**Appendix 1**

**China Shenhua Energy Company Limited**

**Local Procurement Policy**

(Trial)

**Article 1** To effectively enhance the supply chain efficiency of China Shenhua Energy Company Limited (hereinafter referred to as “the Company”), support local community development and further strengthen the communication with local small/medium-sized suppliers, taking the actual situation of the Company into consideration, the policy is hereby formulated.

**Article 2** As the value extension of supply chain management and community engagement, this policy proposes a vision and commitment to local procurement.

**Article 3** The policy applies to the Company and its wholly-owned subsidiaries, controlled companies, and branches at all levels thereunder (hereinafter referred to as “All Units”). Equity-invested companies of the Company may execute local procurement by reference to this policy.

**Article 4** “Local” referred to in the policy means places of the actual operation of All Units.

**Article 5** “Local procurement” referred to in the policy means commodities, services and labor force obtained locally.

**Article 6** “Local medium/small-sized enterprises” referred to in the policy means medium/small-sized companies being incorporated and obtaining business licenses in places of operation of which the enterprise scale is defined in *Regulations on the Standards for Classification of Small and Medium-sized Enterprises* and standards for medium/small-sized enterprises of overseas countries where business operation places are located. Generally speaking, the number of employees lower than 1,000 or operating revenue lower than RMB 400 million (unit is “RMB”, the same below) fall into this category. For more specific classification, enterprises with employees of 300 or above and operating revenue of RMB 20 million or above are defined as medium-sized enterprises; Enterprises with employees of 20 or above and operating revenue of RMB 3 million or above are defined as small-sized enterprises; Of the above-mentioned medium/small sized enterprises, the employees or most shareholders thereof are local residents, and at least one office is set up locally.

**Article 7** The Company actively responds to the needs of actual operation places. For supplies with local advantages, preference shall be given to make procurement from local medium/small-sized enterprises following the principle of locality. The Company supports local economic developments and improves the sustainability of the supply chain by cooperating with local suppliers, especially medium/small-sized enterprises.

**Article 8** The Company endeavors to improve the transparency of procurement. To guarantee fair play, the Company may provide guidance during the bidding and procurement process for local medium/small-sized enterprises.

**Article 9** All Units shall actively optimize the local procurement process, and try their best to remove obstacles that local medium/small-sized enterprises might encounter during participation in our supply chain.

**Article 10** All Units may set local procurement share goals based on the actual situation, and the Company will check and verify the set local procurement share goals from time to time.

**Article 11** The Company will review the implementation of the policy from time to time, and make amendments in accordance with laws of the country where it is located, relevant international treaties and changes of the actual situation, to ensure effective implementation of the policy.

**Article 12** All Units may draft a detailed plan and carry out local procurement in accordance with this policy by considering the actual local operation situation.

**Article 13** The Department of Enterprise Management and Legal Affairs of the Company is responsible for the interpretation and revision of this policy.

**Article 14** The policy will be effective as of the issuance date.