



華能新能源股份有限公司
Huaneng Renewables Corporation Limited *

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

Terms of Reference for Audit Committee

Article 1 In order to regulate the organization, responsibilities and working procedures of the Audit Committee of the Board of Directors of Huaneng Renewables Corporation Limited (the “Company”) to maintain the truth of financial information and the effectiveness of internal control of the Company, these Terms of Reference are formulated in accordance with the Company Law of the People’s Republic of China, Code on Corporate Governance Practices to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter the “Hong Kong Listing Rules”), Articles of Associations of Huaneng Renewables Corporation Limited (hereinafter the “Articles of Association”), the Terms of Reference for the Board of Directors of Huaneng Renewables Corporation Limited and other applicable regulations.

Article 2 The Audit Committee is a specialized committee established by, under and responsible for the Board of Directors to which it shall report.

The Audit Committee shall comply with the applicable laws and regulations, the Articles of Association and these Terms of Reference to discharge its responsibilities and be supervised by the Board of Supervisors of the Company in accordance with the law.

Article 3 The Audit Committee shall consist of three non-executive Directors, the majority of whom are independent non-executive Directors. The Audit Committee shall have one chairman who shall be appointed by the Board of Directors and must be an independent non-executive Directors.

* *For identification purpose only*

Article 4 The members of the Audit Committee shall:

- (1) have skill and experience competent to the business of the Company;
- (2) have sufficient knowledge about finance and accounting;
- (3) have at least one member with appropriate professional qualifications of accounting or related financial management expertise, to comply with the requirements of the Hong Kong Listing Rules (including its amendments) regulating the accounting expert for Audit Committee.

Article 5 The members of the Audit Committee shall be appointed or removed by the Board of Directors. The term of the members of Audit Committee is the same with that of the Board and renewable upon re-election. During the term, if any member of the Audit Committee ceases to hold office as a Director or an independent non-executive Director of the Company, he shall automatically lose the qualification as a member of the Audit Committee. In this case, the Board of Directors shall appoint another member promptly to meet the quorum of the Audit Committee according to aforesaid provisions.

Article 6 The Audit Committee shall hold at least two meetings a year, of which at least once shall meet with the Company's external auditor without executive Director(s). Meetings could be held in person or through other electronic means of communication. The chairman of the Audit Committee may, or upon request of the external auditor or internal auditor, convene a meeting. The Board of Directors or any member of the Audit Committee may propose to hold a meeting of the Audit Committee.

The quorum for meetings of the Audit Committee shall be two-thirds of the members or more. The chairman, or in the absence of the chairman, another member authorized by the chairman, shall preside over the meeting. The chairman shall be responsible for leading the work of the Audit Committee, including arrangement of the meetings, drafting proposals of meetings and reporting to the Board of Directors regularly. To the extent that any member cannot attend the meetings with reasons, he may authorize another member in writing to represent him.

Resolutions of the Audit Committee shall be passed by at least two-thirds of the members of the Audit Committee.

All members attending the meeting are obliged to keep the matters of the meeting confidential and forbidden to disclose any unauthorized information.

Article 7 The Audit Committee shall hold at least two regular meetings a year. A proposal shall be submitted to the Board of Directors after each regular meeting according to the discussion.

- (1) The first regular meeting shall be held to discuss the following proposals prior to the meeting of the Board of Directors in which the final results are reviewed:

the financial statements of preceding financial year and profit distribution plan of the Company;

the internal audit report of preceding financial year of the Company;

the internal control report of the preceding financial year of the Company;

the report on the connected transactions occurred in the preceding financial year of the Company;

the report on the audit fees for the external auditor;

the proposal on engagement with Chinese and overseas external auditors for current year;

the audit report of the preceding financial year of the Company prepared by the external auditor.

- (2) The second regular meeting shall be held to discuss the following proposals prior to the meeting of the Board of Directors in which the interim financial results are reviewed:

the interim financial results and proposed profit distribution plan of the Company;

the opinions on the review of the interim financial results of the Company reported by the external auditor.

Article 8 The Audit Committee may authorize the secretary of the Board of Directors to handle the routines as follows:

- (1) to send the agenda and relevant supporting documents for any meeting of the Audit Committee 7 days prior to any such meeting;
- (2) to draft the minutes of the meeting and the proposals of the Audit Committee by consolidating the opinions of the members attending the meeting, and send those documents to the members for signing.
- (3) to send the minutes of the meetings and attendance records with the name of relevant members to the Board of Directors and members of the Audit Committee within 14 days after the meeting.

Article 9 The duties of the Audit Committee shall include the following:

- (1) to be primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any questions of its resignation or dismissal;
- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- (3) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the board, identifying any matters where action or improvement is needed and making recommendations on;

- (4) to monitor the integrity of the Company's financial statements, annual report, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

Regarding paragraph (4) above, members of the Audit Committee should liaise with the Board of Directors and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors. Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the financial statements and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- (5) to review the Company's financial monitoring, internal control and risk management systems;
- (6) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

- (7) to consider any major investigation findings on internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;
- (8) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (9) to review the Company's financial and accounting policies and practices;
- (10) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial statements or systems of control and management's response;
- (11) to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (12) to report to the Board of Directors on the matters in the relevant code provisions stated in Appendix 14 "Corporate Governance Code" to Hong Kong Listing Rules;
- (13) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (14) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (15) to review the continuing connected transactions of the Company to ensure compliance with terms of approval by the shareholders of the Company;
- (16) to consider any other matters, as raised by the Board of Directors from time to time; and
- (17) to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company.

Article 10 The Audit Committee should establish relevant procedures to handle the complaints as follows:

- (1) to receive, maintain and handle the complaints received by the Company on accounting, internal accounting control and audit matters;
- (2) to receive and handle the complaints or anonymous whistleblowing on accounting or audit matters raised by the employees and keep it confidential.

Article 11 The Audit Committee shall keep regular liaison with the Board of Directors, senior management and external auditor. The Audit Committee should have a sufficient channel to communicate with the management and may invite the management or other persons to attend the meetings of the Audit Committee. The Audit Committee may also consult the Chairman of the Board of Directors and/or the President of the Company about their opinions on financial reporting and internal control matters, as well as the relationship between the Company and the auditor.

The Audit Committee shall, at least once a year, meet with the Company's external auditor without executive Directors.

Article 12 The Audit Committee is, when exercising its duties and considering it to be necessary and is authorized by the Board of Directors, entitled to engage independent accountants, legal counsels and other independent consultants for professional advice and to invite a third party who possesses relevant experience and expertise to attend the meeting of the Audit Committee.

The Company shall assume the reasonable expenses for the engagement of external consultants by the Audit Committee when it exercises its duties.

Article 13 The Audit Committee shall report its decisions and proposals in writing to the Board of Directors and report regularly to the Board of Directors on the following issues:

- (1) to assist the Board of Directors to be informed promptly on major issues which might influence the financial status and business operation of the Company;
- (2) the self-appraisal of the Audit Committee and each member on fulfilling its duties.

Article 14 The Company shall provide necessary resources for the Audit Committee to perform its duties.

Article 15 For the purpose of these Terms of Reference, the terms of “more” or “less” shall each include the said number; the term “exceed” shall not include the said number; the “day” means business day. Unless otherwise indicated, the terms used in these Terms of Reference shall have the same meaning with those in the Articles of Association.

Article 16 These Terms of Reference shall be effective as at the date when it is approved by the Board of Directors.

Article 17 These Terms of Reference shall be interpreted by the Board of Directors.

Adopted on 23 November 2010, and revised on 19 March 2012.

Note: The Terms of Reference was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.