# Industrial Bank Co., Ltd.

# 2022 Annual Report of the Audit and Connected Transactions Control Committee of the Board of Directors

In FY2022, the Audit and Connected Transactions Control Committee of the Board of Directors comprised four directors, including three independent directors (one of whom is female) and one non-executive director. These directors possess diverse professional backgrounds in finance, accounting, green finance, and technology finance, as well as extensive experience in senior management roles within relevant organizations. This diverse composition ensures the Committee's independence and its effective performance of duties. In strict adherence to the relevant provisions of laws and regulations, the Bank’s Articles of Association, and the Committee's working rules, the Audit and Connected Transactions Control Committee independently fulfilled its responsibilities. For example, it assisted the Board of Directors in making well-informed decisions, held a total of 7 meetings throughout the year, reviewed and heard 30 proposals.

## Direct the Accounting Firm to Complete Audits and Reviews

The Audit and Connected Transactions Control Committee has proactively engaged with KPMG Huazhen, directing them to conduct audits and reviews. The Committee carefully assessed and determined the accounting firm's audit of the Bank's 2021 annual report, the review of the 2022 mid-year report, and plans for 2022 financial audit and internal control audit.

The Committee supervised the accounting firm's performance, ensuring the delivery of statutory auditing services of the highest quality. KPMG Huazhen, as an independent third-party intermediary, was called upon to provide timely advice on key risk points and important risk matters that warranted attention, offering professional advice to the Bank and its subsidiaries in enhancing their management practices. This has pushed the Group's business development in a positive direction.

1. **Early Consideration of Periodic Reports and Budget Proposal**

Ahead of the Board meeting, the Committee conducted a thorough review of the four periodic reports and the budget proposal for the year 2022. The Bank's operating performance was highly commended, with its sound performance and solid market position receiving recognition. Meanwhile, the Committee urged the management to remain vigilant about the potential risks associated with loans from government financing platforms in specific regions and the risks posed by real estate enterprises with negative public opinions. Furthermore, the Committee emphasized the importance of forecasting the impacts of the pandemic and formulating strategies, calling for the Bank's essential role in shouldering its social responsibility to contribute to the revival of the Chinese economy.

**III. Strengthen the Steering of Internal Audit and Internal Control**

The Committee conducted a thorough review of the reports on internal control evaluation, internal audit project plan, and internal audit work, acknowledging the significant contribution of internal audit efforts to the Bank's sound operation. The Committee called on management to pay continuous attention, support the internal audit team and enhance the audit capabilities. In response to the hot topics of capital market and banking industry, the Bank was urged to conduct targeted risk assessments and enhance the internal control framework. The Committee also took note of the reports on the Bank's efforts in rectifying supervisory notifications and addressing internal control audit deficiencies identified by supervisory authorities. The Bank was further encouraged to utilize the findings from external supervisory inspections to effectively address operational and management challenges, and to continuously enhance the Bank's compliance standards and internal control measures.

## IV. Standardize Management of Connected Transactions

In stringent compliance with applicable external regulations and internal rules, the Committee has reviewed the compliance and procedures of the Bank’s connected transactions, and diligently fulfilled its obligations in managing such transactions. Firstly, the Committee examined the 2021 Report on Connected Transactions, with a firm emphasis on continuous enhancement of fairness and compliance in all connected transactions to ensure their adherence to regulatory standards. Secondly, the Committee conducted prior assessments of significant connected transactions, closely scrutinizing factors such as the limit of transactions involving major shareholders. Furthermore, the Committee has provided regular updates and reports on the status of connected transactions with major related parties to the Committee, ensuring that transactions with connected parties strictly conform to regulations, encompass sound pricing, avoid any undue transfer of benefits, and align with prevailing market practices and principles. Lastly, the Committee conducted periodic evaluations of related party information, promptly verifying and validating any updates or alterations of associated parties to ensure the utmost compliance in the management of associated parties and connected transactions.