

# **EEN Natural Gas Co., Ltd.**

## **Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors**

### **Chapter I General Provisions**

**Article 1** In order to further establish and improve the remuneration and appraisal management system for the Directors (non-independent Directors) and senior management personnel (hereinafter referred to as the “Managers”) of the Company and consummate the corporate governance structure, the Company specially establishes the Remuneration and Appraisal Committee under the Board of Directors and formulates these Rules pursuant to the *Company Law of the People’s Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Articles of Association of the Company* and other relevant regulations.

**Article 2** The Remuneration and Appraisal Committee shall be a special working body under the Board of Directors. It is primarily responsible for formulating the appraisal criteria for the Company’s Directors and Managers and carrying out such appraisal, drawing up and reviewing the remuneration policies and plans for the Company’s Directors and Managers, and taking accountability to the Board of Directors.

**Article 3** The Directors as mentioned in these Rules shall refer to the Directors who receive remuneration from the company. The Managers mentioned herein shall refer to the senior managers appointed by the Board of Directors.

### **Chapter II Composition**

**Article 4** The Remuneration and Appraisal Committee shall be

composed of at least three Directors, with independent Directors constituting a majority.

**Article 5** Members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board, more than half of independent Directors or one-third of all Directors and elected by the Board.

**Article 6** The Remuneration and Appraisal Committee shall have one Chairman (convener), held by an independent Director member, who shall be responsible for presiding over the Committee's work; the Chairman shall be elected among the Committee members and submitted to the Board of Directors for approval.

**Article 7** The tenure of the Remuneration and Appraisal Committee shall be the same as that of the Board of Directors. Upon expiration of the tenure, the Committee members may be re-elected for further tenure. During this period, a Committee member who no longer serves as a Director of the Company shall automatically be disqualified as a Committee member, and the Committee shall fill the vacant seat of Committee members in accordance with the provisions of Articles 4 to 6 above.

**Article 8** The Remuneration and Appraisal Committee shall set up a working group exclusively responsible for providing the materials in relation to the operation of the Company and the persons to be appraised, preparing for the meetings of the Remuneration and Appraisal Committee and implementing relevant resolutions of the Remuneration and Appraisal Committee.

### **Chapter III Duties and Powers**

**Article 9** Main duties and powers of the Remuneration and Appraisal Committee include:

(I) To formulate remuneration plans or schemes according to the main terms of reference, duties and significance of the management positions of the Directors and officers, as well as on the basis of the pay levels for the relevant positions at other relevant companies;

(II) To carry out the remuneration plans or schemes, including but not limited to performance appraisal criteria and procedures, main evaluation mechanism, awards and penalties;

(III) To review the performance of duties by the Directors and officers of the Company and to conduct appraisal of their annual performance;

(IV) To supervise the implementation of the remuneration system of the Company; and

(V) To perform other matters as authorized by the Board.

**Article 10** The Board of Directors shall have the right to veto any remuneration plan or scheme that jeopardizes the interests of the Company's shareholders.

**Article 11** The remuneration plan for the Company's Directors proposed by the Remuneration and Appraisal Committee shall, with the consent of the Board of Directors, be submitted to the Shareholders' General Meeting for deliberation and adoption before implementation; the remuneration distribution plan for the Manages of the Company shall be submitted to the Board of Directors for approval.

#### **Chapter IV Decision-making Procedures**

**Article 12** The working group under the Remuneration and Appraisal Committee shall be responsible for the preliminary preparation for the decision-making by the Committee and providing relevant information on the Company in respect of:

(I) The Company's major financial indicators and completion of

operation targets;

(II) Term of reference and main duties of the Company's officers;

(III) Completion of the targets involved in the work performance appraisal system for the Directors and officers;

(IV) Operating performance relating to the business innovation ability and profit creation ability of Directors and officers; and

(V) Relevant basis for calculation of the remuneration distribution plans and distribution methods of the Company prepared based on the performance of the Company.

**Article 13** Appraisal procedures for the Directors and officers by the Remuneration and Appraisal Committee:

(I) The Directors and officers of the Company shall report on their work and make self-evaluation to the Remuneration and Appraisal Committee under the Board;

(II) The Remuneration and Appraisal Committee shall appraise the performance of Directors and officers as per the criteria and procedures for performance appraisal;

(III) A proposal is made with respect to the remuneration amount and award methods for Directors and officers based on the position performance appraisal results and remuneration distribution policies, and submit the same to the Board of the Company after voting.

## **Chapter V Rules of Procedure**

**Article 14** The Remuneration and Appraisal Committee shall convene meetings every year based on actual needs and give notice to all of its members two days before the meetings. Such meetings shall be chaired by the Chairman of the Committee. If the Chairman is unable to attend a meeting, he may appoint another member (an independent Director) to chair the meeting.

**Article 15** A meeting of the Remuneration and Appraisal Committee shall only be held if more than two-thirds of the members are present thereat; each member shall have one vote; any resolutions made at the meeting shall be passed by a majority of all members.

**Article 16** Voting shall be made by a show of hands, by ballot or by communication at a meeting of the Remuneration and Appraisal Committee.

**Article 17** The Remuneration and Appraisal Committee may invite the Directors, Supervisors and officers of the Company to attend its meeting.

**Article 18** If necessary, The Remuneration and Appraisal Committee may engage an intermediary to provide professional opinions for its decision-making at the expense of the Company.

**Article 19** When an issue regarding a member of the Remuneration and Appraisal Committee is discussed at its meeting, the member concerned shall abstain from attending the meeting.

**Article 20** The convening procedure, method of voting and remuneration policies and distribution plans adopted by the Remuneration and Appraisal Committee shall comply with the provisions of relevant laws, regulations, the Articles of Association and these Rules.

**Article 21** Minutes shall be kept for the meetings of the Remuneration and Appraisal Committee, and the members present at the meetings shall sign such minutes; the meeting minutes shall be maintained by the Secretary of the Board.

**Article 22** Proposals and voting results passed at a meeting of the Remuneration and Appraisal Committee shall be reported to the Board in writing.

**Article 23** The members present at a meeting shall be obliged to keep the matters discussed at such meeting confidential and shall not

disclose relevant information without authorization.

## **Article VI Supplementary Provisions**

**Article 24** These Rules of Procedure shall take effect on a trial basis from the date of adoption of the Board resolution.

**Article 25** Matters not covered herein shall be subject to the provisions of relevant national laws and regulations as well as the Articles of Association of the Company; in case of any conflict between these Rules and the national laws and regulations to be enacted in future or the Articles of Association to be amended following legal procedures, the relevant national laws and regulations as well as the Articles of Association shall prevail.

**Article 26** The right to interpret these Rules shall reside in the Board of Directors.

EEN Natural Gas Co., Ltd.  
Board of Directors

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