



# 東方電氣股份有限公司

## Dongfang Electric Corporation Limited

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

(Stock Code: 1072)

### **REGULATIONS FOR THE WORK OF RISK MANAGEMENT COMMITTEE**

#### **1. GENERAL PROVISIONS**

- 1.1 In order to perfect the governance structure of Dongfang Electric Corporation Limited (“the Company”), establish and improve comprehensive risk management system and reduce operation risks, the Company set up the Risk Management Committee and formulated these regulations (the “Regulations”) in view of its actual situations and in accordance with the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, the Guideline for the Internal Control of Listed Companies of the Shanghai Stock Exchange, Comprehensive Risk Management Guidance for State-owned Enterprises, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Articles of Association of Dongfang Electric Corporation Limited (“Articles of Association”) and other relevant laws, regulations and normative documents.
- 1.2 The comprehensive risk management referred herein means the process that the Company centers on the overall operation goal, cultivates favorable culture of risk management, and establishes and improves comprehensive risk management system by implementing the basic procedures of risk management in every segment of the corporate management and the operation process, so as to provide reasonable guarantee for the realization of the overall objective of risk management, as well as the methods adopted during such process.
- 1.3 The Risk Management Committee is a professional organ under the board of directors (the “Board”) and mainly responsible for reviewing risk management policy of the Company, solutions of major risk management and risk assessment report of material decisions and submitting the annual report on comprehensive risk management to the Board.

#### **2. COMPOSITION**

- 2.1 The Risk Management Committee shall consist of three to seven directors of whom at least one is an independent director. Director(s) who is (are) familiar with corporate management and business process and director(s) who possesses (possess) knowledge and experience of risk supervision and legal knowledge shall be included in the committee.

- 2.2 The members of the Risk Management Committee shall be nominated by the chairman of the Board and more than half of the independent directors or more than one-third of all directors and elected and appointed by the Board.
- 2.3 The committee shall have one convener, who shall be responsible for convening and presiding over the meetings of the committee.
- 2.4 Term of service of the members of Risk Management Committee shall be in line with the term of the Board, and the members may seek re-election upon expiration of terms of office. Any member who ceases to act as a director of the Company during the term shall lose his/her membership of the committee automatically and the vacancy shall be filled in accordance with aforementioned provisions.
- 2.5 As proposed by the Chairman of the Board and considered and approved by the Board, adjustment can be made to the members of Risk Management Committee during their term of service.
- 2.6 The Office of the Board of the Company is the daily working body of Risk Management Committee and is responsible for the daily liaison and organization; the legal affairs department of the Company is the daily operation body of Risk Management Committee and is responsible for organizing and guiding the daily work of comprehensive risk management and the construction of internal control system of the Company.

### **3. RESPONSIBILITIES AND AUTHORITIES**

- 3.1 Responsibilities of Risk Management Committee are as follows:
  - 3.1.1 to submit the annual report on comprehensive risk management to the Board;
  - 3.1.2 to consider the Company's risk management strategies and the solutions for major risk management;
  - 3.1.3 to consider the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;
  - 3.1.4 to consider the report on the internal control submitted by the internal audit department;
  - 3.1.5 to consider the establishment of the risk management organizations and proposals of their responsibilities;
  - 3.1.6 to assess the risk management system of the Company and its affiliated enterprises;
  - 3.1.7 to discuss the risk management system with the management so as to make sure that the management has fulfilled its responsibilities and established effective system;
  - 3.1.8 to conduct research on major investigation findings on risk management matters and management's response to these findings on its own initiative or as delegated by the Board;

- 3.1.9 other duties assigned by the Board.
- 3.2 Duties and authorities of the Risk Management Committee are as follows:
  - 3.2.1 to request the Company and its affiliated enterprises to submit work report on comprehensive risk management;
  - 3.2.2 to request inclusion of a special risk assessment report into the investment plan of the Company and its affiliated enterprises;
  - 3.2.3 to investigate the comprehensive risk management of the Company and its affiliated enterprises and choose proper investigation method;
  - 3.2.4 to request the internal audit departments of the Company and its affiliated enterprises to submit comprehensive supervision and assessment report in respect of risk management;
  - 3.2.5 to request the Company and its affiliated enterprises to establish risk management information system.
  - 3.2.6 Other authorities granted by the Board;
- 3.3 Procedures for annual work report by the Risk Management Committee:
  - 3.3.1 The legal affairs department of the Company shall formulate the plan for preparation of the Annual Report on Overall Risk Management;
  - 3.3.2 The legal affairs department, pursuant to the plan, shall allocate the formulation of various parts of the report to its affiliated enterprises and units.
  - 3.3.3 All affiliated enterprises and units shall be responsible for the authenticity and completeness of the risk management matters within their scope of responsibilities and offer opinions in writing.
  - 3.3.4 The legal affairs department shall aggregate all material put forward by its affiliated enterprises and units and formulate the Annual Report on Overall Risk Management.
  - 3.3.5 The Risk Management Committee shall make a preliminary review on the Annual Report on Overall Risk Management and put forward to the Board for consideration.

#### **4. RULES OF PROCEDURES**

- 4.1 The Risk Management Committee holds meetings on regular and extraordinary basis, with the regular meetings held annually and the extraordinary meetings held as proposed by the convener of the Risk Management Committee or by over one third of members of the Risk Management Committee. A notice of meeting shall be given to all members seven days prior to the meeting. The meeting shall be chaired by the convener, if the convener fails to attend the meeting, another member may be appointed to chair the meeting.

- 4.2 A meeting of the Risk Management Committee shall be held only with the presence of more than one half of its members. Each member shall be entitled to one vote. Resolutions of a meeting must be approved by more than half of all members.
- 4.3 A meetings of the Risk Management Committee shall be voted by a show of hands or by a poll. An extraordinary meeting may also be convened in the form of vote by communications. However, opinions, proposals or results of any poll shall be timely submitted to the office of the Board in facsimile so as to be filed, in the meantime, an original copy shall be sent to the office of the Board.
- 4.4 A members of the Risk Management Committee shall attend the meeting in person. If he/she fails to attend due to other commitment, an appointment to another member in writing shall be put forward and a member acting as proxy of others shall exercise the voting rights within the scope of authorization. However, when the Risk Management Committee considers material events of the Company, all members shall attend in person. Where a member is not present at any meeting and fails to appoint a proxy to act on his/her behalf, such member shall be deemed to have waived his/her rights to vote at the meeting.
- 4.5 In the event that any member does not attend two meetings of the Risk Management Committee consecutively without reasonable grounds, it will be regarded as a dereliction of duty and the Board may adjust the composition of the committee.
- 4.6 The Committee may invite the directors, supervisors, senior management, heads of all functional departments as well as related persons from affiliated enterprises of the Company to attend its meetings. The Committee may also invite related experts and advisers to attend its meetings if necessary. Attendees at the meeting have the right to express their opinion but have no right to vote.
- 4.7 The Risk Management Committee shall be entitled to appoint an intermediary to provide professional opinions for its decision if necessary, at the expenses of the Company.
- 4.8 Attendees, either directly or indirectly, having material interests in related issues to be discussed at the meeting of the Risk Management Committee, shall abstain from the meeting. Members of the Committee, who cannot vote as a result of the aforesaid regulations, shall report to the Board and put forward to the Board for consideration.
- 4.9 There shall be minutes taken from a meeting held by the Risk Management Committee. Minutes of the meeting shall be signed by members attending the meeting and shall be circulated to all members after the meetings. Minutes shall be filed in the office of the Board.
- 4.10 All members attending a meeting of the Risk Management Committee shall keep confidential for all the matters considered at the meeting, and shall not disclose any relevant information without permission.

## **5. SUPPLEMENTAL PROVISIONS**

- 5.1 The right of interpretation of the Regulations shall belong to the Board.
- 5.2 Any matters not mentioned in the Regulations shall be carried out subject to the relevant national laws, regulations, and the Articles of Association; Where the Regulations contravene the laws and regulations adopted by the state or the legally amended Articles of Association, national laws, regulations and the Articles of Association shall prevail. The Regulations shall be revised in a timely manner, and the revised version shall be submitted to the Board for approval.
- 5.3 The Regulations shall become effective as of the date of approval by the Board.