

# **Implementing Rules for the Audit Committee under the Board of Directors of China Merchants Bank Co., Ltd.**

## **Chapter 1 General Provisions**

Rule 1 In order to ensure effective supervision of the senior management by the Board of Directors (the “Board”) and to enhance the corporate governance structure of the Bank, the Board of the Bank has set up the Audit Committee (the “Committee” or “Audit Committee”) and formulated these Implementing Rules (the “Rules”) pursuant to “The Company Law of the People’s Republic of China”, the “Guidelines on Corporate Governance of Commercial Banks” issued by the China Banking and Insurance Regulatory Commission, the “Code of Corporate Governance for Listed Companies” issued by the China Securities Regulatory Commission, the “Guidance for Operation of Audit Committee under the Board” issued by the Shanghai Stock Exchange, the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, the “Articles of Association of China Merchants Bank Co., Ltd.” (the “Articles of Association”) and other relevant provisions.

Rule 2 The Audit Committee is mainly responsible for examining the accounting policies and financial position of the Bank; conducting annual audit work of the Bank, making recommendations for the engagement and replacement of the external auditing firms; and examining the internal audit and internal control conditions of the Bank.

## **Chapter 2 Composition**

Rule 3 The Audit Committee shall comprise five to nine directors, the majority of whom shall be independent directors. At least one of the independent directors among the Committee members shall be an accounting professional.

Any director and executive director nominated by the controlling shareholders shall not serve as a member of the Audit Committee. The former partner of the existing external auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his ceasing to be the partner of the firm or ceasing to have any financial interest in the firm (whichever is later).

Rule 4 The members of the Audit Committee shall be nominated by the Chairman of the Board or more than half of the number of independent directors or more than one-third of all directors, and shall be elected by the Board.

Rule 5 The Audit Committee shall have a chairman who shall be an independent director and shall be responsible for leading the work of the Committee. The chairman of the Committee shall possess relevant professional experience in accounting or financial management; the chairman of the Committee shall be appointed by the Board after consideration.

Rule 6 The term of office of the Audit Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term. If any member resigns from the position of director of the Bank during his/her term of office or any member who shall be an independent director no longer possesses the independence as specified in the Articles of Association of the Bank, he/she shall automatically lose his/her eligibility as Committee member, and the vacancy shall be filled by the Board in accordance with the provisions of these Rules.

## **Chapter 3 Duties and Authorities**

Rule 7 The major duties of the Audit Committee are:

- (1) to propose the engagement or replacement of external auditing firms;

- (2) to monitor the internal audit system of the Bank and its implementation, and evaluate the work procedures and performance of the internal audit department;
- (3) to be responsible for the liaison between internal and external auditing firms;
- (4) to review the financial information of the Bank and its disclosure, to be responsible for annual audit work of the Bank, and to prepare a judgment report on the truth, accuracy, completeness and timeliness of the information in the audited financial report for submission to the Board for consideration;
- (5) to examine the internal control system of the Bank, and submit proposals on perfecting the internal control of the Bank;
- (6) to review and supervise the mechanism for the Bank's employees to whistle-blow any misconducts in respect of financial reports, internal control or other improprieties, to ensure that the Bank always handles the whistleblowing issues in a fair and independent manner and takes appropriate actions;
- (7) to examine the accounting policies, financial reporting procedures and financial position of the Bank; and
- (8) to deal with other matters authorized by the Board.

Rule 8 The Audit Committee shall be accountable to the Board. The Committee shall submit its proposals to the Board for consideration and decision. The Audit Committee shall coordinate with the audit activities undertaken by the Board of Supervisors.

#### **Chapter 4 Rules of Procedures**

Rule 9 The Audit Committee shall meet at least four times every year (and meet with external auditing firms at least twice every year) and a notice of meeting shall be given to all members at least two days prior to the meeting. The meetings shall be chaired by the chairman of the Committee. If the chairman of the Committee cannot attend the meeting, he/she may appoint another member to chair the meeting.

The Audit Committee may convene ad hoc meetings as and when required. Upon proposal by two or more members, or in circumstances where the chairman of the Committee considers necessary, an ad hoc meeting may be convened.

Rule 10 The meetings of the Audit Committee shall be held only with the presence of more than two-thirds of the members. Each member shall be entitled to one vote. Resolutions adopted by a meeting shall be approved by more than half of all members. If no valid opinion may be formed after consideration due to abstention from voting of members, the relevant matter shall be considered by the Board directly.

Rule 11 The Audit Committee shall vote by a show of hands or by a poll. Meetings may be convened in the form of physical meetings (including by way of video conference or teleconference) or by way of voting by correspondence.

Rule 12 The Audit Committee may invite other persons who are not Committee members to attend its meeting, if necessary.

Rule 13 The Bank shall provide the Audit Committee with sufficient resources to perform its duties. If necessary, the Audit Committee may engage an intermediary institution to provide professional advice on its decision. The cost shall be borne by the Bank.

Rule 14 The procedures for convening a meeting, the method of voting and the resolutions passed at a meeting of the Audit Committee shall comply with the provisions of the relevant laws, regulations, the Articles of Association and these Rules.

Rule 15 The office of the Board shall be responsible for carrying out preliminary preparation work for study and decision by the Audit Committee, including but not limited to collecting meeting materials, liaising day-to-day work and organizing meetings. The relevant function departments of the Bank shall support with active cooperation.

Rule 16 The Audit Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting, the full version of which shall be kept by the Secretary of the Board of the Bank.

Rule 17 Any resolution passed and the result of any poll taken at a meeting of the Audit Committee shall be reported in writing to the Board of the Bank.

Rule 18 All persons present at a meeting shall be obliged to keep all matters discussed in such meeting confidential, and shall not disclose any relevant information without authorization.

## **Chapter 5 Supplementary Provisions**

Rule 19 These Rules shall be implemented with effect from the date on which the relevant resolution is passed by the Board.

Rule 20 Any matters not covered by these Rules shall be implemented in accordance with the provisions of the relevant laws, regulations and regulatory documents of the State, the listing rules of the stock exchanges where the shares of the Bank are listed or the Articles of Association of the Bank. If these Rules contravene any future laws, regulations and regulatory documents promulgated by the State, the listing rules of the stock exchanges where the shares of the Bank are listed, or the legally amended Articles of Association, such Rules shall be implemented in accordance with the provisions of the relevant laws, regulations and regulatory documents of the State, the listing rules of the stock exchanges where the shares of the Bank are listed or the Articles of Association, and shall be promptly amended and reported to the Board for consideration and adoption.

Rule 21 The power of interpretation of, and amendments to, these Rules shall be vested in the Board of the Bank.

*Please note that these Implementing Rules for the Audit Committee under the Board of Directors are written in Chinese without an official English version. This English version is for reference only. In case of any inconsistency, the Chinese version shall prevail.*