



**AIA Group Limited**

**Terms of Reference for the Audit Committee**

AIA Restricted and Proprietary Information

Issued by	:	Board of AIA Group Limited
Date	:	14 March 2019
Version	:	5.0

## Definitions

1. For the purposes of these terms of reference (these **Terms**):

**Affiliate** means, with respect to the Company, a body corporate which the Company controls;

**Audit Committee** means the audit committee established by resolution of the Board in accordance with clause 2 of these Terms;

**Board** means the board of directors of the Company;

**Board Risk Committee** means the risk committee established by the Board;

**Company** means AIA Group Limited;

**Directors** mean the members of the Board;

**Group** means the Company and its Affiliates;

**Group CE** means the Group Chief Executive of the Company appointed by the Board;

**Group CFO** means the senior officer of the Company responsible for financial management as appointed by the Group CE from time to time;

**Group Company Secretary** means the company secretary of the Company;

**Group CRO** means the senior officer of the Company responsible for risk management as appointed by the Group CE from time to time;

**Group Head of Internal Audit** means the senior officer of the Company responsible for internal audit as approved by the Audit Committee from time to time;

**Listing Rules** mean the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);

**Management** means any persons discharging an executive management role within the Group;

**Nomination Committee** means the nomination committee established by the Board;

**Shareholders** mean the shareholders of the Company; and

**Stock Exchange** means The Stock Exchange of Hong Kong Limited.

## Constitution

2. The Audit Committee was established by resolutions of the Board on 1 September 2010, the members of which shall be appointed by the Board from time to time.

### **Membership**

3. The members of the Audit Committee shall be appointed by the Board from among the non-executive Directors after considering the recommendations of the Nomination Committee. The Audit Committee shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members of whom at least one shall be an independent non-executive Director.
4. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years commencing on 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.
5. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

### **Frequency of Meetings**

6. The Audit Committee should meet often enough to undertake its role effectively, and schedule to meet not less than four times a year.
7. In addition, the chairman of the Audit Committee will call a meeting of the Audit Committee if so requested by any member of the Audit Committee, the chairman of the Board or the external auditor of the Company.

### **Attendance at Meetings**

8. The Audit Committee may invite any members of Management to attend the meetings. The following persons (if appointed and not a member of the Audit Committee) are normally invited to attend:
  - Group CE
  - Group CFO
  - Regional CFO
  - Group Chief Actuary
  - Group General Counsel
  - Group Head of Internal Audit
  - Group Company Secretary
  - Representatives from the external auditor of the Company
9. At least twice a year the Audit Committee shall meet with the external and internal auditors separately without the executive Directors or Management being present. The Audit Committee is also able to meet separately with any member of Management or anyone else they may wish to see.

### **Conduct of Meetings**

10. Reasonable notice of a meeting of the Audit Committee shall be given. An agenda and accompanying meeting papers should be sent in full to all members of the Audit Committee in a timely manner and at least three days before the intended date of a meeting of the Audit Committee (or such other period as agreed by its members).
11. Management is obliged to supply the Audit Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Audit Committee requires more information than is provided by Management, the relevant member should make additional necessary enquiries. The Board and each member of the Audit Committee shall have separate and independent access to the Management.
12. A meeting may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
13. Matters arising at any meeting shall be decided by a majority of votes.
14. A resolution in writing signed or approved by a majority of all of the members of the Audit Committee shall be as effective for all purposes as a resolution of the members of the Audit Committee passed at a meeting duly convened, held and constituted.

### **Annual General Meeting**

15. The chairman of the Audit Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholder's questions on the Audit Committee's activities or in his absence, another member of the Audit Committee, or failing this, his duly appointed delegate.

### **Authority**

16. The Audit Committee is authorised by the Board to investigate any activity within these Terms. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee.
17. The Audit Committee is authorised by the Board to obtain, at the Company's expense, outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to discharge its duties. The Audit Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

### **Audit Committee Objectives**

18. The Board has, amongst other things, the responsibility to oversee the Group's financial reporting system and internal control procedures. It should ensure that the Company establishes and maintains appropriate and effective internal control system and oversee such system on an ongoing basis. The Audit Committee should provide advice to and assist the Board in fulfilling such responsibilities and any other responsibility as may be delegated by the Board from time to time.

### **Duties**

19. The duties of the Audit Committee shall include:

#### Relationship with the Group's external auditor

- (a) being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and on the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policy on the engagement of an external auditor to supply non-audit services and reporting 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;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and the reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Management where necessary);

#### Review of financial information of the Group

- (f) monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In this regard, in reviewing the Group's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with any requirements from the Stock Exchange and other legal requirements in relation to financial reporting;
- (g) in respect of (f) above:
- (i) liaising with the Board and Management;
  - (ii) meeting, at least twice a year and more frequently if the Audit Committee thinks fit, with the Group's auditors; and
  - (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Group's financial reporting system and internal control procedures

- (h) reviewing the Group's financial controls and internal control system;
- (i) discussing with Management any matters in relation to the Group's internal control system and ensuring that Management has discharged its duties in establishing and maintaining an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and the internal audit function, and their training programmes and budget;
- (j) considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and Management's response;
- (k) ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;
- (l) reviewing the adequacy of the processes put in place by the internal audit function to deal with recommendations raised in the internal audit reports in a timely manner;
- (m) approving the appointment, remuneration, resignation and dismissal of the Group Head of Internal Audit;
- (n) approving the budget of the internal audit function and the annual audit plan prepared by internal audit;

- (o) ensuring that internal audit has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee, the Board and Management;
- (p) reviewing the Group's financial and accounting policies and practices;
- (q) reviewing the external auditor's management letter, any material queries raised by the auditor to Management in respect of the accounting records, financial accounts or systems of control and Management's response;
- (r) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (s) reporting to the Board on the matters set out in these Terms;
- (t) reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (u) acting as the key representative body for overseeing the Group's relationship with the external auditor;
- (v) assisting the Board to obtain an annual confirmation from Management on the effectiveness of the Group's internal control system; and
- (w) considering any other topics, as defined by the Board.

#### **Disagreement as to External Auditor**

20. In the event the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee shall provide a statement explaining its recommendations to the Company for inclusion in the Corporate Governance Report issued by the Company in accordance with Appendix 14 of the Listing Rules.

#### **Relationship with Other Board Committees**

21. The chairman of the Audit Committee shall coordinate with the chairman of the Board Risk Committee to help to ensure that both the Board Risk Committee and the Audit Committee have received all information necessary to permit them to fulfill their duties and responsibilities with respect to risk assessment and risk management.

#### **Reporting Procedures**

22. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Group Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any member of the Audit Committee or Director.

23. Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
24. Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

**Terms Available**

25. The Audit Committee shall make available these Terms on request and by inclusion on the Company's website, thereby explaining its role and the authority delegated to it by the Board.