

Audit and Risk Committee

Terms of Reference

China Resources Power Holdings Company Limited

First Adopted By the Board: 19 March 2012

Last Reviewed: 10 November 2021

Room 2001-02, 20/F, China Resources Building

26 Harbour Road, Wanchai, Hong Kong

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In compliance with the Corporate Governance Code stipulated by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and pursuant to a Board resolution, the Board established the Audit and Risk Committee (“Committee”) on 6 October 2003.

1. ROLE

The primary role of the Audit and Risk Committee is to assist the Board to provide independent review and monitoring of the financial reporting system, and to monitor and supervise the effectiveness of the internal control system and the adequacy of internal and external audits of China Resources Power Holdings Company Limited (“CR Power” or the “Company”) and its subsidiaries. The Committee shall ensure that free, open and frank communication will be maintained among the Board, external auditors, internal auditors and the management of the Company.

2. RESPONSIBILITIES AND FUNCTIONS

The Committee is appointed and authorized by the Board of CR Power to perform the following responsibilities and functions on behalf of the Board;

- 1) to ensure that an appropriate and adequate internal control

system, including a risk identification and mitigation system, has been established by the Company;

- 2) to ensure that the Company implements appropriate accounting and auditing principles, complies with and implements a proper risk management system, internal control system and ethical practices on a consistent basis;
- 3) to ensure that the scope of coverage for internal and external audits is adequate and necessary;
- 4) to verify the qualification and independence of external auditors;
- 5) to ensure that the Company is in compliance with the Listing Rules; and
- 6) to execute and handle matters as authorized by the Board as and when required.

3. AUTHORITY

The Committee is authorized by the Board to conduct investigation on any matters within the scope of its responsibilities and functions, has the right to seek required information from any directors, management, employees, agents or advisers, and all of the aforesaid persons must cooperate

according to the requirements of the Committee.

The Committee shall have unrestricted access to executive directors, senior management, other management staff and employees, external and internal auditors. External and internal auditors have the right to consult the Committee without reference to management. The Committee shall also have the right to consult the external and internal auditors without reference to management. If necessary, the Committee may invite external parties with relevant experience and professional expertise to attend the meetings of the Committee.

If necessary, the Committee may seek external legal, accounting or other independent professional advice, and the relevant costs shall be borne by the Company.

4. SCOPE OF WORK

External Auditors

- 1) to provide advice to the Board on the appointment, retaining and removal of external auditors, to approve the remuneration and terms of engagement for external auditors, and to handle any issues in connection with the resignation or dismissal of auditors;

- 2) to meet with external auditors at least twice a year in the absence of management to discuss matters relating to accounting, finance, financial reporting or internal control matters which the auditors may wish to raise. The Committee shall report to the Board and make recommendations on any actions or improvements to be taken;
- 3) to review and monitor the effectiveness of the audit procedures according to applicable standards. The Committee shall discuss with the auditors the nature and scope of the audits and the responsibilities of reporting before commencement of any audit work;
- 4) to formulate policies on the provision of non-audit services by external auditors and review the implementation of the policies on an annual basis;
- 5) to review results of audits performed by external auditors, and to discuss issues arising from the review on interim reports and the audit of annual financial reports with external auditors, including any changes in accounting procedures, accounting standards or internal control system uncovered during the audits and any differences or disputes (if any) with the management, and make recommendations to the Board;
- 6) to review external auditors' management letter, any

recommendations made to the management by auditors in respect of accounting records, financial reporting or internal control systems, and any responses from the management;

- 7) to ensure that the Board or the management responds to the letters issued by the external auditors in a timely manner;

Independence of External Auditors

- 8) to pre-approve the scope and fees of audit or non-audit services provided by external auditors;

- 9) to conduct annual review of all audit and non-audit services provided by external auditors to ensure that such services do not include any impermissible business, and will not impair the independence of the external auditor;

- 10) to obtain a confirmation letter of independence from the external auditor every year;

Financial and Non-financial Reporting

- 11) to monitor the completeness, fairness and accuracy of the financial statements, annual reports and interim reports of the Company. Before submitting the relevant statements and reports to the Board, the Committee should pay special attention to the following matters when conducting a review:

- changes in accounting policies and practices;
 - matters involving significant judgments;
 - material audit adjustments;
 - going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and relevant laws and regulations in relation to financial reporting;
- 12) the Committee should consider any significant or unusual items reflected in the financial statements and accounts, and give due consideration to any matters raised by the Company staff responsible for accounting and financial reporting and auditors;
- 13) to review the verification of sustainability data in the Sustainability Report;

Risk Management and Internal Control

- 14) to review the financial control, internal control and risk management systems of the Company;
- 15) to ensure that the management has performed its duty to establish an effective internal control system; to monitor the adequacy of resources, staff qualifications and experience,

training programme and budget in respect of the Company's accounting and financial reporting functions;

16) to consider major investigation findings on internal control matters and management response to these findings on its own initiative or as directed by the Board;

17) to review the statements on internal control system of the Company in the annual report before submitting to the Board for approval;

Internal Audit

18) to approve the annual internal audit plan, including adjustments to the plan during the year;

19) to ensure the adequacy of resources and independence of the internal audit function within the Company, to receive at least quarterly reports on issues identified by internal auditors, audit results, and matters which require the attention of the Committee and to monitor the effectiveness of the internal audit work;

20) to ensure regular communication between internal and external auditors and ensure their co-ordination;

Whistle-blowing

- 21) to monitor the effectiveness of the whistle-blowing policy and the relevant system of the Company;
- 22) to ensure that employees of the Company and external parties may raise their concern, in confidence, about possible improprieties in financial reporting, internal control or other aspects, and to monitor management's arrangement for fair investigation and appropriate follow-up actions;
- 23) to ensure that the Company will conduct fair and independent investigations on serious misconduct, and take appropriate follow-up actions;

General

- 24) to report regularly to the Board on matters within the terms of reference of the Committee; and
- 25) to perform other duties as delegated by the Board.

5. MEMBERSHIP

The Committee shall be comprised solely of non-executive directors, and a majority shall be independent non-executive directors. The Committee shall comprise a minimum of three

members, at least one of whom must possess the professional qualifications as required under Rule 3.10(2) of the Listing Rules. The Chairman of the Committee must be an independent non-executive director.

6. MEETINGS

The Committee plans to convene four meetings in each year, with a minimum of two meetings.

Meeting agenda and relevant documents should be dispatched to all members of the Committee at least five business days prior to the Committee meeting.

The minutes of the Committee meetings must be kept properly. Where there is no conflict of interest, Directors may inspect the minutes at any time.

The quorum of meeting of the Committee comprises at least two members. In the absence of the Chairman of the Committee, a member of the Committee may be elected to chair and preside over the meeting.

7. REPORTING

The Committee shall report regularly to the Board. At the next

meeting of the Board after a Committee meeting, the Chairman of the Committee should report to the Board on the outcome and recommendations of the Committee, and circulate the minutes of the Committee meeting to all directors.

8. REVIEW

The Committee shall review its composition and the terms of reference on an annual basis, and make recommendations to the Board on any necessary changes.