



# 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.(hereafter referred to as the “Company”), promote the standardization 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 Company”, “Rules for Listing Stocks of Shanghai Stock Exchange”, “ENN Natural Gas Articles of Association”(hereafter referred to as the “Articles of Association”), and relevant provisions and regulations of laws.

**Article 2** An independent director is a director who does not hold any position other than a member of the Board of Directors in the Company and has no direct or indirect interest relationship with the Company and its major shareholders and actual controllers, or any other relationship that may affect his independent and objective judgment.

**Article 3** Independent directors shall have good faith and diligence obligations to the Company and all shareholders. They shall, in accordance with the provisions of relevant laws, administrative regulations, regulations of the China Securities Regulatory Commission, business rules of the stock exchange, and requirements of the “Articles of Association”, earnestly perform duties and play a role in decision-making, supervisory checks and balances, and professional consulting in the Board of Directors, safeguard the overall interests of the Company, and protect 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 a 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 have more than 5 years of full-time working experience in accounting, auditing, or financial management.

In the Nomination Committee and the Remuneration and Assessment Committee, more than half of the members should be independent directors who also serve as conveners. In the Audit Committee, more than half of the members should be independent directors, and a professional accountant among the independent directors should serve as the convener.

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

**Article 6** In principle, an independent director shall concurrently serve as an independent director in a maximum of 3 domestic listed companies, and should ensure sufficient time and energy to effectively perform duties as an independent director.

**Article 7** Independent directors should continuously strengthen their learning of securities laws, regulations, and rules, and constantly improve their ability to perform their duties.

## **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. Meets the independence requirements stipulated in Article 9 of this system;
3. Have basic knowledge of the operation of listed companies and familiar with relevant laws, administrative regulations, rules, and regulations;
4. Have more than 5 years of working experience in law, accounting, or economy necessary for performing the duties of independent directors;
5. Have a good personal character and does not have any major dishonesty or other bad records;
6. Other conditions stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, business rules of the stock exchange, and “Articles of Association”.

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

1. Personnel who hold posts in the Company or affiliated enterprises thereof, and their spouses, parents, children and main social relations;
2. Natural person shareholders who directly or indirectly hold more than 1% of the issued shares of the Company or are among the top 10 shareholders of the Company and their spouses, parents and children;
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 their spouses, parents and children;
4. Personnel who hold posts in the affiliated enterprises of the Company’s controlling shareholders and actual controllers and their spouses, parents, and children;
5. Personnel who have significant business dealings with the Company and its controlling shareholders, actual controllers, or their respective subsidiaries, or personnel who hold posts in enterprises with significant business dealings and their controlling shareholders, actual controllers.
6. Personnel providing financial, legal, consulting and sponsorship and other services for the Company and its controlling shareholders, actual controllers or respective affiliated enterprises thereof, including but is not limited to, all

personnel of the project team of the intermediary agencies providing services, reviewers at all levels, persons signing the report, partners, directors, senior management, and main responsible persons;

7. Personnel who have been under the circumstances listed in the preceding six items in the last 12 months;
8. Other personnel who do not have independence as stipulated by laws, administrative regulations, regulations of the China Securities Regulatory Commission, business rules of the stock exchange, and the “Articles of Association”.

The term “major social relations” as mentioned in the preceding paragraph refers to siblings, siblings’ spouses, spouse’s parents, spouse’s siblings, children’s spouses, and parents of children’s spouses, etc. “Significant business dealings” refers to matters that need to be submitted to the shareholders’ meeting for review according to the “Shanghai Stock Exchange Stock Listing Rules” or the “Articles of Association”, or other significant matters recognized by the securities exchange. “Hold posts” refers to serving as a director, supervisor, senior management, and other staff.

Independent directors should conduct a self-inspection of their independence annually and submit the self-inspection results to the Board of Directors. The Board of Directors should evaluate the independence of the incumbent independent directors annually and issue a special opinion, which should be disclosed simultaneously with the annual report.

### **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, can propose candidates for independent directors and the independent director shall be elected by the shareholders’ meeting.

The investor protection institutions established in accordance with the law can publicly request shareholders to entrust them to exercise the right to nominate independent directors on their behalf.

The nominator mentioned in the first paragraph of this Article shall not nominate persons who have an interest relationship with them or other persons with close relationships that may affect the independent performance of duties as candidates for independent directors.

**Article 11** The nominator 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, whether there are any significant records of dishonesty, and so forth, and express opinions on their independence and other conditions for serving as an independent director. The nominee should make a public statement about their compliance with the independence and other conditions for serving as an independent director.

**Article 12** The Nomination Committee of the Company shall review the qualifications of the nominees and form a clear review opinion.

The Company shall, no later than when announcing the notice of convening the shareholders' meeting for the election of independent directors, disclose the relevant content in accordance with Article 11 of the System and the provisions of the preceding paragraph, and submit relevant materials of all nominees (including but not limited to the nominator's statement, candidate's statement, and resume of independent directors) to the Shanghai Stock Exchange. At the same time, the relevant declarations and commitments and the review opinions of the Nomination Committee or the special meeting of independent directors shall be disclosed, and the authenticity, accuracy, and completeness of the announcement content shall be ensured.

The Company's shareholders' meeting electing more than two independent directors shall implement a cumulative voting system. The voting situation of minority shareholders shall be counted separately and disclosed.

When the Company convenes the shareholders' meeting 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. If the Shanghai Stock Exchange raises objections to the qualifications and independence of the candidate for independent director, the Company shall not submit them for

election at the shareholders' meeting. If it has already been submitted to the shareholders' meeting for review, the proposal should be cancel.

**Article 13** The term of office of an independent director shall be identical with that of other directors of the Company, and can be re-elected after the expiration of the term of office, provided that the continuous term of office shall not exceed six years. If an independent director has served continuously for 6 years in the company, they cannot be nominated as a candidate for independent director of the company within 36 months from the date of this fact.

**Article 14** Before the expiration of the term of office of an independent director, the Company can remove the independent director from his/her office through legal procedures. If the Company removes him/her from office in advance, the Company shall promptly disclose the specific reasons and basis. If the independent director objects, the Company shall disclose it in a promptly manner.

If an independent director does not comply with the provisions of the Items NO.1 and NO.2 of Article 8 of this system, they should immediately stop performing their duties and resign. If they don't resign, the Board of Directors should immediately dismiss them in accordance with the regulations after knowing or should have known that this fact has occurred.

If the resignation or dismissal of an independent director due to the circumstances mentioned in the previous paragraph results in the proportion of independent directors in the Board of Directors or its special committees not complying with this system or the provisions of the "Articles of Association", or if there is a lack of accounting professionals among the independent directors, the Company should complete the by-election within 60 days from the date of the occurrence of the aforementioned fact.

**Article 15** Independent directors may submit resignation before the expiration of the 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. The Company should disclose the reasons for the resignation of the independent director and matters of concern.

If the resignation of an independent director will result in the proportion of independent directors in the Board of Directors or its special committees not

complying with this system or the provisions of the “Articles of Association”, or if there is a lack of accounting professionals among the independent directors, the independent director intending to resign should continue to perform their duties until the date of the new independent director’s appointment. The Company should complete the by-election within 60 days from the date the independent director proposes to resign.

## **Chapter IV      Functions**

**Article 16** Independent directors shall perform the following duties:

1. Participate in the decision-making of the Board of Directors and express clear opinions on the matters under discussion;
2. Supervise the potential significant conflicts of interest between the Company, its controlling shareholders, actual controllers, directors, and senior management as listed in Article 21 of the System, the Article 8 of “ENN Natural Gas Board of Directors Audit Committee Rules of Procedure”, the Article 7 of “ENN Natural Gas Board of Directors Nomination Committee Rules of Procedure”, and the Article 9 of “ENN Natural Gas Board of Directors Compensation and Assessment Committee Rules of Procedure”, to ensure that the board’s decisions align with the overall interests of the Company and protect the rights and interests of minority shareholders;
3. Provide professional and objective advice on the Company’s operational development to enhance the level of board decision-making;
4. Other duties stipulated by laws, administrative regulations, regulations of China Securities Regulatory Commission, and the “Articles of Association”.

**Article 17** Independent directors have the following special powers:

1. Independently hire intermediaries to audit, consult, or inspect specific Company matters;
2. Propose to the Board of Directors to convene an extraordinary shareholders’ meeting;
3. Propose to convene a Board of Directors meeting;
4. Publicly solicit shareholder rights in accordance with the law;

5. Issue independent opinions on matters that may harm the interests of the Company or minority shareholders;
6. Other functions and powers stipulated in laws, administrative regulations, relevant provisions of China Securities Regulatory Commission, Shanghai Stock Exchange and the “Articles of Association”.

The exercise of powers listed in Items No.1 to No.3 of the preceding Article by independent directors shall be approved by more than half of all independent directors.

The Company shall promptly disclose when independent directors exercise the powers listed in the Items No.1 of the preceding Article. If the above powers cannot be exercised normally, the Company shall disclose the specific situation and reasons.

**Article 18** Before the convening of the Board of Directors meeting, independent directors can communicate with the secretary of the Board of Directors, inquire about the items to be reviewed, request additional materials, make suggestions. The Board of Directors and relevant personnel shall seriously study the questions, requirements, and opinions raised by the independent directors, and promptly feedback the implementation of the proposal modifications to the independent directors.

**Article 19** Independent directors shall personally attend the Board of Directors meetings. If unable to attend in person, they shall review the meeting materials in advance, form a clear opinion, and entrust other independent directors to attend on their behalf in writing.

If an independent director fails to personally attend two consecutive Board of Directors meetings and also fails to entrust other independent directors to attend on their behalf, the Board of Directors shall propose to convene a shareholders’ meeting to dismissal the independent director within 30 days from the date of the occurrence of this fact.

**Article 20** If an independent director votes against or abstains from a Board of Directors proposal, they shall state the specific reasons and basis, the legality and compliance of the proposal, potential risks, and the impact on the Company and rights and interests of minority shareholders. When the Company discloses the Board of Directors’ resolution, it should also disclose the dissenting opinions of the independent directors, which shall be recorded in the Board of Directors’ resolution



and meeting minutes.

**Article 21** The following matters should be submitted to the Board of Directors for review after being approved by more than half of all independent directors of the Company:

1. Related transactions should be disclosed;
2. The Company and related parties' plans to change or exemptions commitments;
3. Decisions and measures taken by the Board of Directors of the acquired company regarding the acquisitions;
4. Other matters stipulated by laws, administrative regulations, the regulations of China Securities Regulatory Commission, and the "Articles of Association".

**Article 22** The Company shall regularly or irregularly convene meetings attended by all independent directors (hereinafter referred to as "Independent Director Special Meetings"). Matters listed in the Item NO.1 to NO.2 of the paragraph of Article 17 and Article 21 of this system shall be reviewed at the Independent Director Special Meetings.

Independent Director Special Meetings can discuss other matters of the Company as needed.

Independent Director Special Meetings shall be convened and chaired by an independent director elected by more than half of the independent directors; if the convener doesn't perform his duties or unable to perform his duties, two or more independent directors can convene and elect a representative to chair the meeting on their own.

The Company shall facilitate and support the convening of Independent Director Special Meetings.

**Article 23** Independent directors shall perform their duties in the Board of Directors' special committees in accordance with laws, administrative regulations, the regulations of China Securities Regulatory Commission, business rules of the stock exchange, and the "Articles of Association". Independent directors shall personally attend the special committee meetings. if unable to attend in person, they shall review the meeting materials in advance, form a clear opinion, and entrust other independent

directors to attend on their behalf in writing. If independent directors become aware of significant matters within the scope of the special committee's responsibilities during their tenure, they can promptly request the special committee to discuss and review according to procedures.

**Article 24** Independent directors shall continuously pay attention to the implementation of the Board of Directors' resolutions related to the matters listed in Article 21 of the System, the Article 8 of "ENN Natural Gas Board of Directors Audit Committee Rules of Procedure", the Article 7 of "ENN Natural Gas Board of Directors Nomination Committee Rules of Procedure", and the Article 9 of "ENN Natural Gas Board of Directors Compensation and Assessment Committee Rules of Procedure". If they find any violations of laws, administrative regulations, the regulations of China Securities Regulatory Commission, business rules of the Shanghai Stock Exchange, and the "Articles of Association", or any violations of shareholders' meeting and Board of Directors' resolutions, they shall promptly report to the Board of Directors and can request the Company to provide a written explanation. If the matter involves disclosure, the Company shall disclose it promptly.

If the Company fails to provide an explanation or timely disclosure as stipulated in the preceding paragraph, independent directors can report to the China Securities Regulatory Commission and Shanghai Stock Exchange.

**Article 25** The 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 content of on-site inspections;
3. Legitimacy and compliance of major matters;
4. Impact on the equity of the Company and minority shareholders, possible risks, and the 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 26** Independent directors shall work on-site at the Company for no less than 15 days each year.

In addition to attending shareholders' meeting, Board of Directors meetings and their special committees, and Independent Director Special Meetings as stipulated, independent directors can perform their duties through regular acquisition of Company operation information, listening to management reports, communicating with the heads of internal audit institutions and accounting firms undertaking the Company's audit business, on-site inspections, and communicating with minority shareholders, among other methods.

The Company shall improve the communication mechanism between independent directors and minority shareholders, and independent directors can verify investor questions in a timely manner with the Company.

**Article 27** The Company's Board of Directors and its special committees, and Independent Director Special Meetings, shall make meeting records as stipulated, and the opinions of independent directors shall be recorded in the meeting records. Independent directors shall sign and confirm the meeting records.

Independent directors shall make work records, detailing the perform of their duties. Materials obtained during the perform of duties by independent directors, relevant meeting records, and communication records with Company and intermediary agency staff constitute parts of the work records. For important content in the work records, independent directors can require the secretary of the Board of Directors and other relevant personnel to sign and confirm, and the Company and relevant personnel shall cooperate.

The work records of independent directors and materials provided by the Company to independent directors shall be preserved for at least 10 years.

**Article 28** In order to ensure the effective exercise of functions and powers of independent directors, the Company shall provide the following guarantees for the perform of duties by independent directors:

1. The Company shall ensure that independent directors have the same right to

know as other directors. In order to ensure the effective exercise of functions and powers of independent directors, the Company shall regularly report on the Company's operations, provide materials, organize or cooperate with independent directors in conducting on-site inspections, and so on. The Company can organize independent directors to participate in research and demonstration stages before the Board of Directors review major complex matters, fully listen to the opinions of independent directors, and promptly feedback the adoption of opinions to independent directors.

2. The Company shall promptly issue Board of Directors meeting notices to independent directors, provide relevant meeting materials no later than the notice period stipulated by laws, administrative regulations, the regulations of China Securities Regulatory Commission, or the "Articles of Association", and provide effective communication channels for independent directors; when the Board of Directors' special committee holds a meeting, the Company shall in principle provide relevant materials and information no later than 3 days before the special committee meeting. The Company shall keep the above meeting materials for at least 10 years.

Two or more independent directors who believe that the meeting materials are incomplete, insufficiently substantiated, or not provided in a timely manner can submit a written request to the Board of Directors to postpone the meeting or defer consideration of the matter, which the Board of Directors shall adopt.

The principle is that meetings of the Board of Directors and special committees are held on-site. On the premise of ensuring that all directors attending the meeting can fully communicate and express their opinions, if necessary, they can be held by video, telephone, or other methods in accordance with the procedure.

3. The Company shall provide the necessary working conditions and personnel support for the performance of duties by independent directors, designate the investor relations department, the secretary of the Board of Directors, and other specialized departments and personnel to assist independent directors perform their duties. The secretary of the Board of Directors shall ensure smooth communication between independent directors and other directors, senior management, and other relevant personnel, and ensure that independent directors can obtain sufficient resources and necessary professional opinions when

performing their duties.

4. When independent directors exercise their functions and powers, the Company directors, key management personnel, and other relevant personnel of the Company shall cooperate, and shall not refuse, hinder, conceal, or interfere with the independent exercise of their powers.

If independent directors encounter obstacles in exercising their functions and powers according to the law, they can report the situation to the Board of Directors, request cooperation from directors, senior management, and other relevant personnel, and record the specific situation of the obstacles and the resolution in the work records; if the obstacles still cannot be eliminated, they can report to the China Securities Regulatory Commission and the stock exchange.

If the matters performed by independent directors involve information that should be disclosed, the Company shall handle the disclosure in a timely manner; if the Company does not disclose, independent directors can apply for disclosure directly or report to the China Securities Regulatory Commission and the securities exchange.

5. The expenses incurred by independent directors for hiring intermediaries and other expenses necessary for the exercise of their powers and duties shall be borne by the Company.
6. The Company shall grant appropriate allowances to independent directors in accordance with the responsibilities they undertake. The standard of the allowance shall be formulated by the Board of Directors, approved by the shareholders' meeting, and disclosed in the Company's annual report. In addition to the above allowances, independent directors shall not obtain other benefits from the Company, its major shareholders, actual controllers, or units and personnel with an interest relationship.

**Article 29** In the event of conflicts among shareholders or among directors that significantly impact the Company's operations and management, independent directors shall actively perform their duties and protect the overall interests of the Company.

**Article 30** Independent directors shall submit an annual performance report to the Company's annual shareholders' meeting, explaining the performance of their duties. The annual performance 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. Participation in the work of the Board of Directors' special committees, Independent Director Special Meetings;
3. Review an exercise of the special powers of independent directors listed in the first paragraph of Article 17 of this system for the items listed in Article 21 of the System, the Article 8 of "ENN Natural Gas Board of Directors Audit Committee Rules of Procedure", the Article 7 of "ENN Natural Gas Board of Directors Nomination Committee Rules of Procedure", and the Article 9 of "ENN Natural Gas Board of Directors Compensation and Assessment Committee Rules of Procedure".
4. Communication with the internal audit institution and the accounting firm undertaking the Company's audit business on major matters, methods, and results regarding the Company's financial and business conditions;
5. Communication with minority shareholders;
6. Time and content of on-site work at the Company;
7. Other situations in the performance of duties.

The annual performance report of independent directors shall be disclosed no later than when the Company issues the notice of the annual shareholders' meeting.

## **Chapter V Supplementary Provisions**

**Article 31** Matters not covered by these system shall be executed in accordance with the relevant provisions of national laws, regulations, normative documents, and the "Articles of Association". If there is any inconsistency between this system and the relevant laws, regulations, normative documents, and the "Articles of Association", the provisions of the laws, regulations, normative documents, and the "Articles of Association" shall prevail.

**Article 32** This system is formulated and interpreted by the Company's Board of

Directors.

**Article 33** This system shall come into effect from the date when they are reviewed and approved by the Company's Board of Directors and reported to the shareholders' meeting for approval. The same applies when amendments are made.

ENN Natural Gas Co., Ltd.

Board of Directors

December 8, 2023