

**TERMS OF REFERENCE OF THE AUDIT
COMMITTEE UNDER THE BOARD OF
DIRECTORS OF SINOPEC OILFIELD SERVICE
CORPORATION**

**Reviewed and adopted by the 1st Meeting of the 8th Session of the Board
on 9 February 2015**

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Chapter 1 General Provisions

Article 1 These Terms of Reference (these “**Terms**”) are established by Sinopec Oilfield Service Corporation (the “**Company**”) for the Audit Committee under its board of directors (the “**Committee**”) in combination with the Company’s practical situation and in accordance with the relevant provisions of Articles of Association of Sinopec Oilfield Service Corporation (the “**Articles**”) , the *Code of Governance for Listed Companies* published by China Security Regulatory Commission, and relevant laws, regulations and normative documents and the securities regulations of the listed jurisdictions of the Company in order to set down the composition, responsibilities and rules of procedure of the Committee.

Article 2 The Committee is an internal committee specifically set up by and responsible to the board of directors.

Chapter 2 Composition

Article 3 The Committee shall comprise a minimum of three directors who are not senior management of the Company, among whom a majority shall be independent directors. The Committee shall have one (1) chairman in charge of its work, who shall be the Company's independent director with the expertise of accounting or related financial management in accordance with the requirements of securities regulatory rules. All of the Committee members shall satisfy the requirements under the securities supervisory authorities of the listed jurisdictions of the Company, including the independence requirements.

The Office of the Committee should be located in the Audit Department of the Company, and be responsible for undertaking the specific issues of the Committee. The Committee shall have one (1) secretary (who should be nominated by the Board Office, and appointed by the Committee). The Committee's secretary is responsible for assisting the work of the members of the Committee, including assisting the communication among the Company's board of directors, the Committee and the Office of Committee.

Article 4 The members of the Committee shall satisfy the following requirements:

- (1) Familiar with the relevant domestic and overseas laws and regulations, and know the business, operation and management, organizational structure, management and control systems of the Company;
- (2) Having knowledge in areas of finance, accounting, auditing, surveillance or macro-economy etc. There shall be at least one member that has expertise in accounting or financial management in accordance with the requirements of securities regulatory rules;
- (3) Having a strong ability to make comprehensive analysis and judgment and being capable of dealing with complicated financial and operational issues;
- (4) Strictly adhering to the law, proactively performing their duties and safeguarding the rights and interests of the Company and its shareholders in accordance with applicable laws and regulations and the Article;
- (5) Maintaining the business secrets of the Company confidential and refraining from abusing their powers for personal gains;
- (6) A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of 2 year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later;
- (7) Other conditions required by the securities regulatory authorities of the listed jurisdictions of the Company.

Article 5 Members of the Committee shall either be nominated by the chairman of the board of directors, more than half of the independent directors, or one third of all the directors. The appointment shall be made by the board of directors.

Article 6 Members of the Committee shall serve for the same term as the directors of the Company. Any member of the Committee who ceases to be a director of the Company shall become automatically disqualified from the Committee and the Company shall, if necessary, appoint a replacement to fill in the vacancy caused by such disqualification pursuant to the articles above.

Article 7 The Committee may, if needed, engage advisory members who provide professional advice in accordance with the requirements of the Committee.

Chapter 3 Duties and Responsibilities

Article 8 The Committee is responsible for performing all duties assigned by the securities regulatory authorities of the listed jurisdictions of the Company (including but not limited to the scope of duties specified in this chapter) and completing other tasks assigned by the board of directors.

Article 9 The Committee is responsible for advising on the appointment, reappointment, and termination of the external auditors of the Company and their remuneration, mainly including:

- (1) To supervise the finance department, as authorized by the board of directors, in the formulation of policies, processes and relevant internal control systems for the selection and appointment of the external auditors responsible for the audit of the Company's financial and accounting reports, review the selection and appointment documents, determine the evaluation elements and specific scoring criteria, and supervise the selection and appointment process.
- (2) To propose the commencement of the selection and appointment or change of the external auditors, review the audit fees, and form a deliberation opinion before submitting it to the corresponding decision-making body for decision.
- (3) To review the audit fees and terms of engagement of the external auditors without undue influence from substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company.

Article 10 The Committee is responsible for supervising and evaluating the work of the external auditors, mainly including:

- (1) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

- (2) The Committee should discuss with the external auditor the nature and scope of the audit and its report responsibility before the audit procedure commences;
- (3) To develop and implement policies on engaging an external auditor to provide non-audit services, if necessary. The Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;
- (4) To urge the external auditors to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions;
- (5) To present to the board of directors annually a report on the performance evaluation of the external auditors engaged and a report on the fulfillment of supervisory duties by the Committee.

Article 11 The Committee shall review the Company's financial information and its disclosure, mainly including:

- (1) To monitor the process of compiling the quarterly, interim and annual financial and accounting reports of the Company.
- (2) To review the quarterly, interim and annual financial and accounting reports of the Company to be proposed to the board of directors, monitoring the truthfulness, integrity, accuracy and fairness of the financial and accounting reports. In reviewing these reports, the Committee should focus on the following:
 1. The major accounting and auditing issues in the financial and accounting reports of the Company, especially whether there is any possibility of fraud, corrupt practices or material misstatement in relation to such reports;
 2. To review any changes in accounting policies and estimates during the reporting period, consider any changes in accounting policies and accounting estimates or correction of significant accounting errors resulting from reasons other than changes in accounting standards, and submit them to the board of directors for deliberation;
 3. To review major judgmental areas in the financial and accounting reports;

4. To review significant adjustments to be made as requested by the external auditors upon completion of the audit;
 5. To review the going concern assumptions of the Company and any qualifications;
 6. To review compliance with accounting standards, securities regulatory rules of the listed jurisdictions of the Company and the relevant legal requirements;
 7. To consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and should give due consideration to any matters that have been raised by the Company's accounting and finance department, compliance department or auditors.
- (3) To discuss the issues raised by the external auditors following their review of the company's interim and annual financial and accounting reports.
 - (4) To review the audit letter or management recommendations given to management by external auditors, and ensure a response from management and review such response in a timely manner with regard to the questions raised to management on the Company's financial or internal controls.
 - (5) To communicate with the board of directors and senior management in respect of the Company's financial reports on a regular basis. The Committee must meet, at least twice a year, with the external auditors.

Article 12 The Committee shall coordinate the work and communication between the Company's management, the audit department and relevant departments and the external auditors, and shall be responsible for monitoring the relationship between the Company and the external auditors.

Article 13 The Committee shall review the Company's financial policies, internal auditing system, and internal control and risk management system, including:

- (1) To review the Company's financial and accounting policies and practices;
- (2) To discuss and evaluate the effectiveness of the internal control system with the management. This discussion should include but not be limited to the adequacy of resources, staff qualifications and experience, training programs and budget in relation to the Company's accounting and financial reporting function;

(3) Proactively or upon the authorization of the board of directors, to study major investigation findings on risk management and internal control and management's solutions to these findings;

Article 14 The Committee shall supervise and evaluate the Company's internal audit, mainly including:

(1) To guide and supervise the establishment and implementation of the internal audit system.

(2) To review the Company's annual internal audit plan and internal audit report, and supervise the implementation of the Company's internal audit plan.

(3) To hear the reports on the implementation of the internal audit plan and the problems found during the internal audit on a quarterly basis.

(4) To ensure that the Company's audit department has sufficient resources to operate within the Company with appropriate authority and status.

(5) To direct the effective operation of the Company's audit department.

(6) To inspect and monitor the effectiveness of the Company's audit department, and report to the board of directors on the progress and quality of internal audit as well as the major issues found.

(7) To supervise the audit department of the Company to review the following matters, prepare a review report and submit it to the Committee at least once every half year:

1. Implementation of significant matters including the use of raised proceeds, provision of guarantees, connected transactions, securities investment and derivative transaction, provision of financial assistance, purchase or sale of assets and external investment;

2. Large-value transactions of the Company and the transactions with directors, supervisors, senior management members, controlling shareholder and de facto controllers and their respective associates.

The Committee shall, in accordance with the internal audit report and relevant materials submitted by the audit department, issue written evaluation opinions on the effectiveness of the company's internal control and report to the board of directors.

Article 15 The Committee shall entertain, settle and keep in confidence complaints or anonymous tip-offs about possible improprieties in accounting, auditing, internal control or other aspects, enabling the Company to conduct independent and fair investigation on these matters and take follow-up actions.

Article 16 The Committee shall maintain a high degree of caution and attention to the following situations regarding external auditors:

- (1) Change of the external auditors for a period from the balance sheet date until the issuance of the annual report, or for two consecutive years, or for many times in the same year;
- (2) The external auditors to be appointed have been subject to multiple administrative penalties due to the quality of practice or have multiple audit projects under investigation in the past three years;
- (3) The original audit team to be appointed has switched to another external auditor;
- (4) There is a significant change in audit fees during the term of appointment as compared to the previous year, or the transaction price for the appointment is significantly lower than the benchmark price;
- (5) The external auditor fails to conduct substantial rotation of the project partner and signing certified public accountants (“CPAs”) as required.

Article 17 The Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating both internal and external audit work and internal controls. The following matters should be submitted to the board of directors for deliberation after being approved by a majority of the members of the Committee:

- (1) To disclose financial information in financial and accounting reports and periodic reports, internal control evaluation reports;

- (2) To engage or dismiss accounting firms for audit services.
- (3) To engage or dismiss the financial officer of the listed company;
- (4) To make changes to accounting policies, accounting estimations or correction of significant accounting errors for reasons other than changes in accounting standards;
- (5) Other matters provided by laws, administrative regulations, securities regulatory rules of the listed jurisdictions of the Company and the Articles.

Article 18 In case of false, misleading statements or major omissions in the financial and accounting reports published by the Company, the Committee should urge the relevant responsible departments of the Company to design measures and timelines for correction, conduct follow-up reviews, supervise the implementation of such measures, and disclose the progress of the implementation in a timely manner.

Article 19 The Committee shall report its work to the board of directors on a regular basis.

Article 20 The chairman of the Committee shall perform the following obligations and responsibilities:

- (1) To convene and preside over the meetings of the Committee;
- (2) To take charge of the daily business of the Committee;
- (3) To review, finalize and sign the reports and other important documents of the Committee.
- (4) To examine the implementation of the resolutions and proposals of the Committee;
- (5) To report its work to the board of directors on behalf of the Committee;
- (6) To fulfil such other duties and responsibilities as assigned to the chairman of the Committee.

If the chairman is unable or fails to perform his duties, a member of the Committee appointed by the chairman shall perform his duties.

Chapter 4 Rules of Procedure

Article 21 The meetings of the Committee shall be convened at least one meeting every quarter to discuss about internal auditing plan and debrief the Company's financial and audit department as well as review the quarterly report, half-year report and annual report.

The Committee may convene an extraordinary meeting as needed, or when proposed by two or more members of the Committee, or when the chairman of the Committee deems it necessary. If, in the course of performing his or her duties, an independent director identifies any material matter of the Company which falls within the scope of duties of the Committee, he or she may promptly request the Committee to conduct discussion and deliberation under the relevant procedures.

The Committee may, if needed, engage a professional intermediary to provide advice before making decisions and giving advice to the board of directors.

Article 22 The Committee shall follow below rules and procedures in preparing and disclosing the annual financial reports of the Company:

- (1) Promptly following the end of each financial year, to discuss with the external auditor who is responsible for auditing the annual report of the Company (the “**Annual Auditor**”) in respect of the timetable of the audit for the financial year;
- (2) To urge the Annual Auditor to issue the audit report in the agreed time frame;
- (3) To review the financial statements prepared by the Company before the audit commences;
- (4) To strengthen the communication with the Annual Auditor after the audit commences and review the financial statements after the Annual Auditor issues the preliminary audit opinion;
- (5) To convene the meeting of the Committee to review the financial report, propose the reappointment or removal of the external auditor for the next year, and prepare a report summarizing the annual audit services performed by the Annual Auditor. The foregoing shall be approved as resolutions of the Committee and submitted to the board of directors for review.

Article 23 The chairman shall convene the meeting and issue notice of the meeting. Notice of the meeting and the meeting agenda shall be sent to all the Committee members no later than three days before the meeting is convened by the Committee's secretary. Subject to the consent of all the Committee members, the foregoing requirement of the notification period may be waived.

Article 24 In principle, the Committee shall convene in-person meetings. On the premise that all the directors attending the meeting can fully communicate with each other and express their opinions, the meeting may be convened by video, telephone, or other means under the relevant procedures, if necessary.

Article 25 More than two-thirds of the members of the Committee (including a proxy duly authorized in writing) shall be a quorum for a Committee meeting. Any deliberations proposed by the members of the Committee to the board of directors should be approved by more than half of the members. If the effective resolution could not be made due to the avoidance of the members of the Committee, it should be proposed directly to the board of directors.

Article 26 Any member of the Committee who shall cease his/her duty or shall be dismissed according to the regulatory rules of the listed jurisdictions of the Company, but have not done so, or have not been, his/her participation and voting at any Committee meeting shall be invalid and not counted towards the attendance.

Article 27 The members of the Committee should attend the meeting by themselves, and should express their clear opinions on the deliberations. If any member of the Committee is unable or fails to attend the meeting for any reason, such member should review the meeting materials in advance, form specific opinions, submit a Letter of Attorney signed by him/her, and entrust another member to attend such meeting on his/her behalf. An independent director who is unable to attend a meeting of the Committee in person shall authorize another independent director to attend the meeting on his or her behalf in accordance with the foregoing provisions. The Letter of Attorney should specify its scope and duration. Every member could be trusted by no more than one member at one time.

Article 28 Full minutes of Committee meetings should be kept by the Committee's secretary. Draft and final versions of the minutes of the meetings should be sent to all Committee members for their comments and records, respectively, within a reasonable time after the meeting.

The Committee shall keep minutes of its meetings and the opinions of independent directors in the minutes, which shall be signed by the Committee members present at the meeting. The meeting minutes and other documents of the meeting shall be kept for at least ten years.

Chapter 5 Guarantees

Article 29 The senior management and relevant departments of the Company shall actively provide such necessary information and documents as required by the Committee in a cooperative and supportive manner. In particular, the financial department shall provide financial reports, reports on the operation of funds and other financial information to the Committee on a regular basis, keep the Committee informed of significant business activities timely, actively cooperate with the work of the Committee and pay attention to the proposals and requirements raised by the Committee.

Article 30 The Committee's fund shall be covered by the budget of the Company and the adequacy of relevant resources shall be guaranteed. The Committee is entitled to engage legal counsels, CPAs, licensed auditors and other professional parties when performing its duties, and the reasonable expenses incurred shall be borne by the Company.

Chapter 6 Supplementary Provisions

Article 31 The Terms shall be interpreted by the Committee.

Article 32 Where any matters not mentioned in the Terms or conflict with the laws, administrative rules, other relevant normative documents and the securities regulatory rules of the listed jurisdictions of the Company, the laws, administrative rules, other relevant normative documents and the securities regulatory rules of the listed jurisdictions of the Company shall prevail.

Article 33 The establishment and amendments of these Terms shall come into effect upon the approval of the board of directors.