



# HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

## Terms of Reference for the Audit Committee under the Board

(Approved by the 29th Meeting of the Ninth Session of the Board of Directors on 26 August, 2022)

### Chapter 1 General Provisions

**Article 1** In order to improve the decision making procedures of the board of directors (the “Board”) of Huadian Power International Corporation Limited (the “Company”), strengthen effective supervision of the management by the Board and improve the corporate governance structure, the Board hereby approves the establishment of the audit committee of the Board (the “Audit Committee”) in accordance with the Company Law of the People’s Republic of China, the Standards for Corporate Governance of Listed Companies, the Articles of Association of Huadian Power International Corporation Limited (the “Articles of Association”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the “SSE”) (collectively referred to as the “Listing Rules”) and other relevant regulations.

**Article 2** The Audit Committee is a body specifically set up by the Board according to the resolution of the general meeting of the Company, mainly responsible for implementing the Board's principles on

financial reporting and internal control and risk management, as well as the communication between internal and external audits of the Company, supervision and review of them, and for ensuring that the Company establishes and maintains an appropriate and effective risk management and internal control system. It also conducts studies on other relevant professional matters of the Company and makes recommendations and proposals aiming to be the reference for the Board during the decision making procedure. The terms of reference of the Audit Committee should be adjusted to the changes of the requirements in the supervision regulations of the Company securities listing places.

## **Chapter 2 Constitution**

- Article 3** The Audit Committee shall comprise three to seven non-executive directors, the independent non-executive directors (“INEDs”) shall constitute the majority and serve as the chairman and at least one INED with accounting or financial management expertise (in compliance with relevant requirements of the Listing Rules of the Hong Kong Stock Exchange).
- Article 4** Members of the Audit Committee shall be nominated by the Chairman of the Board, not less than one half of the independent directors or one third of all directors and shall be appointed by the Board. The members of the audit committee shall have the professional knowledge and experience to perform the duties of the audit committee.
- Article 5** The Audit Committee shall have one chairman, who should be elected from independent directors of the committee, to take charge of the committee's work, and shall be an accounting professional.
- Article 6** Members of the Audit Committee shall have the same term of office

as that of directors, and are eligible for re-election and reappointment upon expiry of their term of office. If during the term, any member no longer serves as a director of the Company, he or she shall automatically lose the membership, and a replacement shall be appointed by the Board pursuant to Articles 3 to 5 above.

### **Chapter 3 Terms of Reference**

**Article 7** The Audit Committee's primary terms of reference should include:

- (1) to make recommendations to the Board on the appointment, reappointment or replacement of the external auditor, and to review the remuneration and terms of engagement of the external auditor, and handle any matters relating to the resignation or dismissal of such auditor;
- (2) to review, monitor and assess the external auditor's independence and objectivity as well as the effectiveness of the audit process, and to discuss with the auditor over the nature and scope of the audit and relevant reporting obligations before the audit commences;
- (3) to formulate and implement policies on engaging an external auditor to supply non-audit services, report to the Board making recommendations on any actions or matters for improvement as it deemed necessary, as well as the steps to be taken;
- (4) to act as the key representative body for the communication between the Company and the external auditor, and overseeing their relationships.
- (5) to examine, monitor and supervise integrity of the Company's financial statements and regular reports then express opinions on them, and to review any significant financial reporting judgements contained in them, to consider any significant or unusual matters that are, or may need to be, reflected in such reports and accounts, and to give due consideration to any matters

that have been raised by the Company's qualified accountants, auditors, and heads of the supervision, and to review the major judgements and decisions on financial reporting in such statements and reports.

Committee members should liaise with the Board of Directors and senior management regarding this work. The committee shall meet at least twice a year with the Company's auditors; the Committee shall consider any material or unusual matters that are or need to be reflected in such reports and accounts, and shall make due reference to any matter raised by the Company's subordinate accounting and financial reporting personnel, audit supervisor or the auditor; in implementing the provision in this subparagraph, members of the audit committee must liaise with the board of directors, senior management and qualified accountants.

In reviewing these reports before submission to the Board, together with the Company's management and chief of the internal Audit Department, the Audit Committee should focus particularly on:

- i. the integrity, authenticity and accuracy of the Company's statements and reports, focusing on major accounting and auditing issues in the Company's financial and accounting reports, with particular attention to whether there is a possibility of fraud, malpractice and material misstatement related to the financial and accounting reports;
- ii. any changes in accounting policies and practices;
- iii. any area where major judgments are needed;
- iv. significant adjustments resulting from audit;
- v. the going concern assumptions and any qualifications;
- vi. compliance with accounting standards;
- vii. compliance with the requirements in relation to financial reporting specified in Article 1 of these Rules and other legal

regulations;

- (6) to review the Company's financial controls, internal control and risk management systems; to guide and supervise the formulation and implementation of the Company's internal audit systems; to be involved in formulating, reviewing and monitoring the code of conduct and internal control manual applicable to directors and other employees;
- (7) to be responsible for the communication between internal and external auditors and to ensure coordination between their audit work; to ensure that the internal audit function is adequately resourced and has appropriate standing and authority within the Company; to review and monitor the effectiveness of the internal audit function;
- (8) to consider the Company's annual work plan on internal audit, supervise the implementation of the Company's internal audit plan, listen to the work report on inspection and supervision of internal control, prepare and report to the Board for consideration the draft of self-evaluation report on internal control, review the annual work report of the internal auditor, give internal auditors instructions to work in an efficient way, and coordinate the relationship between internal and external auditors; to listen to the reports of accounting firms on the Company's annual audit, special audits and management proposals; to report to the Board on the progress and quality of internal audit and significant issues identified;
- (9) to superintend the internal auditors to review on the following matters at least once every six months and submit review reports to the Committee:
  - i. the Company's implementation of significant events in relation to the use of raised funds, provision of guarantees, related transactions, securities investment and derivative transactions, provision of financial assistance, purchase or

- disposal of assets and external investment;
- ii. large-value transactions of the Company and the transactions with directors, supervisors, senior management members, controlling shareholders and de facto controller and their respective associates.
- (10) to review and monitor the effective operation of the Company's internal control rules and risk management systems on an ongoing basis according to the internal audit report and relevant information submitted by the internal auditors, listen to the report on development of the corporate internal control and risk management mechanism and system, issue written assessment opinions on the effectiveness of the Company's internal control and report it to the Board; to discuss the internal control and risk management system with the management and to ensure that the management has established an effective system, as well as to ensure the adequacy of resources, staff qualifications and experience, training programmes and relevant budget of the Company's accounting, internal audit and financial reporting function; to monitor effective implementation and self-evaluation of internal control, and coordinate internal control audits and other related matters;
- (11) to consider major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- (12) to ensure employees of the Company have appropriate channels, in confidence, to blow the whistle on or raise concerns about possible improprieties in financial reporting, internal control or other matters, and review relevant arrangements from time to time, so that the Company can conduct fair and independent investigation into such matters and take appropriate follow-up actions;
- (13) to ensure the establishment of a whistle-blowing policy and

- system of the Company which enables employees and others who deal with the Company (such as customers and suppliers) can anonymously report or challenge any possible improprieties in any matters related to the Company in confidence;
- (14) to review the financial and accounting policies and practices of the Company and its subsidiaries;
  - (15) to evaluate the Company's existing or potential risks and make recommendations on improvement of the Company's risk management;
  - (16) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or monitoring systems and management's responses;
  - (17) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; to formulate, examine and supervise the code of conduct and the compliance manual which set out the work ethics and code of behaviours applicable to all directors, senior management members and employees of the Company and to amend such documents from time to time according to actual conditions, ensuring that the Company's operation and management practices are in compliance with laws and regulations and codes of ethics and conduct;
  - (18) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
  - (19) to formulate and examine the corporate governance policies and practices of the Company; to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange and the corporate governance report and make recommendations to the Board in respect thereof;
  - (20) to confirm and report to the Board and the supervisory committee

the related/connected parties of the Company, and inform relevant staff members of the Company of such related/connected parties;

(21) to conduct preliminary review of the related/connected transactions which should be approved by the Board, to submit to the Board for consideration, and to approve or accept the filings of connected/related transactions within the authorization of the Board;

(22) other powers as conferred by or other matters assigned by the Board, and to consider other topics as defined by the Board. In addition, at the invitation of the Chairman of the Board, the chairman of the Audit Committee or in his/her absence, another member or a proxy authorized by the chairman of the Audit Committee, shall respond to shareholders' questions at the Company's annual general meeting;

(23) to report to the Board on the decisions or recommendations made by the committee, unless there are legal or regulatory restrictions on their ability to do so;

(24) other relevant requirements on the terms of reference for the Audit Committee (as amended from time to time) under the Listing Rules of the listing places;

(25) other matters as required by the Board;

**Article 8**

The Audit Committee is accountable to the Board and shall report to the Board on matters as set out in Article 7 of these Rules. Proposals of the Audit Committee shall be submitted to the Board for consideration and approval. The Audit Committee shall cooperate with the supervisory committee on its audit activities.

**Article 9**

The Audit Committee shall deliver a work report for the preceding year to the Board at the first regular Board meeting of the Company for the year.

## **Chapter 4 Rules of Procedure**

- Article 10** The Audit Committee set up its working body at the Internal Audit Department, whose main responsibility is to make preliminary preparation and provide all materials for decision making by the Audit Committee, and deliver notices of committee meetings on the secretary to the Board.
- Article 11** Meetings of the Audit Committee comprise regular and extraordinary meetings. Regular meetings shall be held two to four times every year whereas extraordinary meetings may not be held unless proposed by more than two members of the committee. Upon receipt of the notice of meeting of the Audit Committee delivered by the Internal Audit Department, the secretary to the Board of the Company shall notify all the members seven days prior to convening of such meeting; however with unanimous agreement of all the members, the aforesaid notice period may be waived. Meetings of the Audit Committee shall be presided over by the chairman of the committee, or by an appointed independent-director member hereof in the absence of the chairman.
- Article 12** The holding of a meeting of the Audit Committee shall be subject to the attendance of not less than two-thirds of all the members of the committee. Each member has one vote with voting right; resolutions made by the meeting shall be subject to approval by over half of all the members of the committee. In case of equivalency between the number of affirmative votes and that of dissenting votes, the chairman of the committee shall be entitled to an additional vote.
- Article 13** Voting at an Audit Committee meeting may be taken by show of hands or by poll; and voting at an extraordinary meeting may be taken via telecommunications.

**Article 14** The Audit Committee may invite directors, supervisors and other senior management of the Company to attend its meetings as observers, when necessary.

**Article 15** The management and relevant departments of the Company shall cooperate with the Audit Committee on its duties. If necessary, the Audit Committee may appoint intermediaries to provide professional advice for its decision-making, with the resulting reasonable expenses payable by the Company.

**Article 16** The convening procedure and voting method of meetings of the Audit Committee and the resolutions passed thereat shall comply with the relevant laws, regulations, the Articles of Association and these Rules.

**Article 17** Minutes should be kept for the meetings of the Audit Committee, and signed by members of the Committee attending the meetings. The minutes of the meetings shall be kept by the secretary of the Board. The draft and final versions of the minutes of Audit Committee meetings shall be circulated to all members for their comments and records respectively, within a reasonable time after the meetings.

**Article 18** Resolutions passed by and voting results of the meeting of the Audit Committee shall be reported to the Board in written form.

**Article 19** Members attending such meetings shall have an obligation to keep all matters discussed thereat confidential, and shall not disclose the relevant information without permission.

#### **Chapter 5 Supplementary Provisions**

**Article 20** These Rules are formulated by the Board of the Company and shall take effect subject to the approval of the Board by way of ordinary resolution. The original Rules approved at the fifth meeting of the

eighth session of the Board on 27 October 2017 will be abolished at the same time.

**Article 21** Matters not covered in these Rules shall be dealt with in accordance with relevant state laws and regulations, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Association (as amended from time to time in the future). In the event that these Rules are in conflict with any state laws and regulations, the Listing Rules of the Hong Kong Stock Exchange (as amended from time to time in the future) and the Articles of Association (as amended pursuant to legal procedures), such laws and regulations, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Association shall prevail, and corresponding amendments to these Rules shall be made forthwith and submitted to the Board for consideration and approval.

**Article 22** The rights to amend and interpret these Rules shall belong to the Board of the Company.

**Article 23** In accordance with the requirements of the Listing Rules of the listing places, these Rules shall be made available on the websites of the Company and of the stock exchanges on which the Company's securities are listed.

The Board of Huadian Power International Corporation Limited