



SINOHYDRO CORPORATION LIMITED

STATEMENT OF ETHICAL PRINCIPLES

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STATEMENT OF ETHICAL PRINCIPLES

INTRODUCTION & POLICY STATEMENT

SINOHYDRO CORPORATION LIMITED's (SINOHYDRO or the Company) continued success and global growth can only be maintained and guided by our Core Values of Responsiveness, Integrity, Innovation, Worksite Excellence, and Social Responsibility. When we individually and collectively conduct ourselves honestly, fairly, responsibly, and with integrity in all of our relations internally and externally, we honor these values and SINOHYDRO's focus on people and harmony. At SINOHYDRO, ethics and integrity compliance must be inherent in everything we do, without exception or equivocation. This Statement of Ethical Principles defines and guides SINOHYDRO's commitment to maintaining and fostering compliance, and being recognized both in China and globally as an ethical company.

Therefore, all employees must act in accordance with the Statement of Ethical Principles and actively embrace its values, principles, and rules. We are committed to complying with the law wherever we do business and to adhering to our own high ethical standards. No employee may compromise our ethical principles and rules, and no objectives should be imposed or accepted if they can be achieved only by compromising these ethical principles.

Each and every SINOHYDRO employee should undertake to deal fairly with the Company's customers, suppliers, contractors and other business partners, competitors, and employees. They should not seek to take advantage of one another through manipulation, corruption, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practices. Simply put, corruption, fraud, and dishonesty have no place at SINOHYDRO.

We should all keep in mind that any violation of the Statement of Ethical Principles is a serious matter that could have damaging consequences for us all individually and collectively and it could seriously harm SINOHYDRO's reputation. If you have any ethical concerns or are aware of improper conduct, we urge and require you to report it through appropriate channels as indicated in SINOHYDRO's ethics, integrity, and workplace compliance policies and procedures.

IMPLEMENTATION

Purpose

This Statement is intended to clearly and openly set forth the ethical principles that govern all SINOHYDRO operations. It serves not only to provide rules and guidance to employees, but as a public commitment by SINOHYDRO to embrace its highest ethical aims and implement them in its daily operations around the globe.

Scope

All employees are required to be fully aware of and implement the Statement of Ethical Principles in their day-to-day activities – as well as all SINOHYDRO policies and procedures that apply to their

positions and job activities.

The Statement of Ethical Principles applies to all employees and all business partners, who are also expected to adhere to this Statement in all of their dealings with or on behalf of SINOHYDRO. All employees are personally responsible for ensuring that their conduct and that of those reporting to them comply with this Statement of Ethical Principles and all applicable laws, regulations, and policies.

Any employee who fails to comply with the Statement of Ethical Principles shall be subject to disciplinary measures, which may include the termination of his/her, employment.

Administration

This Statement shall be administered by SINOHYDRO's Compliance Department acting under the responsibility of a named Compliance Officer who acts as SINOHYDRO's Executive Vice President and shall be under the overall supervision and responsibility of the Board of Directors. The Compliance Officer will coordinate with other relevant Company bodies including the Legal Department, senior Management and the Compliance Steering Group (made up of senior Management representatives, as described in this Policy and other forthcoming Company Policies). Any questions and further information on this Statement should be directed to the Compliance Department or, if directed to a line manager it shall be the line manager's responsibility to inform and consult with the Compliance Department. Compliance with the Statement of Ethical Principles and relevant compliance policies and procedures shall be checked regularly by the Company internal audit and control personnel reporting to the Chief Financial Officer, who shall submit their conclusions to the Compliance Steering Group (made up of Compliance Officer, senior management representatives, as described in this Policy and other forthcoming Company Policies), the Office of the President and the Board of Directors.

Leadership

Managers' responsibilities go beyond those of other employees. They must actively promote the Statement of Ethical Principles and our Core Values in the workplace, showing commitment through their actions. Managers are directly charged with demonstrating that SINOHYDRO puts ethical compliance first in everything we do. They must be vigilant in preventing, detecting and responding to any violations, and in protecting employees who report them.

Guidance

Your line managers and the Compliance Department are important resources you should consult whenever you have questions about this Statement, SINOHYDRO policies, or any legal or ethical concerns. Please do not hesitate to seek their guidance.

Reporting

Evidence of actual or suspected violations of the Statement may be reported to the Compliance Department, or in accordance with Company policies and procedures, they can be reported to your line managers or other departments including the Internal Audit and Control Department, the Human Resources Department, and the Disciplinary Department.

No sanction will be inflicted upon an employee who has reported an infraction in a justified manner and in good faith. However, anyone who takes part in a prohibited activity may be subject to the resulting disciplinary measures, even if he/she is the one to report it.

CORE POLICIES

SINOHYDRO maintains — and may implement further — ethical compliance policies and procedures regarding various aspects of our operations and conduct. Below we have selected a few key, core policies and guiding principles that sit at the heart of our compliance commitment. Employees are required to comply with these as well as any other policies or procedures that may be applicable to them.

Fraud and Criminal Conduct

SINOHYDRO has been an advocate for a fair, transparent, and corruption-free environment. Fraud, deception, or falsification of records, bidding documents, or other materials will never be tolerated under any circumstances. Theft or abuse of Company property or of a position of trust is absolutely unacceptable. Such actions directly contradict our fundamental principle of Integrity.

Moreover, it is the personal responsibility of all employees to know the laws, regulations, and requirements relating to their jobs. Any breach of these laws or other legal or regulatory requirements may lead to civil and criminal prosecution as well as damage to SINOHYDRO's reputation. Activities which could involve SINOHYDRO in any unlawful or proscribed unethical practices are therefore prohibited.

Anti-Corruption

We prohibit, under all circumstances, the use of bribery and similar practices in any form and at all levels of our business. We prohibit the offer, giving or acceptance of a bribe or kickback in any form, direct or indirect, from or to any person or party, including customers, representatives, contractors, suppliers, and government officials. SINOHYDRO aims to ensure that its business success remains based on our competitiveness, performance and the quality of our products, services, and technologies. We do not and will not seek success through bribery or improper influence in any form.

No employee (nor anyone working on our behalf) may offer, promise, authorize, give, or receive bribes, any type of commercial or financial advantage, or other payments or items of value that are intended to influence any act or business decision, secure any improper advantage, or compromise independent judgment. Employees must not offer, promise, or give money, services, gifts, or other items of value (including hospitality) in order to obtain or retain business or otherwise benefit SINOHYDRO; and they must not receive money, services, gifts, or other items of value (including hospitality) for having given Company business to an individual or organization.

In some cultures, good business relations may sometimes involve the exchange of symbolic gifts and hospitality. If the ultimate goal is to improperly influence business decisions, however, employees may not give, offer, or accept such gifts or hospitality (including money, loans, invitations, expense payments or reimbursements) or any other form of special treatment from anyone involved in business dealings with SINOHYDRO.

Dealings with Business Partners

Our commitment to ethics extends to our dealings with business partners, and we expect that our business partners will adhere to our values and ethical principles. We shall seek to ensure that improper payments are not being channeled through intermediaries including joint venture partners, consultants, agents or other representatives, suppliers, and subcontractors.

- **Customers:** SINOHYDRO must treat all of its customers honestly and fairly. Employees who negotiate contracts must ensure that any statements, communications, and presentations made to customers are accurate and truthful. We will not mislead our current or future customers to win their business. Customers' confidential, sensitive, or private information may never be disclosed by any employee to any person except as is required or permitted within a project or contract or under applicable law.

- **Subcontractors and Suppliers:** The purchase of goods and services must be based on the merits of price, quality, performance, delivery, and suitability. Bribery and kickbacks in all forms, and conflicts of interest, between or among SINOHYDRO and its subcontractors and suppliers, are strictly prohibited. SINOHYDRO requires its suppliers and subcontractors to strictly comply with all applicable legal requirements related to their activities.

- **Representatives:** The use of agents, consultants, and any other third party representatives who act on SINOHYDRO's behalf or for our benefit presents a potentially serious legal and integrity compliance risk that must be properly controlled. Any representative acting on SINOHYDRO's behalf is required to comply with all applicable laws and regulations and with SINOHYDRO's ethical and integrity commitments, in the same manner as SINOHYDRO, in accordance with this Statement. Improper payments, fraudulent practices, and other criminal, improper, or unethical conduct cannot be conducted through the use of representatives in any situation; and employees with any knowledge or suspicion of such conduct by a representative must report the matter immediately to the Compliance Department and as may otherwise be provided in the Company's policies and procedures. Further, representatives may only be engaged in activities in accordance with Company policy, procedures, and approval requirements.

- **Government Officials:** Contracts with government-owned or public entities require legal and integrity compliance with very high standards and must be conducted with the highest business ethics. Special care should be used when dealing with state-owned or public entities or when seeking government approvals, licenses, permits, or similar approvals. In order to prevent conflicts of interest, special care also must be given to the hiring of former or current government employees, which will only be permitted in accordance with Company policy, procedures, and approval requirements.

Conflicts of Interest

A conflict of interest is a situation in which SINOHYDRO's interests differ from the personal interests of an employee or with those of close family members of such an employee, or of persons with whom we are involved in a business relationship (including representatives). Conflicts of interest distort judgment and generally are improper. All employees must avoid any situation that involves or may involve a conflict of interest.

Business decisions and actions must be based solely on the best interests of the Company, and must not be motivated by personal considerations or relationships. Relationships with prospective or existing suppliers, subcontractors, representatives, contract employees, customers, competitors, or

regulators must not affect one's independent and sound judgment on behalf of the Company. No employee shall engage in any business or other activity, whether in an employed, self-employed, personal or unpaid capacity, which may give rise to a conflict with the Company's interests.

Fair Competition

We expressly prohibit participation in any agreement with our competitors that have improper intent or effect of fixing prices, distorting a bidding process, dividing a market, limiting production, or boycotting a customer or supplier. Employees must not exchange sensitive information with competitors in infringement of competition or anti-trust laws. Generally speaking, competition laws forbid agreements or activities that restrain trade or limit competition, and prohibit attempts to monopolize. SINOHYDRO is committed to vigorous and fair competition in compliance with all applicable laws and in keeping with recognized international standards.

Rules in this area differ from one country to another and may require specific legal expertise; international and private financial institutions also have their own requirements in this area. Employees should consult the Compliance Department for clarification as necessary.

Confidentiality

Each employee is required to keep confidential and not to disclose or use any confidential information belonging to the Company, or belonging to a third party which has been received by the Company pursuant to a confidentiality agreement, or which has been received by the Company in circumstances where it is clear that the information is proprietary and confidential.

Examples of confidential information include, but are not limited to, results, forecasts, and other financial data, human resources and personal data, information with respect to acquisitions and divestitures, new products and orders. Examples of proprietary information include, but are not limited to, business strategies, product improvements, technical information, systems, inventions, trade secrets, or know-how developed or acquired by SINOHYDRO. This definition includes matters covered by secrecy agreements.

Employees who may have access to confidential and proprietary data, including information on customers and suppliers, must only be those whose function and responsibilities specifically include the handling, use, and communication of such data, and such data must never be improperly disclosed (either within the Company or to a third party) or misused.

Internal Controls

Our books and records must always be truthful and complete, and prepared with the utmost accuracy and integrity. Books and records, including expense reports, time sheets, invoices, and accounting documents must be supported by sufficient documentation so as to provide a full and auditable record of the transaction.

Employees who maintain or submit false documentation or who maintain off-books accounts or other means of avoiding or subverting the Company's internal controls will be subject to severe sanctions.

Health, Safety and the Environment

We are committed to the health and safety of our employees and of any other persons who may be affected by our operations. We all have a responsibility to prevent injury, ill health, damage and loss arising from our operations as well as to comply with all regulatory or other legal requirements

pertaining to safety, health, and the environment.

Employees are responsible for reporting any hazardous situations they may witness, or any incidents indicating such risks, and for helping to implement preventive measures. Safety guidelines issued or applied by SINOHYDRO must be strictly adhered to.

We are also committed to limiting the impact of our business activities on the environment. We continue to take steps to preserve biodiversity and affected ecosystems, protect World Heritage areas, and to restore any disturbed areas in a timely manner.

Equal Opportunity

China is a signatory of the UN Human Rights Convention, and as a state-owned company, SINOHYDRO is fully obliged to treat all employees equally. Our employees are required to comply with all applicable laws and regulations forbidding discrimination, and we are committed to providing our employees with training opportunities for career growth.

We are also committed to providing all employees who have any decision-making responsibility regarding the Company's businesses, operations, or projects with training in order to better understand and be able to implement this Statement of Ethical Principles. It is expected that each such employee will undertake this training with diligence as and when appropriate.

Social Responsibility

We participate in the social and economic life of the communities in which we work, both within and outside China. In our overseas projects we support and help to provide access to health, education, and integration for underprivileged populations. We are committed to an open dialogue with all of our stakeholders —our owners as well as local partners, public and governmental institutions, NGOs, local associations, et cetera— to mitigate disturbances created by our operations, working in compliance with local cultural and community practices.

We also seek to make a lasting positive impact in our host countries, including whenever possible by recruiting and training local workers and by promoting their professional development.