



# 北控清潔能源集團有限公司

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01250)**

**(the “Company”)**

Audit Committee

Terms of Reference

## **1. Organization**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to set up an audit committee of the Board (the “**Committee**”).

## **2. Objective**

The main objective of the Committee is to be responsible for the relationship with the Company’s external auditors, review of the Company’s financial information and monitoring of the Company’s financial reporting system, risk management and internal control procedures and systems, and other duties set out in paragraph 6 below. The Committee is accountable to the Board.

## **3. Composition**

- 3.1 The Committee shall comprise three non-executive Directors who are appointed or removed by the Board. If any member of the Committee (the “**Member**”) ceases to be a Director, he/she will cease to be a Member automatically. The vacancy will be filled by appointment of new Member by the Board. The Committee must comprise a minimum of three Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 3.2 The majority of the Members shall be independent non-executive Directors.
- 3.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive Director.

#### **4. Secretary**

Save as otherwise appointed by the Committee, the secretary to the Committee shall be the secretary to the Company.

#### **5. Powers**

- 5.1 The Board authorizes the Committee to conduct any investigation within its scope of powers. The Committee shall have the powers to demand any information necessary from any employees of the Company and its subsidiaries (together, the “**Group**”), and all employees shall be instructed to cooperate with the Committee and satisfy any of its requests.
- 5.2. The Board authorizes the Committee to seek external legal advice or other independent professional advice, and may invite outsiders who possess relevant experience and professional knowledge to attend meetings if necessary.

#### **6. Duties**

The duties of the Committee are as follows:

##### **6.1 Financial Reporting and Internal Controls**

*Relationship with the Company’s external auditors*

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company’s external auditor, and to approve the remuneration and terms of engagement of the Company’s external auditor, and any issues related to its resignation or dismissal;
- (b) to review and monitor the Company’s external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one external auditor firm participating, the Committee shall ensure the coordination between them;
- (c) to develop and implement policy on engaging the Company’s external auditor to supply non-audit services. For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to act as the key representative body for overseeing the Company's relations with the Company's external auditor;
- (e) to agree with the Board the policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit. A former partner of the existing external auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of this person ceasing to be a partner of the firm or to have financial interest in the firm, whichever is later;

*Review of the Company's financial information*

- (f) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: -
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (g) Regarding sub-paragraph (f) above:-
  - (i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's external auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (h) to discuss with the Company's external auditors questions and doubts arising in audit of interim and annual accounts, and other matters that the external auditors wish to discuss (may conduct in the absence of the Company's management if necessary);

- (i) to review the letter to the Company's management from the Company's external auditors and the management's response; and
- (j) if the Company's annual report includes statement about the Company's internal control system, to review such statement prior to submission for the Board's approval;

*Oversight of the Company's financial reporting system, risk management and internal control systems*

- (k) to review the Company's financial reporting, financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (l) to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (m) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (n) where an internal audit function exists in the Company, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (o) to review the financial and accounting policies and practices of the Group;
- (p) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of risk management and control and management's response;
- (q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (r) to report to the Board on the matters in this terms of reference and the code provision under Appendix 14 of the Listing Rules;
- (s) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; and
- (t) to consider other topics, as defined by the Board;

## 6.2 Corporate Governance Matters

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management on corporate governance matters;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the Corporate Governance Code (Appendix 14 to the Listing Rules) and disclosure in the Corporate Governance Report; and
- (f) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;

*Note: "senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under Appendix 16 to the Listing Rules*

6.3 Oversight of the Company's environmental, social and governance ("ESG") matters

- (a) to identify ESG issues that are relevant and significant to the operations of the Company and/or substantially affect the shareholders and other key stakeholders, to ensure compliance with the relevant legal and regulatory requirements (including but not limited to the Environmental, Social and Governance Reporting Guide and the Listing Rules);
- (b) to review, develop and adopt management approaches, strategies, priorities, objectives, policies and governance structure of the Company's ESG matters, and make relevant recommendations to the Board and implement the policies, approaches and governance structure established by the Board;
- (c) to monitor, review and evaluate the effectiveness and adequacy of actions taken by the Company to implement management approaches, strategies, priorities, measures, objectives and policies for ESG matters, and make relevant recommendations to the Board on the implementation of ESG objectives and measures;
- (d) to monitor, review and evaluate the effectiveness and adequacy of actions taken by the Company to implement management approaches, strategies, priorities, measures, objectives and policies for ESG matters, to ensure compliance with the legal and regulatory requirements (including but not limited to the Environmental, Social and Governance Reporting Guide and the Listing Rules);
- (e) to monitor, review and evaluate the ESG performance of the Company by adopting the appropriate international or national standards (if applicable) as key performance indicators;
- (f) to review, evaluate and report to the Board about the related ESG risks and opportunities of the Company, develop corresponding objectives based on the risks and opportunities, and monitor and review progress achieved on a regular basis, including but not limited to environmental risks (including climate change, water resources and emissions) and social risks (including employment, supply chain and corruption);
- (g) to review and ensure that the Company has an appropriate and effective ESG risk management and internal control systems in place;
- (h) to develop, review and monitor codes of conduct and compliance manuals, if any, applicable to the directors and employees of the Company on ESG matters;

- (i) to review and monitor the training and continuous professional development of the directors and senior management on ESG matters;
- (j) to evaluate, review and report to and recommend the Board on the effectiveness of the policies, management and performance of the Company's material ESG matters at least once annually and as and when necessary; and
- (k) to review the disclosure on the performance of ESG matters of the Company and make recommendations to the Board, including but not limited to:
  - (i) review the ESG reports to ensure its accuracy and recommend the Board to approve the ESG reports, and propose specific actions or decisions to the Board for consideration, so as to maintain the integrity of the ESG reports; and
  - (ii) review the disclosure on ESG matters of the Company whether by way of inclusion in its annual report or a separate report in compliance with the relevant legal and regulatory requirements (including but not limited to the Environmental, Social and Governance Reporting Guide and the Listing Rules);

#### 6.4 Anti-bribery, Anti-corruption and Whistleblowing

- (a) to review and approve the Group's assessment of the corruption risks to which it is subject and the framework of controls put in place to mitigate those risks, including but not limited to the Group's policies on anti-bribery and anti-corruption, and risk management;
- (b) to monitor and oversee compliance with the Group's anti-bribery and anti-corruption policy, including reviewing this policy on an annual basis to ensure that they remain adequate for the purposes of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and any other applicable legislation;
- (c) to report on Committee business to the Board with such recommendations as the Committee may deem appropriate in relation to anti-bribery and anti-corruption;
- (d) to establish, review and approve the Group's whistleblowing policies and systems for its employees and third parties who deal with the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters related to the Company, with the Committee. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; and

- (e) to review the Group's findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations.

## **7. Meetings of the Committee**

### **7.1 Number of meeting**

There shall be at least two meetings of the Committee annually to be convened and held by attending in person, by telephone or video conference. Any Member or the Company's external auditors may demand meeting to be convened if required.

### **7.2 Notice of meeting**

Unless waived by all Members on notice, the secretary to the Committee shall give seven days prior notice to all Members for any meeting to be convened and circulate the meeting agenda to the Members.

### **7.3 Quorum**

Meetings of the Committee shall be attended by more than one-half of the Members to be effective.

### **7.4 Conducting the meetings**

Meetings could be convened by attending in person, by telephone or video conference. Members could attend the meetings through telephone conference or similar arrangements which Members could communicate to each other.

### **7.5 Resolutions**

Any resolution shall be passed by the majority votes of the Members who attend the meeting. With consent by all Members, resolutions of the Committee could be passed by written resolutions.

### **7.6 Invitations**

The Committee could invite any executive Directors, external advisers or other individuals to attend the meetings but such executive Directors, advisers or individuals are not entitled to vote at the meetings.



#### 7.7 Minutes of the meetings

Full minutes of meetings should be kept by the secretary to the Committee. Minutes shall record matters considered and decisions reached by the Members in details, including any doubt or disagreement raised by the Members. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meetings.

#### 7.8 Attendance of the meetings

The Company's financial controller, head of internal audit and representative of the external auditors shall be required to attend Committee meetings in general. Further, the Committee shall hold at least one meeting annually with the Company's external and internal auditors in the absence of the management of the Company.

### **8. Reporting Responsibility**

Chairman of the Committee or other Member who is authorized by the Chairman of the Committee to chair the meetings shall report to the Board after each meeting of the Committee.

### **9. Interpretation**

Interpretation of these terms of reference shall belong to the Board.

### **10. Publication of the terms of reference of the Audit Committee**

The terms of reference of the audit committee (as amended from time to time) will be made available by publishing on the Stock Exchange's website and the Company's website.

*(Adopted by the Company pursuant to the Board's resolutions passed on 28 January 2022)*