



CGN Power Co., Ltd.*

中國廣核電力股份有限公司

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

(Stock Code: 1816)

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE UNDER THE BOARD OF DIRECTORS

(Effective upon approval by the Board of Directors on March 27, 2024)

Chapter 1 General Provisions

- Article 1 These terms of reference (these “**Terms**”) are formulated by CGN Power Co., Ltd.* (the “**Company**”) for the audit and risk management committee (the “**Committee**”) under its board of directors (the “**Board**”) in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange, the Corporate Governance Standards for Listed Companies, the Measures for the Administration of Independent Directors of Listed Companies, the Guidelines No. 1 of the Shenzhen Stock Exchange for Self-Regulation of Listed Companies — Standardized Operation of Companies Listed on the Main Board, the Measures for Administration of Selection and Engagement of Accounting Firms by State-Owned Enterprises and Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Guidelines for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants, the Articles of Association of CGN Power Co., Ltd.* (the “**Articles**”) and other relevant regulations in order to set down the composition, responsibilities and rules of procedure of the Committee.
- Article 2 The Committee is an internal committee specifically established by and is responsible to the Board.

Chapter 2 Composition of the Committee

- Article 3 The Committee shall comprise three directors, the majority of which shall be independent directors who are also the “**independent non-executive directors**” (the same as below) as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Committee shall include a chairman who shall be an independent director with accounting expertise designated by the Board. All members of the Committee shall be non-executive directors, and the chairman of the Committee shall be the convener of a meeting of the Committee.

The Committee shall establish an administrative office in the internal audit department of the Company which is responsible for undertaking routine business of the Committee. The Committee may appoint one advisory member who shall be responsible for assisting in the daily work of the Committee.

- Article 4 The members of the Committee shall satisfy the following requirements:
- (1) be familiar with the relevant domestic and foreign laws and regulations, as well as the business, organizational structure, management and control system of the Company.
 - (2) have knowledge in areas of finance, accounting, auditing, internal control or macro-economy, etc.; be familiar with the operation and management of the Company; at least one member of the Committee must be an independent director with appropriate expertise in accounting or financial management.
 - (3) have strong ability to make comprehensive analysis and judgment and are capable of handling complicated financial and operational issues.
 - (4) strictly comply with the laws, proactively perform their duties and safeguard the rights and interests of the Company and all its shareholders in accordance with applicable laws and regulations and the Articles.
 - (5) maintain strict confidentiality of the trade secrets of the Company and refrain from abuse of power for personal gains.
 - (6) a partner of the Company's existing audit firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of that partner ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.
- Article 5 Members of the Committee shall be nominated by the chairman of the Board, or by more than half of the independent directors, or by more than one-third of all directors, and shall be appointed by the Board.
- Article 6 The term of office of a member of the Committee shall be the same as the term of office of his/her directorship. If a member of the Committee ceases to be a director of the Company, such member shall automatically cease to be a member of the Committee. A member of the Committee may resign prior to the expiry of his/her term of office by submitting a written resignation report to the Board, which shall include a statement of the reason thereof and if necessary the matters that should be brought to the attention of the Board. If a member of the Committee is disqualified to act or his/her resignation has been accepted, the Company shall fill in the vacancy by appointing a successor member in accordance with Articles 3, 4 and 5 above.
- Article 7 A member of the Committee may concurrently serve as a member of other committees under the Board, provided that such member is able to concurrently perform such duties.

Chapter 3 Duties and Responsibilities of the Committee

Article 8 The Committee shall perform the following duties and responsibilities:

- (1) select or dismiss the accounting firm responsible for financial and accounting reporting (the “accounting firm”), and supervise and evaluate external audit, including the following matters:
 1. formulate policies, procedures and related internal control systems for the selection and engagement of the accounting firm as authorized by the Board;
 2. propose to commence the selection and engagement of the accounting firm;
 3. review documents relating to the selection and engagement, determine evaluation elements and specific scoring criteria, and supervise the selection and engagement process;
 4. put forward the proposed accounting firm and advise on audit fees and appointment terms, and submit them to the decision-making body for determination; exercise a high degree of caution and attention to, among other things, the changes in the accounting firm, changes in audit fees, rotation of audit team members;
 5. supervise and evaluate the auditing work of the accounting firm;
 6. submit an evaluation report on the performance of the accounting firm engaged and a report on the performance of the Committee’s supervisory responsibilities to the Board on a regular basis (at least annually);
 7. be responsible for other matters in relation to the selection and engagement of the accounting firm as stipulated by the laws and regulations, the Articles, and as authorized by the Board.
- (2) review and monitor the independence and objectivity of the accounting firm as well as the effectiveness of the audit process in accordance with the applicable standards. The Committee shall discuss the nature and scope of the audit with the accounting firm before the audit commences, and urge the accounting firm to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry disciplinary regulations, strictly implement the internal control system, check and verify the Company’s financial and accounting reports, perform the special care obligations, and prudently express professional opinions.
- (3) develop and implement policies on engaging an external auditor to provide non-audit services, if necessary. The Committee shall report to the Board identifying and making recommendations on any matters where action or improvement is needed.

- (4) review the Company's financial information and its disclosure, including the quarterly (if any), half-year and annual financial and accounting reports to be proposed to the Board, and advise on the truthfulness, accuracy and completeness of the financial and accounting reports, with a focus on the following matters during the review:
 1. any changes in accounting policies and accounting estimates or revision of major accounting errors due to reasons other than changes in accounting standards;
 2. major judgment areas, significant adjustments required by the accounting firm after auditing the accounts;
 3. the going concern assumptions and any qualifications;
 4. compliance with accounting standards and the relevant legal requirements.
- (5) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts of the Company, and give due consideration to any matters that have been raised by the Company's accounting and finance department, compliance department or the accounting firm.
- (6) discuss any queries raised by the accounting firm after reviewing the half-year accounts and auditing the annual accounts of the Company; focus on the major accounting and auditing issues in the financial and accounting reports, pay special attention to the risk of any frauds, malpractices and material misstatements in relation to such reports, and supervise the rectification and disclosure of the issues in the financial and accounting reports.
- (7) review the inspection letter or management letter issued by the accounting firm (including any material queries raised by the accounting firm regarding the accounting records, financial accounts or monitoring system), and the responses to queries from the Company's management.
- (8) communicate with the Board, senior management and the accounting firm in respect of the Company's financial and accounting reports on a regular basis. The Committee shall meet, at least twice a year, with the accounting firm.
- (9) consider the appointment or dismissal of the Company's financial officer.
- (10) consider ESG (environmental, social and governance) related matters.

- (11) review the Company's financial policies, internal control system and risk management system, and the implementation thereof, including:
 1. reviewing the Company's financial and accounting policies and practices;
 2. monitoring the preparation process of the periodic financial and accounting reports (quarterly report (if any), half-year financial and accounting report and annual financial and accounting report) and reviewing the periodic financial and accounting reports, the publication of results announcement and other relevant information;
 3. reviewing and evaluating the internal control system of the Company, ensuring the effective implementation and self-evaluation of internal control, and coordinating internal control audit and other related matters;
 4. discussing risk management and internal control systems with the management to ensure that the management has fulfilled its responsibility to establish effective systems; the content of such discussion should include the adequacy of the Company's resources, staff qualifications and experience in accounting, risk management, internal audit and financial reporting, as well as the adequacy of the training courses received by the relevant staff and the relevant budgets;
 5. considering major investigation findings on risk management and internal control matters as authorized by the Board or on its own initiative and the management's response to these findings;
 6. reviewing any queries raised by the accounting firm to the management with respect to finance and internal control of the Company and ensuring that the management will provide timely responses to these queries;
 7. handling any other matters instructed by the Board.
- (12) supervise and evaluate the work of the internal audit department, including the following matters:
 1. guiding and supervising the establishment and implementation of the internal audit system;
 2. reviewing the Company's annual internal audit work plan;
 3. supervising the implementation of the Company's internal audit plan;

4. guiding the effective operation of the internal audit department, and reviewing annual and quarterly internal audit work reports;
 5. supervising the internal audit department to conduct compliance audits on specific matters after the A-share listing every six months. If the Committee is of opinion that there are irregularities or major risks in the Company's management of proceeds or the internal audit department fails to submit inspection reports as required, it shall report to the Board in a timely manner;
 6. reporting to the Board the progress and quality of internal audit work and major issues identified;
 7. coordinating the relationship between the internal audit department and external audit units such as the accounting firm and national audit authority;
 8. ensuring that the internal audit department is adequately resourced and has appropriate authority and standing within the Company, and reviewing and monitoring its effectiveness.
- (13) obtain the most updated information on the internal audit department, coordinate the work on any findings from the department in respect of significant internal control defects or major risks on a timely basis and report the same to the Board. The Committee shall issue written evaluation opinions on the effectiveness of the Company's internal controls based on the internal audit report and relevant information submitted by the internal audit department, and report the same to the Board.
- (14) the Committee shall establish a procedure for dealing with the following issues:
1. receiving, retaining and dealing with complaints coming to the knowledge of the Company in relation to accounting, internal control, risk management and auditing matters;
 2. receiving, dealing with and keeping in confidence complaints or whistleblowing from the Company's employees on accounting or auditing matters.
- (15) complete other tasks assigned by the Board;
- (16) fulfill other duties and responsibilities delegated by the security regulatory authorities in the jurisdiction where the Company is listed.

The senior management and relevant departments of the Company shall actively provide such necessary information and documents as required by the Committee in a cooperative and supportive manner. In particular, the finance department shall provide true and accurate financial and accounting reports, reports on operation of funds and other financial information to the Committee on a regular basis, keep the Committee informed of significant business activities in a timely manner, actively cooperate with the work of the Committee and attend to the proposals and requirements raised by the Committee.

Article 9 The Committee shall report its work to the Board on a regular basis.

Article 10 The Company shall provide the necessary working conditions for the Committee, and assign dedicated personnel or institution to undertake the daily work of the Committee such as work liaison, conference organization, material preparation and file management. The Committee's costs shall be covered by the budget of the Company. When performing its duties, the Committee may engage legal counsels, certified public accountants, auditors and other professional advisors at a reasonable cost of the Company. When the Committee performs its duties, the Company's management and relevant departments must cooperate.

Article 11 The chairman of the Committee shall perform the following duties and responsibilities:

- (1) convene and preside over the meetings of the Committee;
- (2) take charge of the daily business of the Committee;
- (3) approve and sign the reports and other important documents of the Committee;
- (4) examine the implementation of the resolutions and proposals of the Committee;
- (5) report to the Board on behalf of the Committee;
- (6) fulfill such other duties and responsibilities as assigned to the chairman of the Committee.

If the chairman of the Committee is unable to or fails to perform his/her duties, a member of the Committee who is an independent director as elected by more than half of all members of the Committee shall perform his/her duties.

Chapter 4 Working Practices, Meetings and Rules of Procedure of the Committee

Article 12 Working Practices of the Committee

- (1) The Committee shall meet at least once every quarter, and may convene extraordinary meetings when two or more members propose or the convener deems it necessary, to discuss the internal audit plan, to listen to the reports of the Company's finance and audit departments, and to review the Company's quarterly (if any), half-year and annual financial and accounting reports, etc. The Committee may engage professional consultants, if necessary, and make decisions or proposals to the Board after taking into account the opinions of the professional consultants.
- (2) The Committee shall comply with the following procedures in relation to the preparation and disclosure of the annual financial and accounting reports of the Company:
 1. following the closure of a financial year, discuss with the accounting firm in respect of the time schedule of the audit for such financial year;
 2. urge the accounting firm to submit the audit reports within the agreed period;
 3. review the financial and accounting reports prepared by the Company before the accounting firm commences its work;
 4. review the financial and accounting reports of the Company after the accounting firm issues its preliminary audit opinion;
 5. convene a meeting of the Committee to review the financial and accounting reports, propose the re-appointment or dismissal of the accounting firm for the next year, and prepare a report summarizing the annual audit services performed by the accounting firm in such year.

The above matters shall be adopted as resolutions before submittal to the Board for review.

Article 13 Meetings and Rules of Procedure of the Committee

- (1) The meetings of the Committee shall be convened, and the notice thereof shall be issued, by the chairman of the Committee. The notice of the meeting and the meeting agenda shall be delivered to all members of the Committee five business days before the date of the meeting. Subject to the unanimous consent of all members of the Committee, the foregoing requirement of notification period may be waived.
- (2) Convening of a meeting of the Committee requires the presence of more than two-thirds of the members (including those represented by another member with a written proxy). Any resolution or advice of the Committee is subject to the approval by a majority of all members. All resolutions and advice of the Committee shall be signed by all of its members present at the meeting. In case of a tie, the chairman of the Committee shall have a casting vote.

Article 14 The draft and final versions of the meeting minutes of the Committee shall be sent to all members of the Committee for their comment and records, respectively, within a reasonable time after the meeting. The meeting minutes, upon signing by the members of the Committee present at the meeting, shall be circulated to all members of the Board.

Article 15 Members present at a meeting of the Committee shall keep confidential all the matters discussed at such meeting, and may not disclose such information without prior authorization.

Chapter 5 Supplementary Provisions

Article 16 Any matters not covered herein shall be implemented in accordance with the relevant provisions of the national laws, administrative regulations, departmental rules, regulatory documents, listing rules in the jurisdiction where the Company is listed and the Articles. In the event of any inconsistency between these Terms and any provision of applicable laws, administrative regulations, departmental rules, regulatory documents, listing rules in the jurisdiction where the Company is listed and the Articles as promulgated from time to time, the latter shall prevail.

Article 17 These Terms shall be formulated and revised by the Board and interpreted by the Committee.

Article 18 These Terms shall take effect from March 27, 2024 upon approval by the Board.