

Terms of Reference for the Audit Committee of the Board of Directors of China Construction Bank Corporation

Chapter I General Provisions

Article 1 For the purpose of regulating the decision-making mechanism of the Board of Directors of China Construction Bank Corporation (hereinafter referred to as “the Bank”) and improving corporate governance structure, the Terms of Reference is hereby formulated in accordance with the *Company Law of the People’s Republic of China*, the *Law of the People’s Republic of China on Commercial Banks*, relevant provisions of local securities regulatory authorities where shares of the Bank are listed and the *Articles of Association of China Construction Bank Corporation* (hereinafter referred to as the “Articles of Association of the Bank”) and other applicable laws, rules and regulations.

Article 2 The Board of Directors of the Bank establishes the Audit Committee of the Board of Directors (hereinafter referred to as “the Audit Committee”). As a special working body of the Board of Directors established in accordance with the Articles of Association of the Bank, the Audit Committee shall perform its functions and powers prescribed in Article 8 of the Terms of Reference and be responsible to the Board of Directors.

Chapter II Composition

Article 3 The Audit Committee shall be composed of five directors at least. The Audit Committee shall only consist of non-executive directors, the majority of whom shall be independent directors, and at least one independent director shall have appropriate professional qualifications or expertise in accounting or financial management.

Article 4 The former partner of the existing external auditor of the Bank shall not serve as a member of the Audit Committee within one year starting from the date (whichever is later):

- (1) when the former partner ceases to be the partner of the accounting firm; or
- (2) when the former partner ceases to be entitled to the financial interest of the accounting firm.

Article 5 Members of the Audit Committee shall be nominated, alone or jointly, by Chairman of the Board of Directors, the Nomination and Compensation Committee, one third of all directors or more than half independent directors, and appointed by the Board of Directors. The adjustment and replacement of members of the Audit Committee shall be decided by the Board of Directors.

Article 6 A chairman shall be appointed for the Audit Committee to take charge of the work of the Committee. The Chairman shall be an independent director and elected by more than half of the members of the Committee.

Article 7 The term of office of members of the Audit Committee shall be the same as that of directorship. A member may serve consecutive terms if re-elected. In case any member no longer holds the position of director or independent director of the Bank, the Board of Directors shall fill the vacancy of such position pursuant to Article 5 and Article 6 of the Terms of Reference to meet the requirement on composition of the Audit Committee.

Chapter III Duties and Powers

Article 8 The duties and powers of the Audit Committee shall be as follows:

- i. Supervise financial reports of the Bank, and examine the Bank’s accounting information and disclosure of major events
 - 1. Monitor the preparation, audit and disclosure of financial report and relevant work. The Committee shall, in accordance with Chinese accounting standards, International Financial Reporting Standards and applicable laws and regulations in Mainland China and Hong Kong, review and analyze the compliance of all activities from preparation of the financial report to announcement thereof, risks and the countermeasures, keep close communication with the Management and the internal and external auditors, and present assessment opinions and report to the Board of Directors.
 - 2. Review the financial statements, annual report and accounts, interim report and quarterly reports (if prepared for publication), external auditors’ report, important opinions on financial report recorded in the financial statements and report; analyze the completeness, accuracy, truthfulness, consistency, adequacy and appropriateness of the preparation and disclosure of financial report and the assessment in external auditors’ report; and make inquiry or suggestions on problems in such report.

The Audit Committee shall contact the Board of Directors, the Senior Management and qualified accountant of the Bank on the said matters, and meet with the external auditor at least twice every year. The Committee shall take into account any significant or unusual matters that have been or shall be reflected in such report and account, and consider the matters put forward by the qualified accountant, the compliance department or external auditors.

3. Review significant matters on accounting and disclosure, including basis and change of the accounting policy, complicated or abnormal transactions (unusual items), objectively judged and estimated account items and significant adjustments resulting from audit; review all matters often discussed or disputed on by the Management and external auditors and the discussion results of external auditors on financial report; and put forth suggestions to the Board of Directors on the investigation, disposal or disclosure of relevant problems.
 4. Review the report on the implementation of significant financial decisions and annual budget by the Management; analyze and assess the financial status, asset quality and profit quality of the Bank; review the financial and accounting policies and practices of the Bank; and propose suggestions on improvement.
- ii. Supervise and evaluate internal control of the Bank
1. Review and assess the soundness and effectiveness of the internal control system and mechanism of the Bank based on the supervision and report of the internal auditor and the assessment report on the internal control made by the external auditor.
 2. Pay attention to and get information on inspection, assessment and suggestions on internal control made by the internal and external auditors; study major investigation results on internal control and response from the Management; regularly review the system of the Bank for financial control, internal control and risk management; and conduct follow-up monitoring on the rectification of significant problems in internal control.
 3. Pay attention to the assessment made by the internal and external auditors on the security, stability and rationality of the information system and operational procedures of the Bank; get information on such illegality as fraudulency found by the internal or external auditors; and make full discussion and communication with the Management and the internal and external auditors on relevant issues.

iii. Supervise and evaluate internal audit of the Bank

1. Review the work plan, budget, final accounts, system, rules, flow and report of internal audit; listen to report of the chief audit officer and the person in charge of the internal audit department; inspect, monitor and assess the internal audit function and its independence and effectiveness; and participate in the nomination and assessment of the chief audit officer.
2. Be responsible for the communication between the external and internal auditors and ensure the coordinated cooperation; urge the Management to provide adequate resources to and appropriate standing of internal auditors; and put forth suggestions to the Board of Directors.

iv. Supervise and evaluate external audit of the Bank

1. Be responsible for the engagement, renewal, dismissal and compensation of external auditors (which refer to the accounting firm engaged by the Bank herein) and put forth suggestions to the Board of Directors; handle matters in respect of resignation or dismissal of external auditors. The external auditors shall directly report to the Audit Committee.
2. Review and assess the independence of external auditors and the effectiveness and performance of audit procedures; listen to professional opinions of external auditors; review the audit and non-audit services and relevant work reports; discuss with auditors on the nature and scope of the audit and relevant responsibility of reporting before such audit begins; and formulate and implement policies on the engagement of external auditor to provide non-audit services.
3. Review the Letter on Explanation of Audit submitted to the Management by external auditors, the questions raised to the Management on the accounting records, financial accounts or the control system and the response from the Management; and ensure the Board of Directors gives response in time on the issues put forward in the aforesaid Letter on Explanation of Audit.
4. to act as the key representative body for overseeing the Bank's relations with the external auditor.

- v. Pay attention to improper acts which may occur:
 - 1. review arrangements employees of the Bank can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
 - 2. establish a whistleblowing policy and system for employees and those who deal with the Bank to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Bank.
- vi. Report to the Board of Directors its work, issues within its authority scope and decisions/suggestions of the Committee; and maintain communication and co-operation with other special committees.
- vii. Other matters authorized by the Board of Directors.

Article 9 The Audit Committee shall be provided with adequate resources to perform its duties and powers.

Article 10 The Audit Committee may present proposal to the Board of Directors for review.

The Audit Committee shall provide relevant materials and information to the Board of Directors in various ways such as report, suggestion and summary as needed in the performance of duties and powers for the research and decision-making of the Board of Directors.

Article 11 Upon authorization by the Board of Directors, the Audit Committee may inquire of the President on relevant issues, or request the President to convene a meeting for the issue inquired about if necessary. When the Audit Committee makes any investigation within its functions and powers, the Management shall ensure that any department and employee of the Bank be cooperative and provide the Committee with necessary data and information.

Article 12 The Audit Committee shall collect and review the report on a regular basis submitted by the internal audit department and the external auditor of the Bank.

Article 13 The Audit Committee shall make available its functions and powers, explaining its role and the authority delegated by the Board of Directors.

Article 14 After the Bank gets listed at The Stock Exchange of Hong Kong Limited, where the Board of Directors disagrees with the Audit Committee's view on the selection, engagement, resignation or dismissal of the external auditors, the Bank shall include in the Corporate Governance Report (as stipulated in Appendix 23 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*) a statement from the Audit Committee explaining its suggestion and also the reason(s) why the Board has taken a different view.

Article 15 The Audit Committee shall report to the Board of Directors the actions or improvement it considers necessary and make suggestions on adoptable steps.

Article 16 If necessary, the Audit Committee may engage intermediary agencies to provide professional advisory services and assist the Committee in making professional judgment. Reasonable expenses generated thereby shall be paid by the Bank.

Chapter IV Procedures of Meeting

Article 17 The Audit Committee shall hold at least four meetings a year. The meeting shall be convened by the Chairman of the Audit Committee. The Board of Directors or more than two members of the Audit Committee shall have the right to propose to the Chairman of the Committee for convening a meeting of the Committee.

In case the Chairman is unable to perform his/her duties for special reasons, another independent director member may be appointed to convene the meeting.

Article 18 The following persons shall have the right to put forth proposals to the Audit Committee:

- (1) Chairman of Board of Directors;
- (2) President;
- (3) Chairman of the Audit Committee;
- (4) More than two members of the Audit Committee;
- (5) Chief audit officer.

The Chairman of the Audit Committee shall include the proposals put forth by the aforesaid persons in the agenda of the meeting for discussion.

Article 19 The meeting of the Audit Committee shall be convened in the form of on-site meeting or written resolutions.

Provided the meeting of the Audit Committee is convened in the form of on-site meeting, a meeting venue shall be arranged and instant communication measures such as telephone and video shall be provided for the participation of members of the Committee. Committee members who attend the meeting of the Committee by the above methods shall be deemed as attending the on-site meeting in person.

Article 20 The Chairman of the Audit Committee shall inform all members of the Committee of the meeting five days prior to the meeting. The meetings held in emergent cases may not be required to meet the above requirement on notice time; however, relevant meeting notice shall be sent in reasonable period.

Provided the meeting of the Audit Committee is held by way of written resolutions, the meeting notice shall specify the deadline of voting or opinions. However, the deadline specified in the notice shall be no earlier than five days after the notice is sent, unless otherwise all members waive in written the time requirements of the notice.

Article 21 The meeting of the Audit Committee shall adopt the withdrawal system. A member shall withdraw from the meeting when his/her related party is involved in the items of the meeting. The Chairman of the Committee shall decide whether members shall withdraw, while the Board of Directors shall decide whether the Chairman of the Committee shall withdraw. The member who should withdraw shall temporarily leave the meeting venue and not participate in the voting concerned. Ballots of such member shall not be included in the effective votes.

Article 22 The meeting of the Audit Committee shall be held only if more than half of the members attend. Provided a member is unable to attend the meeting in person, he/she may entrust other member to attend the meeting on his/her behalf.

Article 23 The meeting of the Audit Committee shall be presided over by the Chairman. The Chairman may appoint a member to preside over the meeting provided he/she is unable to fulfill the responsibility for special reasons.

Article 24 The meeting of the Audit Committee shall fully discuss all meeting items and come to a tendentious conclusion. The Chairman of the Committee or other member presiding over the meeting shall request the participating members to vote when he/she deems it necessary.

Each member shall have one vote on the item being discussed at the meeting of the Audit Committee; and resolutions shall be adopted by votes of more than half of all the members.

Article 25 Directors, chief audit officer, chief finance officer and other senior management members, person in charge of internal audit and representative of external auditor may be invited to attend the meeting of the Audit Committee as non-voting attendees if necessary.

Directors other than members of the Audit Committee may apply to attend the meeting of the committee as non-voting attendees, however the attendance shall be subject to the approval of the chairman of the committee.

Article 26 Convening procedures and voting methods of the meeting of the Audit Committee and proposals adopted by the meeting shall comply with provisions of relevant laws, regulations, rules, relevant provisions of local securities regulatory authorities shares of the Bank are listed, the Articles of Association of the Bank and the Terms of Reference.

Article 27 The Audit Committee shall establish a meeting minutes system, and a person shall be specially appointed as the recorder.

The meeting minutes shall be important document of the Audit Committee and shall be signed by all members attending the meeting. The first and the final draft of the minutes shall be sent to all members within a reasonable period after the meeting; the first draft shall be for members to express their opinions and the final draft for record. The minutes shall be kept by the Secretary to the Board.

Meeting summary shall be made for the meeting of the Audit Committee, and be approved and issued by the chairman of the meeting. In principle, summary of the meeting shall be submitted to the Board of Directors, the Board of Supervisors and the senior management members, with copies to relevant departments.

The meeting summary shall be important document of the Audit Committee and shall be kept by the Secretary to the Board.

Article 28 Members who attend the meeting of the Audit Committee shall undertake confidentiality obligations for all items discussed at the meeting. Relevant information shall not be disclosed without permission. In case any breach to confidentiality obligations occurs, relevant members shall undertake legal liability according to provisions of laws, regulations, the Articles of Association of the Bank and relevant Confidentiality Agreement.

Chapter V Supplementary Provisions

Article 29 Unless otherwise explained, terms mentioned in the Terms of Reference shall have the same meaning with those defined in the Articles of Association of the Bank.

Article 30 The Terms of Reference shall come into force by approval of the Board of Directors in the form of general resolution.

Article 31 For anything not included herein or should there be any discrepancy between the Terms of Reference and any laws, regulations, relevant provisions of local securities regulatory authorities where shares of the Bank are listed issued from time to time after the Terms of Reference becomes effective or the Articles of Association of the Bank, laws, regulations, relevant provisions of local securities regulatory authorities where shares of the Bank are listed or the Articles of Association of the Bank shall prevail.

Article 32 The Board of Directors shall be responsible for the amendment to and interpretation of the Term of Reference.

*** Important Note:** *The above is an English translation of the Chinese version of the Terms of Reference of the Audit Committee of the Board of Directors of China Construction Bank Corporation. In case of any discrepancies or inconsistencies, the Chinese version shall always prevail.*