee shall liaise with the Board and senior management. The Committee shall meet separately with the Company's external auditor at least twice a year;
  - (ii) The Committee shall consider significant or unusual matters reflected or requiring reflection in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, the head of internal control, or the external auditor;
- (12) Discussing with the external auditor issues and concerns identified in the audit of interim and annual accounts, as well as any other matters the external auditor wishes to discuss (which may be conducted without management present if necessary);

- (13) Reviewing the Company's financial controls, periodically reviewing financial control reports and the Internal Control Evaluation Report submitted by the internal audit department, reviewing the scientific nature, reasonableness, effectiveness, and implementation of the internal control systems of the Company and its subsidiaries and branches, making recommendations on holding responsible persons accountable for violations, and providing opinions and improvement suggestions to the Board on matters concerning the Company's financial controls, internal controls, risk, and compliance;
- (14) Continuously monitoring the Company's internal control system and ensuring an annual review of the soundness and effectiveness of the internal control systems of the Company and its subsidiaries, covering all important control aspects, including financial controls, operational controls, and compliance controls;
- (15) Discussing the internal control system with management to ensure that management has fulfilled its responsibility for establishing an effective internal control system. The discussion shall include whether the resources, staff qualifications, and experience in the Company's accounting and financial reporting functions are adequate, and whether the training programs and related budgets for staff are sufficient;
- (16) Proactively, or at the request of the Board, studying significant investigation findings on internal control matters and management's response to such findings;
- (17) If the annual report contains a statement regarding the Company's internal control system, the Committee shall review it prior to its submission to the Board for approval;
- (18) Reviewing the financial and accounting policies and practices of the Company and its subsidiaries;
- (19) Examining the management letter issued by the external auditor regarding the audit and any significant questions raised by the external auditor to management concerning accounting records, financial accounts, or the control system, along with management's responses;

- (20) Ensuring that the Board responds promptly to matters raised by the external auditor in its management letter and management recommendation report;
- (21) Acting as the principal representative of the Company in its relationship with the external auditor and overseeing this relationship;
- (22) Providing a comprehensive report to the Board on its actions, decisions, and recommendations within its scope of responsibilities, in compliance with legal or regulatory requirements, and maintaining communication and collaboration with other specialized committees;
- (23) Reviewing the arrangements established by the Company that allow employees to raise concerns about potential improprieties in financial reporting, internal controls, or other areas. The Committee shall ensure that appropriate arrangements are in place for the Company to conduct fair and independent investigations into such matters and take appropriate action;
- (24) Establishing a whistleblowing policy and system to enable employees and other parties dealing with the Company (such as customers and suppliers) to anonymously raise concerns with the Audit and Related Party Transaction Control Committee regarding any potential improprieties concerning the Company;
- (25) Providing opinions on the performance and evaluation of internal audit personnel;
- (26) Participating in the evaluation of the Internal Audit Responsible Person, assessing their work and providing opinions to the Board, and hearing reports from the Internal Audit Responsible Person on the progress of audit work at least once a quarter;
- (27) Reporting to the Board on matters stipulated in the Corporate Governance Code of the Hong Kong Listing Rules;
- (28) Issuing a written opinion on the independence of the external auditor selected to audit the Company's directors and senior management;

- (29) Other matters required by regulators, stipulated in the Company's Articles of Association, or authorized by the Board.

## **Article 8**

The primary duties and authorities of the Audit and Related Party Transaction Control Committee regarding related party transaction management are as follows:

- (1) Reviewing reports on the identification and maintenance of related parties;
- (2) Being responsible for the management, review, and risk control of related party transactions;
- (3) Reviewing the Company's annual related party transactions and the implementation of the related party transaction management system; deliberating on proposals related to related party transactions and providing opinions and recommendations to the Board;
- (4) Accepting filings for ordinary related party transactions;
- (5) Reviewing material related party transactions, with a focus on their compliance, fairness, and necessity;
- (6) Improving the Company's related party transaction management system;
- (7) Other matters required by regulators, stipulated in the Company's Articles of Association, or authorized by the Board, as well as other significant matters related to related party transactions.

## **Article 9**

The Audit and Related Party Transaction Control Committee shall exercise the following functions and powers of the Board of Supervisors as stipulated by the Company Law and other laws, regulations, and regulatory provisions:

- (1) Inspecting the Company's finances;
- (2) Supervising the performance of duties by directors and senior management, and making recommendations for their removal if they violate laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' meeting;

- (3) Requiring directors and senior management to rectify their actions when such actions harm the Company's interests;
- (4) Proposing the convening of an extraordinary meeting of the Board;
- (5) Proposing the convening of an extraordinary general meeting of shareholders, and convening and presiding over the shareholders' meeting if the Board fails to fulfill its statutory duty to convene and preside over the meeting;
- (6) Submitting proposals to the shareholders' meeting;
- (7) At the request of shareholders, initiating legal proceedings against directors or senior management (excluding members of the Audit and Related Party Transaction Control Committee) who, in the course of performing their duties, violate laws, administrative regulations, or the Articles of Association and cause losses to the Company;
- (8) Nominating candidates for independent non-executive directors;
- (9) Conducting an annual performance evaluation of directors and reporting to the shareholders' meeting;
- (10) Other functions and powers stipulated by laws, regulations, regulatory requirements, and the Company's Articles of Association.

**Article 10**

The Board authorizes the Audit and Related Party Transaction Control Committee to conduct any investigative activities within its scope of responsibilities. The Committee has the authority to obtain any information it requires from any employee; all employees must cooperate with any requests made by the Audit and Related Party Transaction Control Committee.

## **Article 11**

The Audit and Related Party Transaction Control Committee is accountable to the Board. Matters that require deliberation and decision by the Board pursuant to laws, regulations, and regulatory requirements shall be submitted to the Board for deliberation and decision.

The following matters shall be submitted to the Board for consideration after approval by a majority of all members of the Audit and Related Party Transaction Control Committee:

- (i) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports
- (ii) appointment or dismissal of accounting firms that undertake audits of the Company
- (iii) appointment or dismissal of the Chief Financial Officer of the Company
- (iv) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards
- (v) other matters as prescribed by laws and regulations, regulatory requirements and these Articles of Association

The deliberative opinions passed by the Audit and Related Party Transaction Control Committee meetings must be submitted to the Company's Board of Directors in writing. If the Board does not adopt the deliberative opinions provided by the Committee on matters within its scope of responsibilities, the Company shall disclose the matter and provide a full explanation of the reasons.

## **Article 12**

If the Board disagrees with the recommendations of the Audit and Related Party Transaction Control Committee regarding the selection, appointment, resignation, or dismissal of the external auditor, the Company shall include in the *Corporate Governance Report* (which is required to be included in the annual report under the Hong Kong Listing Rules) a statement from the Audit and Related Party Transaction Control Committee explaining its recommendations, along with the reasons for the Board's differing opinion.

**Article 13**                    Regarding significant issues of concern, the Audit and Related Party Transaction Control Committee may request management to conduct an investigation, conduct an investigation directly within its authority, or engage an independent intermediary to conduct an investigation.

**Article 14**                    The Company shall provide the Audit and Related Party Transaction Control Committee with adequate human and material resources to enable it to fulfill its duties. The Board authorizes the Audit and Related Party Transaction Control Committee to obtain independent professional advice externally when deemed necessary, with the costs borne by the Company. In cases of failure to report related parties as required or engaging in related party transactions in violation of regulations; after holding the relevant personnel accountable in accordance with the Company's internal accountability system, the accountability situation shall be reported to the Audit and Related Party Transaction Control Committee.

**Article 15**                    When inspecting the Company's finances, supervising the performance of duties by directors and senior management, or exercising other statutory supervisory powers, if the Audit and Related Party Transaction Control Committee discovers any violations of laws, regulations, or the Articles of Association, it shall report to the Board in accordance with the law and request rectification. If the Board opposes or delays taking corrective measures, the matter may be reported directly to the shareholders' meeting with the consent of more than two-thirds of all members of the Audit and Related Party Transaction Control Committee.

#### **Chapter IV   Meeting Procedures**

**Article 16**                    The Audit and Related Party Transaction Control Committee shall hold at least one meeting per quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the Chairperson deems it necessary.

Meetings of the Audit and Related Party Transaction Control Committee shall be convened and chaired by the Chairperson. If the Chairperson is unable or refuses to perform their duties, a meeting shall be chaired by an independent non-executive director member jointly nominated by a majority of the members.

**Article 17**

A meeting of the Audit and Related Party Transaction Control Committee shall be valid only if attended by at least two-thirds of its members. Each member shall have one vote. Unless otherwise specifically required by laws, regulations, regulatory provisions, the Articles of Association, or this Working System, resolutions of the meeting must be passed by a simple majority of all members. Members attending the meeting shall sign the resolution passed at the meeting.

Each member of the Audit and Related Party Transaction Control Committee may accept a proxy from at most one other member, and the power of attorney must clearly specify the scope of authorization and its duration. If an independent non-executive director member is unable to attend a meeting for any reason, they shall authorize another independent non-executive director member of the Audit and Related Party Transaction Control Committee to attend on their behalf.

When voting or making decisions on related party transactions, any member with a material interest in the transaction shall recuse themselves. If a valid deliberative opinion cannot be formed due to recusals, the matter shall be submitted to the Board for deliberation.

**Article 18**

Meetings of the Audit and Related Party Transaction Control Committee may be held as physical meetings or by way of circulation of written resolutions. “Physical meetings” refer to meetings conducted on-site, via video, telephone, or other means that allow real-time interactive discussion among participants. “Circulation of written resolutions” refers to a method of expressing opinions on deliberated matters by sequentially delivering or circulating the documents for review.

If a physical meeting is held, voting shall be by show of hands or ballot. If a meeting is held by circulation of written resolutions, voting shall be by fax or signed letter.

**Article 19**

The Finance Responsible Person, the Internal Audit Responsible Person, and the external auditor shall generally attend the meetings. The Chairperson may invite other relevant personnel and external experts to attend the meeting when necessary.

The Audit and Related Party Transaction Control Committee shall meet with the external auditor at least once a year without the Company’s executive directors present.

**Article 20** Meetings of the Audit and Related Party Transaction Control Committee shall have complete minutes, which shall be signed by the attending members. The minutes shall be kept by the Secretary of the Board in the same manner and for the same duration as the Board's documents. A draft and a final version of the meeting minutes shall be sent to all members of the Audit and Related Party Transaction Control Committee within a reasonable time after the meeting; the draft is for members to provide comments, and the final version is for their records.

**Article 21** The opinions, recommendations, decisions, and voting results of the Audit and Related Party Transaction Control Committee meetings shall be reported to the Company's Board of Directors in writing.

### **Chapter V Supplementary Provisions**

**Article 22** This Working System shall take effect from the date of its adoption by the Board.

**Article 23** Any matters not covered by this Working System shall be governed by the relevant national laws, regulations, and the Company's Articles of Association. In the event of any conflict between this Working System and national laws or regulations promulgated hereafter or the Articles of Association as amended through due process, the relevant national laws, regulations, and the Articles of Association shall prevail, and this Working System shall be revised immediately and submitted to the Board for adoption.

**Article 24** The interpretation of this Working System, the role of the Audit and Related Party Transaction Control Committee, and the powers delegated to it by the Board shall be published in accordance with the relevant provisions.

**Article 25** The right to interpret and amend this Working System belongs to the Company's Board of Directors.

**Article 26** This Working System is prepared in both Chinese and English, with the English version being for reference only. In the event of any discrepancy between the two texts, the Chinese text shall prevail.