



# ENN Natural Gas Co., Ltd.

(Stock Code: 600803)

## Independent director system

### Chapter I General Provisions

**Article 1** In order to further improve the governance structure of ENN Natural Gas Co., Ltd.(hereinafter referred to as the “Company”), promote the standardized operation of the Company and ensure the independent directors to perform duties, the System is formulated in accordance with the relevant laws and regulations including “Company Law of the People's Republic of China”, “Securities Law of the People's Republic of China”, “Rules for Independent Directors of Listed Companies”, “Rules for Listing Stocks of Shanghai Stock Exchange” and relevant provisions of the “Articles of Association”.

**Article 2** An independent director is a director who does not hold any position other than a member of a board of directors in the Company and does not have any relationship with the Company and its main shareholders which may hinder his/her independent and objective judgment.

**Article 3** Independent directors shall have good faith and diligence obligations to the Company and all shareholders. Independent directors shall, in accordance with the provisions of relevant laws, administrative regulations,

normative documents and “Articles of Association”, earnestly perform duties and safeguard the overall interests of the Company, and pay particular attention to the legitimate rights and interests of minority shareholders.

**Article 4** The number of independent directors of the Board of Directors of the Company shall not be less than one-third of the total number of directors specified in the “Articles of Association”.

The independent directors appointed by the Company shall include at least one accounting professional who is proficient in accounting expertise and rich in experience and meets at least one of the following conditions:

1. Have the qualification of certified public accountant;
2. Have senior professional titles, associate professor titles or doctoral degrees in accounting, auditing or financial management;
3. Have senior professional title in economic management and with more than 5 years of full-time working experience in accounting, auditing or financial management.

If an independent director fails to meet the conditions of independence or is not suitable for performing the duties of an independent director, thereby causing the number of independent directors of the Company to fall short of the requirements of the System, the Company shall timely supplement the number of independent directors according to relevant provisions.

**Article 5** An independent director shall perform duties independently and shall not be affected by principal shareholders, actual controllers, or other entities or individuals with interest in the Company.

**Article 6** In principle, an independent director shall concurrently serve as an independent director in a maximum of 5 domestic and overseas listed companies, and ensure sufficient time and energy to effectively perform duties as an independent director.

**Article 7** Independent directors and persons intending to serve as independent directors shall participate in the training organized by the China Securities Regulatory Commission and authorized institutions thereof in accordance with the requirements of the China Securities Regulatory Commission.

## **Chapter II Qualifications**

**Article 8** An independent director shall meet the following basic requirements:

(1) Be qualified to serve as a director of a listed company in accordance with laws, administrative regulations and other relevant provisions;

(2) Meet the relevant requirements of the “Rules for Independent Directors of Listed Companies”;

(3) Have basic knowledge of the operation of listed companies and familiar with relevant laws, administrative regulations, rules and regulations;

(4) Have at least 5 years of working experience in law, economy or other aspects necessary for performing the duties of independent directors;

(5) Other conditions stipulated in laws and regulations and “Articles of Association”.

**Article 9** An independent director must be independent and the followings shall not serve as independent directors:

(1) Personnel holding posts in the company or affiliated enterprises thereof, and direct relatives and major social relations thereof (direct relatives refer to spouses, parents, children, etc.) ; Main social relations refer to siblings, parents of spouses, spouses of children, spouses of brothers and sisters, brothers and sisters of spouses, etc.;

(2) Natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the company or is among the top 10 shareholders of the company and direct relatives thereof;

(3) Personnel who hold posts in companies directly or indirectly holding 5% or more of the issued shares of the Company or in the top five shareholders of the Company and direct relatives thereof;

(4) Personnel who hold posts in the actual controller of the company and affiliated enterprises thereof;

(5) Personnel providing financial, legal and consulting services for the Company and its controlling shareholders or respective affiliated enterprises thereof, including all personnel of the project team of the intermediary agencies providing services, reviewers at all levels, persons signing the report, partners and main responsible persons;

(6) Personnel serving as a director, supervisor or senior manager in the unit which have material business dealings with the Company or its controlling shareholders or respective affiliated enterprises thereof, or serving as a director,

supervisor or senior manager in the controlling shareholder unit of the unit that have business dealings;

(7) Personnel who have been under the circumstances listed in the preceding six items in the last 12 months;

(8) Other personnel prescribed by laws, administrative regulations and departmental rules;

(9) Other personnel specified in the “Articles of Association”;

(10) Other personnel identified by the China Securities Regulatory Commission or the Shanghai Stock Exchange.

The subsidiary enterprises of the controlling shareholders and actual controllers of the listed company mentioned in Items No.(4), No.(5) and No.(6) of the preceding paragraph exclude the affiliated enterprises that do not constitute an affiliated relationship with the listed company in accordance with provisions of Article 6.3.4 of the “Stock Listing Rules”.

### **Chapter III Nomination, Election, Appointment and Replacement**

**Article 10** The Board of Directors, the Board of Supervisors of the Company, and the shareholders holding more than 1% of the issued shares of the Company individually or jointly, may propose candidates for independent directors and be elected by the general meeting of shareholders.

**Article 11** The nominee of an independent director shall obtain the consent of the nominee before nomination. The nominator shall fully understand the nominee's occupation, educational background, professional title, detailed work experience, all

part-time jobs, and so forth, and express opinions on the qualifications and independence to be an independent director. The nominee shall make a public statement that there is no relationship between him or her and the Company that affects his or her independent and objective judgment.

The independent director nominator shall prudently verify the capacity of the independent director nominee to perform duties and whether there are any circumstances affecting their independence, and make a statement on the verification results.

**Article 12** When disclosing the notice of convening the general meeting of shareholders on the election of independent directors, the Board of Directors of the Company shall publish relevant contents in accordance with Article 11 of the System, and submit relevant materials of all nominees (including but not limited to the nominator statement, candidate statement and curriculum vitae of independent directors) to Shanghai Stock Exchange. If the Board of Directors of the Company objects to the relevant information of the nominee, written comments of the Board of Directors shall be submitted in the meantime.

**Article 13** When the Company convenes the general meeting of shareholders to elect independent directors, the Board of Directors of the Company shall explain whether the candidate for independent director has been objected to by the Shanghai Stock Exchange. The Company shall not submit to the general meeting of shareholders any candidate for independent director, whom the Shanghai Stock Exchange has objections to, to be elected as an independent director, and shall postpone or cancel the general meeting of shareholders or cancel the relevant

proposals of the general meeting of shareholders in accordance with the “Rules for General Meeting of Listed Companies” of the China Securities Regulatory Commission.

**Article 14** The term of office of an independent director shall be identical with that of other directors of the Company, and may be re-elected after the expiration of the term of office, provided that the term of re-election shall not exceed six years.

**Article 15** If the independent director fails to attend the board meeting in person for 3 consecutive times, the Board of Directors shall submit to the general meeting of shareholders for replacement.

Before the expiration of the term of office of an independent director, the Company may remove the independent director from his/her office through legal procedures. If the Company remove from his/her office in advance, the Company shall disclose it as a special disclosure.

**Article 16** Independent directors may submit resignation before the expiration of term of office. The independent director shall submit a written resignation report to the Board of Directors for resignation, stating any circumstances relating to his/her resignation or which he/she considers necessary to bring to the attention of the shareholders and creditors of the Company.

If the proportion of independent directors on the Board of Directors of the Company is less than one third due to the resignation of an independent director, the resignation report of the independent director shall take effect after the next independent director fills the vacancy.

## Chapter IV Functions

**Article 17** In addition to the functions and powers conferred on the directors by the “Company Law” and other relevant laws and regulations, the Company shall assign the following functions and powers to independent directors:

1. Significant related party transactions (referring to related party transactions that the Company intended to achieve with the affiliate party with a total amount of more than RMB 3 million or higher than 5% of the Company’s latest audited net assets) shall be approved by independent directors in advance. Before making judgment, the independent directors may employ an intermediary organization to issue independent financial consultant report as the basis for judgment;

2. Propose to the Board of Directors the employment or dismissal of the accounting firm;

3. Propose to the Board of Directors for convening the extraordinary general meeting of shareholders;

4. Propose the convening a meeting of the Board of Directors;

5. Publicly solicit voting rights from shareholders before the general meeting of shareholders;

6. Independently employ external audit institutions and consulting institutions to audit and consult specific matters of the Company;

7. Other functions and powers stipulated in laws and regulations, relevant provisions of China Securities Regulatory Commission, Shanghai Stock Exchange and “Articles of Association”.



Independent directors shall obtain consents of more than half of all independent directors when exercising their functions and powers as specified in Items No. 1 to No. 5 of the preceding Article; The exercise of the functions and powers specified in Item No. 6 of the preceding paragraph shall be subject to the consent of all independent directors.

Item No. 1 and No. 2 shall only be submitted to the Board of Directors for discussion upon approval of more than half of the independent directors.

If the proposal listed in Paragraph 1 of the Article is not adopted or the above functions and powers cannot be exercised normally, the Company shall disclose the relevant information.

Where laws, administrative regulations and China Securities Regulatory Commission provide otherwise, such provisions shall prevail.

**Article 18** The Board of Directors of the Company consists of Strategic Committee, Audit Committee, Nomination Committee, Compensation and Assessment Committee, Related Transactions Control Committee and other relevant specialized committees.

The independent directors shall constitute a majority of the members of the Audit Committee, the Nomination Committee and the Compensation and Assessment Committee and shall act as conveners, and the conveners of the Audit Committee shall be accounting professionals.

The Related Transactions Control Committee shall consist of at least three members, and independent directors shall constitute a majority, with at least one accounting professional among the independent directors; The Related Transactions

Control Committee shall have a chairman who shall be elected among all the members of the committee and submitted to the Board of Directors for approval. The chairman shall be an independent director who shall be responsible for presiding over the Related Transactions Control Committee.

**Article 19** In addition to performing the above duties, independent directors shall also express independent opinions to the Board of Directors or the General Meeting of Shareholders on the following matters:

1. Nomination, appointment and removal of directors;
2. Appointment or dismissal of senior operating personnel's;
3. Remuneration of directors and senior operating personnel's of the Company;
4. The shareholders, actual controllers and affiliated enterprises of the Company have borrowed from or other capital transactions with the Company with the existing or newly incurred total amount of more than 3 million yuan or 5% higher than the latest audited net assets of the Company, and whether the Company has taken effective measures to recover the arrears;
5. Hiring and dismissing accounting firms;
6. Modification of accounting policies, accounting estimates or correction of major accounting errors due to reasons other than changes in accounting standards;
7. Non-standard and unqualified audit opinions are given by the accounting firm on the financial accounting report and internal control of the Company;
8. Internal control evaluation report;
9. Plan of commitment change by interested parties;

10. Impact of the issuance of preferred shares on equities of various shareholders of the Company;

11. Formulate profit distribution policy, profit distribution scheme and cash dividend scheme;

12. Major matters such as related transactions to be disclosed, provision of guarantee (excluding guarantee for subsidiaries within the scope of consolidated statements), entrusted financial management, provision of financial support, use of raised funds, investment of stocks and derivatives thereof;

13. Major asset reorganization scheme, management buy-out, equity incentive plan, employee stock ownership plan, share repurchase scheme, scheme of repaying debts with non-cash assets of related parties of listed company;

14. The Company intends to decide that the stocks of the Company will no longer be traded on the Shanghai Stock Exchange;

15. Matters deemed by independent directors to damage the rights and interests of minority shareholders;

16. Other matters specified in laws, administrative regulations, China Securities Regulatory Commission and “Articles of Association”.

The independent director shall make one of the following opinions on the above matters: Agree; Reservations and reasons; Objections and reasons; Inability to express opinions and obstacles.

**Article 20** Independent opinions issued by independent directors on major matters shall at least include the following contents:

(1) Basic information of major matters;

(2) The basis for opinions, including the procedures performed, documents verified and contents of on-site inspection;

(3) Legitimacy and compliance of major matters;

(4) Impacts on the equity of listed companies and minority shareholders, possible risks and effectiveness of the measures taken by the Company;

(5) Concluding observations published. The relevant independent director concerned shall clearly state the reasons for reservations or objections made to a major matter and obstacles for the inability to express opinions on a major matter.

Independent directors shall sign and confirm the independent opinions issued, report the above opinions to the Board of Directors in a timely manner, which shall be disclosed together with relevant announcements of the Company.

**Article 21** If an independent director discovers that any of the following circumstances exists in a listed company, he/she shall take the initiative to perform due diligence obligations and report to the Shanghai Stock Exchange in a timely manner, and, if necessary, engage an intermediary institution to carry out special inspection:

(1) Failure to carry out the deliberation procedures for major matters as required;

(2) Failure to perform information disclosure obligations in a timely manner;

(3) False records, misleading statements or material omissions in the disclosure of information;

(4) Other circumstances suspected of violating laws and regulations or damaging the legitimate rights and interests of minority shareholders.

**Article 22** In addition to attending the meetings of the Board of Directors, the independent directors shall ensure that reasonable time shall be arranged to carry out on-site inspection on the construction and implementation of production and operation conditions, management and internal control systems of listed companies, as well as the implementation of resolutions of the Board of Directors. Any abnormal situation found during on-site inspection shall be promptly reported to the Board of Directors of the Company and the Shanghai Stock Exchange.

**Article 23** If the relevant matters require disclosure, the Company shall announce the opinions of independent directors. In case of disagreement among independent directors, the Board of Directors shall disclose the opinions of each independent director separately.

**Article 24** In order to ensure the effective exercise of functions and powers of independent directors, the Company shall provide him or her with the necessary conditions:

(1) The Company shall ensure that independent directors enjoy the same right to know as other directors. The Company shall notify the Independent Directors in advance and provide sufficient materials at the same time according to legal time for matters requiring decision-making by the Board of Directors. If the independent director considers that the information is insufficient, he or she may request supplementation. When 2 or more independent directors consider that the information is insufficient or the demonstration is unclear, the Board of Directors may jointly propose in writing to the Board of Directors to postpone the meeting of the Board of

Directors or defer the consideration of the matter, which shall be adopted by the Board of Directors.

The information provided by the Company to independent directors shall be kept by the Company and the Independent Director himself for at least 5 years.

(2) The Company shall provide the working conditions necessary for independent directors to perform their duties. The Secretary of the Board of Directors of the Company shall actively assist to independent directors in fulfilling their duties, such as introducing information and providing materials, regularly notifying the operation of the Company, and organizing field visits by independent directors if necessary. If the independent opinions, proposals and written statements made by independent directors shall be announced, the Company shall promptly assist in handling the announcement matters.

(3) When an independent director exercises his or her functions and powers, the personnel concerned of the Company shall actively cooperate and shall not refuse, obstruct or conceal or interfere with the independent exercise of his or her functions and powers.

(4) The expenses incurred by the independent director to hire an intermediary institution and other expenses necessary for the exercise of his functions and powers shall be borne by the company.

(5) The company shall grant appropriate allowances to independent directors. The standard of allowance shall be prepared by the Board of Directors, approved by the shareholders' meeting and disclosed in the annual report of the Company.

(6) Except for the above allowances, independent directors shall not obtain additional and undisclosed benefits from the Company as well as its main shareholders or interested institutions and personnel.

**Article 25** In the event of a conflict among shareholders or among the directors of the Company, which has a significant impact on the operation and management of the Company, the independent directors shall actively perform their duties and protect the overall interests of the Company.

**Article 26** Independent directors shall submit reports on their duties to the annual shareholders' general meeting of listed companies and disclose them. The report shall include the following contents:

- (1) Mode and frequency of attendance at the Board of Directors, voting situation and the number of attendance at the shareholders' meeting;
- (2) Information on the expression of independent opinions;
- (3) Information about on-site inspections;
- (4) Proposing to convene the Board of Directors, proposing to hire or dismiss accounting firms, and engaging external audit institutions and consulting institutions independently;
- (5) Other work done to protect the legitimate rights and interests of small and medium-sized shareholders.

## **Chapter V Supplementary Provisions**

**Article 27** For matters not covered in the Rules, the Company shall comply with relevant laws, administrative regulations, departmental rules, normative

documents and “Articles of Association”.

**Article 28** This System is formulated and interpreted by the Board of Directors of the Company.

**Article 29** This System shall come into effect as of the date when it has been approved by the Board of Directors and submitted to the Shareholders' General Meeting for review and approval. The same shall apply when needing amendments.

ENN Natural Gas Co., Ltd.

Board of Directors

July 25, 2022