

# Hutchison Whampoa Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 13)**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **I. OBJECTIVE**

The Audit Committee (the “Committee”) of Hutchison Whampoa Limited (the “Company”) is to assist the board of directors of the Company (the “Board”) in (i) ensuring that an effective system of internal control and compliance with the Company’s obligations (including external financial reporting obligations) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as modified from time to time (the “Listing Rules”) and applicable laws and regulations is in place; and (ii) overseeing the integrity of the financial statements of the Company.

The Committee shall also be directly responsible on behalf of the Board for (i) the selection, oversight and remuneration of the Company’s external auditor, (ii) the assessment of the independence and qualifications of the external auditor, and (iii) the oversight of the performance of the Company’s internal audit function and external auditor.

### **II. MEMBERSHIP**

- A. The Committee shall be appointed by the Board and shall comprise a minimum of three Non-executive Directors.
- B. The majority of the members of the Committee (the “Members”) shall be Independent Non-executive Directors, at least one of whom has to be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.
- C. The chairman of the Committee (the “Chairman”) shall be appointed by the Board and must be an Independent Non-executive Director.

- D. All Members are appointed by the Board and can be removed by the Board at its sole discretion. The Board may from time to time vary the composition of the Committee as may be required by the Listing Rules or the rules of any other stock exchange in respect of which the shares of the Company are listed or quoted, or other codes, rules and regulations as may be prescribed by the Hong Kong Securities and Futures Commission or any other applicable regulatory authority from time to time (the “Applicable Rules”).
- E. A former partner of the existing auditing firm of the Company is prohibited from acting as a Member for a period of one (1) year commencing on the later of (a) the date of his ceasing to be a partner of the firm; and (b) the date of his ceasing to have any financial interest in the firm.
- F. The Company Secretary of the Company or his/her delegate shall be the secretary of the Committee.

### **III. AUTHORITY**

- A. The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- B. The Committee is authorised to inspect all accounts, books and records of the Company and the Committee shall have the right to require the management of the Company to furnish all information requested by the Committee as may be required for the purposes of discharging its duties.
- C. The Committee is authorised to obtain external legal and other independent professional advice and to secure the assistance from external parties with relevant experience and expertise where it considers necessary. The Committee shall have the sole authority to approve all reasonable related fees and terms of engagement.
- D. The Committee shall be provided with sufficient resources to discharge its duties.

### **IV. DUTIES**

The duties of the Committee shall include the following aspects:

A. Relationship with the Company's external auditor

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;
2. to act as the key representative body for overseeing the relations of the Company with the external auditor;
3. to review and monitor the independence and objectivity of the external auditor. To this end, the Committee shall:
  - (a) consider all relationships between the Company and the audit firm (including the provision of non-audit services);
  - (b) obtain from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (c) meet with the external auditor, at least annually, in the absence of management of the Company, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditor or the Committee may wish to raise;
4. to review and monitor the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
5. to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
6. to be primarily responsible for making recommendation to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Committee should ensure that the provision of such non-audit

services does not impair the external auditor's independence or objectivity. When assessing the independence or objectivity of the external auditor in relation to the provision of non-audit services, the Committee should consider:

- (a) whether the skills and experience of the audit firm make it a suitable supplier of such non-audit services;
  - (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external auditor notwithstanding its proposed provision of the non-audit services;
  - (c) the nature of the non-audit services, the related fee levels and the individual and aggregate fee levels relative to the audit firm; and
  - (d) the criteria for determining the compensation of the individuals performing the non-audit services; and
7. to set policies on hiring employees or former employees of the external auditors and monitoring the application of these policies.

B. Review of financial information of the Company

1. to monitor the integrity of the financial statements of the Company and the annual report and accounts and half-year report and accounts of the Company, to discuss such annual report and audited accounts and half-year report and accounts with management and the external auditor, and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Committee shall focus particularly on:
  - (a) financial reporting and accounting policies and practices;
  - (b) any changes in financial reporting and accounting policies and practices;
  - (c) major judgmental areas;
  - (d) significant adjustments resulting from audit;
  - (e) the going concern assumptions and any qualifications;
  - (f) compliance with accounting standards; and
  - (g) compliance with the Listing Rules, the Applicable Rules and legal requirements in relation to financial reporting;
2. with regard to the preparation of the reports and accounts referred to above, to liaise with the Board and senior management and to meet, at least twice a year, with the external auditor; and

3. to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts referred to above, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors of the Company.

C. Oversight of the Company's financial reporting system, internal control and risk management procedures

1. to review the group's financial and accounting policies and practices;
2. to review the financial controls, internal control and risk management systems of the Company with particular regard to their effectiveness;
3. to discuss the internal control system with management of the Company to ensure that management has discharged its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
4. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the response of management of the Company to these findings;
5. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function, and to meet with the head of internal audit at least once each year to ensure that there are no unresolved issues or concerns;
6. to review the statement of the Company on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
7. to discuss any problems and reservations which the external auditor may have arising from the interim and final audits, and any interim audits or otherwise, and any response of management in connection therewith;

8. to review the management letter of the external auditor, any material queries raised by the auditor to management of the Company in respect of the accounting records, financial accounts or systems of control and the response of management of the Company;
9. to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor; and
10. to review arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

D. Corporate Governance delegated by the Board

To ensure the upheld of good corporate governance including, but not limited to:-

1. to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the compliance by the Company with the Corporate Governance Code (Appendix 14 to the Listing Rules) and the disclosure requirements for the Corporate Governance Report.

E. Other duties

1. to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and the Applicable Rules;

2. to review from time to time as appropriate these Terms of Reference and recommend to the Board any necessary changes;
3. to report to the Board on the matters in these Terms of Reference and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements;
4. to provide to the Board such assurances as it may reasonably require regarding compliance by the Company's subsidiaries and associates for which the Company provides management services with all supervisory and other regulations to which they are subject; and
5. to consider other topics or matters, as defined or referred to the Committee by the Board.

## **V. MEETINGS**

### **A. Frequency**

The Committee shall meet at least twice a year. Additional meetings may be held as and when the Committee shall see fit.

### **B. Notice**

Notice of any meetings of the Committee has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. The requisite notice period is not required if a Committee meeting is adjourned for less than 14 days.

### **C. Quorum**

The quorum of the Committee shall be any two Members.

D. Attendance

1. The following persons will normally attend all the meetings of the Committee, unless requested otherwise by the Committee:
  - (a) external auditor;
  - (b) internal auditor;
  - (c) Group Finance Director;
  - (d) Company Secretary; and
  - (e) Head Group General Counsel.
2. Other members of the Board may attend meetings of the Committee although only Members are entitled to vote at such meetings.
3. The Chairman or in his/her absence, another Member (who must be an Independent Non-executive Director) shall attend the annual general meetings of the Company and be prepared to respond to the questions from shareholders on the activities of the Committee and their responsibilities.

E. Resolutions

1. Resolutions of the Committee shall be passed by a majority of votes. Meetings can be held in person, by telephone or by video conference.
2. A resolution in writing signed by all the Members shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.

F. Minutes

1. The secretary of the Committee shall keep full minutes of all Committee meetings. Draft minutes of meetings of the Committee shall be sent to all Members for their comment within a reasonable time after the meeting. The final version of the minutes duly signed by the Chairman shall be sent to all Members for their records.
2. Minutes of all Committee meetings will also be sent to other members of the Board at the same time when they are sent to Members.

## **VI. PUBLICATION OF THESE TERMS OF REFERENCE**

A copy of these Terms of Reference will be made available to any person without charge upon request and be posted on the respective website of the Company and Hong Kong Exchanges and Clearing Limited.

*1 January 2012*