

## **SINO GAS & ENERGY HOLDINGS LIMITED AUDIT AND RISK COMMITTEE CHARTER**

### **1 Introduction**

The Board of Directors of Sino Gas & Energy Holdings Limited (SGEH or Company) have established the Audit and Risk Committee (Committee) and has delegated to it the responsibilities detailed in this Charter. The remit of the Committee is advisory in nature only. The Board has retained ultimate oversight and decision-making power in respect of the matters delegated to the Committee.

This Committee has the authority to review, on behalf of the Board, matters arising within SGEH and each of its registered affiliates ("Group"). However, ultimate responsibility for the integrity of the Company's financial reporting and risk management remains with the Board.

### **2 Objectives**

The primary objectives of the Audit and Risk Committee (Committee) are to assist the Board in ensuring:

- (a) the integrity and quality of the Company's financial reporting; and
- (b) the Company has an appropriate and effective framework for identifying and managing risk on an ongoing basis which both protects established value and assists in identifying and capitalising on appropriate opportunities to create value.

### **3 Function and Responsibility**

#### **3.1 Financial Reporting**

The Committee shall ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. However, the principal duties and responsibilities of the Committee are as follows:

#### **(a) Financial Reporting**

The Committee shall examine and consider any matters relating to the financial affairs of the Group and its internal and external audit that it considers necessary, including:

- reviewing financial statements and other financial information which is distributed externally;
- monitoring the procedures and processes in place to ensure compliance with accounting standards, relevant regulatory requirements and any applicable statutory requirements;
- consider regular reports from external auditor on the critical policies and practises of the Company and all alternative accounting treatments that have been discussed with management;
- monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring financial reporting risk and internal controls instituted; and
- annually reviewing internal and external audit programs/reports to ensure that, where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management.

(b) Audit Functions

The Committee shall be responsible for:

- reviewing the nomination, performance, independence and remuneration of the external auditors;
- acting as an effective informal and confidential point of communication for the Company's external auditor to broach sensitive issues in an uninhibited fashion and at an early stage;
- liaising with the external auditors and ensuring that the annual audits and half-year audit reviews are conducted in an effective manner;
- the selection and appointment of the external auditor; and
- as required, evaluating the need for and/or the performance of any internal audit function.

### 3.2 Risk Management

The Board and Committee take a proactive approach to risk management. The identification and proper management of risk within the Company is a priority for the Company.

The Company has sought to minimize business risks by focusing on the Company's core business. The Board and Committee are responsible for ensuring that the Company's risk management systems are adequate and operating effectively.

To assist the Committee, management and key executives are required to report on any material risks identified, how the risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred.

The Committee is responsible for oversight of the processes whereby risks, and also opportunities, are identified on a timely basis and recommendations are made to the Board.

This oversight includes, but is not limited to, operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks.

The Committee's responsibilities in respect of the recognition and management of risk are to review, report on and make recommendations to the Board regarding:

- (a) the adequacy of the Company's risk management framework including reviewing the Company's risk management framework at least annually to ensure that it continues to be sound;
- (b) identifying or ensuring that management has in place a process to identify the principal risks of the Company's business and examining the Company's risk profile;
- (c) the formulation, and operation, of the Company's policies in relation to financial risk management, capital structure and treasury practices including hedging, cash management, payments processing and bank account administration;
- (d) the Company's borrowings from financial institutions and compliance with borrowing covenants;
- (e) any incident involving fraud or material break down of the Company's internal controls;
- (f) the adequacy of the Company's insurance program having regard to the insurable risks associated with the Company's business;
- (g) the adequacy of the Company's systems for ensuring compliance with applicable laws, regulations, standards and codes; and
- (h) the Company's disclosures in respect of its risks and risk management practices.

#### **4 Rights in Obtaining Information from Management**

The Committee has the authority to seek any information it requires from any officer or employee of the Company and such officers or employees shall be instructed by the Board to respond to such enquiries. The Committee is authorised to take such independent professional advice, at the Company's cost, as it considers necessary.

#### **5 Direct Dealings with the Auditor**

The Chairman of the Committee has the authority of SGEH's Board to deal directly with the appointed auditor without management being present.

#### **6 Decision Making**

The Chair or delegate of the Committee will report to the Board on the findings and recommendations of the Committee after each Committee meeting or as appropriate.

Where any Committee member has a contrary view to a Committee decision, that view is to be reported to the Board.

#### **7 Review and assessment**

This Charter will be reviewed by the Committee, from time to time, to ensure that it continues to reflect the letter and spirit of all applicable laws and regulations and the Company's commitment to its staff and the community.

The performance of the Committee will be evaluated at least once in each financial year. The Board will determine the manner and form of each performance evaluation.