



**中国神华能源股份有限公司**

**CHINA SHENHUA ENERGY COMPANY LIMITED**

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

**(Stock Code: 01088)**

**CHINA SHENHUA ENERGY COMPANY LIMITED**  
**Rules of Procedures of the Audit and Risk Management Committee**  
**of the Board of Directors**

These rules were passed on 26 August 2005 at the 5th meeting of the first session of the board of directors, were revised on 17 August 2007 at the 16th meeting of the first session of the board of directors of the Company, were revised 28 March 2014 at the 43rd meeting of the second session of the board of directors of the Company, were revised 28 August 2020 at the 3rd meeting of the fifth session of the board of directors of the Company, were revised 25 March 2022 at the 12th meeting of the fifth session of the board of directors of the Company and were revised on 27 October 2023 at the 24th meeting of the fifth session of the board of directors of the Company.

## CHAPTER 1 GENERAL PROVISIONS

### Article 1

These rules are formulated in accordance with the Company Law of the People's Republic of China, Code of Corporate Governance for Listed Companies and other relevant laws, regulations and the supervision rules of the place where the Company's shares are listed and the Articles of Association (the "**Articles of Association**") of China Shenhua Energy Company Limited (the "**Company**") and Rules of Procedure of the Board of Directors of China Shenhua Energy Company Limited and other relevant Provisions and in combination with the actual situation of the Company, in order to enhance the audit and risk management of the Company, regulate the rules of procedures of meetings of the Audit and Risk Management Committee of the board of directors (the "**Committee**") and fully protect the legitimate interests of the Company and its shareholders.

### Article 2

The Committee is a specialised body of the Board which provides advisory opinions and advice for the Board on decisions and report to the Board. The Committee shall not make any resolution in the name of the Board without the authorisation of the Board.

## CHAPTER 2 COMPOSITION OF THE COMMITTEE

### Article 3

Members of the Committee shall be appointed by the Board amongst the directors of the Board and shall consist of three members or above. All members must be non-executive directors, a simple majority of whom should be independent directors and one of the independent directors should serve as the convener. The convener of the Committee shall be an accounting professional. All members of the Committee must be competent of performing the duties by possessing professional knowledge and commercial experience.

The Board may make adjustment to the composition of the Committee as needed.

#### **Article 4**

The Committee shall have one chairman as convenor of the Committee, who shall be an independent director and is responsible for chairing the meetings of the Committee. The chairman shall be nominated by the Chairman of the Board and considered and approved by the Board. Duties and powers of the chairman of the Committee include:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and inspect the implementation of resolutions of meetings of the Committee;
- (3) to sign on relevant documents of the Committee;
- (4) to report to the Board on a regular basis;
- (5) other duties and powers authorised by the Board.

#### **Article 5**

The term of office of members of the Committee shall be the same as that of directors. Upon the expiry of the term, the chairman shall be nominated by the Chairman of the Board, and the members shall be nominated by the Nomination Committee. Upon consideration and approval by the Board of Directors, the chairman and members may be re-elected, but their consecutive term of office shall not exceed six years. During the term, if a member of the Committee no longer serves as a director of the Company and simultaneously ceased to be a member of the Committee.

A member of the Committee may submit his/her resignation to the Board before the expiry of his/her term. The written report for resignation shall provide necessary explanation on the reasons for resignation and matters that need to be brought to the attention of the Board.

#### **Article 6**

Member of the Committee shall participate in relevant training courses to obtain professional knowledge in a timely manner in areas including law, accounting and regulation of listed companies for performing their duties.

#### **Article 7**

The Board shall conduct regular evaluation on the independence and performance of duties of the Committee, and may replace those unfit to continue to serve as members when necessary.

## **Article 8**

A former partner of the external audit institution which is the Company's existing auditor may not act as a member of the Committee within 2 year commencing from the later of the following dates:

- (1) when he/she ceases to be a partner of the external audit institution;
- (2) or when he/she ceases to have any financial interests in the external audit institution.

## **Article 9**

The secretary to the Board is responsible for daily liaison and meeting arrangement for the Committee.

## **CHAPTER 3 DUTIES AND FUNCTIONS**

## **Article 10**

The Committee is responsible for reviewing and supervising the preparation procedures of financial reports and the internal control procedures of the Company, reviewing on financial reporting, financial control, internal control and risk management systems of the Company, supervising the external audit of the Company in a practical and effective manner, guiding the internal audit of the Company, and enhancing the establishment of effective internal control to provide financial reports that are true, accurate and complete.

## **Article 11**

The duties of the Committee include:

- (1) to supervise and evaluate the external audit work and propose engagement or replacement of the external audit institutions;
- (2) to supervise and evaluate the internal audit work and take charge of coordination of the internal and external audits;
- (3) to review the financial information of the Company and its disclosure;
- (4) to supervise and evaluate the internal control of the Company;
- (5) other matters under laws, regulations, the Articles of Association and the authorisation of the Board.

## Article 12

The Committee supervises and evaluates the work of the external audit and proposes engagement or replacement of the external audit institutions.

- (1) To review, monitor and evaluate if the external audit institutions are independent and objective and if the audit procedures are effective under applicable standards; supervise and evaluate if the external audit institutions are diligent and responsible;
- (2) to evaluate the influence of non-audit services provided by the external audit institutions on their independence; to develop and implement policies on the engagement of an external audit institutions to provide non-audit services;
- (3) to review the remuneration for audit service and appointment terms applicable to the external audit institutions;
- (4) to discuss with the external audit institutions the nature and scope of the audit and reporting obligations before the audit commences; to discuss and communicate on the audit scope, audit plan, audit method, and material matters identified in the audit process, and consider and approve the external audit (review) plan;
- (5) to advise the Board on engagement or replacement of the external audit institutions, be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external audit institutions, and handle any questions of resignation or dismissal of that audit institutions;
- (6) to act as the major representative between the Company and the external audit institutions, supervise their relationship, and coordinate the communication between the management and the external audit institution on major audit issues;
- (7) to review the external audit institutions' management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response. To ensure that the Board will provide a timely response to the issues raised in the external audit institutions' management letter;
- (8) to supervise the external audit institutions to be honest, trustworthy and diligent, strictly comply with business rules and industry self-discipline, strictly implement the internal control system, verify the financial reports of the Company, perform obligations which need special attention, and prudently give professional opinion.

### **Article 13**

The Committee supervises and evaluates the internal audit work and takes charge of the coordination of internal and external audits.

- (1) To supervise the appointment and dismissal of the head of internal audit department and make relevant recommendations;
- (2) to guide and supervise the establishment and implementation of the internal audit system;
- (3) to review the annual internal audit plan of the Company;
- (4) to supervise the implementation of internal audit plan of the Company;
- (5) to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters;
- (6) to guide the internal audit department on effective operation, and to review and monitor the effectiveness of the internal audit function;
- (7) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (8) to review various audit reports, rectification plans and rectification progress related to audit matters submitted by the internal audit department of the Company to the management;
- (9) to supervise the internal audit department to review, at least semi-annually, the implementation of major events such as the use of raised proceeds, provision of guarantees, related transactions, securities investment and derivatives transactions, provision of financial assistance, purchase or sale of assets, external investments, etc.; to review and issue a review report on large-value transactions of the Company and the transactions with directors, supervisors, the management, controlling shareholder and de facto controller and their respective associates;
- (10) to report to the Board on the progress and quality of internal audit and major problems identified;
- (11) to coordinate communications between the internal audit department and the external audit institution and accommodation provided by the internal audit department for the external audit;

- (12) to review the following arrangements set by the Company: employees may raise concerns about possible improper behaviours in financial reporting, internal control or other aspects in a secret manner. The Committee shall ensure that appropriate arrangements are in place for the Company to conduct an impartial and independent investigation and take appropriate action on such matters.

#### **Article 14**

The Committee reviews the financial information of the Company and its disclosure.

- (1) To review the disclosure of financial information, review the financial statements and reports, review the financial statements, quarterly, interim and annual financial reports before submitting to the Board, and provide opinions on the truthfulness, completeness and accuracy of the Company's financial reports;
- (2) to focus on significant accounting and audit matters of the Company's financial reports, including adjustments to material accounting errors, changes in significant accounting policies and estimates, issues involving significant accounting judgments, and items resulting in modified audit reports;
- (3) to pay special attention to the possibilities of fraud, corrupt practice and material misstatements relating to financial reporting;
- (4) to supervise the relevant responsible departments of the Company to formulate rectification measures and rectification time on problems of financial reports, conduct follow-up review, and supervise the implementation of rectification measures;
- (5) members of the Committee shall communicate with the directors and management and hold meetings with the external audit institutions at least twice a year. The Committee shall consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and shall give due consideration to any matters that have been raised by the Company's accountants, head of compliance department or external audit institutions;
- (6) to review the Company's financial and accounting policies and practice.

## **Article 15**

The Committee supervises and evaluates internal control of the Company.

- (1) To evaluate the adequacy of the Company's internal control system;
- (2) to review the self-evaluation reports of internal control;
- (3) to review the internal control audit reports issued by the external audit institutions, as well as the matters and improvement measures formulated after communication with the external audit institutions;
- (4) to evaluate the results of internal control evaluations and audits, issue written assessments of the effectiveness of the Company's internal controls, and supervise the rectification of deficiencies in internal control;
- (5) to review the Company's financial monitoring, risk management and internal monitoring system and to discuss with the management the risk management and internal control system and ensure that the management has discharged its duty to establish an effective system;
- (6) to consider any findings of major investigations of risk management and internal control matters on its own initiative or as delegated by the Board and the management's responses;
- (7) to supervise the Company's climate risks and opportunities, review the climate risk list, urge the Company's management to implement climate risk control responsibilities, and listen to the management report of the Company on climate risks and opportunities every six months.

## **Article 16**

The Committee shall make available its terms of reference, explaining its role and powers delegated by the Board.

## **Article 17**

For engaging or replacing the external audit institution of the Company, the Committee shall form deliberation opinions and make recommendations to the Board before the Board considers the relevant proposal.

## **Article 18**

Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Board shall include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reasons why the Board has taken a different view.



## **Article 19**

The Committee shall report and make recommendation to the Board on measures that must be carried out and matters to be improved.

## **Article 20**

The Committee may engage intermediaries to provide professional advice if so required according to its work, and the Company shall bear the costs. The Company shall provide financial resources and funding as the Committee thinks fit for payment of:

- (1) the remuneration for audit service and the services related to audit, review and verification as provided by the external audit institutions;
- (2) the remunerations for intermediaries engaged by the Committee.

## **Article 21**

Restrictions on powers and duties of the Committee.

In performing its powers and duties hereunder, the Committee has no obligation for planning and implementing audit activities or for ensuring the Company's financial reports are complete and accurate or for preparation of the financial reports. The management of the Company shall be responsible for preparation of the financial reports, and the external audit institutions are responsible for the audit issues.

## **CHAPTER 4 CONVENING OF THE MEETING**

## **Article 22**

Meetings of the Committee are divided into regular meetings and extraordinary meetings. The regular meeting plan of the Committee throughout the year is determined by the Chairman in combination with the regular meeting plan of the Board, which is consolidated into the regular meeting plan of the Board.

### **Article 23**

The Committee shall hold at least four regular meetings every year and at least one meeting every quarter. The Committee may hold extraordinary meetings as necessary. The chairman shall hold extraordinary meetings within 10 days in any of the following circumstances:

- (1) when two or more members of the Committee propose;
- (2) when the President considers necessary;
- (3) when the Board or the Chairman of the Board considers necessary.

### **Article 24**

The topics of the meetings of the Committee shall be determined by the Chairman of the Committee based on the request of the Board, the proposal of two or more members, or the proposal of the Chairman of the Board or the general manager, etc.

### **Article 25**

The audit department, under the leadership of the secretary to the Board, is specifically responsible for the notification and arrangement of the meetings of the Committee.

Notice of regular meetings of the Committee shall be issued 5 days before the meeting, and notice of extraordinary meetings shall be issued 3 days before the meeting. Notice of the meeting can be sent in writing, e-mail, fax and other forms, and the object of the notice includes all members and other attending staff.

The notice of the meeting shall include the manner, time, place, session, topic, agenda, and participants of the meeting.

### **Article 26**

The meetings of Committee are generally held in the form of on-site meetings, and may also be held by video, telephone, correspondence and other means of communication with the consent of the Chairman. If a meeting is convened by correspondence, members' opinions and suggestions shall be faxed in writing to the audit department for the record, and the original document shall be sent to the audit department at the same time.

## **Article 27**

The quorum of the meetings of the Committee shall be two-thirds or more of all its members. The secretary to the Board, the audit department and the head of the relevant resolution preparation department may attend the meeting as non-voting participant.

## **Article 28**

Members of the Committee shall attend the meeting of the Committee in person. If a member is unable to attend a meeting for any reason in person, he/she may appoint other members in writing to give opinion on his/her behalf. The instrument of proxy shall contain the name of the principal, name of the proxy, scope and validity period of authorization and the advice and suggestions. Each member shall not be authorized by more than one member.

If a member fails to attend two consecutive meetings in person or to appoint another member to attend on his/her behalf without proper reason, he/she shall be deemed unable to perform the duties of the Committee, and the Board shall adjust the membership of the Committee in accordance with the Rules.

## **Article 29**

The Committee shall hold at least one separate meeting every year with the external audit institution in the absence of the management of the Company. The secretary to the Board can attend the meeting as non-voting participant upon the approval of the Committee.

## **CHAPTER 5 RULES OF PROCEDURES**

## **Article 30**

The Committee shall be convened and chaired by the chairman. In the event that the chairman fails or refuses to perform the duties due to special reasons, an independent Board member shall be designated to perform his duties.

### **Article 31**

The relevant issues shall be discussed at the committee meetings, and the results shall be reported to the person in charge of the proposal preparation department.

### **Article 32**

For matters within the Committee's remit, the members shall provide definite and independent opinions based on their judgment.

The Committee shall be voting by a show of hands or by poll, and each member shall have one vote. The consideration opinions put forward by the members of the Committee to the Board must be approved by over half of all members. Any member of the Committee who has an interest in any agenda item shall abstain from voting. In the event that proposals made at the meeting cannot be effectively considered and approved due to abstain from voting by the members of the Committee, the Board of Directors shall consider and approve such proposals.

### **Article 33**

The following matters should be submitted to the Board for consideration upon being approved by a simple majority of all members of the Committee:

- (1) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (2) appointment or dismissal of the accounting firm that undertakes the Company's auditing services;
- (3) appointment or dismissal of the Company's financial manager;
- (4) making changes in accounting policies, accounting estimates, or correcting significant accounting errors for reasons other than changes in accounting standards;
- (5) other matters as stipulated by laws, administrative regulations, regulatory provisions, business rules of the stock exchange where the Company's shares are listed and the Articles of Association.

#### **Article 34**

Where a meeting of the Committee is held by way of telephone, video conference or other means of communications, it shall be ensured that the participating members can hear each other clearly and communicate with each other. Meetings convened in such ways shall be taped. Where the participating members are not able to sign the resolutions of the meetings immediately at such meetings, oral voting shall be adopted, the results of which shall be valid with the resolutions and minutes of the meeting signed after the meeting as soon as practicable. The oral voting of the members has the same effect as written signatures. However, the resolutions and minutes of the meetings signed afterwards shall be consistent with the oral voting.

#### **Article 35**

The Committee may, if required, invite other Directors, Supervisors, members of the management, relevant business departments, social experts, representatives of intermediaries, etc. to be in-attendance at the meeting to explain the proposal, provide consultation or express opinions.

### **CHAPTER 6 MEETING MATERIALS**

#### **Article 36**

Minutes of the meetings of the Committee shall be complete and prepared and signed by members present at the meetings. Minutes of the Committee shall be kept by the Secretary to the Board of the Company.

Any objection to the resolutions by a member present at the meetings shall be recorded in the meeting minutes.

#### **Article 37**

The minutes of the meetings of the Committee shall include the following contents:

- (1) The method, time, place and name of the chairperson of the meeting;
- (2) Attendance, absence and delegated attendance at meetings;
- (3) Names of attendees;

- (4) Meeting topics and agenda;
- (5) Key points and opinions of the members and relevant non-voting attendees;
- (6) Other relevant contents of the meeting;
- (7) Signature page.

### **Article 38**

The first draft of the minutes of the meeting of the Committee shall be provided to all members of the Committee for review as soon as possible. Members who wish to revise and supplement the first draft of the minutes shall submit written amendments within one week after receiving the first draft. The final draft of the minutes of the meeting shall be completed within a reasonable period after the meeting and sent to all members for record purposes.

### **Article 39**

The secretary to the Committee (or the secretary to the Board in the absence of the ad hoc committee secretary) shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

### **Article 40**

Any opinions shall be reviewed and approved by the Chairman in accordance with the meeting and reported to the Board. (unless such reporting is not possible due to legal or regulatory constraints).

### **Article 41**

Members who attend the Meeting and persons who are present at the Meeting shall have the obligation for maintaining confidentiality and shall not disclose any information in relation thereto.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

### **Article 42**

Unless otherwise specified, the term “above” herein shall include the underlying number.

**Article 43**

The laws, administrative regulations, other relevant regulatory documents and the Articles of Association, as issued and amended from time to time, shall prevail over these Rules for any matters not covered herein or any inconsistency therewith.

**Article 44**

These rules shall be interpreted by the Board.

**Article 45**

These rules shall come into effect upon the approval by the Board.