**Industrial Bank Co., Ltd.**

# **Report on the Performance of Duties by the Audit and Related Transactions Control Committee of the Board of Directors in 2021**

In 2021, the Board of Directors successfully completed the change of term, and the Audit and Related Transactions Control Committee of the new Board of Directors (“Committee”) consists of five directors, including three independent directors (one of whom is a female director), an executive director and a non-executive director. More than half of the directors have a financial background. Some of them are experts in green finance and technology finance, and have served as senior managers at relevant entities. Their credentials and experience offer a key assurance for the independence of the Committee and its effective performance of duties. In accordance with relevant regulatory rules, the Bank’s *Constitution*, and the Committee’s work rules, the Audit and Related Transactions Control Committee of the Board of Directors has independently performed its duties and assisted the Board of Directors in making science-based decisions. Throughout the year, the Committee has convened six meetings and deliberated 28 topics of discussion.

**I. Guiding the accounting firm to complete audit and review work.** The Committee has proactively increased communication and interactions with KPMG Huazhen accounting firm, deliberated and finalized the accounting firm’s audit report for 2020, 2021 semi-annual report, and 2021 financial audit and internal audit plan in accordance with the Bank’s development strategy. The Committee requested the accounting firm to complete statutory audit services with high quality, and bring into full play its role as a third-party intermediary institution, promptly remind the Bank to follow major risk points and important risk matters, and report the same to the Committee immediately. The Committee has provided the Bank and its subsidiaries with professional advice on improvement of management practices for the development of the corporate conglomerate.

**II. Deliberating regular reports and financial budget plans in advance.** Before the meetings of the Board of Directors, the Committee has carefully deliberated four regular reports and the 2021 financial budget plan and fully recognized the business performance of the Bank, believing that the Bank has maintained robust business performance and a strong market position. The Committee has requested the management to keep following the default risk of major corporate conglomerates and make assessments. It has advised the Management to enhance training for the management teams of subsidiaries to improve the overall level of basic management for the corporate conglomerate.

**III. Enhancing guidance on internal audit and internal control.** The Committee has carefully deliberated the internal control evaluation, internal audit project plan, and internal audit work update reports. It has emphasized the great responsibilities of the internal audit department and called for steadily developing team competencies and increasing exchange of management personnel between business lines and internal audit. The Committee has also requested the Bank to conduct risk screening and improve internal control in light of highly publicized incidents in the capital market and the banking sector. The Committee has listened to reports on the rectification in response to the regulatory circulars on the Bank and the rectification of internal audit defects. It has requested the Bank to make the most of the results of external regulatory inspections, properly address problems in its business operations, and steadily improve its compliance and internal control.

**IV. Conducting subject-matter surveys at the grassroots level**

Based on information from internal and external audit and regulatory reporting, the Committee has identified two special topics and carried out a survey with some members of the Board of Supervisors on the Bank’s business institutions to learn about their business operations and put forth relevant opinions and suggestions. First, the Committee has carried out a subject-matter survey on China Industrial International Trust Ltd., suggested clarifying its target position within the Industrial Bank Group, and raised guidance opinions for China Industrial International Trust Ltd. to complete transition and develop core competencies. Second, the Committee has carried out a subject-matter survey on the credit card center of the Industrial Bank headquarters, and put forth suggestions on further refining the credit card business. Director members of the Committee delivered a status report on the above-mentioned surveys to the Board of Directors and senior management at board meetings, which have received great attention from the management.

**V. Standardizing the management of related transactions.** The Committee has continued to review the compliance and procedures of major related transactions strictly in accordance with relevant external laws and regulations and internal rules and diligently fulfill its responsibilities for related transactions. First, the Committee has deliberated the report of related transactions in 2020, and requested the Bank to enhance the review of the fairness and compliance of related transactions to ensure compliance. Second, the Committee has fulfilled its responsibilities for the ex-ante review of major related transactions and examined such matters as the provision of related transactions quota to some majority shareholders, and requested the Bank to report and update related transactions with major related parties to the Committee on a regular basis to ensure that the Bank’s transactions with related parties are compliant with regulations, safe, fairly priced, free from tunnelling, and consistent with market conditions and principles. Third, the Committee has regularly reviewed the information of the Bank’s related parties to ensure the compliance of related parties and the management of related transactions.