

**Name**

- 1 The Committee shall be called the “Audit Committee”.

**Membership**

- 2 The Committee is established by the Board of OCBC Bank (Hong Kong) Limited (the “Bank”) and shall consist of not less than three members of the Board of Directors of the Bank (“the Board”). Notwithstanding any vacancy in their body, the continuing members of the Committee may act so long as the number of members of the Committee does not fall below two for a period exceeding three months.
- 3 The members and Chairman of the Committee shall be appointed by the Board from time to time. The Chairman should have a background in accounting, banking or other relevant financial industry. The Committee as a whole should have adequate experience in audit practices, financial reporting and accounting and should possess a collective balance of skills and expertise which is commensurate with the complexity of the Bank and its business and risk profile in order to ensure it is in a position to discharge its responsibilities effectively.
- 4 The members of the Committee shall be non-executive directors, the majority of whom including the Chairman should be independent non-executive directors. The Chairman should not also be the Chairman of the Board or of any other committee. Directors appointed by the controlling shareholder as members of the Committee shall be considered independent if they are deemed to be independent under the relevant guidelines that the controlling shareholder needs to comply.
- 5 Each member of the Committee shall hold office until the next Annual General Meeting following that member’s appointment or re-appointment. The retiring Chairman of the Committee and other members of the Committee shall, subject to the preceding paragraphs, be eligible for re-appointment or re-election. If a member of the Committee resigns, ceases to be a director or for whatever reason ceases to be a Committee member, the Bank shall notify the Hong Kong Monetary Authority (“HKMA”) of the event within 7 business days after the occurrence of the event.

**Functions**

- 6 The Committee shall:
  - 6.1 review the reporting of financial and other information to shareholders, the system of internal control and risk management, governance and the audit process,
  - 6.2 review and approve the audit scope and frequency and to review the results, effectiveness and objectivity of the external and internal audit processes,
  - 6.3 provide oversight and maintain an appropriate relationship with both the external and internal auditors.

- 6.4 review and evaluate, on behalf of the Board, at least once a year, the adequacy and effectiveness of the internal control, including accounting controls, taking input from external auditors, Internal Audit, risk management and compliance functions,
- 6.5 review with the external auditors, the audit plan and audit report,
- 6.6 review the assistance given by the Bank's officers, including Internal Audit, to the external auditors,
- 6.7 report to the Board regularly on any significant matters that require Board attention,
- 6.8 review and discuss, as relevant, written representations requested by the statutory auditor or external audit firm and given by senior management, and
- 6.9 undertake any such other functions as may be agreed by the Committee and the Board,
- 6.10 approve the Financial Reporting Principles and Disclosure Framework, and review the implementation of new/updated significant accounting standards and policies.

**External Audit**

- 7 In respect of external audit, the Committee shall:
  - 7.1 recommend to the Board and for the approval by the shareholder the appointment, re-appointment and removal of external auditors at any annual general meeting of the Bank, or whenever there is a casual vacancy in the office of auditor, and approve their remuneration and terms of engagement, having regard also to:
    - 7.1.1 their non-audit charges,
    - 7.1.2 any questions of resignation or dismissal, and
    - 7.1.3 keeping under review their independence, objectivity and competency (in terms of their skills, knowledge, expertise and resources),
  - 7.2 review with the external auditors the scope and results of the external audit and any significant findings reported to the Committee in the management letter, and
  - 7.3 review the relationship with the external auditors; this includes the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities, discussions with the external auditors concerning such issues as compliance with accounting standards and auditing standards.
- 8 The external auditors have the right to appear and be heard at any meeting of the Committee and the Committee may require the external auditors to attend any meeting.

**Internal Audit**

- 9 In respect of internal audit, the Committee shall:
- 9.1 champion Internal Audit so as to enable Internal Audit to fulfil the purpose of Internal Audit and pursue Internal Audit's strategy and objectives set out in the internal audit charter,
  - 9.2 communicate with Head, Internal Audit to understand how Internal Audit is fulfilling its mandate,
  - 9.3 communicate the Committee's perspective on the Bank's strategies, objectives and risks to assist Head, Internal Audit with determining internal audit priorities,
  - 9.4 set expectations with Internal Audit for the following:
    - The frequency with which the Committee wants to receive communications from Internal Audit.
    - The criteria for determining which issues should be escalated to the Committee, such as significant risks that exceed the Committee's risk tolerance.
    - The process for escalating matters of importance to the Committee.
  - 9.5 approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services,
  - 9.6 approve Head, Internal Audit's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities,
  - 9.7 approve the annual audit plan, budget (including resourcing), including significant changes,
  - 9.8 ensure that Internal Audit is adequately resourced and continues to have appropriate standing within the Bank and to keep under review the ability to fulfill the Internal Audit's mandate and Internal Audit's independence and objectivity,
  - 9.9 ensure that the work of Internal Audit, the external auditors and other control and monitoring functions (such as risk management, compliance and legal) are properly co-ordinated and that appropriate communication channels exist,
  - 9.10 ensure that Internal Audit has unfettered access to the Committee, the Board and senior management where necessary, as well as the right to seek information and explanations,
  - 9.11 make appropriate inquiries of senior management and Head, Internal Audit, to determine whether any restrictions on Internal Audit's scope, access, authority or resources limit Internal Audit's ability to carry out its responsibilities

effectively,

- 9.12 receive reports of significant issues from Internal Audit including significant findings in respect of fraud, illegal acts, and deficiencies in internal controls,
  - 9.13 ensure that processes are in place for ensuring that recommendations raised in internal audit reports are dealt with in a timely manner, and outstanding exceptions or recommendations are closely monitored,
  - 9.14 ensure that a quality assurance and improvement programme, including internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor assessment team from outside the organisation, is in place,
  - 9.15 approve the external quality assessment plan, actions plans and timeline for completion and monitor of progress for external quality assessment,
  - 9.16 receive the results of external quality assessment or self-assessment with independent validation directly from the assessor, and
  - 9.17 discuss with Head, Internal Audit disagreements with senior management or other stakeholders and provide support as necessary to enable Head, Internal Audit to perform the responsibilities outlined in the internal audit mandate.
- 10 The independence of Internal Audit will be maintained, *inter alia*, by:
- 10.1 its personnel reporting to the Head, Internal Audit, who will report functionally to the Committee and administratively to the Chief Executive Officer,
  - 10.2 the Committee approving the appointment, resignation or dismissal of Head, Internal Audit, as well as the annual performance measurements/objectives, performance (including effectiveness and efficiency of Internal Audit) and annual remuneration of Head, Internal Audit, and management succession plans for the position of Head, Internal Audit.

## Financial Reporting

- 11 In respect of financial reporting matters, the Committee shall:
- 11.1 Review the interim financial results to ensure that it is satisfied with the disclosure and content,
  - 11.2 review the full year audited financial statements contained in the annual reports for the Bank group and to ensure that it is satisfied with the disclosure and content, as advised by the external auditors,
  - 11.3 review any changes in accounting principles, to determine the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices, and the degree of aggressiveness or conservatism in accounting principles and underlying estimate,
  - 11.4 review the consistency of accounting policies both on a year to year basis and across the Bank group, and

- 11.5 review significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Bank.

**Regulatory**

- 12 In respect of regulatory matters, the Committee shall be aware of the key regulatory requirements of the HKMA, its proposed supervisory visits, the results of those visits and the actions proposed by management.
- 13 In addition to the duties imposed by the Supervisory Policy Manual of the HKMA, the Committee shall:
  - 13.1 when it becomes aware of any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Bank's operating results or financial position, discuss such matters with the external auditors and, at an appropriate time, report the matter to the Board, and
  - 13.2 review material related party and connected person transactions as may be required by the relevant regulatory authorities, and keep the Board informed of such transactions.

**General**

- 14 In addition to the above functions, the Committee shall:
  - 14.1 investigate any matter brought to its attention, within the scope of its duties, with the power to retain independent professional advice,
  - 14.2 review arrangements by which staff may, in confidence, raise concerns about possible improprieties on matters of financial reporting or other matters, and have the concerns independently investigated and followed-up,
  - 14.3 call any member of staff to be questioned at a meeting of the Committee as and when required, and without the presence of management, if necessary,
  - 14.4 have unfettered access to information which the Bank is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee,
  - 14.5 regularly review and update its Terms of Reference and recommend any changes to the Board, and
  - 14.6 have access to external expert advice at the Bank's expense when necessary.

**Chairman's Responsibility**

- 15 Upon the request of the auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Board.

**Meetings and Attendance**

- 16 The Committee may meet at any time but no less than four times a year. A meeting may be called by any member of the Committee. Attendees should be limited to those who are familiar with, or responsible for, the topics on the agenda.
- 17 The Committee may meet, as required, at least once a year with the external auditors and Internal Audit in separate sessions, and where necessary, meet with the compliance and risk management functions without the presence of other executive directors or management.
- 18 No business shall be transacted at a meeting unless at least two members of the Committee are present.
- 19 At all meetings of the Committee, the Chairman of the Committee, if present, shall preside. If the Chairman of the Committee is absent, the members present at the meeting shall elect a Chairman of the meeting.
- 20 The Committee will regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and the proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 21 The Company Secretary of the Bank and/or a Joint Secretary appointed by the Committee shall be the secretaries to the Committee. The secretaries shall be in attendance at Committee meetings and a record of the proceedings shall be kept.

**Written or Circulating Resolution**

- 22 Any resolution in writing, signed or assented to by a majority of the Committee shall be as effective as a resolution duly passed at a meeting of the Committee and may consist of several documents in the like form, each signed by one or more of the members of the Committee. The expressions “in writing” and “signed” include approval by e-mail or telefax by any such member of the Committee.

**Minutes**

- 23 Copies of the minutes of the meetings of the Committee shall be circulated to all the directors of the Bank as soon as it is practicable to do so, with a copy provided to the Company Secretary of the Bank.

**Amendment**

- 24 The provisions herein are subject to such revisions by way of modification, addition or otherwise as the Board may from time to time consider fit.