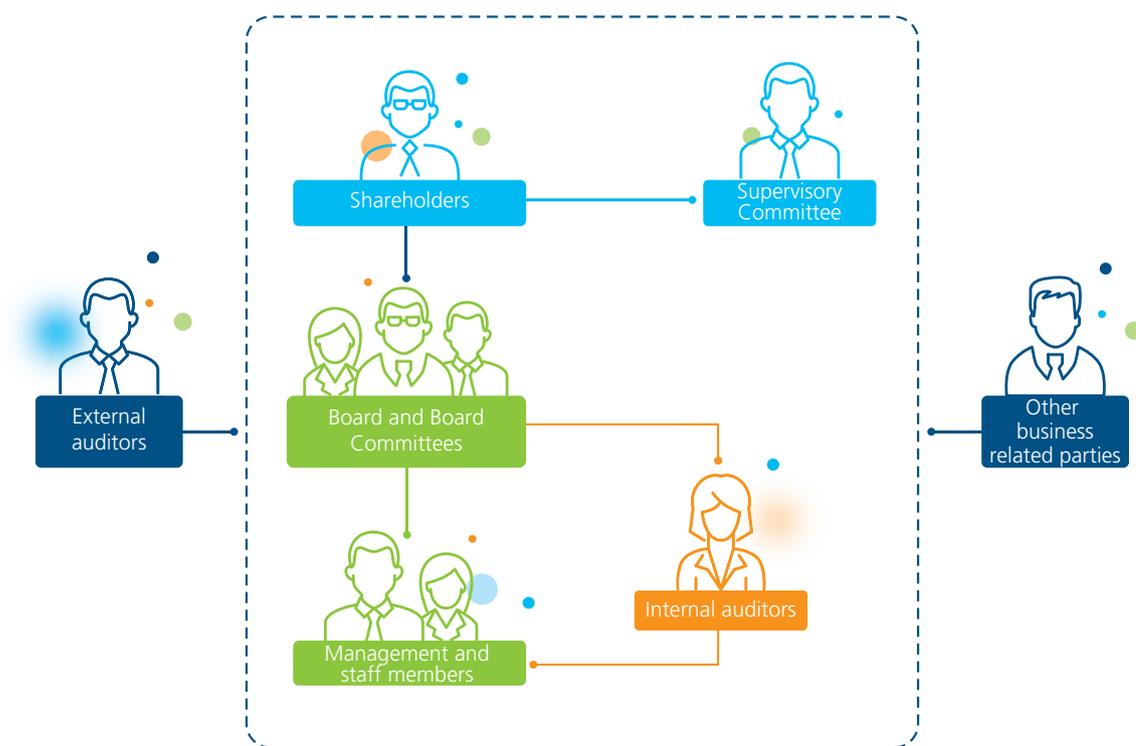


Corporate Governance Report

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, the 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, business partners, social environment and regulators, also reflect the effectiveness of our corporate governance. We are therefore 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 realization 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 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 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 of the Company on January 6, 2016 and November 14, 2018, respectively.

The Corporate Governance Code of the Company



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 Company shall disclose the compliance by its controlling shareholder of its undertakings under the non-competition deed in its annual reports.
- According to the authorization of the Board and the working rules of the special committees, the special committees of the Board 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.



Corporate Governance Practices

The Company conducts a self-assessment on corporate governance every year with the aim of reviewing the implementation of the Corporate Governance Code and locating discrepancies, while summarizing the Company's good corporate practices.

In the self-assessment on corporate governance for 2019, the corporate governance practice of the Company was reviewed and summarized. As at the end of 2019, the Company has complied with all applicable code provisions of the Hong Kong Stock Exchange Code and the Corporate Governance Code.

Pursuant to the analysis on the rather developed as well as newly implemented measures in respect of corporate governance, we believe that the Company has exceeded the applicable provisions under the Hong Kong Stock Exchange Code in terms of the following aspects in 2019.

- 1 In 2019, the Company has complied with all code provisions set out in the Hong Kong Stock Exchange Code. Upon the listing of A shares of the Company, the Company has also complied with all recommended best practices.
- 2 Adhering to the working principle of "enhancing the scope of protection and striving for optimal protection conditions", the Company extended the insurance coverage for Directors to major associates and joint ventures, and the policy limit also increased. Upon listing of A shares in 2019, the responsibilities of directors of A shares are also covered.
- 3 In accordance with A share regulatory rules, the Company has advanced its Code for Securities Transactions by Directors and Specific Persons, which set up rules on basic principles for securities transaction, preliminary procedures and others. Interest Declaration Confirmation of Directors, Supervisors and Senior Management was executed at annual Board meeting and interim Board meeting, respectively.
- 4 The Consideration Process for the Resolutions of the Company was optimized to implement the information management on resolutions of the Company's headquarters and subsidiaries, which strengthened authorization management and control, and improved the transparency and efficiency of governance.
- 5 The management organized extraordinary meetings on the issues that the Board was concerned about for individual reporting, and responded to the concerns of the Directors.



Corporate Governance Report

We will persist in the corporate governance practices established in the previous years and recognized by the Board or the general meeting, including:

1. The Board Secretary of the Company will sort out the actions from the meeting within one week after each Board meeting and report to the Board in respect of the implementation of such actions at the next Board meeting, and continue to follow up the actions which are still within the timeframe.
2. In order to facilitate the Directors' prompt access to relevant information on duty performance, the Company formulated the Handbook on Duty Performance of Directors of CGN Power, providing Directors with reference for the rules and guidelines of duty performance.
3. In order to help all Directors familiarize with and get hold of the Company's business and operation, the latest business report is given on the regular Board meeting of the Company.
4. The Company formulated the Standards for Preparation and Review of Board Resolutions to regulate the Board resolutions and facilitate the decision making of the Board.
5. The expenses incurred by Directors for seeking independent professional advisers have been included in the annual budget of the Company.
6. The Board Office of the Company prepares the plans for annual general meeting of the Company (the "AGM") and meetings of the Board and its special committees, and report to the Board, so as to enable the Directors to make reasonable time arrangement and attend the relevant meetings of the Board and AGM in person as much as possible.

In 2019, thanks to sound practices and continuous improvement in corporate governance of the Company, the Company was awarded the Best Corporate Governance Awards 2019 from the Hong Kong Institute of Certified Public Accountants, demonstrating that the corporate governance work of the Company was well-recognized by the capital market. The Company will continue to consolidate and improve its corporate governance, keep on tracking changes in relevant regulatory requirements, actively seek opinions and advice from investors, and optimize the relevant corporate governance related systems, so as to provide a strong guarantee for the long-term sustainable development of the Company.

Overview of Regulatory Documents on Governance and Key Rules and Regulations

We attach 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 further improve the quality of the Board resolutions, ensure the compliance of the procedure of consideration of the Board resolutions and provide high quality resolution for the efficient consideration and decision-making of the Board, we formulated the Standards for Preparation and Review of Board Resolutions.

We also formulated the Handbook on Duty Performance of Directors to provide further guidelines and assistance for the performance of Director's duties with diligence. Pursuant to the latest revision of the Hong Kong Stock Exchange Code, we also made revision to the Corporate Governance Code of the Company and arranged for the formulation of Director Nomination Policy of CGN Power Co., Ltd.

As at the end of 2019, our regulatory documents on governance and key rules and regulations mainly consist of:

- Articles of Association of CGN Power Co., Ltd.* (the "Articles of Association")
- Procedural Rules of General Meeting of CGN Power Co., Ltd.* (the "Procedural Rules of General Meeting")
- 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 under the Board of Directors of CGN Power Co., Ltd.*
- Terms of Reference for the Remuneration Committee under the Board of Directors of CGN Power Co., Ltd.*
- Terms of Reference for the Nomination Committee under the Board of Directors of CGN Power Co., Ltd.*
- Terms of Reference for the Nuclear Safety Committee under the Board of Directors 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.



Corporate Governance Report

- Management Rules on Investor Relations of CGN Power Co., Ltd.
- Management Rules on Related Party 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)
- Director Nomination Policy of CGN Power Co., Ltd.*
- Corporate Governance Code of CGN Power Co., Ltd.*
- Shareholder Communication Policy of CGN Power Co., Ltd.*
- Terms of Reference for Independent Directors of CGN Power Co., Ltd.
- Terms of Reference for Secretary of the Board of Directors of CGN Power Co., Ltd.
- Management Measures on External Guarantees of CGN Power Co., Ltd.
- Management Rules on Investments of CGN Power Co., Ltd.
- Code for Securities Transactions by Directors and Specific Persons of CGN Power Co., Ltd.*
- Management Rules on Fundraising Proceeds of CGN Power Co., Ltd.

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



Major amendments to the Articles of Association

On August 26, 2019, A shares of the Company were issued and listed on the SZSE, and the Articles of Association came into effective after being approved at the 2018 first extraordinary general meeting held on 25 April, 2018.

Compliance with Domestic Regulatory Requirements

The Corporate Governance Code of the Company and the corporate governance practice of the Company were in compliance with the PRC laws and regulations, the relevant regulatory requirements of the CSRC and the Hong Kong Stock Exchange. The Company will update them on a continuous basis to remain consistent with laws and regulations. As of the end of 2019, 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 (of which Zhong Huiling, a non-executive Director, resigned from the position as a non-executive Director of the Company on 12 December, 2019), three non-executive directors hold positions in CGNPC (among which, Zhang Shanming, a non-executive Director, ceased to hold the position in CGN on 21 January, 2020, who resigned from the positions as the Chairman of the Board and non-executive Director of the Company on 3 March, 2020). Gao Ligang, the executive Director and President, has been the chairman of GNS (a subsidiary of CGNPC) since June 2016. Yin Engang, the Chief Financial Officer, was a director of CGN New Energy Holdings Co., Ltd. from March 2015 to January 2018. Vice President Chen Yingjian serves as chairman of Techenergy since September 2016. 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 reduce 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.

As at December 31, 2019, the target companies under custody 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), 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) and Techenergy.

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, 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.

In the progress of A Share Offering of the Company, CGNPC further made an undertaking to avoid horizontal competition, including, but not limited to, to procure, at its best efforts, investees of CGNPC not to, whether at present or in the future, engage or participate in any business or activity that has or might cause direct or indirect competition with principal operations of the Company and its controlling subsidiaries, to treat the Group as the sole platform for final integration of nuclear power generation business of CGNPC, as well as to transfer the domestic retained nuclear power business of CGNPC to the Company upon the fulfillment of specific conditions.

Pursuant to the non-competition deed, in 2019, 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 construction project located in Romania.

The independent non-executive Directors will closely monitor the performance of CGNPC under the non-competition deed and the undertaking to avoid horizontal competition, and the management of the Company will report to the Board on the relevant matters as and when appropriate on an ongoing basis. CGNPC confirmed that no breach of non-competition deed and undertaking to avoid horizontal competition 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;



requesting, convening, hosting, attending or appointing proxies to attend and voting at general meetings in accordance with laws;



supervising the Company's operating activities and making suggestions or inquiries;



transferring, gifting or pledging their shares in accordance with laws, administrative regulations and the Articles of Association; and



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, the Hong Stock Exchange and the Shenzhen Stock Exchange after the general meetings.

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 extraordinary general meeting (the "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. In the event that the Board agrees to convene an EGM or class meeting, the notice of convening an EGM or class meeting shall be issued within five days from the passing of the relevant resolution of the Board. Any amendment to the proposal made in the notice requires approval of the shareholders concerned.



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 ten 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 Company's 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

Unit: accounts

	As of December 31, 2018	As of December 31, 2019
Total number of registered shareholders	3,820	488,366
Registered shareholders of H shares	3,817	3,721
Holders of A shares	0	484,645

Shareholder structure

Nature of shares	Shareholders	Number of shares held (shares)	Approximate percentage of the Company's total issued shares (%)
A shares	CGNPC	29,176,641,375	57.78%
	Guangdong Hengjian Investment Holdings Co., Ltd. ("Hengjian Investment")	3,428,512,500	6.79%
	China National Nuclear Corporation	1,679,971,125	3.32%
	Other holders of A shares	5,049,861,100	10.00%
H shares	CLP Nuclear Power Company Limited	142,434,000	0.28%
	National Council for Social Security Fund ("NSSF")	1,014,875,000	2.01%
	Shareholders of other issued and sold H shares	10,006,316,000	19.82%

Our current public float meets the requirements.

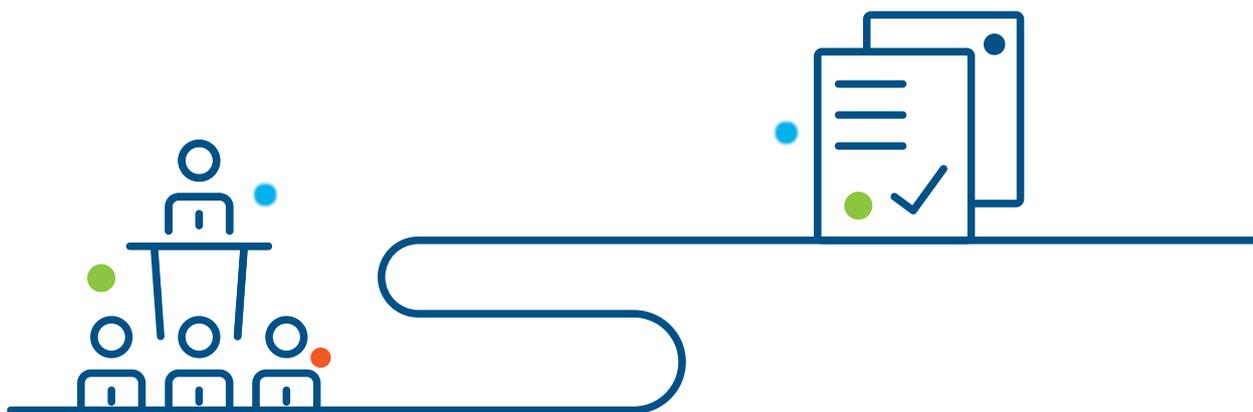
Corporate Governance Report

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.

In 2019, we held two general meetings, namely the 2019 first EGM/the first H/domestic shareholders' class meeting and the 2018 AGM.

2019 First EGM	Date	April 23, 2019
	Location	Hong Kong
	Attendance	Total number of shares with voting rights represented by the shareholders attending the EGM in person or by proxy was 38,093,125,686 shares, representing approximately 83.82% of the total number of shares.
	Resolutions considered and approved	Ordinary resolutions: The Report on the Use of Previously Raised Funds The profit distribution plan for the year ended December 31, 2018
		Special resolutions: The extension of validity period of the Plan for the A Share Offering The extension of the authorization to deal with specific matters relating to the A Share Offering granted to the Board by the general meeting



First H shareholders' class meeting	Date	April 23, 2019
	Location	Hong Kong
	Attendance	Total number of H shares with voting rights represented by the holders of H shares attending the H shareholders' class meeting in person or by proxy was 3,427,479,323 shares, representing approximately 30.7% of the total number of H shares.
	Resolutions considered and approved	Special resolutions: The extension of validity period of the Plan for the A Share Offering The extension of the authorization to deal with specific matters relating to the A Share Offering granted to the Board by the general meeting
First domestic shareholders' class meeting	Date	April 23, 2019
	Location	Hong Kong
	Attendance	Total number of domestic shares with voting rights represented by the holders of domestic shares attending the domestic shareholders' class meeting in person or by proxy was 34,285,125,000 shares, representing 100% of the total number of domestic shares.
	Resolutions considered and approved	Special resolutions: The extension of validity period of the Plan for the A Share Offering The extension of the authorization to deal with specific matters relating to the A Share Offering granted to the Board by the general meeting

Corporate Governance Report

2018 AGM	Date	May 29, 2019
	Location	Hong Kong
	Attendance	Total number of shares with voting rights represented by the shareholders attending the AGM in person or by proxy was 37,739,731,281 shares, representing approximately 83.1% of the total number of shares.
	Resolutions considered and approved	<p>Ordinary resolutions:</p> <p>The report of the Board for the year ended December 31, 2018</p> <p>The report of the Supervisory Committee for the year ended December 31, 2018</p> <p>The annual report of the Company for the year 2018</p> <p>The audited financial statements for the year ended December 31, 2018</p> <p>The investment plan and capital expenditure budget for the year 2019</p> <p>The re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic and overseas auditor of the Company for the year 2019 until the close of the next annual general meeting, and the authorization to the Board to determine its remuneration</p> <p>The remuneration of the Directors and Supervisors for the year 2019</p> <p>The 2020 Engineering Services Framework Agreement and the proposed annual caps contemplated thereunder</p> <p>The Report on the Use of Previously Raised Funds as of December 31, 2018</p> <p>The Report on the Use of Previously Raised Funds as of March 31, 2019</p> <p>Special resolutions:</p> <p>The domestic registration and issuance of RMB denominated bonds</p> <p>The grant of a general mandate to the Board to allot, issue and deal with additional H Shares during the relevant period</p>



2018 AGM

We are serious about the organization and convening of each general meeting. All Directors attend the general meetings to the best of their abilities and answer questions of the shareholders with the presence of witnessing lawyer(s). 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 2019 AGM is expected to be held in May 2020.

Details of the major questions raised by the shareholders and the relevant replies at the general meetings are as follows:

<p>In 2018, the market power tariff of the Company was RMB0.34/unit in average. With the increasing electricity bidding in markets, will there be any significant impact on results of the Company?</p>	<p>The volume of electricity traded in markets is determined based on different contracts and varies in different provinces and regions. In general, the share of electricity volume traded in markets has been increasing over the years. However, market power tariff continued to decline despite the increasing market share. Instead, the market price under certain bidding transaction has increased. There are annual contracts, as well as monthly bidding, or even daily bidding and spot transactions. Hence, this issue is relatively complicated. All in all, we are of the view that more electricity available in market might not lead to lower power tariff.</p>
	

<p>We advise the Company to consider the possibility of increasing dividends and proportion of bonus issue in order to fulfill expectation of minority shareholders.</p>	<p>The Company will carefully consider your advice. The Board and management of the Company attach great importance to safe and steady operation of nuclear power generating units in order to achieve steady growth in overall operation. Based on the dividend per share distributed in 2018, the Company will maintain moderate increase in dividend per share for 2019 and 2020. In long run, the Company will offer shareholders with steady dividend return with moderate increase.</p>
	

Corporate Governance Report

Communication with Shareholders and Investors

Investor relations have always been regarded as highly important by the Company, the Board of Directors and our management. The Company has established the Investor Relations Management System of CGN Power Co., Ltd., the Information Disclosure Management System of CGN Power Co., Ltd. and other systems to regulate the activities of investor relations through these systems.

The Company continues to help our shareholders understand the Company in a timely and comprehensive manner through various communication channels. Meanwhile, we highly value the views and feedback of shareholders and investors. We earnestly consider the advice and comments of shareholders and investors on the Company's development strategy, operation and other aspects and provide feedback to the Board, the management and relevant departments of the Company through briefings, special reports and other means, in order to achieve the alignment between the Company's business development and shareholder value and to protect the interests of the shareholders, thereby achieving effective and smooth two-way communication.

Communication Activities with Shareholders and Investors

Main channels of communication with shareholders and investors and the communication activities in 2019:

- **Regular report:** Annual report, interim report, quarterly report, quarterly operation briefings and ESG report of the Company are released from time to time.
- **General Meeting:** An EGM was held in Hong Kong on April 23, 2019; the 2018 AGM was held in Hong Kong on May 29, 2019.
- **Results announcement conference:** The 2018 annual results announcement conference was held in Hong Kong on March 13, 2019; the 2019 interim results announcement conference call was held on August 22, 2019.

- **Results roadshow:** The Company organized the 2018 annual results roadshow in March 2019 and the 2019 interim results roadshow in August 2019.
- **Reverse roadshow:** On-site inspections of the nuclear power bases were organized from time to time for shareholders, investors, analysts and other relevant persons, so that they can understand the operation and construction status of the NPPs. In July 2019, site inspection was arranged at Taishan Nuclear Power Base for shareholders, investors and analysts.
- Before the initial public offering of A shares, the Company carried out offline roadshows for the offering of A shares in various places in July and August 2019, respectively.
- **Research activities:** we arranged interviews between the management and the investors and analysts from time to time to listen to their opinions and suggestions and respond to their concerns.
- **Analyst teleconference:** The Company organizes quarterly operation status teleconferences from time to time, to provide quarterly updates on safety production and operation to capital market and answer their questions. The Company held quarterly operation teleconferences in January, April, July and October 2019 respectively.
- **Online communication:** In August 2019, an A-share IPO online roadshow was organized; in September 2019, the Company participated in an online group reception day for investors of Shenzhen listed companies.
- **Daily communication:** Timely response to the concerns of shareholders and investors on the IRM platform, investor hotline, and IR mailbox.
- **Company website (www.cgnp.com.cn):** An Investor Relations column has been established to publish information and materials relevant to investors.

Board of Directors

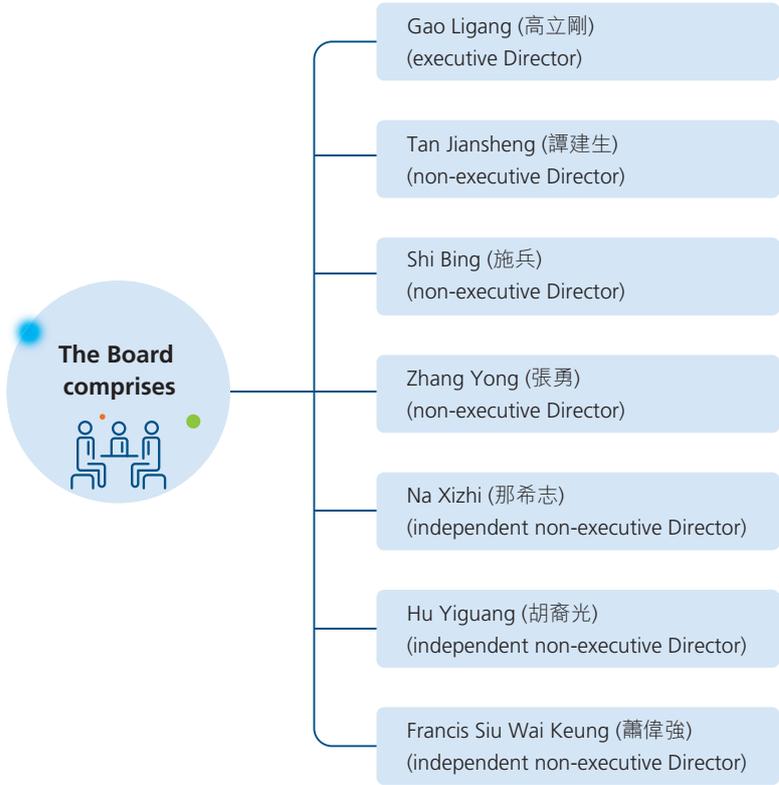
Composition of the Board of Directors

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. The members of this session of the Board possess over 20 years of experiences in the electricity, legal and financial industries, respectively.

Pursuant to the Articles of Association, the Board of the Company comprises nine Directors. As of the date of this Annual Report, there are seven Directors in the Company at present. On December 12, 2019, Ms. Zhong Huiling resigned from her position as non-executive Director of the Company, and on 3 March, 2020, Mr. Zhang Shanming resigned from his positions as the Chairman of the Board and non-executive Director of the Company. 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.



The Directors of the Company have extensive experience in management in the power industry, financial and accounting, 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.

Corporate Governance Report

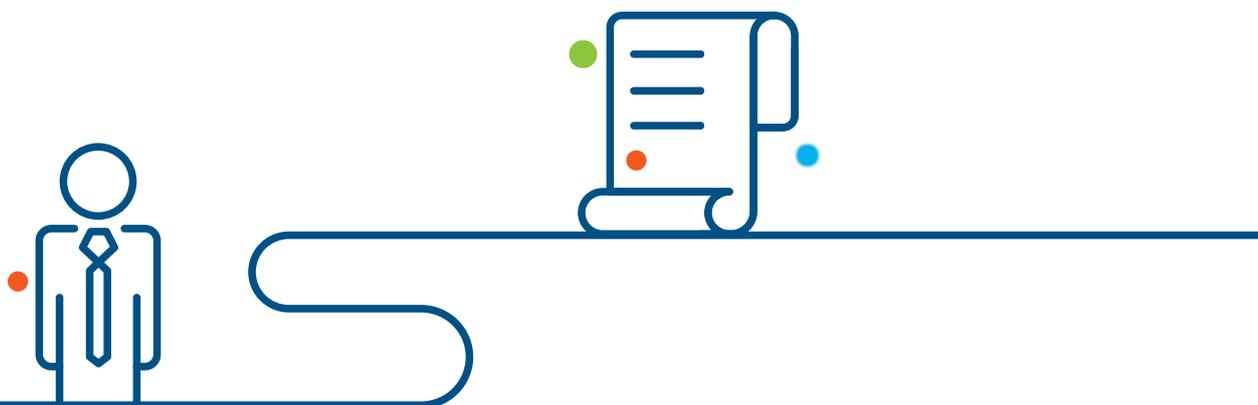
The Board has at all times complied with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules for the year 2019 that at least three independent non-executive Directors have been appointed. Among them, at least one independent non-executive Director must have appropriate professional 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 80 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 instance, our Directors, including Zhang Shanming, Tan Jiansheng and Shi Bing, had abstained from voting at the Board meeting considering matters such as the 2020 Engineering Services Framework Agreement.



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; and
- authorizing 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.

To facilitate the Directors' access to the support for duty performance, the Company, pursuant to the Listing Rules and the Articles of Association, compiled the Handbook on Duty Performance of Directors of CGN Power, providing Directors with reference for the rules and guidelines of duty performance.

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; and
- 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.

Corporate Governance Report

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 131 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, and to review the independence of the auditing agency appointed by the issuer and to give opinions on its independence;
- 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, 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 critical 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 and its implementation;
- 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 actively understand the work dynamics of the internal audit department, timely coordinate major internal control deficiencies found and to report to the Board of Directors; and
- 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 132 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 2019.

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 organize the Company's performance evaluation of management personnel except supervisors;
- 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; and
- To ensure that none of the Directors or any of his/her associates will be involved in deciding on his/her own remuneration.

Nomination Committee

Please refer to the “Nomination Committee Report” set out on page 134 of this Annual Report for details of the Nomination Committee, including its composition 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 directors and President; 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;
- 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; and
- To fulfill such other duties and responsibilities delegated by the Board.

Corporate Governance Report

Nuclear Safety Committee

Please refer to the “Nuclear Safety Committee Report” set out on page 136 of this Annual Report for details of the Nuclear Safety Committee, including its composition and annual work summary.

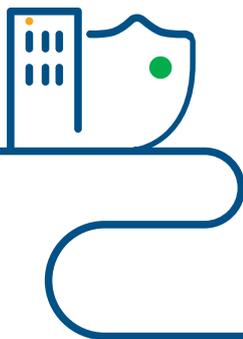
The duties and responsibilities of the committee mainly include:



- 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 necessary 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; and
- 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 ten Board meetings (five regular Board meetings and five 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	Meeting	Date	Mode
1	Ninth meeting of the second session of the Board of Directors	January 8, 2019	Physical
2	Eighth extraordinary meeting of the second session of the Board of Directors	February 26, 2019	By teleconference
3	Tenth meeting of the second session of the Board of Directors	March 12, 2019	Physical
4	Ninth extraordinary meeting of the second session of the Board of Directors	April 22, 2019	By teleconference
5	Eleventh meeting of the second session of the Board of Directors	May 28, 2019	Physical
6	Twelfth meeting of the second session of the Board of Directors	August 21, 2019	Physical
7	Tenth extraordinary meeting of the second session of the Board of Directors	September 12, 2019	By teleconference
8	Eleventh extraordinary meeting of the second session of the Board of Directors	September 24, 2019	By teleconference
9	Thirteenth meeting of the second session of the Board of Directors	October 30, 2019	Physical
10	Twelfth extraordinary meeting of the second session of the Board of Directors	December 30, 2019	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:

- 2019 Operational Plan
- 2019 Comprehensive Risk Management Report
- 2019 Internal Audit Plan
- Amendment to the Accounting System of the Company
- Resolution on approving the use of temporary idle funds from the proceeds from the A shares offering to purchase principal-guaranteed wealth management products
- Resolution on approving the qualification of Mr. Wang Wei as the candidate of non-executive Director of the second session of the Board of CGN Power Co., Ltd.

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 ^{note}	Chairman of the Board and Non-executive Director	6/10	–	–	1/3	0/2	0/2
	Member of the Nomination Committee						
	Chairman of the Nuclear Safety Committee						
Gao Ligang	Executive Director and President	10/10	–	–	–	2/2	2/2
	Member of the Nuclear Safety Committee						
Tan Jiansheng	Non-executive Director	7/10	–	–	–	–	0/2
Shi Bing	Non-executive Director	10/10	–	–	–	–	2/2
Zhong Huiling ^{note}	Non-executive Director	8/9	–	3/3	–	1/2	2/2
	Member of the Remuneration Committee						
	Member of the Nuclear Safety Committee						
Zhang Yong	Non-executive Director	10/10	6/7	–	–	2/2	2/2
	Member of the Audit and Risk Management Committee						
	Member of the Nuclear Safety Committee						
Na Xizhi	Independent non-executive Director	10/10	7/7	–	3/3	2/2	2/2
	Chairman of the Nomination Committee						
	Member of the Audit and Risk Management Committee						
	Member of the Nuclear Safety Committee						
Hu Yiguang	Independent non-executive Director	10/10	–	3/3	3/3	–	2/2
	Chairman of the Remuneration Committee						
	Member of the Nomination Committee						
Francis Siu Wai Keung	Independent non-executive Director	9/10	7/7	3/3	–	–	1/2
	Chairman of the Audit and Risk Management Committee						
	Member of the Remuneration Committee						

Note: Mr. Zhang Shanming resigned from his positions as the Chairman of the Board and non-executive Director of the Company due to changes in his work commitments, which became effective on 3 March, 2020; Ms. Zhong Huiling resigned from her position as non-executive Director of the Board of the Company due to changes in her work commitments, which became effective on December 12, 2019.

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, financial information and industry information.

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.

The Directors of the Company have received the following trainings in relation to the roles, functions and duties of directors of listed companies for the year ended December 31, 2019.

Director	Type of training		
	Reading Materials	Specific Training	On-site Inspections
Zhang Shanming ^{Note}	√	√	
Gao Ligang	√	√	
Tan Jiansheng	√	√	
Shi Bing	√	√	
Zhong Huiling ^{Note}	√	√	√
Zhang Yong	√	√	√
Na Xizhi	√	√	√
Hu Yiguang	√	√	√
Francis Siu Wai Keung	√	√	√

Note: Mr. Zhang Shanming resigned from his positions as the Chairman of the Board and non-executive Director of the Company due to changes in his work commitments, which became effective on 3 March, 2020; Ms. Zhong Huiling resigned from her position as non-executive Director of the Board of the Company due to changes in her work commitments, which became effective on December 12, 2019.

Corporate Governance Report

Reading Materials: Company Management Monthly Report



- a total of 12 issues

Specific Trainings:



On May 28, 2019



- the "Introduction to the Differences Between Transactions Conducted under A Share and H Share Listing Rules" given by the legal advisors of the Company.

On October 30, 2019



- the "General Training for Directors, Supervisors and Senior Management" given by the legal advisors of the Company and the "Training on Continuous Supervision of Listed Companies" given by the sponsors of the Company.

On December 24, 2019



- Mr. Gao Ligang, executive Director, attended the "Tenth Training Course for Chairman and General Manager of Listed Companies in 2019" organized by China Association for Public Companies.

On December 3 to 5, 2019



- the independent Directors, namely Na Xizhi, Hu Yiguang and Francis Siu Wai Keung, attended the 109th session of the Independent Director Training Course for Listed Companies organized by the Shenzhen Stock Exchange.

On-site Inspections:



From April 23 to 24, 2019



- the Directors and Supervisors conducted on-site inspection at CGN Huizhou Nuclear Power Co., Ltd. (中廣核惠州核電有限公司).

On May 27, 2019



- the Directors and Supervisors conducted on-site inspection at Suzhou Nuclear Power Research Institute (蘇州熱工研究院有限公司).

From June 21 to 22, 2019



- the Directors and Supervisors conducted on-site inspection at Beijing Branch of China Nuclear Power Technology Research Institute Co., Ltd. (中廣核研究院有限公司北京分院) and China Techenergy Co., Ltd. (北京廣利核系統工程有限公司).

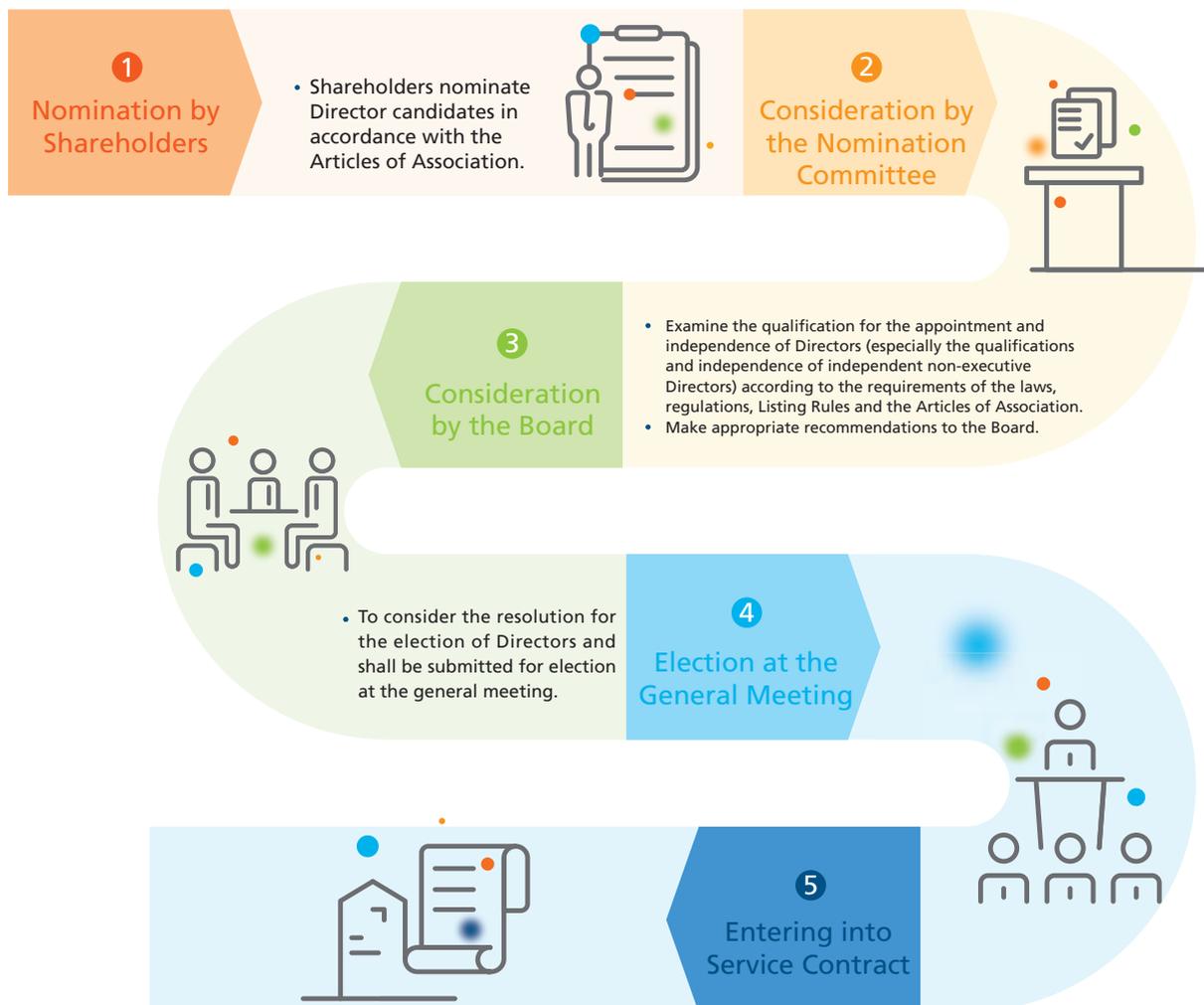
From October 28 to 29, 2019



- the Directors and Supervisors conducted on-site inspection at Taishan Nuclear Power Joint Venture Co., Ltd. (台山核電合營有限公司).

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. 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.



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 the PRC, 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 and the SZSE. 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, the SZSE and the Hong Kong Companies Registry within the prescribed period.

The Board office of the Company will regularly remind Directors to provide 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.

Corporate Governance Report

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, 2019.

Model Code for Securities Transactions

The Company has formulated and 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 by the Company, the Directors, Supervisors and senior management of the Company have all confirmed that they have complied with the above two codes for the year 2019.

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. In 2019, 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, 2019 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 financial statements is contained in "Audit Report" of this Annual Report on page 150.

Supervisory Committee

Please refer to the "Supervisory Committee Report" as set out in this Annual Report on page 137 for details of the Supervisory Committee, including its composition, duties and responsibilities and the annual work summary for the year.

Company Secretary

The Board appointed Jiang Dajin, the Vice President of the Company, as a joint company secretary. Mr. Jiang Dajin is qualified to be a secretary to the board of listed companies on the Shenzhen Stock Exchange, and he is also the Board secretary of the Company. Pursuant to the requirements under the Listing Rules, the Board have also engaged Lee Kwok Fai Kenneth at TMF Hong Kong Limited as a joint company secretary to provide assistance to Mr. Jiang Dajin in conducting his work. The joint 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 joint 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, Jiang Dajin and Lee Kwok Fai Kenneth, had taken not less than 15 hours of relevant professional training during the financial year ended December 31, 2019.

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.

In 2019, we optimized and adjusted our disciplinary departments, and strengthened the deployment of disciplinary staff. We improved our handling procedures on non-compliance and disciplinary matters. By adopting different measures, we strengthened promotion of honest practices among the staff through various methods, which were well received by the staff. In 2019, we found 21 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 management of the Company. The Company has established effective whistleblower channels to report any malpractices or irregularity in any matters related to the Company.

The principles and details of the remuneration of senior management officers are set out in the "Remuneration Committee Report" on page 132 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 55 of this Annual Report.

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 85 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; and



Specific reviews or audits of areas of concern identified by management or the Audit and Risk Management Committee.

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

In 2019, the audit department of the Company conducted specific audits on key areas of management such as internal control, outage, scientific research and environmental protection of the Company as well as areas of concern identified by the management, and issued reports to senior management officers.

External Auditors

Deloitte has audited the consolidated financial statements for the year 2019 prepared by the Company in accordance with the CASBE and IFRS. The auditing expenses for the Group for 2019 were about RMB9.42 million and the auditor of the Company does not provide non-auditing services.

After the conclusion of the 2019 AGM, the Company will no longer appoint Deloitte as the external auditor of the Company. With regard to the termination of re-appointment, Deloitte has confirmed that there are no matters in relation to the proposed change of the external auditor which should be brought to the attention of the shareholders of the Company. The Board and the audit and risk management committee of the Company have confirmed that there are no disagreements between the Company and Deloitte over the proposed change of the external auditor. For details, please refer to the announcement of the Company dated 25 March, 2020.

KPMG Huazhen LLP was proposed to be appointed by the Company as the external auditor of the Company for 2020 to undertake audit and interim review work for 2020 and internal control audit work for 2020. Its term of appointment will last until the conclusion of the 2020 AGM (subject to approval at the 2019 general meeting).

Other Stakeholders

Other stakeholders of the Company include customers, partners, social environment and regulators, details of which are set out in the 2019 ESG Report of the Company.

Internal Control

Risk Management



The Company has established a comprehensive risk management system with the principle of “Unified Leadership, Hierarchical Management”, 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.

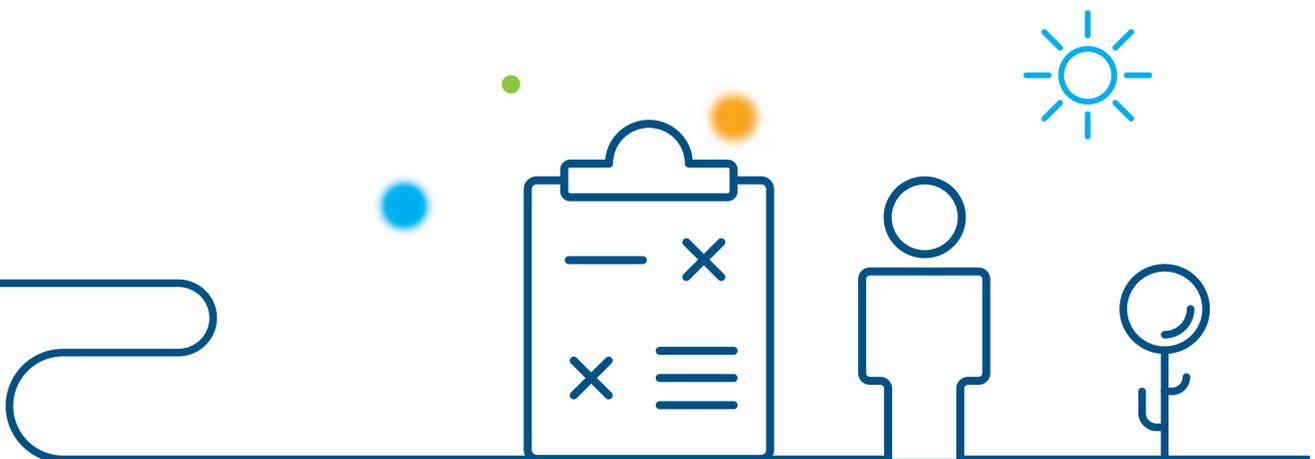
Structure of the internal control system



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.



Corporate Governance Report

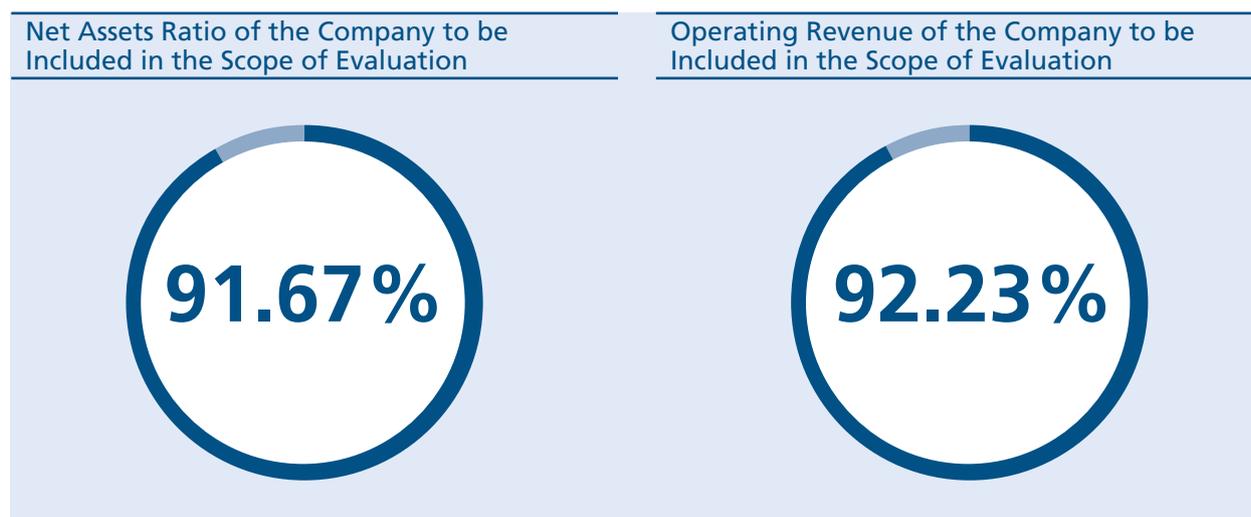
The Company formulated and the Board of the Company approved the Internal Control Manual of CGN Power Co., Ltd. (2017, First Edition). The manual standardizes the relevant management systems and procedures of various businesses and functions of the Company, breaks down and specifies the internal control responsibilities, reasonably guarantees legal and compliant operation and management and ensures the authenticity of financial reports.

Key Elements of Internal Control	Initiatives
 <p>Internal Environment</p>	<p>The corporate governance structure specifies the management authority at various levels</p> <p>Internal organizations and posts clearly define the allocation of responsibilities and powers</p> <p>The internal supervision system</p> <p>Corporate strategies</p> <p>Integrity and moral values and corporate culture</p> <p>Competency of staff</p>
 <p>Risk Assessment</p>	<p>Timely identifying and systematically analyzing risks associated with the realization of internal control objectives in the process of operation activities and reasonably determines strategies in response to risks</p>
 <p>Control Activities</p>	<p>Taking corresponding control measures and formulating internal rules, systems and procedures based on the risk assessment results to ensure the implementation of control measures</p> <p>Covering major business areas such as funding activities, procurement, sales, engineering projects management, guarantee, research and development, business outsourcing, asset management and financial reporting</p> <p>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</p>
 <p>Information and communication</p>	<p>Collecting and transmitting information related to internal control in a timely and accurate manner to ensure that the information is effectively transmitted within the Company, and between the companies and external parties.</p>
 <p>Internal Supervision</p>	<p>Regularly evaluating the implementation of systems and procedures</p> <p>Independent internal monitoring and auditing activities</p> <p>Self-assessment of internal control system on a regular basis</p>

Internal control evaluation

According to the relevant provisions of the Corporate Governance Code, we have prepared the Internal Control Assessment Proposal for 2019 of the Company (the “**Internal Control Assessment Proposal**”), which clearly provides the evaluation covers the full 2019 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 2019.

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 2019. 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 13 major subsidiaries, which covered all business segments and major business areas of the Company; as of December 31, 2019, the aggregate net assets and operating revenue of the aforesaid companies represented approximately 91.67% and 92.23% 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, quality and environmental management, procurement business, and fund activities. 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, 2019) 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, 2019) 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.

Corporate Governance Report

Monitoring inside information

The measures for the management and control of inside information by the Company



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 and its ancillary procedures have been formulated in order to regulate the management requirements and handling procedures of inside information.



The relevant trainings on information disclosure have been provided to the Company's management and staff of the subsidiaries and major affiliated companies on a sustained basis.

In 2019, we carried out trainings on information disclosure through various ways such as face-to-face training, video communication and internet examinations and learning, adding for this year sessions on the latest requirements in both H-share and A-share markets and relevant practices of the Company to ensure compliance with relevant requirements on information disclosure in respect of H shares and A shares, covering almost 90% of the staff. In addition, we regularly prepared typical punishment cases in the places where the shares of the Company are listed for the training sessions, enhancing staff's comprehension on regulatory requirements. In 2019, we also conducted random inspection on the implementation of relevant systems and procedures information disclosure and found no violation of the procedure.

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, actively receive the opinions and recommendations from the investors and constantly optimize the corporate governance system, thereby providing powerful support to the long-term and sustainable development of the Company.