



Tianjin Capital Environmental Protection Group Company Limited

天津創業環保集團股份有限公司

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

**(Stock Code: 1065)**

## **IMPLEMENTATION RULES FOR THE AUDIT AND RISK CONTROL COMMITTEE UNDER THE BOARD**

**(amended on 2 August 2024)**

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to strengthen the decision-making function of the Board and to accomplish audit in advance and professional audit so as to ensure effective supervision of the management by the Board, as well as to perfect the governance structure of the Company, the Board of the Company formulates these Implementation Rules in accordance with the Company Law of the People's Republic of China, the Code of Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (hereinafter referred to as the "Listing Rules"), the Articles of Association and other relevant regulations.

### **CHAPTER 2 COMPOSITION**

**Article 2** The Audit and Risk Control Committee shall be comprised of at least three non-executive Directors, the majority of whom shall be independent non-executive Directors, and shall be elected by the Board.

**Article 3** The Audit and Risk Control Committee shall have one chairman, who shall be an independent non-executive Director with professional accounting background, and shall be responsible for presiding over the Committee's work; the chairman shall be elected by the Board.

**Article 4** The term of office of the Audit and Risk Control Committee shall be in consistent with that of the Directors, and its members may be re-elected upon the expiry of the current term of office. If any member no longer maintains the position as a Director of the Company during his/her term of office, he/she shall automatically lose the qualification to be a member, and the vacancy shall be filled in accordance with the provision of Article 2.

**Article 5** The Audit and Risk Control Committee shall set up an audit working group as its daily office and to be responsible for matters such as preparation of documents including financial statements, audit report, management proposals, major risk solutions, daily communication and organization of meetings.

**Article 6** The audit working group shall comprise the persons-in-charge of departments such as the financial management department, internal audit department, the department of the Board that deals with daily work of the Company and external auditor. The financial management department shall be responsible for preparation of financial report and reporting its work to the Audit and Risk Control Committee; the internal audit department of the Company and external auditor shall provide auditing opinions and management proposals to the Audit and Risk Control Committee for its reference in decision-making; the department of the Board that deals with daily work shall be responsible for overall coordination and organization and report to the Board of the Company; each central department is responsible for taking the lead in organizing its affiliated units to identify the risks of this business line, and is required to report the identified significant risks that trigger the implications of the Listing Rules to the Audit and Risk Control Committee, and formulate risk response strategies and solutions for the Audit and Risk Control Committee's reference in decision-making.

### **CHAPTER 3 TERMS OF REFERENCE**

**Article 7** The major terms of reference of the Audit and Risk Control Committee include but are not limited to the following:

- (I) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor providing audits of annual financial statements and internal controls, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (II) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. If necessary, the Audit and Risk Control Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (III) to develop and implement policy on engaging an external auditor to supply non-audit services; the Audit and Risk Control Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (IV) the Audit and Risk Control Committee shall, at least once a year, convene a separate communication meeting with external auditors without the participation of the management. The secretary to the Board may be in attendance to the meeting;

- (V) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these statements and reports before submission to the Board, the Audit and Risk Control Committee should focus particularly on the review of the following matters:
- (1) any changes in accounting policies and practices;
  - (2) major judgmental areas;
  - (3) significant adjustments resulting from audit;
  - (4) the going concern assumptions and any qualifications;
  - (5) compliance with accounting standards; and
  - (6) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (VI) in regard to (V) above, members of the Audit and Risk Control Committee should liaise with the Board and senior management. The Audit and Risk Control Committee must meet, at least twice a year, with the Company's auditors and external auditor; and the Audit and Risk Control Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's qualified accountant or external auditors;
- (VII) to monitor the risk management and internal control system of the Company on an ongoing basis and review the effectiveness of the Company's risk management and internal control system at least once a year. The review should cover all material aspects of control, including financial control, operational control and compliance control;
- (VIII) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective internal control systems. The discussion shall include the adequacy of the Company's accounting, internal audit and financial reporting function, staff qualifications and experience, as well as the adequacy of staff training programmes and budget;

- (IX) to consider any major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- (X) to consider the appointment or dismissal of the person in charge of finance of the Company;
- (XI) to consider changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (XII) to consider strategies for addressing significant risks and risk solutions;
- (XIII) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (XIV) to review the Company's financial and accounting policies and practices;
- (XV) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control, management recommendation report and management's response;
- (XVI) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (XVII) to review the Company's systems and arrangements for employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit and Risk Control Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (XVIII) The Audit and Risk Control Committee may establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit and Risk Control Committee about possible improprieties in any matter related to the Company;

- (XIX) to act as the key representative body for overseeing the Company's relation with the external auditor;
- (XX) to formulate the corporate governance policy and practice of the Company, review the Company's compliance with the Code on Corporate Governance Practices and disclosure in the Corporate Governance Report, and put forward its proposal to the Board;
- (XXI) to review and monitor the training and continuing professional development of the Directors and senior management of the Company;
- (XXII) to review and monitor the policy and practices of the Company in respect of the compliance with law and regulatory requirements;
- (XXIII) to formulate, review and monitor the code of conduct of employees and Directors;
- (XXIV) to report to the Board on the matters set forth in the Implementation Rules and deal with other matters authorized by the Board;
- (XXV) to consider other topics, as defined by the Board.

**Article 8** The Audit and Risk Control Committee shall be accountable to the Board. The proposals of the Committee shall be submitted to the Board for consideration and decision. The Audit and Risk Control Committee shall work in coordination with the supervisory audit activities of the Supervisory Committee.

**Article 9** The Audit and Risk Control Committee shall perform its duties of control and regular daily management over connected transactions; to confirm the list of connected parties of the Company and timely report to the Board and the Supervisory Committee.

**Article 10** The Audit and Risk Control Committee shall review the major connected transactions of the Company which need to be approved on the general meeting, and submit its written opinions in this regard to the Board for review and approval and report to the Supervisory Committee of the Company.

## CHAPTER 4 DECISION-MAKING PROCEDURES

**Article 11** The audit working group is responsible for making the preliminary preparations and providing the Audit and Risk Control Committee with the relevant written information for it to make decisions:

- (I) relevant financial reports of the Company;
- (II) work reports of internal and external auditors;
- (III) external audit contracts and the relevant working reports;
- (IV) public disclosure of information made by the Company;
- (V) audit reports regarding major connected transactions of the Company;
- (VI) risk management and internal control report;
- (VII) strategies for addressing significant risks and risk solutions;
- (VIII) other relevant matters.

**Article 12** The reports submitted by the audit working group shall be discussed in the meetings of the Audit and Risk Control Committee, and its relevant written resolution shall be submitted to the Board for consideration:

- (I) work appraisal on external auditor, and the appointment and replacement of external auditor;
- (II) reports on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are true in all aspects;
- (III) reports on whether information such as financial reports disclosed publicly by the Company are objective and true, and whether the major connected transactions of the Company are in compliance with the requirements of the relevant laws and regulations;

- (IV) work appraisal of the internal financial department and audit department, including its responsible persons, of the Company;
- (V) reports on whether the Company's financial control, risk management and internal control systems have been conducted effectively;
- (VI) reports on whether strategies for addressing significant risks and risk solutions are feasible;
- (VII) other relevant matters.

## **CHAPTER 5 RULES OF PROCEDURES**

**Article 13** The meetings of the Audit and Risk Control Committee shall include regular meetings and interim meetings. Regular meetings shall be convened at least once a quarter. The notice of a meeting of the Audit and Risk Control Committee shall be given to all members ten days before the date of the meeting. The meetings shall be presided over by the chairman. In case that the chairman is unable to attend, he/she shall authorize another member to preside over the meeting. An interim meeting shall be convened by the chairman of the Audit and Risk Control Committee or convened by two or more members of the Audit and Risk Control Committee.

**Article 14** The meetings of the Audit and Risk Control Committee shall not be held unless two-thirds of members are present. Each member shall have one vote and the resolutions of the meeting must be passed by the affirmative vote of a majority of the Committee members.

**Article 15** Opinions raised by the Audit and Risk Control Committee to be considered by the Board shall be approved by a majority of all members of the Audit and Risk Control Committee. In the event that members of the Audit and Risk Control Committee fail to form an effective opinion due to withdrawal, the relevant matter shall be considered directly by the Board.

**Article 16** Members of the Audit and Risk Control Committee shall attend meetings in person and deliver explicit opinions on matters under consideration. In the event that a member is unable to attend a meeting in person for any reason, the member may submit a power of attorney signed by him or her and ask another member to attend the meeting and express opinions on his or her behalf. The power of attorney shall specify the scope and duration of authorization.

**Article 17** Members of the working group of the Audit and Risk Control Committee referred to in Article 6 of the Implementation Rules shall attend the meeting of the Audit and Risk Control Committee (external auditors shall attend when necessary) and report their work to the Audit and Risk Control Committee when necessary.

The Directors, supervisors and other senior management of the Company and legal advisors may be invited to be in attendance to the meeting if necessary.

**Article 18** If necessary, the Audit and Risk Control Committee may engage an intermediary institution to provide professional opinion for its decision-making. The cost shall be borne by the Company.

**Article 19** The convening procedure and voting method of the Audit and Risk Control Committee and the resolutions passed at such meetings shall comply with the requirements of the relevant laws, regulations, the Articles of Association and the Implementation Rules.

**Article 20** The Audit and Risk Control Committee shall keep minutes of the meetings. Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment (in case of draft versions) and records (in case of final versions) within a reasonable time after the meeting. Members present at the meetings shall sign on the minutes which shall be kept by the secretary to the Board of the Company.

**Article 21** Resolutions passed by and voting result of the meeting of, the Audit and Risk Control Committee shall be reported in writing to the Board of the Company.

**Article 22** Members present at the meeting and those in attendance to the meeting shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

**Article 23** Any member of the Audit and Risk Control Committee who has an interest in any agenda item shall withdraw.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 24** The Implementation Rules shall be effective from the date when it was passed on the Board meeting.

**Article 25** For the matters which are not governed by the Implementation Rules, they shall be executed in accordance with the relevant laws and regulations of the PRC and the Articles of Association. In the event of any conflict between the Implementation Rules and the laws and regulations promulgated by the PRC government in future or the Articles of Association amended through valid procedure, the requirements of the relevant laws and regulations of the PRC and the Articles of Association shall prevail, and the Implementation Rules shall be revised immediately and reported to the Board for consideration and approval.

**Article 26** The right of interpretation of the Implementation Rules shall be vested in the Board.

The Board of Tianjin Capital Environmental  
Protection Group Company Limited  
August 2024

\* *These Implementation Rules have both Chinese and English versions. The English version is for reference only, should there be any discrepancy between the two versions, the Chinese version shall always prevail.*