

# **Working Rules of the Audit and Compliance Committee under the Board of Directors of Maanshan Iron & Steel Company Limited**

## **Chapter 1: General Provisions**

Article 1: The board of directors (the “**Board**”) of the Company established the Audit and Compliance Committee (the “**Committee**”) and formulated the Working Rules in accordance with the Opinions on the Reform of the Independent Director System for Listed Companies, the Code of Corporate Governance for Listed Companies, the Measures for the Administration of Independent Directors for Listed Companies, the Basic Norms for Enterprise Internal Control, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Self-regulatory Guideline No. 1 for Listed Companies – Standardized Operation, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, A Guide for Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and other relevant regulations, and the Articles of Association of Maanshan Iron & Steel Company Limited (the “**Articles of Association**”) for the purpose of improving corporate governance structure and minimizing the risks of decision-making.

Article 2: The Committee shall be accountable to the Board, and reports to the Board.

## **Chapter 2: Composition**

Article 3: The Committee shall be composed of non-executive directors and shall have at least three members, with the independent non-executive director shall account for the majority and serve as chairman.

Members of the Committee shall be nominated by the Chairman and elected by the Board.

All members of the Committee shall have the professional knowledge and business experience capable of performing the duties of the Committee, and the chairman of the Committee shall have appropriate professional qualifications in accounting or related financial management expertise.

- Article 4: The Committee shall have a chairman who, after being elected by the Committee, shall be appointed or removed by the Board. The chairman of the Committee shall convene and preside over meetings of the Committee, and be responsible for communication with the Board, the Company's management, the Audit Department and the external accounting firm.
- Article 5: Members of the Committee shall undertake same legal liability as that of other directors. Members of the Committee shall undertake that they have sufficient time and effort to perform their duties, and that they will act with diligence to monitor the external auditing of the Company effectively, direct the internal auditing work in the Company, promote an effective internal control within the Company, as well as provide true, accurate and complete financial reports, promote the legal construction of the Company and guide the Company's compliance management.
- Article 6: The Secretary to the Board shall concurrently serve as secretary to the Committee.
- Article 7: The term of office for a member of the Committee shall be consistent with that for an independent director, being three years for each term. If a Committee member is reappointed consecutively as an independent director of the Company upon expiry of his term of office, he may be reappointed consecutively as a member of the Committee after being elected by the Board, but for a maximum term of not more than six years.
- Article 8: Any member of the Committee may be dismissed by the Board if:
- (1) he tenders a written application for resignation;
  - (2) he is unsuitable to continue to serve as a member of the Committee due to changes to his position during his term of office;
  - (3) he is involved in gross misconduct or in violation of the provisions of the laws, regulations, the Articles of Association or the Working Rules during his term of office; or
  - (4) other circumstances which the Board considers that he is not fit to continue to take up the position.

Article 9: A former partner of an external accounting firm which is responsible to audit the accounts of the Company shall not serve as a member of the Committee within two years commencing from the following dates (whichever is later):

- (1) the date on which he ceased to be a partner in the accounting firm;  
or
- (2) the date on which he ceased to have a financial interest in the accounting firm.

### **Chapter 3: Duties**

Article 10: To supervise and assess the work of the external accounting firm and to advise the Board on relevant issues. The duties include at least the following:

- (1) to assess the independence and professionalism of the external accounting firm, in particular the effect of providing non-auditing services by the external accounting firm on its independence;
- (2) to make recommendations to the Board for the appointment or replacement of the external accounting firm;
- (3) To review the audit fees and terms of employment of the external accounting firm;
- (4) to discuss and communicate on the audit scope, audit plan, audit method and material matters identified in the audit process with the external accounting firm; and
- (5) to supervise and assess the diligence of the audit process of the external accounting firm.

In respect of the provision of non-auditing services by the external accounting firm, the Committee shall assess the competence and experience of the external accounting firm, the existence of safeguards, etc. to ensure that the provision of non-auditing services by the external accounting firm will not impair its independence or objectivity, and report to the Board, with recommendations, on the actions or improvements it considers necessary in respect of these matters.

Article 11: To direct the internal audit work, supervise the Company's internal audit system and its implementation, and assess the effectiveness of the relevant operations of the Company. The duties shall include at least the following:

- (1) to review the annual internal audit plan of the Company;
- (2) to supervise the implementation of internal audit plan of the Company;
- (3) to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters;
- (4) to guide the internal audit department on effective operation of the Company;
- (5) to report to the Board on the progress and quality of internal audit and major problems identified; and
- (6) to coordinate the relationship between the internal audit department and external audit units such as accounting firms and national audit institutions.

The Company's Audit Department, as the internal audit department, is required to report its work to the Committee. Material audit reports, rectification plans for auditing problems and the status of rectification submitted to the management by the Audit Department are required to be delivered concurrently to the Committee.

Article 12: To review and comment on the Company's financial reports. The duties shall include at least the following:

- (1) to make recommendations to the Board for the appointment or dismissal of the person responsible for financial affairs of the Company;
- (2) to review the Company's discloseable financial reports and the financial information contained in its periodic reports (including material opinions on financial reporting) and to express opinions on the authenticity, completeness and accuracy of the financial reports;
- (3) to focus on significant accounting and audit matters of the Company's financial reports, including major accounting policies, judgments and estimates (including changes in significant

accounting policies and estimates) and information disclosure, extraordinary items, significant audit adjustments, adjustments to material accounting errors, going concern assumptions, compliance with accounting standards, compliance with requirements relating to financial reporting, concerns of the external accounting firm, significant unadjusted audit differences, consistency of financial information, and items resulting in modified audit reports;

- (4) to pay special attention to the possibilities of fraud, corrupt practice and material misstatements relating to financial reporting;
- (5) to supervise the rectification of financial reporting issues;
- (6) to review and submit to the Board any changes in accounting policies, changes in accounting estimates or corrections of material accounting errors that are due to reasons other than changes in accounting standards; and
- (7) to discuss and communicate with the external accounting firm when reviewing the annual financial report, and if the financial report is agreed, sign the opinion before the financial report is submitted to the Board.

Article 13: To assess the effectiveness of internal controls, oversee the Company's financial management, the implementation of internal control and risk management systems to make sure the Company has adequate internal controls and risk management procedures in place, and to review significant connected transactions of the Company. The duties shall include at least the following:

- (1) to review the Company's internal control and risk management system and assess the appropriateness of the design of the Company's internal control and risk management system;
- (2) to review the report on the status of the internal control system construction and the internal control evaluation report, and submit the disclosable internal control evaluation report to the Board for consideration;
- (3) to review the internal control audit report issued by the external accounting firm, as well as the matters and improvement measures formulated after communication with the external audit institutions;

- (4) to evaluate the results of internal control evaluations and audits, and supervise the rectification of deficiencies in internal control; and
- (5) to consider any findings of major investigations of risk management and internal control matters on its own initiative or as delegated by the Board and the management's responses to those investigations.

Article 14: To acquire an understanding of the development and implementation of systems by the Company's risk management department and business department to ensure all major risks have been taken into account; to maintain good and independent communications with the management, the Audit Department and relevant departments, and the external accounting firm of the Company; and to acquire an understanding of the roles and responsibilities of each participants in the audit. The duties shall include at least the following:

- (1) to coordinate management's communication with the external accounting firm on significant audit issues; and
- (2) to coordinate the communication between relevant departments of the Company and the external accounting firm and to cooperate with the external auditing work.

Article 15: To review the description of audit details submitted by the external accounting firm to the management, any significant questions raised to the management by the accountants on the accounting records, financial accounts or control system, and the feedback given by the management; and to ensure that the Board responses to the matters raised by the external accounting firm in the description of audit details above in a timely manner.

The Committee shall also report to the Board and make recommendations on the measures or improvements it deems necessary.

Article 16 : To guide the compliance management of the Company's units and its subsidiaries, including:

- (1) to coordinate and handle compliance management among different units of the Company;
- (2) to supervise the scientificity, rationality, effectiveness and implementation of the Company's compliance management system and evaluate the Company's compliance management work;

- (3) to receive, on a regular or irregular basis, work reports of the person in charge of compliance management, or the Chief Compliance Officer, or the compliance management department, and to make comments and recommendations; and
- (4) other compliance management duties as authorised by the Board.

Article 17 : To assess arrangements the Company has put in place for its employees to raise concerns, in confidence, about possible improprieties in financial reporting, 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 action.

Article 18: Unless otherwise specified in laws and regulations, the Committee shall supervise the internal audit department to review the following matters, prepare a review report and submit it to the Committee at least once every half year. The Committee shall timely report to the Shanghai Stock Exchange any non-compliant or non-standard operation as it identified:

- (1) implementation of significant matters including use of raised proceeds, provision of guarantees, connected transactions, securities investment and derivative transaction, financial assistance, purchase or sale of assets and external investment; and
- (2) large-value transactions of the Company and the transactions with Directors, supervisors, senior management members, controlling shareholder and de facto controller and their respective associates.

The Committee shall issue assessment opinions in writing in respect of the effectiveness of the internal control of the Company based on the internal audit report and relevant information submitted by the internal audit department, and report to the Board.

Article 19: To handle other matters authorised by the Board of the Company and other matters involved in relevant laws and regulations.

#### **Chapter 4: Rules of Proceedings**

Article 20: Meetings of the Committee shall include regular meetings and extraordinary meetings. At least four regular meetings shall be held each year, generally for discussions on relevant issues prior to finalization of quarterly, interim and annual reports.

The Committee may convene extraordinary meetings as necessary. An extraordinary meeting may be convened when two or more members of the Committee propose or when its chairman deems it necessary.

Article 21: The Office of the Secretary to the Board, the Operation and Finance Department, Audit Department, Legal Affairs Department, and Operation and Improvement Department of the Company shall be responsible for making adequate preliminary preparations for the Committee meetings by providing the Committee with necessary information to perform its duties.

Article 22: Notice of a regular meeting of the Committee shall be given to all members seven days prior to such meeting, while the date of an extraordinary meeting shall be determined under the basis of ensuring that all the members are able to receive the notice and have reasonable time for making preparations. Meetings shall be convened and presided over by the chairman of the Committee. If the chairman is unable or refuses to perform his/her duty, he shall appoint another member, who shall be an independent director, to perform the duties on his/her behalf.

A meeting of the Committee may be held only when more than two-thirds of the members are present thereat. Each member shall have one vote. Resolutions made thereat shall be approved by a majority of all members. If the members of the Committee are interested in matters discussed at the meeting, they shall be abstained from voting. In the event that no effective review opinion is concluded due to the abstention from voting of any member of the Committee, the underlying matter shall be directly considered by the Board.

Article 23: Members of the Committee shall attend the meetings in person and express their clear opinions on the matters under consideration. If a member is unable to attend the meeting in person for any reason, he may submit a power of attorney signed by the member and appoint other member to attend and express opinions on his/her behalf. The power of attorney shall expressly state the scope and duration of the authorisation. Each member can only be authorised by one member.

Article 24: Voting at a meeting of the Committee shall be made by poll; an extraordinary meeting may be convened by voting through communication means.



- Article 25: Due to the need to discharge its duties, the Committee may engage its own auditing, consulting and other intermediary agencies to provide professional advice, with the related costs to be borne by the Company. When necessary, it may invite external individuals with relevant professional experience to attend its meetings.
- Article 26: The convening of the meetings of the Committee, the procedures for convening thereof, and the voting and audit opinion made thereat shall be in compliance with the relevant laws, regulations, the Articles of Association and the Working Rules.
- Article 27: The executive directors of the Company, the persons in charge of the relevant departments and the relevant personnel of the external accounting firm and legal advisers shall attend the meetings of the Committee when the Committee deems it necessary, to provide the necessary information and to answer the relevant questions of the members. The Committee may also invite the supervisors of the Company to attend the meetings of the Committee as necessary.
- Article 28: In reviewing financial report and annual, interim and quarterly reports of the Company, the Committee shall liaise with the Board and the senior management of the Company. The Committee shall give due consideration to any matters raised by the external accounting firm.
- Article 29: Prior to finalization of annual financial report, the Committee shall hold one meeting with the related executive directors of the Company without the presence of the external accounting firm thereat to acquire an understanding of the details about the financial report and to ask questions.
- The Committee may hold a meeting with the Audit Department and Legal Affairs Department of the Company without the presence of the Company's management thereat.
- Article 30: The Committee shall hold at least two meetings annually with the external accounting firm. Prior to finalization of annual financial report, the Committee shall hold at least one meeting with the external accounting firm without the presence of the executive directors thereat to communicate with the external accounting firm over the audit work of financial report.
- Article 31: The Company shall disclose the following information: a list of the members, the independence and the performance of duties of the Committee, the number of meetings and members' attendance of the meetings during the reporting period.

Where any material issue identified by the Committee in the course of performing its duties falls within information disclosure standards of the regulatory authorities, the Company shall disclose such issue and its rectification in a timely manner.

If the Committee makes recommendations to the Board on matters within the scope of its duties and responsibilities, and the Board does not adopt such recommendations, the Company shall disclose such matters and fully explain the reasons.

The Company shall disclose the special opinions issued by the Committee on major matters of the Company in accordance with the provisions of relevant laws, regulations, rules and normative documents.

Article 32: The Committee shall record minutes of meetings on which the members present thereat shall sign. The secretary to the Board shall ensure that the Committee has a complete set of records and is responsible for the minutes of meetings.

Article 33: The members present at a meeting shall have an obligation of confidentiality towards the matters discussed thereat. No members may divulge relevant information without authorization.

### **Chapter 5: Reporting Procedures**

Article 34: The resolutions passed by the Committee and the voting results thereof shall be submitted in writing to the Board of the Company for consideration and decision.

The Committee shall submit to the Board a report on the work it carried out and the review results of the annual financial report on an annual basis. The report shall include the following particulars:

- (1) the details about the review of the quarterly, interim and annual financial statements;
- (2) an assessment of the work of the external accounting firm, including an evaluation of the quality of services, the reasonableness of the fees charged and the recommendations on the reappointment or replacement of the external accounting firm;
- (3) an assessment of the internal audit by the Company as to whether the internal audit system was effectively implemented;

- (4) whether the Company's internal control and risk management systems were effectively implemented;
- (5) whether the financial information disclosed to the public by the Company was objective and truthful, and whether the significant connected transactions of the Company were in compliance with relevant laws and regulations;
- (6) an assessment of the work of the related departments (including their heads) of the Company; and
- (7) other related matters.

The Committee may submit an interim report to the Board according to the circumstances.

Article 35: The Committee shall circulate its minutes of meetings to the Board so that the Board is able to be informed of the recent work of the Committee in a timely manner.

Article 36: The reports and minutes of meetings to be submitted by the Committee to the Board shall be formally approved by the Committee before they are submitted to the Board.

## **Chapter 6: Supplementary Provisions**

Article 37: The term "more than" referred to in the Working Rules includes the original number.

Article 38: Any matters not covered hereunder shall be handled in accordance with the provisions of relevant laws and regulations of China as well as the relevant normative documents of regulatory authorities. In the event of any conflict between the Working Rules and the laws and regulations promulgated by the State in the future or the Articles of Association amended through legal procedures, the Working Rules shall come into force in accordance with the provisions of the relevant laws and regulations of the State and the Articles of Association.

Article 39: The Working Rules shall be construed and amended by the Board of the Company.

Article 40: The Working Rules shall come into force as of the date of consideration and approval by the Board of the Company.