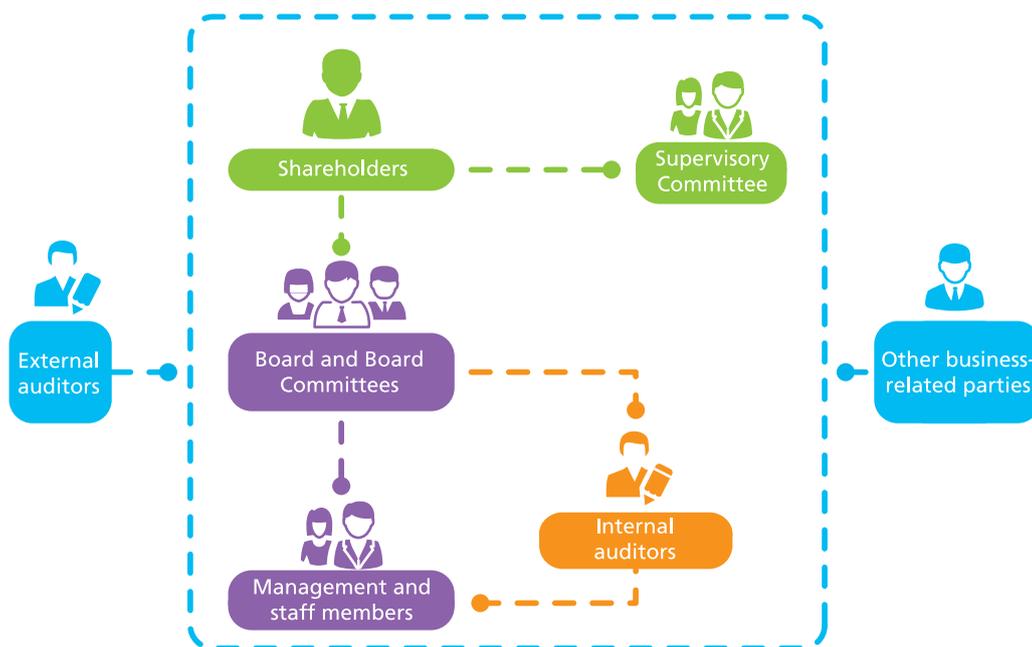


Corporate Governance Report

Corporate Governance framework

The corporate governance framework of CGN Power is designed to safeguard the interests of shareholders and it involves all the key participants in the corporate governance practices of the Company, reflecting the ways in which they relate to each other and their roles and functions in corporate governance.

Our internal governance structure comprises mainly our shareholders, the Board and the Board Committees, Supervisory Committee, our internal auditors and our management and staff. External auditors conduct independent review and assessment on the governance of the Company to help us continuously optimize our internal governance. Meanwhile, the interactions between the Company and other business-related parties, including customers, partners, social environment and regulators, also reflect the effectiveness of our corporate governance. We are fully aware of our significant corporate and social responsibilities as a public company and we need to constantly follow the best corporate governance practices.



Corporate Governance Report

Brief Introduction to the Corporate Governance Code of CGN Power

The Company strives to maintain a high level of corporate governance to ensure the realisation of the Company's strategy, to protect the interests of shareholders and to enhance enterprise value. The Company has complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 (the "Hong Kong Stock Exchange Code") to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Hong Kong Stock Exchange Code sets out the principles of good corporate governance and two levels of recommendations:

- With respect to code provisions: companies shall duly comply with, or give reasonable explanations for any deviations from the code provisions; and
- With respect to recommended best practices: for guidance only and companies are encouraged to comply with, or give explanations for any deviations from the recommended best practices.

In accordance with the Listing Rules and the Hong Kong Stock Exchange Code and based on the corporate governance framework of the Company, the Board of Directors has formulated the Corporate Governance Code of CGN Power Co., Ltd. (the "Corporate Governance Code of the Company") as the corporate governance guidelines of the Company to describe the systems, procedures and measures we adopted to ensure our corporate governance standards to meet the expectations of our shareholders and other stakeholders. The Code was reviewed and approved at the fifth meeting of the first session of the Board of Directors on November 18, 2014. Pursuant to the latest revision of the Hong Kong Stock Exchange Code and the Procedural Rules of Board of Directors of the Company, the Board approved the revision of the Corporate Governance Code on January 6, 2016, which mainly included the matters related to risk management in the duties of the Audit Committee and the addition of matters related to the Nuclear Safety Committee. On March 14, 2016, the Board approved to change the name of the Audit Committee into the Audit and Risk Management Committee.

The Corporate Governance Code of the Company is in compliance with all code provisions of the Hong Kong Stock Exchange Code, and exceeds the recommended best practices in the Hong Kong Stock Exchange Code in the following aspects.

- Our procedures for convening general meetings (such as the notice period for convening a general meeting) are subject to the stricter requirements of the PRC laws and regulations.
- We have entered into service contracts with our Directors as well as our Supervisors, which define their respective rights, obligations and responsibilities, particularly the duties of independent non-executive Directors and executive Directors. The service contracts with our Directors and Supervisors do not contain any provisions under which the Company is not allowed to terminate such contracts within one year without compensation (except for statutory compensation).
- The coverage of the Directors' liabilities insurance we have purchased has been extended to all directors of our subsidiaries and major affiliated companies. The maximum indemnity of the insurance policy for the renewal maintains at a relatively high level.
- The Board Secretary of the Company will sort out the actions from the meeting within one week after each board meeting, and continuously follow up the implementation of the actions from the meeting. The Board Secretary of the Company will report to the Board in respect of the implementation of actions at the next board meeting and continue to follow up the actions which are still within the timeframe.
- The Company shall disclose the compliance by its controlling shareholder of its undertakings under the non-competition deed in its annual reports.

- The Company has formulated its Code for Securities Transactions by Directors and Specific Persons on terms no less strict than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules and its coverage is extended to other “specific persons”, including our Supervisors and senior management. Our Directors and specific persons shall notify the Company in writing in a timely manner and follow strict approval procedures before they deal in the securities of the Company.
- In addition to disclosing Directors’ interests and confirming their compliance with such code, we also disclose the interests of our Supervisors and Chief Executive Officer in our securities and confirmation of their compliance with such code.
- Through roadshows, reverse roadshows and teleconferences and other means, the Company proactively reports the business conditions of the Company to the shareholders, analysts and financial news media, which further broadens the channels of communication with shareholders to enable the shareholders to understand the operation of the Company.
- According to the authorization of the Board of Directors and the working rules of the special committees, the special committees of the Board of Directors consider and review the relevant issues and express their opinions and recommendations, and continuously enhance the decision-making support to the Board of Directors. In the meantime, the Board Committees prepare their respective annual work reports and make relevant disclosure in the annual report, so as to further enhance the standardization and transparency of corporate governance.

During the year, the Company has complied with all code provisions set out in the Hong Kong Stock Exchange Code with the exception of one of the best practices recommended by the Hong Kong Stock Exchange Code (i.e. a listed company shall announce and release reports on quarterly results). In 2017, we released a total of four quarterly operational briefings to disclose the Company’s on-grid power generation, the operation status of the generating units in operation, the construction progress of the generating units under construction and the major events of the Company which had occurred during the relevant quarters. At the end of each quarter, we also published quarterly financial statements for the domestic market according to the requirement of the local debt securities market, and published overseas regulation announcement on the website of the Hong Kong Stock Exchange to disclose the quarterly financial position on the basis of the PRC Accounting Standards, and to appropriately indicate the differences from the International Financial Reporting Standards. For the benefits of shareholders, we should, on the base of reporting and delivering sufficient information and data to shareholders, reduce costs and enhance efficiency as much as possible. We will review the above considerations and practices should we receive any suggestions and feedback from our shareholders. We will continue to deliver reports to shareholders in a comprehensive and timely manner through various channels, such as all kinds of periodic reports and the Company website.

Corporate Governance Report

Corporate Governance Practices

In 2017, the Company conducted a self-assessment on corporate governance. According to the results of the self-assessment, as at the end of 2017, the Company has complied with all applicable code provisions of the Hong Kong Stock Exchange Code and has exceeded the requirements of the Code in terms of shareholder communication, board operation and other aspects.

Overview of Regulatory Documents on Governance and Key Rules and Regulations

In 2017, we attached great importance to the effective implementation and practicability of the regulatory documents on governance and provided guidance on the governance practices of the Company. In order to give full play to the role of the special committees of the Board of Directors and improve the efficiency of the meetings, we formulated the rules of procedures of each special committee to standardize the procedures and define the responsibilities of the special committees of the Board of Directors.

In 2017, we also prepared the Internal Control Manual, which was reviewed by the Audit and Risk Management Committee and approved at the third meeting of the second session of the Board of Directors, to standardize the management of various business and functions of the Company, break down and implement the internal control responsibilities, reasonably guarantee legal and compliant operation and management, ensure the authenticity of financial reports, ensure the safe and efficient operation of assets, enhance operational efficiency and development, and facilitate the implementation of development strategy.

As of the end of 2017, our regulatory documents on governance and key rules and regulations include:

- Articles of Association of CGN Power Co., Ltd.*
- Procedural Rules of General Meeting of CGN Power Co., Ltd.*
- Procedural Rules of the Board of Directors of CGN Power Co., Ltd.* (the “**Procedural Rules of Board of Directors**”)
- Procedural Rules of the Supervisory Committee of CGN Power Co., Ltd. (the “**Procedural Rules of Supervisory Committee**”)
- Provisions on the Corporate Governance Authorization of CGN Power Co., Ltd. (the “**Provisions on the Corporate Governance Authorization**”)
- Terms of Reference for the Audit and Risk Management Committee of CGN Power Co., Ltd.*
- Terms of Reference for the Remuneration Committee of CGN Power Co., Ltd.*
- Terms of Reference for the Nomination Committee of CGN Power Co., Ltd.*
- Terms of Reference for the Nuclear Safety Committee of CGN Power Co., Ltd.*
- Board Diversity Policy of CGN Power Co., Ltd.*
- Management Rules on Information Disclosure of CGN Power Co., Ltd.
- Management Measures on Inside Information and Insiders of CGN Power Co., Ltd.
- Management Rules on Investor Relations of CGN Power Co., Ltd.
- Management Rules on Connected Transactions of CGN Power Co., Ltd.
- Management Rules on Comprehensive Risk Management of CGN Power Co., Ltd.
- Management Rules on Internal Auditing of CGN Power Co., Ltd.
- Internal Control Manual of CGN Power Co., Ltd. (First Edition)

* Disclosed at the website of the Hong Kong Stock Exchange or the website of the Company.

Corporate Governance Report

Major amendments to the Articles of Association

During the year, no amendment was made to the Articles of Association.

Compliance with Domestic Regulatory Requirements

The Corporate Governance Code of the Company and the actual governance practice of the Company were in compliance with the PRC laws and regulations, the relevant regulatory requirements of the China Securities Regulatory Commission (“CSRC”) and the Hong Kong Stock Exchange. The Company will continue to revise and update them on a continuous basis as required by the laws and regulations and regulatory requirements in the future. As of the end of 2017, none of the Company, the Directors, Supervisors or senior management was subject to any administrative punishment, notice of criticism or blame.

Relationship with Controlling Shareholder

Independence from Controlling Shareholder

The Company has an independent and complete business system and is able to operate independently. We are independent from our controlling shareholder in respect of our business, employees, assets, organizations and finance, etc.

Among nine directors of the Company, three non-executive directors hold positions in CGNPC. Mr. Gao Ligang, the executive Director and President, was appointed as the chairman of GNS (a subsidiary of CGNPC) in June 2016. Mr. Yin Engang, the Chief Financial Officer, was a Director of CGN New Energy Holdings Co., Ltd. from March 2015 to January 2018. None of the other members of the senior management of the Company holds positions in CGNPC.

While maintaining our independent and complete business system and independent operating ability, we will continue to regulate our connected transactions and decrease potential horizontal competition to maximize shareholders’ interests. If the Company enters into connected transactions with GNS, our Director Gao Ligang will abstain from voting.

Horizontal competition with Controlling Shareholder

We entered into a Custodian Management Framework Agreement with CGNPC on April 28, 2014, pursuant to which the Group will provide certain custodian services and will represent CGNPC in exercising certain management rights or powers over the custodian target companies.

In 2015, pursuant to the supplemental agreements to the Custodian Management Framework Agreement, CGN Huizhou Nuclear Power Co., Ltd. (中廣核惠州核電有限公司) (“**Huizhou Nuclear**”), CGN Cangnan Nuclear Power Co., Ltd. (中廣核蒼南核電有限公司) (“**Cangnan Nuclear**”) and CGN Ocean Power Co., Ltd. (中廣核海洋能源有限公司) (“**Ocean Power**”) were included in the companies under custody of the Group.

In 2016, the Group and CGNPC made further amendments to the Custodian Management Framework Agreement, which specified the custodian’s rights and responsibilities in the operation management of the company under custody and the major operation matters of the company under custody, and expanded the scope of custodian management of the Group to CGN Hebei Thermal Power Co., Ltd. (中廣核河北熱電有限公司) (“**Hebei Thermal Power**”).

On March 31, 2017, pursuant to the supplemental agreement to the Custodian Management Framework Agreement (the supplemental agreement was signed in 2016), China Techenergy Co., Ltd. (北京廣利核系統工程有限公司) (“**Techenergy**”) and CGN Power Sales Co., Ltd. (中廣核電力銷售有限公司) (“**Power Sales Company**”) were included in the companies under custody of the Group.

As of December 31, 2017, the target companies under custody of the Group included: Xianning Nuclear Power Co., Ltd. (咸寧核電有限公司), Hubei Nuclear Power Co., Ltd. (湖北核電有限公司), Huizhou Nuclear, Cangnan Nuclear, Ocean Power, Hebei Thermal Power, Techenergy and Power Sales Company.

In order to limit potential competition between CGNPC and its subsidiaries (our Company excluded, and CGNPC’s associates included for purposes of the connected transactions) (“**CGN Group**”) and the Group, we and CGNPC have entered into a non-competition deed prior to the Listing, pursuant to which CGNPC has given certain non-competition undertakings to the Company (for itself and for the benefits of other members of the Group), to the effect that it would not, and it would procure that its associates and connected persons (other than any members of the Group) do not and would not, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, firm or company among other things, carry on, participate, be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise be involved, whether for profit, reward or otherwise), any restricted business (other than the disclosed retained business of CGN Group in the Prospectus) during the agreed restricted period. Only the independent non-executive Directors may participate in deciding whether or not to accept any new business opportunity. In addition, in order to avoid potential competition between CGN Group and the Group for certain nuclear power projects retained by the former, we have obtained the right to acquire and the pre-emptive right regarding the retained business to better protect the interests of the Group.

As of the date of this Annual Report, pursuant to the non-competition deed, the Company completed the acquisition of Taishan Nuclear project in 2015 and the acquisition of Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering in 2016. In 2016, three independent non-executive Directors of the Company have decided in writing that the Company will not participate in the investment by CGNPC in the nuclear power station construction project located in the UK. On March 8, 2018, the Board of Directors (including the independent non-executive Directors) approved the acquisition of Ocean Power, Hebei Thermal Power and Power Sales Company from CGNPC.

The independent non-executive Directors will closely monitor the performance of CGNPC under the non-competition deed and the management of the Company will report to the Board on the relevant matters as and when appropriate. CGNPC confirmed that no breach of non-competition deed has been found during the Reporting Period.

Corporate Governance Report

Shareholders

Shareholders' Rights

Shareholders' rights are based on certain laws and regulations, such as the Company Law of the People's Republic of China, the Hong Kong Companies Ordinance and the Listing Rules. Detailed descriptions on major rights of the shareholders are set out in the Corporate Governance Code of the Company, which mainly include:

- receiving dividends and other kinds of profit distribution in proportion to their respective shareholding;
- attending or appointing proxies to attend and voting at general meetings;
- supervising the Company's operating activities and making suggestions or inquiries;
- transferring shares in accordance with the laws, administrative regulations and the Articles of Association;
- requesting for the relevant information of the Company in accordance with the laws, administrative regulations and the Articles of Association.

To protect shareholders' interests and rights, the Company will submit separate resolutions in respect of all matters (including the election of a specific Director or Supervisor) at general meetings of the Company.

All resolutions tendered at the general meetings will be subject to voting by way of poll in accordance with the Listing Rules, the poll results will be published timely on the websites of the Company and the Hong Kong Stock Exchange after the general meetings.

We are of the view that effective communication with investors is of utmost importance in enhancing investor relations and understanding of the Group's business, performance and strategies by the investors. We also firmly believe in the importance of timely and adequate disclosure of the Company's information to shareholders and investors for making investment decisions. For the policies and methods of communication with

shareholders and investors, please refer to the section "Shareholder Value". In order to facilitate effective communication, the Company has adopted the Shareholders Communication Policies for the purpose of establishing a mutual relationship and communication between us and the shareholders, and a website has been set up (www.cgnp.com.cn) to publish the latest information, financial information, corporate governance practice and other information about its business operations and developments on the website for viewing by the public.

The AGM of the Company provides an opportunity for communication between shareholders and Directors directly. The Chairman of the Company and the chairmen of various Board Committees will attend the AGM and reply to questions raised by shareholders. The external auditors of the Company will also attend the AGM and reply to questions about audit practices, preparation and contents of the auditor's report, accounting policies and independence of auditors.

Convening Extraordinary General Meetings and Submission of Proposals

According to the Articles of Association, shareholders who individually or jointly hold 10% or more of the voting shares of the Company may request for the convening of an EGM. The relevant request may be proposed in writing to the Board requesting the Board to convene an EGM to deal with the matters specified in the request. The relevant EGM shall be held within two months after such request has been made.

According to the Articles of Association, shareholders who individually or jointly hold more than 3% of the shares of the Company may submit a proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other shareholders within two days of receiving the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board at the headquarters in the PRC.

Further details about the procedures for shareholders to convene and put forward proposals at any general meeting are available on the Company's website.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to the email address: IR@cgnpc.com.cn.

Shareholdings

Total number of registered shareholders

	As of December 31, 2016	As of December 31, 2017
Total number of registered shareholders	4,116	3,919
Registered shareholders of H shares	4,113	3,916

Unit: accounts

Shareholder structure

Nature of shares	Shareholders	Number of shares held (shares)	Approximate percentage of the Company's total issued shares (%)
Domestic shares	CGNPC	29,176,641,375	64.20
	Guangdong Hengjian Investment Holdings Co., Ltd. ("Hengjian Investment")	3,428,512,500	7.54
H shares	China National Nuclear Corporation	1,679,971,125	3.70
	CLP Nuclear Power Company Limited	142,434,000	0.31
	National Council for Social Security Fund ("NSSF")	1,014,910,000	2.23
	Shareholders of other issued and sold H shares	10,006,281,000	22.02

The Hong Kong Stock Exchange has granted us a waiver from strict compliance with the requirements under the Rule 8.08(1) (d) of the Listing Rules. As described in the section headed "Waivers from Strict Compliance with the Listing Rules" of the Prospectus, the minimum public float of the Company is 24.25%. Our current minimum public float meets the requirements.

Corporate Governance Report

General Meetings

Pursuant to the Articles of Association, general meetings are divided into AGM and EGM. General meetings shall be convened by the Board. AGM is held once every year and within six months from the end of the preceding accounting year.

The Board shall convene an EGM within two months after the occurrence of any of the following events:

- where the number of Directors is less than the number stipulated in the Company Law of the PRC or less than two-thirds of the number specified in the Articles of Association;
- where the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- where shareholder, or shareholders who individually or jointly hold, 10% or more of the Company's issued voting shares make request(s) in writing for convening of an EGM;
- whenever deemed necessary by the Board or as requested by the Supervisory Committee;
- other circumstances provided for by relevant laws, administrative regulations, regulations of the authorities and the Articles of Association.

The shareholdings referred to item 3 above shall be calculated on the basis of the number of shares held as of the date of written request from the shareholders.

On May 24, 2017, we held the 2016 AGM in Hong Kong to ensure that H Shareholders would be able to conveniently attend the AGM. 354 shareholders or their authorised proxies attended the 2016 AGM, representing 38.35 billion shares which accounted for 84.4% of the total share capital of the Company.

The resolutions considered and passed at the 2016 AGM included:

by Ordinary Resolution:

- Report of the Board of Directors for the year 2016
- Report of the Supervisory Committee for the year 2016
- 2016 Annual Report
- Audited financial report for the year 2016
- Profit distribution plan for the year 2016
- Investment plan and capital expenditure budget for the year 2017
- Re-appointment of auditors for the year 2017
- Re-election and appointment of Directors
- Re-election and appointment of Supervisors
- Remuneration of Directors and Supervisors for the year 2017

by Special Resolution:

- The grant of a general mandate to issue shares

We are serious about the organization and convening of each general meeting. All Directors attended the AGM with the presence of witnessing lawyer(s). At the AGM, the Board of Directors replied to questions of shareholders' concern. The external auditors of the Company also attended the AGM, and replied to questions about audit practices, preparation and contents of the auditors' report, accounting policies and independence of auditors. The 2017 AGM is expected to be held in May 2018.

Details of the questions raised by the shareholders and the relevant replies at the AGM are as follows:



Will the Company consider share repurchase when funds required become available?

We endeavor to increase shareholder value while strengthening the management of the Company in different ways including value management measures such as share repurchase. However, the public shareholding of the Company has reached the bottom line of the minimum public float required by the Hong Kong Stock Exchange, which leaves no room for a repurchase for now.



Can the management provide any updates on the overseas projects of the Company?

Currently, all projects of the Company in operation or under construction are in China. Under the "Belt and Road" initiatives, the development and expansion of all overseas projects are conducted by CGN Group, and we will provide relevant support if necessary.



Will the Company consider to reduce the relevant percentage of share issuance under the general mandate to 10%?

The general mandate granted by the shareholders is only a potential tool available to the Company, the exercise of which is not a must, and the Company will have thorough communication with the shareholders before the exercise of such mandate without jeopardizing the benefits of the shareholders.



Corporate Governance Report

Board of Directors

Composition of the Board of Directors

We fully recognize the benefits of diversity in Board members to the development of the Company, and the Company is committed to establishing a board with members with a diverse background. The Board formulated the Board Diversity Policy and delegated the task of reviewing the policy regularly to the Nomination Committee. Differentiation and diversity in many aspects, such as professional skills, industry experience, ages, qualifications and genders, are reflected in the composition of the members of this session of the Board. Pursuant to the Articles of Association, the Board of the Company comprises nine Directors, among which, except for Mr. Gao Ligang, being a Director and the President of the Company, all the remaining Directors are non-executive Directors who are independent of our management, including three independent non-executive Directors. Each of the independent non-executive Directors has confirmed that he is independent of the Company, thereby contributing to critical review and monitoring of management process.

As of 31 Decemeber, 2017, the Board comprises Zhang Shanming (張善明) (Chairman of the Board and non-executive Director), Gao Ligang (高立剛) (executive Director), Tan Jiansheng (譚建生) (non-executive Director), Shi Bing (施兵) (non-executive Director), Zhong Huiling (鍾慧玲) (non-executive Director), Zhang Yong (張勇) (non-executive Director), Na Xizhi (那希志) (independent non-executive Director), Hu Yiguang (胡裔光) (independent non-executive Director) and Francis Siu Wai Keung (蕭偉強) (independent non-executive Director). The Directors of the Company have extensive experience in management in the power industry, financial and accounting management, legal, auditing and other fields, respectively. The Directors are fully aware of their responsibilities, rights and obligations, and will perform their duties with truthfulness, integrity and diligence.

On May 24, 2017, members of the second session of the Board and members of the second session of the Supervisory Committee were elected at the 2016 AGM of the Company. On the same date, Mr. Zhang Shanming was elected as the Chairman of the Board of the Company in the first meeting of the second session of the Board. Respective chairmen and members were elected for the four special committees (namely Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Nuclear Safety Committee) under the Board of the Company, details of which are set out in the reports of the special committees. Ms. Zhong Huiling was elected as a non-executive Director of the second session of the Board of the Company, which further improved the Board diversity.

The Board has at all times complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules for the year 2017 that at least three independent non-executive Directors have been appointed. Among them, at least one independent non-executive Director must have appropriate professional qualification or professional knowledge of accounting or professional knowledge related to financial management.

Each of the independent non-executive Directors has confirmed his independence according to Rule 3.13 of the Listing Rules, and all of them are considered as independent parties by the Company.

Since provisions of the Hong Kong Stock Exchange Code require Directors to disclose the number and nature of positions held in listed companies or entities and other material commitments, and their identities and duration of employment with the issuer, therefore, the Directors have agreed to disclose their relevant information timely to the Company.

Please refer to “Board of Directors, Supervisory Committee and Senior Management” set out on page 92 of this Annual Report for the biographical details of all Directors. Except for those disclosed in such section, no other information relating to the relationship between Directors and Supervisors and other Directors, Supervisors and senior management shall be disclosed according to the Hong Kong Stock Exchange Code.

The Board has set out the Procedural Rules of Board of Directors, which specify the terms of reference of the Board and procedures for the Board meetings, etc., and also set out special arrangements for voting on resolutions regarding major connected transactions and contracts. Directors shall not vote on any contract, transaction, arrangement or proposal in which he/she or any of his/her associates is materially interested, nor shall he/she be counted in the quorum. Where the number of the Directors who can vote on this matter is less than three, such issue shall be submitted to a general meeting for voting. In addition, the independent non-executive Directors shall provide independent opinions in accordance with laws and regulations and the Listing Rules. The Company will strictly review each resolution proposed at the Board meetings to find out whether there is any conflict of interest that requires Directors to abstain from voting and remind all Directors for confirmation before meetings. For example, our executive Director and President Mr. Gao Ligang abstained from voting during the consideration of the Resolutions on Appointment of the President of the Company and the Resolution on Approval of the 2016 Performance Assessment Result of the President of the Company and the 2017 Performance Assessment Result of the President of the Company.

Duties of the Board

As the operating decision-making body of the Company, the Board performs its duties in accordance with the provisions set out in the Articles of Association. The Board is responsible for overall leadership of the Group, supervision on the Group's strategic decisions and supervision on business and performance. The Board reports its work to the general meeting, implements the resolutions resolved at the general meeting and is accountable to the general meeting. The Board has delegated the powers and responsibilities for daily management and operation of the Group to the senior management of the Group.

All Directors of the Company are aware of their joint responsibility for the Company's operations, business and development, and perform their duties in accordance with the provisions of the service contract and the Corporate Governance Code of the Company. All Directors must ensure that they have complied with the applicable laws and regulations, and devote sufficient time and efforts to handle the affairs of the Company, to act with integrity, prudence and skills and to assume their respective responsibilities. The major responsibilities of the Board include:

- formulating strategic guideline of the Company;
- developing working targets of the management;
- evaluating the performance of the management;
- ensuring the Company implements a prudent and effective regulatory framework to evaluate and manage risks;
- performing the function of corporate governance for the Company or arranging for one or more committees to perform related duties;
- authorising the special committees to perform relevant detailed responsibilities in accordance with the requirements of the Procedural Rules of Board of Directors and the terms of reference of the special committees.

Corporate Governance Report

The main corporate governance duties of the Board include:

- developing and reviewing the policies and practices regarding the corporate governance of the Company;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the rules regarding code of conduct applicable to employees and Directors;
- reviewing the Company's compliance with the Corporate Governance Code of the Company and the Hong Kong Stock Exchange Code and the disclosure in the Corporate Governance Report.

Delegation by the Board

The Board retains the power to decide on all material matters pertaining to the Company, including: approval and supervision on all policy matters, overall strategies and budgets, internal control and risk management system, material transactions (in particular those possibly involving a conflict of interests), financial information and other major financial and operation matters. The Directors may seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities will be reviewed by the Board on a regular basis.

Board Committees

The Board established four committees with specific terms of reference, namely the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Nuclear Safety Committee. The specialized committees shall conduct study on specific matters and furnish advice and recommendations thereon as a reference for the Board in its decision-making.

Audit and Risk Management Committee

Please refer to the "Audit and Risk Management Committee Report" set out on page 142 of this Annual Report for details of the Audit and Risk Management Committee, including its composition and annual work summary. The duties and responsibilities of the committee mainly include:

- To provide advice on the appointment, reappointment, removal and remuneration of the independent auditors;
- To review and monitor the independence and objectivity of the independent auditors as well as the effectiveness of the audit process in accordance with the applicable standards, and discuss the nature and scope of the audit with the independent auditors before the audit commences;
- To formulate and implement policies on engaging external auditors to provide non-audit services according to work needs. The Committee shall report to the Board identifying and making recommendations on any matters where action or improvement is needed;
- To review the quarterly (if any), half-year and annual financial statements to be proposed to the Board, monitoring the completeness, accuracy and fairness of the financial statements of the Company. In reviewing these financial statements, the Committee shall focus on: any changes in accounting policies and estimates, areas involving a lot of judgment, significant adjustments required by the independent auditors after auditing the accounts, the going concern assumptions and any qualifications, compliance with accounting standards and the relevant legal requirements;

- To consider any significant or unusual items which are reflected or required to be reflected in the reports and accounts of the Company, and give due consideration to any matters raised by the Company's accounting and finance department, compliance department or auditors;
- To discuss the review of the half-year accounts and audit of the Company by the independent auditors;
- To review the independent auditors' explanatory notes of inspection or management proposal letter (including any material queries raised by the independent auditors regarding the accounting records, financial accounts or monitoring system), and the responses to queries from the management officers of the Company;
- To communicate with the Board, senior management officers and the independent auditors in respect of the Company's financial reports on a regular basis, at least two meetings must be convened each year with the independent auditors of the Company;
- To be responsible for any important communication between internal auditors and external auditors;
- To review the Company's financial policies, internal audit system, internal control system and risk management system;
- The Audit and Risk Management Committee shall establish the relevant procedures for dealing with the following issues: receiving, retaining and dealing with complaints coming to the knowledge of the Company in relation to accounting, internal control, risk management or auditing matters; receiving or handling complaints or whistle blowing from the Company's employees on accounting or auditing matters and keeping their confidentiality;
- To complete other tasks delegated by the Board;
- To fulfill other duties and responsibilities delegated by the securities regulatory authorities in the jurisdiction where the Company is listed.

Remuneration Committee

Please refer to the "Remuneration Committee Report" set out on page 143 of this Annual Report for details of the Remuneration Committee, including its composition, annual work summary, remuneration policy and remuneration of Directors, Supervisors and senior management in 2017. The duties and responsibilities of the committee mainly include:

- To study the remuneration policy, structure and procedures for formulating remuneration policies (including benefits in kind, pensions and compensation payments) for Directors, Supervisors and senior management officers and make recommendations to the Board. The procedures for formulating remuneration policies shall be formal and transparent;
- To consider and make recommendation on the appraisals of Directors, Supervisors and senior management officers;
- To review and approve performance-based remuneration proposals for management officers with reference to corporate goals and objectives set by the Board;
- To approve with authority delegated by the Board or make recommendations to the Board on the remuneration and benefits of the individual executive Directors and senior management;
- To make recommendations to the Board on the remuneration of non-executive Directors;
- To consider the level of salaries paid by comparable companies, time commitment and responsibilities of the relevant individual, and other positions held by such individual in the Company when determining the remuneration and benefits for Directors, Supervisors and senior management;
- To supervise the implementation of the remuneration system for Directors, Supervisors and senior management officers of the Company;
- To review and approve the compensation arrangements for Directors, Supervisors and senior management officers for any loss or termination of office and dismissal due to misconduct;
- To ensure that none of the Directors or any of his/her associates will be involved in deciding on his/her own remuneration.

Corporate Governance Report

Nomination Committee

Please refer to the “Nomination Committee Report” set out on page 146 of this Annual Report for details of the Nomination Committee, including its composition, duties and responsibilities and annual work summary. The duties and responsibilities of the committee mainly include:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on a regular basis annually, and make recommendations on any proposed changes to the Board to complement the Company’s strategies;
- To recommend individuals suitable to become members of the Board, select and nominate such individuals for directorships or make recommendations thereon;
- To assess the independence of the independent non-executive Directors;
- To make recommendations to the Board for the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the general manager;
- To review the Board diversity policy and any measurable objectives for implementing such Board diversity policy as may be adopted by the Board from time to time, and to review the progress of achieving relevant objectives;
- To fulfill such other duties and responsibilities delegated by the Board.

Nuclear Safety Committee

Please refer to the “Nuclear Safety Committee Report” set out on page 148 of this Annual Report for details of the Nuclear Safety Committee, including its composition and annual work summary. The duties and responsibilities of the committee mainly include:

- To listen to presentation of the Company relating to status of nuclear safety;
- To listen to independent nuclear safety assessment reports by third-party organizations obtained by the Company;
- To implement independent nuclear safety oversight, offer guidance and conduct research activities in accordance with the needs;
- To report observations and recommendations to the Board;
- To give appropriate response to the shareholders’ meeting on nuclear safety issues of concern;
- To fulfill such other duties and responsibilities delegated by the Board;
- To fulfill other duties and responsibilities delegated by the regulatory authorities in the jurisdiction where the Company is listed.

Particulars of Board Meetings

The Company has adopted the practice of holding Board meetings on a regular basis. The Company set out the next year's meeting schedule one year in advance. The notice of regular Board meeting and the meeting documents signed and issued by the management or chairmen of specialized Board Committees will be sent to all Directors at least 14 days prior to the date of convening the meeting to enable them to attend the meeting, have sufficient time to familiarize themselves with the meeting content and decision-making matters and include relevant matters for consideration in the agenda.

During the reporting period, we convened a total of 8 Board meetings (5 regular Board meetings and 3 extraordinary Board meetings). The convening and voting procedures of such meetings were all in compliance with the requirements under the Articles of Association and the Procedural Rules of Board of Directors. Details of the meetings are as follows:

No.	Name of meeting	Date	Mode
1	Sixteenth meeting of the first session of the Board of Directors	January 5, 2017	Physical
2	Seventeenth meeting of the first session of the Board of Directors	March 15, 2017	Physical
3	Sixth extraordinary meeting of the first session of the Board of Directors	April 6, 2017	Physical
4	First meeting of the second session of the Board of Directors	May 24, 2017	Physical
5	Second meeting of the second session of the Board of Directors	August 28, 2017	Physical
6	First extraordinary meeting of the second session of the Board of Directors	October 16, 2017	By teleconference
7	Third meeting of the second session of the Board of Directors	November 28, 2017	Physical
8	Second extraordinary meeting of the second session of the Board of Directors	December 14, 2017	By teleconference

All resolutions proposed at above meetings were approved. Save for the resolutions passed at above general meetings, major resolutions considered and approved by the Board during this Reporting Period also include:

- 2017 Operational Plan
- 2017 Internal Audit Plan
- Consideration and approval of budget (construction cost) of nuclear power projects
- Election of Chairman of the second session of the Board
- Election of the chairmen of special committees of the second session of the Board
- Amendment to the Accounting System
- Internal Control Manual (First Edition)
- Implementation Plan of the Second Batch of Share Appreciation Rights Incentive Scheme

Corporate Governance Report

Attendance of Directors at the Board Meetings, Board Committee Meetings and General Meetings

The table below shows details of attendance of Directors at the Board meetings, Board Committee meetings and general meetings during this reporting period.

Name	Position	Attendance/Frequency of Meetings					General Meeting
		Board meeting	Audit and Risk Management Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Nuclear Safety Committee meeting	
Zhang Shanming	Chairman of the Board and Non-executive Director Member of the Nomination Committee Chairman of the Nuclear Safety Committee	7/8	—	—	3/3	2/2	0/1
Gao Ligang	Executive Director and President Member of the Nuclear Safety Committee	8/8	—	—	—	2/2	1/1
Tan Jiansheng ^(a)	Non-executive Director	4/5	—	—	—	—	1/1
Shi Bing	Non-executive Director	5/8	—	—	—	—	0/1
Xiao Xue ^(b)	Non-executive Director Member of the Remuneration Committee Member of the Nuclear Safety Committee	0/3	—	0/2	—	0/1	0/1
Zhong Huiling ^(c)	Non-executive Director Member of the Remuneration Committee Member of the Nuclear Safety Committee	5/5	—	3/3	—	1/1	—
Zhuo Yuyun ^(d)	Non-executive Director Member of the Audit and Risk Management Committee Member of the Nuclear Safety Committee	3/3	2/2	—	—	1/1	1/1
Zhang Yong ^(e)	Non-executive Director Member of the Audit and Risk Management Committee Member of the Nuclear Safety Committee	5/5	2/2	—	—	1/1	—
Na Xizhi	Independent non-executive Director Chairman of the Nomination Committee Member of the Audit and Risk Management Committee Member of the Nuclear Safety Committee	7/8	3/4	—	3/3	2/2	1/1
Hu Yiguang	Independent non-executive Director Chairman of the Remuneration Committee Member of the Nomination Committee	8/8	—	5/5	3/3	—	1/1
Francis Siu Wai Keung	Independent non-executive Director Chairman of the Audit and Risk Management Committee Member of the Remuneration Committee	8/8	4/4	5/5	—	—	1/1

(a) Mr. Tan Jiansheng was elected as a non-executive Director at the 2016 AGM with effect from May 24, 2017.

(b) Mr. Xiao Xue retired as a non-executive Director of the Board after the 2016 AGM due to changes in work and expiration of his term of office, with effect from May 24, 2017.

(c) Ms. Zhong Huiling was elected as a non-executive Director at the 2016 AGM with effect from May 24, 2017.

(d) Mr. Zhuo Yuyun retired as a non-executive Director of the Board after the 2016 AGM due to changes in work and expiration of his term of office, with effect from May 24, 2017.

(e) Mr. Zhang Yong was elected as a non-executive Director at the 2016 AGM with effect from May 24, 2017.

Certain Directors failed to attend relevant meetings due to other business engagements and delegated in writing to the proxies to vote on relevant matters on their behalf.

Training for Directors

As stipulated by the Listing Rules, a director shall be aware of his duties. All newly appointed Directors have been provided with necessary induction training and information to ensure that they will have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

In order to provide better assistance to the Directors for performing their duties, we have actively made arrangements for the Directors to participate in trainings in relation to, among others, the business and corporate governance aspects of a listed company. Furthermore, we will provide the Directors with written information on applicable policies and regulations issued by the regulators from time to time. In addition, the management of the Company will monthly provide the Directors with a monthly management report, which sets out the particulars such as achievements of our operating indicators, safety and environmental management, production and operation, project construction, as well as the progress of our major issues. Since 2016, we have added financial information of the Company and industry information in the monthly management report. We will arrange the Directors to carry out on-site inspections from time to time every year to enable them to have a better understanding of our operation and business, and invite and encourage them to furnish reasonable suggestions and advice to the Company based on their respective areas of expertise.

Directors during the Reporting Period have received the following trainings in relation to the roles, functions and duties of directors of listed companies for the year ended December 31, 2017.

Director	Type of training		
	Reading Materials	Specific Training	On-site Inspections
Zhang Shanming	√	√	
Gao Ligang	√	√	
Tan Jiansheng	√	√	
Shi Bing	√	√	
Xiao Xue ^(a)	√	√	
Zhong Huiling	√	√	√
Zhuo Yuyun ^(b)	√	√	
Zhang Yong	√	√	√
Na Xizhi	√	√	√
Hu Yiguang	√	√	√
Francis Siu Wai Keung	√	√	√

Note:

- (a) Mr. Xiao Xue retired as a non-executive Director of the Board after the 2016 AGM due to changes in work and expiration of his term of office, with effect from May 24, 2017.
- (b) Mr. Zhuo Yuyun retired as a non-executive Director of the Board after the 2016 AGM due to changes in work and expiration of his term of office, with effect from May 24, 2017.

Reading Materials: Company Management Monthly Report (a total of 12 issues)

Corporate Governance Report

Specific Trainings: The Company has organized two specific trainings for Directors in 2017, including:

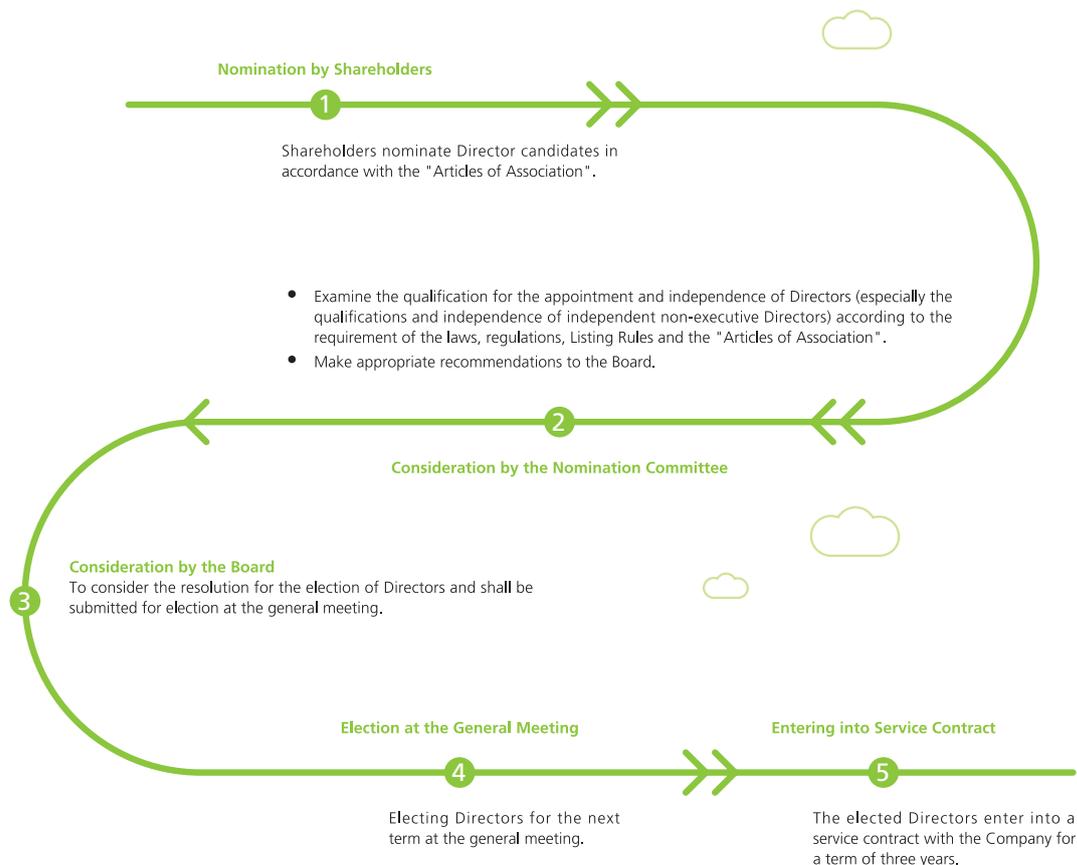
- On May 24, 2017, the Specific Training on Duties and Responsibilities for Newly Appointed Directors and Supervisors given by the legal advisors of the Company.
- On November 28, 2017, the seminar of “Power System Reform and the Guangdong Market” given by a professor from Tsinghua University.

On-site Inspections: In 2017, the Directors of the Company participated in 4 inspections related to NPPs, including:

- From July 11 to 13, 2017, the Directors and Supervisors conducted on-site inspection in Yangjiang Nuclear Power Base and Taishan Nuclear Power Base.
- From August 20 to 30, 2017, the Directors and Supervisors conducted on-site inspection in Daya Bay Nuclear Power Base.
- From October 17 to 19, 2017, the Directors and Supervisors conducted on-site inspection in Hongyanhe Nuclear Power Base.
- From November 15 to 17, 2017, the Directors and Supervisor conducted on-site inspection in Fangchenggang Nuclear Power Base.

Selection, Appointment and Re-election of Directors

According to the Articles of Association, the Directors shall be elected at the general meeting and each term of office shall be three years, Directors must retire by rotation at least once every three years and may be re-elected for continuous appointment. In 2017, the Company formulated the procedures for selection, appointment and re-election of Directors, and specified the working process and duties in appointment and re-election of Directors. The implementation of such working process further standardized the selection, appointment and re-election of Directors of the Company, and facilitated the selection of the new session of the Board.



Directors' Undertakings

Directors have confirmed that they have devoted sufficient time and attention to the affairs of the Company during the year. All Directors have also disclosed to the Company the number and nature of their positions held in public companies or entities listed in mainland China, Hong Kong and overseas and other significant commitments, and provide the names of the public companies and entities and the time involved in working for the relevant positions.

Each of the Directors has signed the Declaration for Dealing in the Company's Securities by Directors, Supervisors and Senior Management (《董事、監事和高級管理人員買賣本公司證券聲明書》), undertaking to comply with the relevant confidentiality provisions and the securities dealing requirements, and has undertaken to obtain the prior written approval from the Chairman of the Board or the designated Directors before dealing in the Company's securities and report and disclose the same to the Hong Kong Stock Exchange. All Directors have signed the confirmation for disclosure of interests by Directors, Supervisors and Senior Management on both Board meetings for annual and interim results. Directors shall notify the Company in writing of any changes in their personal information on a timely basis in order for the Company to timely report the same to the Hong Kong Stock Exchange and the Hong Kong Companies Registry within the prescribed period.

The Board Office of the Company will regularly remind Directors to disclose to the Company Secretary on a timely basis the information required to be disclosed in connection with matters needing disclosure by individuals under the Listing Rules.

Directors' Interest

As recorded in the register required to be kept pursuant to Section 352 of Part XV of the Hong Kong "Securities and Futures Ordinance", none of the Directors held any shares of the Company or any of the Company's associated corporations as of December 31, 2017.

Model Code for Securities Transactions

The Company has adopted the Code for Securities Transactions by Directors and Specific Persons, the provisions of which are not less stringent than the Model Code in Appendix 10 to the Listing Rules. After making specific enquiries, the Directors, Supervisors and senior management have confirmed that they have complied with the above two codes for the year 2017.

Corporate Governance Report

Roles of Chairman and President

According to the requirements of provision A.2.1 of the Hong Kong Stock Exchange Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Zhang Shanming and Mr. Gao Ligang are the Chairman and the President, respectively. The Articles of Association have expressly specified the functions and powers of the Chairman and the President. The main functions and powers of the Chairman include presiding over the general meetings, convening and presiding over meetings of the Board and reviewing the implementation status of passed Board resolutions. The main functions and powers of the President include being in charge of the Company's production, operation and management.

Pursuant to the Articles of Association, the President shall coordinate the implementation of the passed Board resolutions and report his/her work to the Board; the Chairman shall prepare the Directors' Report on behalf of the Board and submit the same to the Company's AGM for consideration.

Directors' Financial Reporting Responsibilities in respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the necessary explanations and information to the Board enabling the Board to make an informed assessment on the Company's financial statements submitted to the Board for approval.

The statement made by the auditors of the Company on their reporting responsibilities in respect of the Company's consolidated financial statements is contained in "Independent Auditor's Report" of this Annual Report on page 164.

Supervisory Committee

Please refer to the "Supervisory Committee Report" as set out in this Annual Report on Page 149 for details of the Supervisory Committee, including its composition, duties and responsibilities and the annual work summary for the year.

Company Secretary

The Board has appointed Mr. Wei Qiyuan as a joint company secretary. Mr. Wei is also the Board secretary of the Company. Pursuant to the requirements under the Listing Rules, we have also engaged Ms. Mok Ming Wai from TMF Hong Kong Limited as the joint company secretary to provide assistance to Mr. Wei in conducting his work. The Company secretaries also play essential roles in supporting the Chairman, Board and Board Committees by ensuring on time and precise information flow, so the Board policies, procedures and decisions are followed. The company secretaries have the right to advise on the corporate governance matters and assist Directors to familiarize themselves with the affairs of the Company and acquire professional development.

According to Rule 3.29 of the Listing Rules, the joint company secretaries of the Company, Mr. Wei and Ms. Mok, had taken not less than 15 hours of relevant professional training during the financial year ended December 31, 2017.



Mr. Wei Qiyuan was awarded the "Best Board Secretary" by China Financing in 2017.

Management and Staff

The responsibility of the management and staff of the Company is the successful implementation of strategy and direction determined by the Board, and they must observe national and local laws and regulations, and safeguard the interest of shareholders.

The delegation of specific authorities by the Board to the management is stated in the Provisions on the Corporate Governance Authorization (《治理授權規定》), and any amendment to the corporate governance authorization of the Company requires approval of the Board. The authorization delegated to the management and staff below the level of President have been stated in the provisions on the management authorization, and any amendment to the management authorization of the Company requires approval of the President.

The Staff Manual (《員工手冊》), which is prepared by the Company as an appendix to the employment contract, has the same effect as that of the employment contract. All staff who have signed employment contracts with the Company shall sign for receipt of the Staff Manual and make a statement that they have received, been aware of and will comply with all provisions set out in the Staff Manual. All management and staff are subject to the specific obligations as set out in the Staff Manual in respect of the work time, disciplines, workplace code, confidentiality and non-competition restriction, conflict of interests, value and code of conduct. All management and staff receive training on the Staff Manual on regular basis in order to ensure their understanding of the Staff Manual.

The company has established rules and regulations on disciplinary offences of employees. The “Code of Conduct for Listed Companies”, “Implementation Rules for the Implementation of the Eight Principles of the Central Government”, and Administrative Measures for Integrated Supervision and Administrative Measures for the Supervision of Discipline, are also used by the Company to deal with incidents related to disciplinary offences. All management staff and employees must strictly comply therewith.

In 2017, we further optimized and improved the procedures for investigation and handling of non-compliance with relevant requirements and disciplines, and took various measures to further strengthen the comprehensive supervision and

management of the Company, thereby effectively improving the system protection. Meanwhile, we strengthened promotion of honest practices among the staff through various methods, which were well received by the staff. In 2017, the Company found 12 breaches of discipline and regulations, all of which were handled in strict accordance with relevant system and procedures. The disciplinary actions carried out included warnings, demerits, demotions (reduction in rank), dismissals, etc. Such cases concerning non-compliance with discipline and regulations did not have significant impact on our financial statements and the overall operation. The actions taken in respect of the non-compliance with discipline and regulations provided effective reminders on honest practices and facilitated the improvement of our management. The Company has established appropriate whistleblower channels and encourages employees and related third parties (such as suppliers) to report any misconduct, malpractices or irregularity in any matters related to the Company confidentially.

We have expanded the applicable scope of the Company’s Code for Securities Transactions by Directors and Specific Persons to cover Senior Management. According to specific inquiries made by the Company, all senior management confirmed that they have been in compliance with the relevant requirements throughout the year ended December 31, 2017.

The principles and details of the remuneration of senior management officers are set out in the “Remuneration Committee Report” on page 144 of this Annual Report.

The Company has attached great importance to the continuous professional development of management and staff. The details of its talent cultivation are set out in the “Human Capital” on page 68 of this Annual Report. During 2017, the Company has regularly organized management to participate in a series of trainings including safety training for all staff and training for the news spokesman of the Company.

Corporate Governance Report

Internal Auditors

The Company has established an internal audit department, which plays a major role in monitoring the internal governance of the Company. The Group has 56 auditing staff with professional qualifications (such as senior auditors, internal auditors with international certifications, PRC certified public accountants and members of the Association of Chartered Certified Accountants in UK).

Duties of the audit department include:

- Unrestricted access to review all aspects of the activities and internal controls of the Company;
- Specific audits on the business, procedures, expenditures and internal controls of all functional departments, business units, subsidiaries and major affiliated companies of the Company on a regular basis;
- Specific reviews or audits of areas of concern identified by management or the Audit and Risk Management Committee.

The manager of the audit department reports directly to the Audit and Risk Management Committee and the President, and his opinions will be reflected directly to the Board through the Chairman of the Audit and Risk Management Committee.

During 2017, the audit department of the Company conducted specific audit on key areas of management such as internal controls, safety management and corporate governance of the Company as well as areas of concern identified by the management, and issued reports to senior management officers.

External Auditors

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have been appointed as international auditors and PRC auditors of the Company, to respectively audit the Company's consolidated financial statements for the year ended December 31, 2017 prepared in accordance with IFRS and China Accounting Standards, and their appointment term lasts to the

end of the 2017 AGM. Deloitte Touche Tohmatsu has audited the Company's 2017 consolidated financial statements prepared in accordance with IFRS by the Company. The auditing expenses for the Group in 2017 were RMB7.44 million and the international and domestic auditors of the Company did not provide non-auditing services.

Other Stakeholders

Other stakeholders of the Company include customers, partners, social environment and regulators, details of which are set out in the 2017 ESG Report of the Company.

Internal Control

Risk Management

The Company has established a comprehensive risk management system including risk management strategy, organizational function system of risk management and risk management information system. The Company identifies the risks and adopts qualitative and quantitative approaches to analyze and categorize the risks identified based on the possibility of occurrence and seriousness of impact of risks. Based on the result of risk analysis and the risk tolerance, the Company considers relevant risks and benefits and determines the focus points and major risks that require control, based on which it formulates risk control strategies. Please refer to the "Risk Management Report" for details of risk management.

Structure of the internal control system

Based on the principle of "unified theory and methods, multi-layer establishment and divided responsibilities", the "Basic Standards of Internal Control for Enterprises" (《企業內部控制基本規範》) and its guidelines and taking into account of the business characteristics of the Company, the Company established the standards for internal control construction and management, and formed a collaborative system of internal control within the Company.

The Board of the Company is the decision maker for internal control and is responsible for the establishment and effective implementation of sound and effective internal control. The Supervisory Committee is the supervision body for internal control, and is responsible for supervising the Board in establishment and implementation of internal control. The management is the executive body in charge of internal control and is responsible for organizing and being in charge of the daily operation of internal control.

In 2017, the Board of the Company considered and approved the Internal Control Manual of CGN Power Co., Ltd. (First Edition). The manual is comprised of general rules section, control activities section and assessment section. The manual standardizes the relevant management systems and procedures of various businesses and functions of the Company, breaks down and specifies the internal control responsibilities, reasonably guarantees legal and compliant operation and management, ensures the authenticity of financial reports, ensures the safe and efficient operation of assets, enhances operational efficiency and development, and facilitates the implementation of development strategy.

Key Elements of Internal Control	Initiatives
Internal Environment	The corporate governance structure specifies the management authority at various levels Internal organizations and posts clearly define the allocation of responsibilities and powers The internal supervision system Corporate strategies Integrity and moral values and corporate culture Competency of staff
Risk Assessment	Timely identifying and systematically analyzes risks associated with the realization of internal control objectives in the process of operation activities and reasonably determines strategies in response to risks
Control Activities	Taking corresponding control measures and formulating internal rules, systems and procedures based on the risk assessment results to ensure the implementation of control measures Covering major business areas such as funding activities, procurement, sales, engineering projects management, guarantee, research and development, business outsourcing, asset management and financial reporting Formulating control measures from the perspectives of, among others, separation of incompatible duties, authority approval, accounting system control, property protection, budgets, operation analyses and evaluation
Information and Communication	Timely and accurately collecting and communicating information in relation to internal controls to ensure effective communication of information within the enterprise or between the enterprise and external parties
Internal Supervision	Regularly evaluating the implementation of systems and procedures Independent internal monitoring and auditing activities Self-assessment of internal control system on a regular basis

Corporate Governance Report

Internal control evaluation

According to the relevant provisions of the Corporate Governance Code of CGN Power (《中國廣核電力股份有限公司企業管治守則》), we have prepared the Internal Control Assessment Proposal for 2017 of the Company (the “Internal Control Assessment Proposal”), which clearly provides the evaluation covers the full 2017 financial year, and determines the major units, businesses and matters to be included in the scope of evaluation as well as high-risk areas based on the risk-oriented principle. The Internal Control Assessment Proposal was approved by the Audit and Risk Management Committee of the Board in August 2017.

The Board shall be responsible for the internal control system of the Group, and has completed the review on the effectiveness of the operation of internal control system of the Group in 2017. In accordance with the approved Internal Control Assessment Proposal, entities included in the scope of the current internal control evaluation mainly comprised the Company and 14 major subsidiaries, which covered all business segments and major business areas of the Company; as of December 31, 2017, the aggregate net assets and operating revenue of the aforesaid companies represented approximately 74.9% and 90.3% of the net assets and operating revenue of the Group, respectively. None of those subsidiaries which were not included in this evaluation had business or matters which would materially affect the Company’s operation and management. Each of those entities which are included in the relevant evaluation shall, based on its own business characteristics and key points of management, follow the principles of comprehensiveness and importance to incorporate key business areas and major business processes into the scope of evaluation. Overall, high-risk areas that need to be focused on mainly include, among others, safety management, construction management, financing activities, etc. The aforesaid businesses and matters included in the scope of evaluation together with high-risk areas cover the major aspects of the Company’s operational management and there is no material omission.

Based on the determination of material defects in the internal control on the Company’s financial reporting, as of the benchmark date (December 31, 2017) of the internal control evaluation report, there were no material defects in the internal controls on the financial reporting of the Company, and the Board considers that the Company has maintained effective internal control on financial reporting in all material aspects in compliance with the requirements of the Regulated System of Internal Control for Enterprises (企業內部控制規範體系) and the relevant provisions.

Based on the determination of material defects in the internal control on the Company’s non-financial reporting, as of the benchmark date (December 31, 2017) of the internal control evaluation report, the Company was not aware of any material defect in the internal control on non-financial reporting. From the benchmark date of the internal control evaluation report up to the issue date of the internal control evaluation report, there were no factors which would affect the evaluation conclusion of effectiveness of internal controls.

Monitoring inside information

The measures for the management and control of inside information by the Company are as follows:

- The Company has expressly stated in the Staff Manual that unauthorized use of confidential or inside information is strictly prohibited.
- The Company has regulated the channels of disseminating information.
- The Information Disclosure Management System of CGN Power Co. Ltd. (《中國廣核電力股份有限公司信息披露管理制度》) and its ancillary procedures have been formulated in order to regulate the management requirements and handling procedures of inside information.
- The relevant training on information disclosure has been provided to the Company's management, subsidiaries and affiliated companies on a sustained basis.

In 2017, we carried out training on information disclosure through various ways such as face-to-face training, video communication, internet learning and mobile learning, covering almost 90% of the staff. We have also conducted random inspection on the implementation of relevant systems and procedures information disclosure and found no non-compliance.

Conclusion

The Company is committed to improving its corporate governance. We believe that good corporate governance lays a solid foundation for the continuous development of the Company, and is critical to creating value for our shareholders. The Company will further reinforce the good practices in corporate governance, continuously monitor the changes in relevant regulatory requirements and consider the opinions and recommendations from the investors, thereby providing powerful support to the long-term and sustainable development of the Company.