



**華電福新能源股份有限公司**

**HUADIAN FUXIN ENERGY CORPORATION LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00816)**

**Huadian Fuxin Energy Corporation Limited  
Rules of Procedure of Audit and Risk Management Committee  
under the Board of Directors**

**Chapter 1 General Provisions**

**Article 1** In order to strengthen the decision-making and risk-preventing functions of the board of directors (the “Board”), incessantly improve the internal control and risk management system of Huadian Fuxin Energy Corporation Limited (the “Company”), ensure the effective supervision over the management by the Board and improve the structure of corporate governance on an ongoing basis, the Company has set up the Audit and Risk Management Committee under the Board and formulated these implementation rules in accordance with *the Company Law of the People’s Republic of China, the Listing Rules of the Stock Exchange of Hong Kong Limited, the Code on Corporate Governance Practices, the Articles of Association, the Rules of Procedure of the Board Meetings of the Company and other relevant regulations.*

**Article 2** The Audit and Risk Management Committee is a specialized committee established by the Board. Its primary purposes are to assist the Board to independently examine the financial positions of the Company, evaluate and perfect the implementation and effectiveness of the Company’s internal control systems and risk management regime, communicate with, monitor and verify the work of internal and external auditors, conduct risk analysis on any significant investment projects being undertaken by the Company, assist the Board in formulating ESG strategies and policies, review and monitor ESG practices, and review ESG reports and submit them to the Board for approval.

## Chapter 2 Composition

**Article 3** The Audit and Risk Management Committee shall comprise three (or more) non- executive directors, among which the majority shall be independent non-executive directors. Members of the Audit and Risk Management Committee shall meet the following requirements:

- (1) they shall possess the necessary skills and experience required for the business operations of the Company;
- (2) they shall have considerable financial knowledge;
- (3) At least one member in the the Audit and Risk Management Committee shall be an independent non- executive director with appropriate accounting or relevant financial management expertise, as required by the *Listing Rules of the Stock Exchange of Hong Kong Limited* (including any amendment thereto) in respect of the qualification of finance Professionals in the Audit and Risk Management Committee.

**Article 4** Members of the Audit and Risk Management Committee shall be nominated by the Chairman of the Board or by the Nomination Committee, and elected by more than half of the directors on the Board.

**Article 5** The Audit and Risk Management Committee shall have one chairman acted by an independent non-executive director, who is in charge of the work of the committee. The chairman shall be elected from the members of the committee by the Board.

**Article 6** The terms of office for members of the Audit and Risk Management Committee shall be concurrent with those of the Board, and renewable upon re-election. A member shall be automatically disqualified if he/she ceases to be a director or an independent non-executive director of the Company during his/her term of office, and the vacancy shall be filled under the arrangement of the board of directors in accordance with Articles 3 to 5 above.

**Article 7** The finance department and securities and compliance department of the Company are the support and liaison entities of the Audit and Risk Management Committee, which provide liaison and organize meetings for the latter.

### Chapter 3 Powers and Duties

**Article 8** The detailed duties and responsibilities of the Audit and Risk Management Committee are as follows:

- (1) to make proposals about appointment and removal of the external auditor;  
  
to monitor, based on the applicable criteria, whether the external auditor is independent and objective and whether the auditing procedures are effective;  
  
to approve the remunerations and terms of engagement for the external auditor;  
  
to formulate policies on external auditors providing non-audit services;
- (2) to supervise the internal audit system and its implementation of the Company, ensure the internal audit functions of the Company is adequately resourced, and monitor the effectiveness of the internal audit function;  
  
To review and monitor the Company's policies and practices in compliance with laws and regulatory requirements;
- (3) to facilitate communication between the internal and external auditors;
- (4) to review the Company's financial information and its disclosure, and examine the Company's accounting policies and practices;  
  
to review any management letters issued by the external auditor, including any material queries raised by the auditor in respect of accounting records, financial statements or internal control systems, as well as the Company management's response;  
  
to ensure that the management will respond promptly to the issues raised by the external auditor in its letter to the management;  
  
to act as a liaison between the Company and the external auditor and oversee the relations between them;

- (5) to review the Company's internal control system, and to provide recommendations and advices for the integrity and soundness of the internal control system;

to monitor the Company's internal control and risk management system, and consider the findings of any major investigations of internal control matters (whether the investigation is authorized by the Board or at the Audit and Risk Management Committee's discretion), and the management's response;

to assess the appropriateness of the Company's internal control system;

to review whether the Company has a sound mechanism allowing employees to report on or complain about, by way of whistle blowing, any misconduct of the Company in respect of financial reports, internal control or otherwise, and make sure there is a proper mechanism that calls for a fair and independent investigation and follow-up actions for the matter of whistle blowing;

- (6) to provide recommendations and advices on the appraisal and changes of the head of the audit department of the Company;
- (7) The Audit and Risk Management Committee shall set up relevant procedures to deal with the following complaints:
1. to receive, keep and deal with complaints known to the Company about accounting, internal accounting control or audit matters;
  2. to receive and deal with complaints or anonymous whistle blowing regarding issues of accounting or audit, and ensure to keep them confidential;
- (8) to liaise on a regular basis with the Board, senior management and the external auditor, and to meet at least twice a year by way of on-site meetings or by correspondence with the Company's external auditor;
- (9) as the consultant for the Board's ESG work, to assist the Board in formulating and reviewing ESG strategies and policies, to draft the ESG governance structure and the management and responsibility plans at each working level, to review and monitor ESG practices, to review ESG's external communication strategies with stakeholders, and to review ESG reports;

(10) to report to the Board in respect of the provisions in the Corporate Governance Code;

(11) to perform duties as specified in the *Articles of Association of the Company*;

(12) to handle other matters as authorized by the Board.

**Article 9** The Audit and Risk Management Committee shall be accountable to the Board. The committee shall submit proposals to the Board for consideration and resolution. The Audit and Risk Management Committee shall cooperate with the board of supervisors in the supervisors' audit activities.

#### **Chapter 4 Working Procedures**

**Article 10** The Audit and Risk Management Committee shall be furnished with such information as it deems necessary for discharging its duties by various departments, branches, and subsidiaries and associates subordinated to the Company. The finance department and securities and compliance department of the Company shall do preliminary preparation for the Audit and Risk Management Committee to make decisions and provide relevant information on the Company regarding:

1. relevant financial reports of the Company (including interim reports and annual reports);
2. work reports of internal and external auditing organizations;
3. contracts for external auditing and relevant work reports;
4. public information disclosure by the Company;
5. audit reports on the major connected transactions of the Company;
6. financial and legal materials regarding significant investment projects;
7. ESG reports of the Company;
8. other relevant materials.

**Article 11** The Audit and Risk Management Committee shall comment on any reports provided by the finance department of the Company, and submit the relevant written resolutions to the Board for discussion. The Audit and Risk Management Committee should consider any significant or unusual items that are, or may need to be, reflected in those financial reports and accounts, and give due consideration to any matters raised by the Company's chief accountant and external auditor. It should focus particularly on:

1. any changes in the accounting policies and practices;
2. issues requiring significant judgments;
3. significant adjustments resulting from the auditing;
4. the going-concern assumptions and any qualified opinions;
5. whether relevant statutory accounting standards are complied with;
6. compliance with the applicable requirements of laws and regulations governing financial reporting, including those new rules newly issued by professional and regulatory authorities, and their possible impacts on the financial reporting.

## **Chapter 5 Rules of Proceedings**

**Article 12** The Audit and Risk Management Committee shall meet irregularly as proposed by the chairman thereof and shall hold at least two regular meetings a year. The Audit and Risk Management Committee shall hold a regular meeting for the purpose of each of interim reports and annual reports of the Company at least prior to their publication. The Audit and Risk Management Committee shall meet with the external auditor at least once a year without the presence of the management.

The chairman of the Audit and Risk Management Committee may convene a meeting on his/her own initiative or at the request of the external auditor or internal auditor. Meetings of the Audit and Risk Management Committee may also be convened at the request of the Board or any member of the Audit and Risk Management Committee.

**Article 13** All members of the committee shall be notified seven days prior to each meeting. The chairman of the committee or, if he/she is absent, another independent non-executive director member appointed by the chairman shall chair the meetings.

Meetings of the Audit and Risk Management Committee shall be held by at least two-thirds of the members present at the meeting. Each member has one vote. Resolutions proposed at the meetings shall take effect upon approval by more than one-half of all members.

**Article 14** Votes shall be taken by a show of hands or on a poll at the meetings of the Audit and Risk Management Committee; extraordinary meetings may be held through correspondence.

**Article 15** Heads of the finance department and securities and compliance department of the Company may attend the meetings of the Audit and Risk Management Committee as observers. Directors, supervisors and senior management of the Company may also be invited to attend the meetings as observers, if necessary.

**Article 16** The Audit and Risk Management Committee may engage intermediaries to provide professional advice for its decision-making, if necessary, at the cost of the Company.

**Article 17** The procedures for convening the meetings, means of voting and resolutions passed at the meetings of the Audit and Risk Management Committee shall comply with relevant laws, regulations, the *Articles of Association of the Company* and the provisions of these implementation rules.

**Article 18** The Audit and Risk Management Committee may appoint the secretary to Board of directors to handle the following routine work:

1. to distribute agenda of the meeting and relevant supporting materials to members of the Audit and Risk Management Committee seven days prior to each meeting of the Audit and Risk Management Committee;
2. to take minutes, compile opinions of all members present at the meeting and deliver minutes to them for signing;
3. to distribute minutes to members of the Audit and Risk Management Committee within fourteen days after conclusion of the meeting.

Minutes of the Audit and Risk Management Committee shall be maintained by the secretary to the Board of directors of the Company.

**Article 19** Members present at the meeting and persons in attendance shall keep confidential all matters discussed at the meeting. Unauthorized disclosure of the relevant information shall be prohibited.

## Chapter 6 Supplementary Provisions

**Article 20** Matters not covered by these implementation rules shall be implemented in accordance with the provisions of relevant laws and regulations of the State, *The Listing Rules of The Stock Exchange of Hong Kong Limited* and the *Articles of Association of the Company*. In case of any contradiction between these rules of procedure, and laws and regulations promulgated by the State in the future, *The Listing Rules of The Stock Exchange of Hong Kong Limited* or the amended *Articles of Association of the Company* through legal procedures, the provisions of such laws and regulations of the State, *The Listing Rules of The Stock Exchange of Hong Kong Limited* and the *Articles of Association of the Company* shall prevail, and these rules of procedure shall be amended forthwith and submitted to the board of directors for consideration and approval.

**Article 21** These Rules shall come into effect upon its passing by the Board of the Company, and the power of amendment and interpretation thereof shall be vested in the Board of directors.