Cladding Technology Shanxi Co., Ltd

HSE Internal Audit Management Procedure

Document No.: CLADDING-HSE-EE-22

1 Purpose

To standardize the Company's HSE Internal Audit (hereinafter referred to as "Internal Audit") work, verify the compliance and effectiveness of the operation of the HSE management system, timely identify weak links in HSE management and improvement opportunities, ensure the continuous improvement of the HSE management system, prevent the occurrence of HSE accidents/incidents, and safeguard the safety of employees' lives, property, and the environment. In compliance with national laws and regulations, PIPING SYSTEM PTE LTD HSE management requirements, and the Company's *HSE Management Manual*, this procedure is hereby formulated.

2 Scope of Application

This procedure applies to the entire process management of the Company's HSE Internal Audit, including planning, preparation, implementation, reporting, and follow-up verification. It covers all departments of the Company (Quality, Safety and Environmental Protection Department, Logistics and Transportation Department, Warehousing Center, Equipment Management Department, Procurement Department, Administration Department, Human Resources Department), branch companies, and project departments (hereinafter collectively referred to as "Audited Units"). The specific scope is as follows:

2.1 Coverage of System Elements

All elements of the HSE management system, including HSE policy and objective achievement, risk management and control, compliance with laws and regulations, emergency preparedness and response, accident/incident management, training and education, performance monitoring, corrective and preventive actions, and continuous improvement mechanisms;

2.2 Coverage of Business Scenarios

• Internal Operations: Storage/loading and unloading of warehoused materials, procurement and acceptance of equipment, maintenance and overhaul of equipment, storage/use of hazardous chemicals;

• External-related Scenarios: Logistics and transportation, supplier HSE management, contractor on-site operations;

• Auxiliary Scenarios: Operation of office areas/canteens;

2.3 Coverage of Audit Types

All types of internal audits, including full-system audits, special audits (for high-risk areas/key activities), and rolling audits.

3 Terms and Definitions

3.1 HSE Internal Audit

An activity conducted by the Company's internal auditors or entrusted third-party audit institutions (with approval) to systematically evaluate the compliance and effectiveness of the Company's HSE management system in accordance with audit criteria.

3.2 Audit Criteria

Including national HSE laws and regulations (e.g., *Law on Work Safety*, *Law on Environmental Protection*), industry standards (e.g., GB 15562.2, GB 30871), and COMPANY HSE management requirements, the Company's HSE management documents (e.g., *HSE Management Manual*, *Procedure Documents*), and relevant party requirements (e.g., customer HSE agreements, resident demands).

3.3 Audit Findings

The compliance status (compliant items) and gaps (non-conformities) of the HSE management system with audit criteria identified by auditors through interviews, on-site observations, document reviews, and record inspections.

3.4 Non-Conformity

Instances where the HSE management system fails to meet audit criteria, classified by severity into:

• Major Non-Conformity: Systematic or regional failures (e.g., "no leakage prevention facilities for hazardous chemical storage"), which may lead to serious accidents;

• Minor Non-Conformity: Isolated and occasional failures (e.g., "one work permit filled out incompletely"), which only affect local management;

• Observation: Potential issues that do not constitute non-conformities but have room for improvement (e.g., "training materials need to supplement latest accident cases").

3.5 Audit Conclusion

An evaluation conclusion made by the audit team on the overall compliance and effectiveness of the HSE management system based on audit findings (e.g., "The system complies with the criteria, and 3 minor non-conformities need to be rectified").

4 Responsibility Assignment

4.1 Company Top Management

• Approve the Company's annual HSE internal audit plan;

• Ensure the investment of resources (funds, auditors, time) required for internal audits;

• Approve full-system audit reports and rectification plans for major non-conformities;

• Preside over internal audit summary meetings and promote decision-making on system improvement.

4.2 Management Representative

• Approve the annual internal audit plan and non-full-system audit reports;

• Appoint audit team leaders and approve audit team members;

• Supervise the compliance of the entire internal audit process and coordinate audit disputes (e.g., disputes over non-conformity determination);

• Supervise the rectification and verification of major non-conformities to ensure closed-loop rectification.

4.3 Quality, Safety and Environmental Protection Department (Leading Management Department)

• Take the lead in formulating and revising this procedure, and establish internal audit management archives (plans, checklists, reports, rectification records);

• Formulate the annual internal audit plan, clarifying the audit objectives, scope, frequency, and resource requirements;

• Organize the implementation of internal audits: coordinate the cooperation of audited units, supervise the audit progress, and collect audit materials;

• Maintain internal audit records and track the effectiveness of corrective actions;

• Manage the auditor team: organize auditor training, qualification certification, and annual assessment to ensure audit professionalism.

4.4 Audit Team

4.4.1 Audit Team Leader

• Prepare the audit implementation plan, clarifying the audit division of labor and schedule;

• Organize internal audit team meetings to unify audit methods and judgment standards;

• Organize on-site audits, coordinate audit disputes, and prepare audit reports;

• Organize the follow-up verification of corrective actions and confirm the rectification effect.

4.4.2 Auditors

• Possess audit qualifications through training and be independent of the audited unit (avoidance principle);

• Complete on-site verification according to the division of labor and objectively record audit evidence;

• Identify audit findings and participate in the determination of non-conformities;

• Participate in the preparation of audit reports and rectification verification.

4.5 Audited Units

• Cooperate with the audit team: designate a liaison person and provide required resources (records, personnel, on-site conditions);

• Confirm audit findings: sign for confirmation after no objection to compliant items and non-conformities;

• Formulate and implement rectification plans: clarify responsible persons and time limits for non-conformities and retain rectification evidence;

• Report rectification progress in a timely manner, apply for rectification verification, and conduct self-inspections by drawing inferences from one instance.

4.6 Human Resources Department

• Organize internal auditors to participate in qualification training and annual knowledge updates (initial training of no less than 16 hours);

• Provide materials required for audits, such as employee HSE training archives and certification status of special operation personnel;

• Implement personnel-related rectification (e.g., organize supplementary training when "training coverage is insufficient").

5 Work Procedures

5.1 Audit Planning

5.1.1 Annual Internal Audit Plan

Formulated by the Quality, Safety and Environmental Protection Department at the beginning of each year, including the following contents:

1. Audit Objectives: Verify the compliance and effectiveness of the system and identify improvement opportunities;
2. Audit Scope: Cover all system elements and audited units, focusing on:

◦ The achievement of HSE policies and objectives;

◦ The effectiveness of risk management and control measures;

◦ Compliance with laws and regulations;

◦ The adequacy of emergency preparedness and response;

◦ The closed-loop management of accidents/incidents;

3. Audit Frequency (Newly Detailed):

◦ Full-element and full-unit audits: At least once a year;

◦ High-risk areas (hazardous chemical warehouses in warehousing, logistics and transportation fleets) and key activities (equipment acceptance, contractor operations): At least once every six months;

◦ Special audits: Immediately added when major accidents occur, major system changes (e.g., new intelligent warehousing systems) are made, or major complaints from relevant parties are received;

4. Composition of Audit Teams: Clarify the audit team leaders and members for each batch of audits;
5. Resource Requirements: Auditor time, testing equipment, transportation support, etc.

5.1.2 Plan Approval

The annual audit plan shall be reviewed by the Management Representative and approved by the Top Management before being issued to all audited units.

5.2 Audit Preparation

5.2.1 Formation of Audit Team

• Auditors shall possess HSE audit qualifications and be familiar with the business of the audited unit (e.g., auditors for the Warehousing Center shall understand hazardous chemical management);

• Ensure auditors are independent of the audited unit (auditors shall not audit their own departments or work they are responsible for);

• The audit team leader shall have more than 5 years of HSE audit experience and be responsible for overall audit planning.

5.2.2 Preparation of Audit Implementation Plan

The audit team leader shall prepare the plan 10 working days before the audit, including:

• Audit objectives, scope, and criteria;

• Division of labor among audit team members (e.g., Auditor A is responsible for risk management, Auditor B is responsible for emergency management);

• Audit schedule: Daily audit time periods, verification areas, and interviewees (post operators, safety officers);

• Time and location of opening/closing meetings;

• The scope of audit report preparation and distribution.

5.2.3 Preparation of Work Documents (Newly Detailed)

1. Audit Checklists: Prepared according to system elements and business scenarios, clarifying audit items, inspection methods, and judgment standards (see Appendix B for examples);
2. Record Forms: Audit record forms, non-conformity report forms (Appendix C), meeting attendance forms;
3. Supporting Documents: Audit criteria documents (laws and regulations, company systems), previous audit rectification records of the audited unit;
4. Testing Tools: Portable testing equipment for on-site testing (e.g., fire hydrant pressure, noise concentration).

5.2.4 Internal Audit Team Meeting (Newly Added)

A meeting shall be held 3 working days before the audit, covering the following contents:

• Clarify the task division of each auditor and decompose the checklist;

• Unify audit methods (e.g., interviews shall cover personnel at different levels) and non-conformity judgment standards;

• Discuss potential issues (e.g., incomplete records of the audited unit, uncooperative personnel) and response plans;

• Confirm that work documents are fully prepared and auditors have mastered the audit key points.

5.2.5 Notification to Audited Unit

The Quality, Safety and Environmental Protection Department shall issue the *HSE Internal Audit Notice* to the audited unit 5 working days in advance, attaching the audit implementation plan, and requiring the audited unit to:

• Designate an audit liaison person;

• Prepare HSE records of the past 6 months (inspection records, training archives, work permits);

• Clear the access channels of the audit site to ensure access to all operation areas (e.g., hazardous chemical warehouses, equipment rooms).

5.3 Audit Implementation

5.3.1 Opening Meeting

• Time: Morning of the first audit day (within 30 minutes);

• Participants: All members of the audit team, heads and liaison persons of the audited unit, Management Representative (required for full-system audits);

• Meeting Contents (Integrated and Optimized):

a. The audit team leader introduces the audit objectives, scope, criteria, and implementation plan;

b. Confirm the audit cooperation matters (e.g., arrival time of interviewees, method of providing records);

c. Explain the audit methods (inspection, observation, interview, verification) and non-conformity judgment process;

d. Confirm the time of the closing meeting and clarify the objection feedback channel;

• Output: *Minutes of HSE Internal Audit Opening Meeting* (Appendix D), signed by all participants.

5.3.2 On-Site Audit (Newly Detailed)

5.3.2.1 Information Collection Methods

1. Interviews: Randomly select personnel from different positions (e.g., warehousemen, drivers, safety officers) to verify HSE awareness (e.g., "How to handle hazardous chemical leakage", "What items are checked in daily vehicle inspections");
2. On-Site Observation: Inspect the status of the operation site (e.g., material stacking height limit, vehicle safety devices, unobstructed emergency passages);
3. Document Review: Verify the effectiveness of HSE systems and procedures (e.g., whether they comply with the latest laws and regulations, whether they are communicated to posts);
4. Record Inspection: Verify the completeness and authenticity of records (e.g., whether hidden hazard rectification records are closed-loop, whether training attendance is authentic);
5. On-Site Testing: Test the functions of key equipment/facilities (e.g., fire hydrant water output pressure, gas detector alarm function).

5.3.2.2 Audit Key Points (Combined with Business Scenarios)

1. Warehousing Center: Classified storage of hazardous chemicals, integrity of leakage prevention facilities, compliance of material stacking, effectiveness of fire-fighting facilities;
2. Logistics and Transportation Department: Compliance of vehicle annual inspections, coverage of driver training, handling of violation records, provision of emergency materials;

3. Equipment Management Department: Inspection rate of special equipment, integrity of protective devices, completeness of maintenance records, closed-loop handling of faults;
4. Project Departments: Standardization of temporary electricity use, implementation of work permits for high-altitude operations, HSE management of contractors, effectiveness of emergency drills.

5.3.2.3 Recording of Audit Evidence

• Auditors shall fill in the *HSE Internal Audit Record Form* (Appendix E) in real time, which shall include:

a. Time, location, and involved personnel;

b. Specific factual descriptions (e.g., "No leakage prevention weir was set in the hazardous chemical warehouse of Area A of the Warehousing Center on X month X day, 2026");

c. Corresponding audit criterion clauses (e.g., Clause 5.3 of GB 15562.2);

d. Relevant evidence (photo numbers, record names and page numbers);

• Evidence shall be confirmed by the liaison person of the audited unit and signed for recognition.

5.3.3 Determination of Audit Findings

After the daily audit, the audit team shall hold an internal meeting to determine audit findings:

• Compliant Items: Fully meet the audit criteria, and record typical experiences (e.g., "The hazardous chemical inspection records of the Warehousing Center are complete and cover all mandatory inspection items");

• Non-Conformities: Fail to meet the criteria, classified by severity, and fill in the *HSE Internal Audit Non-Conformity Report* (Appendix C), clarifying:

a. Description of non-conformity facts;

b. Violated criterion clauses;

c. Basis for determining severity;

d. Preliminary improvement suggestions;

• Observations: Record potential improvement points, which do not require mandatory rectification but shall be fed back to the audited unit.

5.3.4 Closing Meeting

• Time: Afternoon of the audit completion day (within 60 minutes);

• Participants: Same as the opening meeting;

• Meeting Contents:

a. The audit team leader reports the audit overview (audit scope, duration, verification situation);

b. Feedback on audit findings: First report compliant items and experiences, then report non-conformities (sorted by severity), and present relevant evidence;

c. Listen to the objections of the audited unit and re-verify the disputed evidence on site (e.g., if the audited unit objects to a non-conformity, the audit team rechecks);

d. Put forward rectification requirements: Clarify the rectification time limit for non-conformities (15 days for major non-conformities, 30 days for minor non-conformities);

e. Announce the preliminary audit conclusion (e.g., "The system complies with the audit criteria and operates effectively, and 3 minor non-conformities need to be rectified within the time limit");

• Output: *Minutes of HSE Internal Audit Closing Meeting* (Appendix F), signed by all participants to confirm the list of non-conformities.

5.4 Audit Report

5.4.1 Report Preparation

The audit team leader shall prepare the *HSE Internal Audit Report* (Appendix G) within 1 week after the on-site audit, including:

1. Audit Overview: Objectives, scope, criteria, time, audit team, and audited unit;
2. Audit Process: Key information of the opening meeting, on-site verification, and closing meeting;
3. Audit Findings:

◦ Summary of compliant items (e.g., "80% of system elements operate in compliance with the criteria, and risk management and training education have achieved remarkable results");

◦ List of non-conformities (number, facts, criterion clauses, severity, responsible unit);

◦ List of observations;

4. Audit Conclusion:

◦ Evaluation of system compliance (whether it complies with the audit criteria);

◦ Evaluation of system effectiveness (whether HSE objectives are achieved, whether risks are controlled);

◦ Improvement directions (e.g., "Need to strengthen regular inspections in high-risk areas");

5. Rectification Requirements: Rectification time limit for non-conformities, verification method, and report submission requirements.

5.4.2 Report Approval and Distribution

• Full-System Audit Report: Signed by the audit team leader → reviewed by the Quality, Safety and Environmental Protection Department → rechecked by the Management Representative → approved by the Top Management;

• Special Audit/Rolling Audit Report: Signed by the audit team leader → reviewed by the Quality, Safety and Environmental Protection Department → approved by the Management Representative;

• After approval, the Quality, Safety and Environmental Protection Department shall distribute the report and the list of non-conformities to the following parties within 3 working days:

◦ Audited units (for formulating rectification plans);

◦ Company leaders and Management Representative (for decision-making);

◦ Relevant functional departments (e.g., the Human Resources Department needs to track training-related rectification).

5.5 Corrective Actions and Follow-Up Verification

5.5.1 Formulation of Rectification Plan

Within 5 working days after receiving the audit report, the audited unit shall formulate the *HSE Internal Audit Non-Conformity Rectification Plan* (Appendix H) for non-conformities, including:

• Root cause analysis (e.g., "The lack of leakage prevention facilities is due to the fact that the system does not clearly require them");

• Corrective actions (e.g., "Revise the *Hazardous Chemical Management Regulations* and add requirements for leakage prevention facilities");

• Responsible persons and supporting personnel;

• Completion time limit (shall not exceed the requirements in the audit report);

• Rectification evidence (e.g., revised documents, on-site photos, training records);

• The rectification plan shall be confirmed by the audit team (to ensure the pertinence of the actions) and filed with the Quality, Safety and Environmental Protection Department.

5.5.2 Implementation of Rectification

• The audited unit shall implement the rectification in accordance with the plan and report the rectification progress to the Quality, Safety and Environmental Protection Department weekly (once every 5 days for major non-conformities);

• Complete rectification evidence shall be retained during the rectification process (e.g., facility procurement contracts, training attendance sheets, testing reports);

• If the rectification cannot be completed on time, an extension application shall be submitted to the Quality, Safety and Environmental Protection Department 3 working days in advance, explaining the reasons and the new time limit, and the adjustment can only be made after approval by the Management Representative.

5.5.3 Follow-Up Verification

• After completing the rectification, the audited unit shall submit a *Rectification Verification Application* and rectification evidence to the Quality, Safety and Environmental Protection Department;

• The Quality, Safety and Environmental Protection Department shall organize the audit team or designate verifiers to conduct verification through the following methods:

a. Document Verification: Check revised systems and records (e.g., "Check whether the newly revised *Hazardous Chemical Management Regulations* include clauses on leakage prevention");

b. On-Site Verification: Inspect the implementation of rectification measures (e.g., "On-site check whether a leakage prevention weir has been added in Area A of the Warehousing Center");

c. Personnel Verification: Interview relevant personnel to confirm their awareness of the requirements after rectification (e.g., "Ask warehousemen whether they have mastered the inspection process of leakage prevention facilities");

• Determination of Verification Results:

a. Qualified: The root cause of the non-conformity has been eliminated, the evidence is sufficient, and the rectification is closed-loop;

b. Unqualified: The actions fail to address the root cause (e.g., "Only a weir is added but the system is not revised"), requiring the audited unit to re-formulate the plan;

• After the verification is completed, the Quality, Safety and Environmental Protection Department shall prepare the *HSE Internal Audit Non-Conformity Rectification Verification Report* (Appendix I) and submit it to the Management Representative for approval.

5.6 Record Management

5.6.1 Record Contents

Records of the entire internal audit process include:

• Annual internal audit plan and audit implementation plan;

• Checklists, audit records, non-conformity reports;

• Minutes of opening/closing meetings, audit reports;

• Rectification plans, rectification evidence, verification reports;

• Auditor training and qualification records.

5.6.2 Retention Requirements

• The Quality, Safety and Environmental Protection Department shall archive all records in accordance with the *HSE Document and Record Control Procedure*, with a retention period of no less than 3 years;

• Records shall be stored by category (by audit batch/year) for easy retrieval (e.g., for reference in subsequent external audits and management reviews);

• Electronic records shall be stored in an encrypted manner to prevent tampering; paper records shall be stored in file cabinets with moisture and fire prevention measures.

5.7 Audit Summary and System Improvement

5.7.1 Annual Audit Summary Meeting

At the end of each year, the Management Representative shall organize a meeting with participants including the Top Management, heads of all audited units, and the audit team. The meeting contents include:

• Report the overall situation of the annual internal audit (completion rate, distribution of non-conformities, rectification closure rate);

• Summarize common problems (e.g., "30% of non-conformities are concentrated in 'unverified training effects' and 'insufficient inspection frequency in high-risk areas'");

• Discuss system improvement measures (e.g., "Review the effectiveness of HSE systems quarterly" and "Increase the inspection frequency in high-risk areas to once a month").

5.7.2 System Improvement

Based on the conclusions of the audit summary meeting, the Quality, Safety and Environmental Protection Department shall formulate the *HSE Management System Improvement Plan*, clarifying improvement measures, responsible departments, and time limits. After approval by the Top Management, the plan shall be implemented;

After the implementation of improvement measures, their effects shall be verified through the next internal audit, forming a PDCA cycle of "Audit-Rectification-Improvement-Re-Audit" to promote the continuous optimization of the HSE management system.

6 Related Documents

• *Law of the People's Republic of China on Work Safety*

• *Law of the People's Republic of China on Environmental Protection*

• *HSE Management System Requirements*

• *HSE Management Manual* (Company 2024 Version)

• *HSE Document and Record Control Procedure*

• *HSE Corrective and Preventive Actions (CAPA) Management Procedure*

• *HSE Performance Measurement and Monitoring Management Procedure*

• *HSE Accident and Incident Reporting, Investigation and Handling Management Procedure*

• *HSE Management Review Control Procedure* (Newly Added)

7 Records

• *Annual HSE Internal Audit Plan* (Appendix A)

• *HSE Internal Audit Implementation Plan* (Appendix A-1)

• *HSE Internal Audit Checklist* (Appendix B)

• *HSE Internal Audit Non-Conformity Report* (Appendix C)

• *Minutes of HSE Internal Audit Opening Meeting* (Appendix D)

• *HSE Internal Audit Record Form* (Appendix E)

• *Minutes of HSE Internal Audit Closing Meeting* (Appendix F)

• *HSE Internal Audit Report* (Appendix G)

• *HSE Internal Audit Non-Conformity Rectification Plan* (Appendix H)

• *HSE Internal Audit Non-Conformity Rectification Verification Report* (Appendix I)

• *Auditor Training and Qualification Records* (Appendix J)

8 Appendices

Appendix A: Annual HSE Internal Audit Plan (Template)

Plan No.	AUD-PLN-2026	Compiling Department	Quality, Safety and Environmental Protection Department	Compilation Date	January 5, 2025
Audit Objectives	Verify the compliance and effectiveness of the HSE management system, identify improvement opportunities, and promote continuous system improvement				
Audit Scope	1. System Elements: HSE policy and				

	objectives, risk management, laws and regulations, emergency response, training, performance, corrective and preventive actions; 2. Audited Units: All departments, branch companies, 2 high-risk project departments; 3. Business Scenarios: Warehousing, logistics, equipment maintenance, hazardous chemical management, procurement and acceptance, contractor operations				
Audit Frequency	1. Full-System Audit: March 1-15, 2025; 2. Special Audits for High-Risk Areas: - Hazardous Chemical Warehouse in Warehousing Center: June				

	and December 2025; - Logistics and Transportation Fleet: September 2025; 3. Ad Hoc Audits: Immediately organized when major accidents occur or system changes are made				
Composition of Audit Teams	1. Full-System Audit Team: Leader - Zhang San (Senior Auditor), Members - Li Si, Wang Wu, Zhao Liu; 2. Special Audit Team: Leader - Li Si (Auditor), Members - Liu Qi, Sun Ba				
Resource Requirements	1. Auditors: 4 auditors × 15 days for full-system audit, 2 auditors × 3 days for special audits; 2. Equipment: 2 noise detectors, 2 gas detectors; 3. Transportation: Vehicle				

	support covering branch companies and project departments				
Approval Comments	Management Representative Review: Approve the plan. Signature: XXX Date: January 10, 2025				
	Top Management Approval: Approve the plan and ensure the required resources. Signature: XXX Date: January 15, 2025				

Appendix A-1: HSE Internal Audit Implementation Plan (Template, Taking Warehousing Center as an Example)

Plan No.	AUD-IMP-2025-01	Audit Batch	Full-System Audit - Warehousing Center	Audit Date	March 5-6, 2025
Audit Objectives	Verify the compliance of the HSE management system of the Warehousing				

	Center with the criteria and evaluate the operation effectiveness				
Audit Scope	Storage of warehoused materials, hazardous chemical management, loading and unloading operations, fire emergency response				
Audit Criteria	GB 15562.2, Company's *Warehousing HSE Management Regulations*, *Hazardous Chemical Management Regulations*				
Division of Labor in Audit Team	Leader Zhang San: Overall audit coordination, responsible for emergency management; Li Si: Responsible for risk management and hazardous chemical storage; Wang Wu: Responsible for training education and				

	record management				
Audit Schedule	March 5: 9:00-9:30 Opening Meeting; 9:30-12:00 On-site Verification (Hazardous Chemical Warehouse, General Material Area); 14:00-16:30 Interviews (3 warehousemen, 1 safety officer) + Record Review; 16:30-17:00 Internal Audit Team Meeting; March 6: 9:00-11:30 Supplementary Verification + Preliminary Rectification Communication; 14:00-14:30 Closing Meeting				
Opening/Closing Meetings	Location: Conference Room of Warehousing Center; Participants: Audit Team, Director XXX of Warehousing Center, Safety Officer XXX, Liaison Person XXX				

Report Distribution	Company Leaders, Management Representative, Quality, Safety and Environmental Protection Department, Warehousing Center				

Appendix B: HSE Internal Audit Checklist (Warehousing Center - Hazardous Chemical Management)

Checklist No.	AUD-CHK-2025-01	Audited Unit	Warehousing Center	Auditor	Li Si
Audit Element	Hazardous Chemical Storage Management	Audit Criteria	GB 15562.2, Chapter 6 of Company's *Hazardous Chemical Management Regulations*	Audit Date	March 5, 2025
No.	Audit Item	Inspection Method	Judgment Standard	Audit Result	Compliant/Non-Conformant/Observation
1	Classified Storage of Hazardous Chemicals	On-site Observation, Review of Classification Map	Classified by "incompatible categories" with clear labels (product name, MSDS,	Stored by classification with complete labels	Compliant

			responsible person)		
2	Leakage Prevention Facilities	On-site Observation, Review of Maintenance Records	Hazardous chemical warehouse is equipped with weir (height ≥15cm) and anti-corrosion/anti-seepage floor	No weir in Hazardous Chemical Warehouse of Area A; floor is ordinary cement	Non-Conformant
3	Fire-Fighting Facilities	On-site Testing, Review of Validity Period	Fire extinguishers are within validity period (normal pressure); fire hydrant water pressure ≥0.3MPa	3 fire extinguishers are valid; 1 fire hydrant has pressure of 0.2MPa	Non-Conformant
4	Employee Training	Interview 2 Employees, Review of Training Records	Hazardous chemical training ≥2 times in the past year; employees are aware of leakage handling procedures	2 training sessions conducted; employees answered correctly	Compliant

Appendix C: HSE Internal Audit Non-Conformity Report (Template)

Report No.	AUD-NC-2025-01	Audited Unit	Warehousing Center	Audit Date	March 5, 2025
Description of Non-Conformity	No leakage prevention weir is set in the Hazardous Chemical Warehouse of Area A; the floor is not treated with anti-corrosion and anti-seepage measures; the hazardous chemical inspection records in the past 3 months do not include the "leakage prevention facility inspection" item; warehousemen have insufficient awareness of leakage prevention requirements.				
Nature of Non-Conformity	□Major □Minor □Observation	Severity	Major Non-Conformity		
Violated Criteria	1. Clause 5.3 of GB 15562.2-2019 "Solid Waste Storage Sites shall be equipped with leakage prevention				

	facilities"; 2. Clause 6.2 of Company's *Hazardous Chemical Management Regulations* (2024 Version) "Hazardous chemical warehouses shall be equipped with weirs and anti-corrosion floors"				
Audit Evidence	1. On-site photos (No. ZP-AUD-2025-01); 2. *Hazardous Chemical Inspection Records* (January 5-March 1, 2025); 3. Interview Records of Warehousemen (No. T-AUD-2025-01)				
Root Cause Analysis (Filled by Audited Unit)	Inadequate implementation of the system; leakage prevention facility requirements are not included in daily inspections; employee training does not cover hazardous chemical leakage				

	prevention facility management requirements.				
Corrective Action Plan (Filled by Audited Unit)	1. Add a leakage prevention weir (height 15cm) and conduct anti-corrosion treatment on the floor before March 15; 2. Revise the *Hazardous Chemical Inspection Records* and add the leakage prevention facility inspection item before March 20; 3. Organize special training on leakage prevention for employees before March 25.				
Planned Completion Date	March 25, 2025	Responsible Person	Director XXX of Warehousing Center		
Signature of Audit Team	Zhang San, Li Si	Confirmation by Audited Unit	No objection, rectify as planned. Signature: XXX Date: March 5, 2025		

Appendix D: Minutes of HSE Internal Audit Opening Meeting (Template)

Minutes No.	AUD-MIN-F-2025-01	Meeting Topic	Opening Meeting of HSE Internal Audit for Warehousing Center	Meeting Time	March 5, 2025, 9:00-9:25
Meeting Location	Conference Room of Warehousing Center	Host	Zhang San (Audit Team Leader)	Recorder	Li Si
Participants	Audit Team: Zhang San, Li Si, Wang Wu; Audited Unit: XXX (Director), XXX (Safety Officer), XXX (Liaison Person); Management Representative: XXX (Attended for Full-System Audit)				
Meeting Contents	1. Audit Team Leader Zhang San explained the audit objectives: Verify the compliance of the Warehousing Center in hazardous chemical management, material storage, etc., with audit criteria and identify improvement				

	opportunities; 2. Clarify the audit scope: All operation areas of the Warehousing Center (Hazardous Chemical Warehouses of Areas A/B, General Material Area), HSE records of the past 6 months; 3. Confirm the audit schedule: Specific arrangements from March 5 to 6 (see Implementation Plan), internal audit team meeting at 16:30 every day; 4. Explain the audit methods: On-site observation, record review, interviews (plan to interview 3 warehousemen today), non-conformities shall be confirmed by both parties; 5. Director XXX of the Warehousing Center stated: Will fully cooperate with the audit, provide required				

	materials and personnel, and ensure the smooth progress of the audit; 6. Confirm the closing meeting time: 14:00 on March 6, same location.				
Signature of Participants	Zhang San, XXX, XXX, XXX, XXX				

Appendix E: HSE Internal Audit Record Form (Template)

Record No.	AUD-REC-2025-01	Audited Unit	Warehousing Center	Audit Date	March 5, 2025
Audit Element	Hazardous Chemical Leakage Prevention Management	Auditor	Li Si	Verification Period	9:30-10:15
Verification Location	Hazardous Chemical Warehouse of Area A, Warehousing Center	Interviewee	Warehouseman XXX		
Description of Audit Findings	1. On-site Observation: The Hazardous Chemical Warehouse of Area A stores ethanol (about 500L), no				

	leakage prevention weir is set, the floor is ordinary cement, and there is no anti-corrosion/anti-seepage layer; 2. Record Review: 9 copies of *Hazardous Chemical Inspection Records* from January to March 2025 all have no "leakage prevention facility inspection" column or records; 3. Interview: Warehouseman XXX stated "I don't know that hazardous chemical warehouses need to be equipped with weirs; I only inspect the storage temperature and tightness as required".				
Audit Evidence	1. 1 on-site photo (No. ZP-01); 2. *Hazardous Chemical*				

	Inspection Records (January 5, 2025, Page 3); 3. Interview Record (Signed by XXX)				
Preliminary Determination	Major Non-Conformity	Violated Criteria	Clause 5.3 of GB 15562.2, Clause 6.2 of Company's *Hazardous Chemical Management Regulations*		
Confirmation by Audited Unit	No objection. Signature: XXX Date: March 5, 2025				

Appendix F: Minutes of HSE Internal Audit Closing Meeting (Template) (Omitted, Refer to Opening Meeting, Supplement Audit Findings and Conclusions)

Appendix G: HSE Internal Audit Report (Template) (Omitted, Including Audit Overview, Findings, Conclusions, Rectification Requirements)

Appendix H: HSE Internal Audit Non-Conformity Rectification Plan (Template) (Omitted, Clarifying Causes, Actions, Time Limits, Evidence)

Appendix I: HSE Internal Audit Non-Conformity Rectification Verification Report (Template) (Omitted, Recording Verification Process and Results)

Appendix J: Auditor Training and Qualification Records (Template)

Name	Zhang San	Department	Quality, Safety and Environmental Protection Department	Audit Qualification	HSE Senior Auditor
Initial Training	Training Time: May 2022; Training Content: HSE System Audit Skills, Laws and Regulations; Training Hours: 24 hours; Certificate No.: HSE-AUD-2022-001				
Annual Update Training	2023: 16 hours (Audit Standard Update); 2024: 18 hours (Hazardous Chemical Audit Special); 2025: Planned 16 hours (Intelligent Warehousing Audit)				
Audit Experience	2023: 3 full-system audits, 2 special audits; 2024: 2 full-system audits, 3 high-				

	risk area audits; 2025: 1 completed audit (Warehousing Center)				
Qualification Validity Period	May 2022 - May 2025 (Re-examination required 3 months in advance)				

Appendix K: Audit Timing and Frequency Table (Newly Added)

Audit Type	Trigger Condition	Frequency Requirement	Scope of Application
Full-System Audit	Routine Verification	At least once a year	All departments, all system elements
High-Risk Special Audit	High-Risk Areas/Key Activities	At least once every six months	Hazardous chemical warehouses in warehousing, logistics and transportation, contractor operations
Ad Hoc Audit	1. Major HSE accidents occur; 2. Major system changes; 3. Major complaints from relevant parties; 4. Previous audit rectification not closed-loop	Conducted immediately, no fixed frequency	Involved departments/changed areas/complaint-related areas
Rolling Audit	Decomposed verification of full-system elements	Once a quarter, covering all elements annually	Decomposed into quarters by elements (e.g., Q1 audits

			objectives, Q2 audits risks)

9 Supplementary Provisions

9.1 This procedure shall be interpreted by the Company's Quality, Safety and Environmental Protection Department.

9.2 This procedure shall come into force on the date of issuance. In case of any inconsistency between the existing HSE internal audit-related regulations and this procedure, this procedure shall prevail.

9.3 This procedure shall be reviewed once a year, or revised in a timely manner according to updates to national laws and regulations, changes in the Company's business (e.g., new overseas project departments, expansion of new material and equipment categories), and rectification requirements for major HSE incidents.

9.4 For matters not covered in this procedure, refer to the *HSE Management System Requirements* and relevant laws and regulations.