

# **Work Report of Independent Non-executive Directors of ICBC for 2018**

In 2018, Independent Non-executive Directors of Industrial and Commercial Bank of China (hereinafter referred to as the “Bank”) performed their duties in a diligent manner according to the *Company Law*, the *Securities Law*, the *Guiding Opinions on Establishing Independent Director Policy within Listed Companies*, the *Guidelines on the Corporate Governance of Commercial Banks*, the *Corporate Governance Code* contained in Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and other applicable laws, regulations, rules and codes, and the *Articles of Association of Industrial and Commercial Bank of China* (hereinafter referred to as “Articles of Association”), the *Working Rules for the Independent Directors of Industrial and Commercial Bank of China* and other applicable provisions. They attended meetings of the Board of Directors and special committees of the Board of Directors on time, actively performed their duties, and independently made decisions to actually safeguard the rights and interests of the Bank and all shareholders. The fulfillments of duties of Independent Non-executive Directors for 2017 are reported as follows:

## **I. Profile of Independent Non-executive Directors**

As at December 31, 2018, the Bank had six Independent Non-executive Directors, accounting for more than 1/3 of the members of the Board of Directors, which was in compliance with the Bank’s Articles of Association and applicable regulatory requirements. Independent Non-executive Directors served as Chairmen of the five special committees of the Board of Directors - the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee. Aside from the annual compensation received, Independent Non-executive Directors of the Bank neither held any business or financial interest in the Bank and its subsidiaries, nor assumed any management post. The Bank complied with relevant regulatory requirements in terms of the independence of Independent Non-executive Directors. The Bank has received the annual confirmation letters on independence from all Independent Non-executive Directors, and confirmed their independence. Resumes of Independent Non-executive Directors of the Bank are as follows:

### **Hong Yongmiao, Independent Non-executive Director**

Mr. Hong has served as Independent Non-executive Director of the Bank since August 2012. Mr. Hong was previously in charge of the National Science Fund for Distinguished Overseas Young Scholars supported by the National Natural Science Foundation of China, and acted as President of the Chinese Economists Society in North America. He is currently an academician of the Academy of Sciences for the Developing World and a professor of Economics and International Studies at Cornell University in the United States. He has been enrolled as one of the first participants of the “Thousand Talents Plan” and serves as Vice Chairman of the Steering Committee of Economics Teaching at Institutions of Higher Learning under the Ministry of Education and Director of the Wang Yanan Institute for Studies in Economics and the School of Economics at Xiamen University. He is a lecture professor of the “Changjiang Scholars” launched by the Ministry of Education, an honorary professor of the School of Economics and Management at University of Chinese Academy of Sciences and a senior editor in economics for the Journal of Management Science and Engineering, an English magazine published by the National Natural Science Foundation of China. He is also an editorial board member of Economic Research Journal of the Chinese Academy of Social Sciences and an academic board member of China Economic Quarterly published by Peking University. He acts as Independent Non-Executive Director of Xiamen Bank Co., Ltd. as well. Mr. Hong graduated from Xiamen University with a Bachelor of Science degree and a Master’s degree in Economics, and obtained his Doctorate degree in Economics from the University of California San Diego.

**Anthony Francis Neoh, Independent Non-executive Director**

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to the China Securities Regulatory Commission (“CSRC”), a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People’s Congress of People’s Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited and China Life Insurance Company Limited. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and New China Life Insurance Company Limited. He graduated from the University of London with a Bachelor’s degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

**Yang Siu Shun, Independent Non-executive Director**

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of

PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region and Director and Chairman of Audit Committee of Hang Seng Management College. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the Board of Directors of the Hong Kong Jockey Club, Vice Chairman of the Council of the Open University of Hong Kong and an Independent Non-executive Director of Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

**Sheila Colleen Bair, Independent Non-executive Director**

Ms. Bair has served as Independent Non-executive Director of the Bank since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was President of Washington College, the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation and Senior Advisor to The Pew Charitable Trusts. She is the current Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organization. She is Independent Non-executive Director of Thomson Reuters Corp., Host Hotels & Resort Inc., Paxos Trust Company, LLC and its holding company Kabompo Holdings, Ltd. She also serves on the International Advisory Council to the China Banking and Insurance Regulatory Commission ("CBIRC") and the International Advisory Board for Santander. She received a Bachelor's Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

**Shen Si, Independent Non-executive Director**

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of the People's Bank of China ("PBC"), Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He had participated in important events in Shanghai Pudong Development Bank such as its initial public offering, four issues of new shares, acquisition of credit cooperative and its formation of strategic partnership with Citibank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

**Nout WELLINK, Independent Non-executive Director**

Mr. WELLINK has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board of Directors of the Bank for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. WELLINK also served as member of the supervisory board of a bank, a re-insurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011. He received a Master's degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

## **II. Duty Performance of Independent Non-executive Directors for the Year**

### **i. Attendance of general meetings**

In 2018, Independent Non-executive Directors of the Bank actively attended the Shareholders' General Meeting, meetings of the Board of Directors and the special committees of the Board of Directors and deliberated resolutions of the Board of Directors and the special committees of the Board of Directors.

Independent Non-executive Directors of the Bank attended 2017 Annual General Meeting held concurrently by satellite in Beijing and Hong Kong on June 26, 2018, where 9 proposals including the 2017 Work Report of the Board of Directors, 2017 Audited Accounts, 2017 Profit Distribution Plan were considered and approved, 3 reports including Special Report on Related Party Transactions for 2017, Work Report of Independent Non-executive Directors for 2017 were heard. Independent Non-executive Directors of the Bank attended the First Extraordinary General Meeting for 2018 in Beijing on November 21, 2018, where 12 proposals including Proposal on the Payment Plan of Remuneration to Directors and Supervisors for 2017, the election of Mr. Zheng Fuqing as Non-executive Director, the election of Mr. Nout WELLINK as Independent Non-executive Director, issuance of eligible tier 2 capital instruments and proposal on the issuance of domestic and offshore preference shares were considered and approved.

Independent Non-executive Directors of the Bank actively performed their duties and attended the meetings of the Board of Directors on time in accordance with the Bank's *Articles of Association* and other applicable stipulations. The Bank held 10 meetings of the Board of Directors for the year, with 79 proposals including the 2017 Work Report of the Board of Directors, amendment of the plan on authorization, nomination of candidates for Directors and issuance of domestic and offshore preference shares

considered, and 34 reports including the 2018 Work Plan of the Board of Directors, the Directors' performance assessment by the Board of Directors for 2017, the details on internal audits, and the summary of external audits heard. Independent Non-executive Directors of the Bank gave full play to their independence and professionalism and actively participated in the meetings of the special committees of the Board of Directors which played a support role to decision-making of the Board of Directors. During the reporting period, the Bank held 33 special committee meetings to consider 60 proposals and hear 36 reports.

The details of Independent Non-executive Directors' attendance of general meetings are as follows:

#### Attendances in person/Number of meetings that should be attended

Director	Shareholders' General Meeting	Board of Directors	Special Committees of the Board of Directors:					Related Party Transactions Control Committee
			Strategy Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	
<b>Independent Non-executive Directors</b>								
Hong Yongmiao	2/2	10/10	7/7	6/6	8/8	6/6	-	3/3
Anthony Francis Neoh	2/2	10/10	-	5/6	8/8	5/6	2/3	-
Yang Siu Shun	2/2	10/10	-	5/6	-	5/6	2/3	2/3
Sheila Colleen Bair	2/2	9/10	7/7	-	7/8	-	-	-
Shen Si	2/2	10/10	-	6/6	8/8	-	3/3	-
Nout WELLINK	-	0/1	-	-	-	-	-	-
<b>Independent Non-executive Director Leaving Office</b>								
Or Ching Fai	1/1	8/8	7/7	6/6	-	5/5	3/3	3/3

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

#### ii. Participation of Independent Non-executive Directors in surveys and informal discussions

In addition to attending meetings of the Board of Directors and the special committees of the Board of Directors, the Independent Non-executive Directors of the Bank actively strengthened communication with other directors, members of the Board of Supervisors, the senior management members and shareholders and regulators, understood the Bank's actual dissemination and implementation of strategies and

deployments, and conducted in-depth survey on major issues to put forward targeted comments and suggestions. In accordance with relevant requirements of the CBIRC and the Bank, the Independent Non-executive Directors regularly received assessment on their duty performance from the Board of Directors and the Board of Supervisors as well as the supervision from all shareholders and external supervisors.

iii. Assistance provided by the Bank during duty performance of Independent Non-executive Directors

In order to facilitate effective duty performance of the Independent Non-executive Directors, the Bank guaranteed the right of information of the Independent Non-executive Directors, provided required working conditions for them, and actively responded to their needs. The Bank carried out a variety of services and supporting activities for Independent Non-executive Directors to perform their duties, including providing assistance to the Independent Non-executive Directors in their special researches, surveys, discussions and relevant trainings, and timely giving reference and information.

**III. Priorities of Independent Non-executive Directors' Duty Performance for the Year**

i. Related party transactions

The Independent Non-executive Directors of the Bank attached importance to related party transactions management. During the reporting period, the Independent Non-executive Directors deliberated on issues regarding the Bank's related parties to promote the management level of related party transactions and pushed related party transactions to be compliant and to follow business principles.

ii. External guarantees and capital occupation

External guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by relevant regulatory authorities. As at 31 December 2018, the balance of letters of guarantee issued by the Bank totaled RMB509,301 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

iii. Use of raised funds

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing growth of the Bank.

iv. Nomination and remuneration of the senior management members

The Shareholders' General Meeting, the Board of Directors and the Compensation Committee of the Bank deliberated on and approved the plan regarding the payment

of remuneration to senior management members for 2017, the plan regarding the performance evaluation of senior management members for 2018, etc. and determined the remuneration policy for senior management members for implementation.

Independent Non-executive Directors agreed on the remuneration of senior management members of the Bank.

v. Operating Results Forecast and Preliminary Earnings Estimate

During the reporting period, the Bank needed not to issue the Operating Results Forecast nor the Preliminary Earnings Estimate.

vi. Engagement or replacement of accounting firm

During the reporting period, pursuant to relevant requirements of the annual report, Independent Non-executive Directors made sufficient communication with the Bank's external auditors, and earnestly implemented relevant duties and responsibilities. Independent Non-executive Directors held that the accounting firm engaged by the Bank conducted audit work independently, objectively and fairly, performed all tasks properly, therefore agreed to renew the engagement of KPMG Huazhen LLP as the domestic accounting firm of the Bank for 2018 and KPMG as the international accounting firm of the Bank for 2018.

vii. Cash dividends and other return of investors

The formulation and implementation of the Bank's cash dividend policy, which has been reviewed and approved by Independent Non-executive Directors, accords with the provisions stipulated in the Bank's *Articles of Association* and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals to completely safeguard their legal rights.

viii. Implementation of commitments made by the Bank or its shareholders

During the reporting period, the Bank and the shareholders holding 5% shares or above did not perform any new commitments. As at 31 December 2018, all of the continuing commitments made by the shareholders were properly fulfilled.

ix. Implementation of information disclosure

During the reporting period, the Bank strictly complied with applicable laws and regulations, the Bank's *Articles of Association* and the information disclosure management system to timely and completely disclose periodic reports such as annual reports, semi-annual reports and quarterly reports and extraordinary announcements. Independent Non-executive Directors actively performed their duties in the preparation and disclosure of annual reports and had full communication and discussion with external auditors on the annual audit work.

x. Implementation of internal control

In 2018, the Bank continued to promote the establishment and implementation of internal control standards. The Independent Non-executive Directors attached great importance to the evaluation on internal control, audited the evaluation reports of internal control, and no material or significant deficiencies were detected during the evaluation on internal control.

xi. Operation of the Board of Directors and the subordinated special committees

The Board of Directors of the Bank sets up the Strategy Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee.

In 2018, the Board of Directors of the Bank held a total of 10 meetings, mainly deliberated on and passed the amendment of the plan on authorization, financial reports, profit distribution, nomination of director candidates, issuance of domestic and offshore preference shares and other proposals, and disclosed information in accordance with relevant laws and regulations and local listing rules.

The Strategy Committee held 7 meetings to deliberate on 19 proposals such as the Operating Plan for 2018 and 2018-2020 Strategic Development Plan and heard the report on the capital increase, the report on the M&A equity investment of domestic and overseas institutions, and the report on planning of capital increase for institution establishment in 2018. The Strategy Committee put forward comments or suggestions on matters including Strategic Development Plan, capital management, annual final accounts, assessment plan of the Inclusive Finance Department and consumer protection policy.

The Audit Committee held 6 meetings, considered 11 proposals including regular report and the Internal Audit Plan for 2018, and heard 14 reports including the 2017 internal audit report and report on internal control audit. The Audit Committee put forward comments or suggestions on matters including the arrangement of internal and external audits and development plan, the influence of implementation of the new accounting standards, and construction of internal audit system and mechanism.

In 2018, the Risk Management Committee held 8 meetings, reviewed 17 proposals including the liquidity risk management strategy for 2018, the country risk concentration limit for 2018-2019, the risk appetite management measures, and the liquidity risk appetite of institutions in the United States and heard 17 reports including the report on the Group's AML for 2017, and the report on information and technology risk management for 2017. The Risk Management Committee put forward to the Board of Directors comments or suggestions on matters including the development of risk management system, the Group's AML work, and the risk management of institutions in the U.S.

The Nomination Committee held a total of 6 meetings to deliberate on 8 proposals such as the recommendation to the Board of Directors of nomination of Mr. Cheng Fengchao, Mr. Zheng Fuqing, Mr. Nout WELLINK, Mr. Hu Zulu, Mr. Hu Hao and Mr. Tan Jiong as Executive Director candidates of the Bank, and heard the report on

the structure of the Board of Directors in 2017. The Nomination Committee put forward to the Board of Directors comments or suggestions on matters including the recommendation and nomination of candidates for directors, and the assessment of the composition of the Board and the candidates for chairmen and members of special committees of the Board.

The Compensation Committee held a total of 3 meetings to deliberate on 3 proposals such as the revision of rules on evaluation by the Board of Directors of the performance of directors, the remuneration settlement plan for directors and the senior management members for 2017, and the plan on performance evaluation of the senior management for 2018, and heard the report on the evaluation by the Board of Directors of the performance of directors in 2017 by the Board of Directors. The Compensation Committee put forward comments or suggestions on matters including the optimization of compensation incentive mechanism.

The Related Party Transactions Control Committee held a total of 3 meetings, deliberated on 2 proposals on confirming the related parties of the Bank, and heard 2 reports, namely the special report on related transactions in 2017, and the confirmation on related parties of the Bank in 2017. The Related Party Transactions Control Committee made comments or suggestions on strengthening management of related transactions and internal transaction of the Bank and other matters.

In 2018, the Independent Non-executive Directors earnestly attended meetings of the Board of Directors and the related special committees, proactively expressed their opinions and promoted the reasonableness and effectiveness of the decision of the Board of Directors.

xii. Other matters that the Independent Non-executive Directors consider shall be improved by the listed company

The Independent Non-executive Directors of the Bank expressed their positive attitude towards and recognition of the overall development strategy and operation and development, recommended that the Board of Directors further enhance the focus on FinTech and Network Security, and continue to follow international regulatory trends and strengthen compliance and risk management.

#### **IV. Comprehensive Evaluation and Recommendations**

In 2018, the Independent Non-executive Directors of the Bank, in accordance with the relevant laws and regulations and the relevant provisions of the Bank's *Articles of Association*, performed their duties honestly, diligently and independently, which effectively enhanced the scientific decision-making level of the Board of Directors and its special committees, and uplifted the level of corporate governance of the Bank, safeguarded the legitimate rights and interests of the Bank and all shareholders.

In 2019, the Independent Non-executive Directors of the Bank will further enhance their ability to perform duties, stay diligent and dedicated, and express their opinions independently and objectively, effectively safeguard the legitimate rights and interests

of the Bank and shareholders, including those of the minority shareholders and make greater contributions to the Bank.

Independent Non-executive Directors of ICBC

Hong Yongmiao, Anthony Francis Neoh, Yang Siu Shun,

Sheila Colleen Bair, Shen Si, Nout WELLINK

March 28, 2019