

Code of Conduct for Employees

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**INDUSTRIAL BANK CO., LTD. HONG KONG
BRANCH**

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Chapter 1 Introduction

1. Introduction

1.1 The Code of Conduct (“Code”) for Industrial Bank Co., Ltd. Hong Kong Branch (“the Branch”) sets forth the expected standards of behavior and ethical conduct for all employees. The Branch is required that business be conducted in accordance with applicable laws, regulations, standards and guidelines issued by the Hong Kong Monetary Authority (“HKMA”) and other relevant regulatory authorities. Every employee is required to adhere to this Code, ensuring that their actions reflect its principles. While fulfilling their responsibilities, employees must act with honesty, integrity, diligence, fairness, and accountability.

1.2 The relevant departments of the Branch shall regularly review and the senior management of the Branch shall approve this Code to ensure it aligns with the corporate culture of Industrial Bank and the behavioral standards for Branch employees, as well as to ensure consistency with other internal policies of the Branch. All new recruits and existing employees are expected to read over the Code carefully and consult the Code of Conduct Officer (i.e. Head of Legal & Compliance Department) in case of enquiries.

1.3 The requirements set out in this Code should not be read as a substitute for, or as affecting the meaning of, the relevant provisions (e.g. section 124) in the Banking Ordinance (“BO”) or other Ordinance (e.g. sections 8 and 9 of the Prevention of Bribery Ordinance).

1.4 This Code should be read in conjunction with other relevant Supervisory Policy Manual modules, including CG-1 “Corporate Governance of Locally Incorporated Authorized Institutions”, CG-5 “Guideline on a Sound Remuneration System” and CG-6 “Competence and Ethical Behaviour”, as well as any applicable guidance issued and

updated by the HKMA from time to time.

Chapter 2 Requirements on Employees

2.1 Ethical values

Core ethical values would include honesty, integrity, diligence, fairness, responsible citizenship and accountability.

2.2 Conflicts of interest

2.2.1 Conflicts of interest generally arise from situations where the private interests of an employee compete with the interest of the Branch. Private interests may include financial and other interests of employee, and those of his/her connections including relatives¹, personal friends or any other parties with whom he/she has personal ties.

2.2.2 All employees should avoid situations that may lead to or involve a conflict of interest, actual or potential and, in case of doubt, should seek the advice of the Code of Conduct Officer.

2.2.3 Employee should make an application to Legal & Compliance Department, Human Resources Department and senior management of the Branch if he/she becomes aware that any of his/her close family members² has performed any role or taken any action that poses risk to the employee of running into a conflict of interest situation with the Branch. Employee shall state clearly the relationship between the employee concerned and the related parties, as well as the circumstances leading to potential conflicts of interest. Employee should be able to justify the reason(s) why he/she failed to make such application when conflict of interest is discovered and identified. If there is evidence showing that such omission was done intentionally, recklessly or negligently, then the

¹ Reference may be drawn from the definition of “relatives” in Rule 85(4) of the Banking (Exposure Limits) Rules.

² Referring to those who are in close contact with the employee. This usually applies to spouse, children, parents and siblings. Depending on individual circumstances, the specific scope could differ.

employee should be made aware that disciplinary action will be taken against him/her.

2.3 Granting credit

2.3.1 All employees with lending authority shall have specified limits that are commensurate with his/her rank as laid down in the policy issued by the Branch.

2.3.2 No employee shall grant credit to himself/herself, or to his/her immediate family or companies in which he/she or his/her relatives have a private interest.

2.4. Receiving credit

No employee, or his/her relatives, should borrow or receive credit from third parties on a favoured basis or on terms other than at arm's length unless approved by the Chief Executive or designated person assigned by the Chief Executive of the Branch.

2.5 Conduct when obtaining business

2.5.1 No employee should offer any bribe or similar consideration to any person or company in order to obtain business of the Branch.

2.5.2 Employee should have an adequate understanding of the Prevention of Bribery Ordinance so as to avoid the pitfalls of corruption in carrying out the Branch's business. In particular, employee should be aware that the offering of advantage³ to a public servant⁴ who acts on behalf of the Government or the public body concerned may constitute a breach of the anti-bribery law in Hong Kong. ⁵ Employee should also observe and comply with section 9 of the Prevention of Bribery Ordinance ("PBO"), which provides for criminal penalties for offering advantage to an agent in prescribed circumstances.

2.5.3 Any commission paid or payments made by any employees to external parties, as permitted by law, in the conduct of the Branch's business shall be carried out according to

³ Advantage is defined under the Prevention of Bribery Ordinance. Common examples of advantage include any gift, loan, fee, commission, employment, etc.

⁴ Public servant is defined in the Prevention of Bribery Ordinance and generally refers to any government officer, employee or member of a public body. All HKMA staff are subject to the provisions of the Prevention of Bribery Ordinance.

⁵ §8 of the Prevention of Bribery Ordinance.

the policies issued by the Branch and should be documented in writing and approved by the senior management of the Branch.

2.6 Personal benefits

2.6.1 All employees should not use the power or authority deriving from their position to gain, or to influence other employees to take any action in order to gain, a personal benefit or an indirect benefit (e.g. for their relatives or other related parties).

2.6.2 All employees should observe the statutory provisions of section 9 of the PBO and section 124 of BO, which contain criminal penalties for accepting advantages in prescribed circumstances.

2.6.3 All employees should actively discourage customers from offering personal benefits of any kind, including any type of gift, favour, service, loan, fee or anything of monetary value.

2.6.4 No employee should solicit, accept and retain personal benefits from any customer of the Branch or any individual or organization doing or seeking to do business with the Branch. All employees may be permitted to accept and retain a personal benefit within the Branch's acceptance criteria⁶ set out in this Code provided that this complies with the relevant legal requirements; and there is no reasonable likelihood of improper influence or prejudice on the performance of duties by all employees on behalf of the Branch.

2.7 Use of Information

2.7.1 All employees should handle information carefully relating to customers in

⁶ For illustration, these may include:

- any normal business entertainment (e.g. a meal involving no more than ordinary amenities). Als should, however, require their employee to avoid meals or entertainment that are excessive in nature or frequency, so as not to cause embarrassment or loss of objectivity when conducting business. If it is not appropriate to decline an invitation, employees should only accept the invitation with management's permission on the understanding that they are unable to reciprocate;
- any gift (including a lai see) given on festive occasions under customary practice, subject to a limit that should not be excessive and, in the judgment of the Branches' management, the acceptance of such gifts would unlikely place the employee in a potential position of obligation to the donor;
- any personal benefit arising from kinship or marriage; or
- any personal benefit received from a close personal friend, where such friendship is entirely unrelated to the business of the Branch, subject to an appropriate limit.

accordance with relevant statutory requirements, e.g. Personal Data (Privacy) Ordinance (“PDPO”), and common law customer confidentiality.

2.7.2 No employee should use information so obtained for financial gain in any way. Employee should be made aware that using confidential or proprietary information obtained for personal financial gain or disclosing of such information to a third party without written consent of the Branch may constitute a case for disciplinary action or even a criminal offence.

2.7.3 No employee should, during or after termination of his/her employment with the Branch, except in the proper course of his/her duties or with the written consent of the Branch, divulge or make use of any secrets or of any correspondence, accounts, connections or dealings of the Branch or its customers or of any knowledge gained in relation thereto during his/her employment.

2.7.4 No employee should release customer information to a third party (see SA-2 “Outsourcing” for guidance in relation to outsourcing arrangements) without written consent from the relevant customer, unless the release complies with the PDPO or he/she is required or permitted to do so by law.

2.8 Private investments

2.8.1 No employee should deal in the shares or other securities of any listed company, or any other assets of which he possesses privileged or price-sensitive information that is not generally known to the market. All employees should not disclose such information to any third party.

2.8.2 All employees should immediately notify the Branch or Code of Conduct Officer in writing of the details of any dealings in which they may have inadvertently been concerned in the shares or other securities of any listed companies, or any other assets of which they

possess privileged or price-sensitive information that is not generally known to the market. If employees are unsure whether a deal would constitute insider dealing, he/she should consult the appropriate officer in advance of such dealing.

2.8.3 When making investments in their private capacity, all employees should be able to demonstrate that reasonable steps have been taken to avoid:

2.8.3.1 conflicts of interest with the duties carried out by employees; and

2.8.3.2 misuse of privileged information obtained through the normal course of conducting business with customers. In case of doubt, he/she should consult the Code of Conduct Officer before making such investments.

2.9 Outside employment

2.9.1 When employees are offered to take up any directorship or employment of an entity, particularly as commercial entity, outside Industrial Bank's banking group, he/she should carefully assess whether accepting these offers would impair his/her independence and judgment in carrying out the duties at the Branch. Employees should refrain from accepting such offers if additional roles would undermine his/her time commitment to the business of the Branch or give rise to potential conflicts of interest.

2.9.2 No employee should take up any directorship, employment or part-time commercial duties, whether paid or unpaid, outside the Branch except with prior written approval as required by the relevant policy. If such written approval is granted to an employee, he/she should report promptly to the Code of Conduct Officer once the status of his/her outside work or employment has changed.

2.9.3 Approval should only be given where interests of the Branch would not be prejudiced.

2.10 Reporting responsibility

2.10.1 Employee should report promptly to the Code of Conduct Officer as required in the

Code once he/she becomes aware that he/she is in breach of the Code or when he/she is in doubt of a potential breach.

2.10.2 It is the responsibility of all employees to contribute to the good reputation of the Branch. All employees should be alert to matters which could give rise to fraud, deception, theft, forgery, corruption or other illegal activities. If an employee, acting reasonably, suspects that an illegal activity is being perpetuated, he/she should immediately report it to an appropriate officer(s) as required in the Code of Conduct for appropriate follow-up.

2.10.3 Employee should be warned that failure to report such activity in a timely manner may result in disciplinary action.

2.10.4 Employee should also be encouraged to report unethical or questionable practices even if they are not illegal.

Chapter 3 Disciplinary action

All employees of the Branch are subject to this Code and that any breach will give rise to disciplinary action, including but not limited to the followings:

3.1 verbal warning;

3.2 issue warning letter;

3.3 demotion;

3.4 dismissal.

Chapter 4 System for enforcing Code of Conduct

4.1 Senior management of the Branch has the responsibility of overseeing the operations of the Branch on a day-to-day basis, they should ensure that the Branch's activities are conducted in a manner which is consistent with the requirements set out in this Code. This

includes, but is not limited to, the following:

4.1.1 implementing this Code and policies approved by the senior management;

4.1.2 fostering and maintaining ethical standards and expected values set by the senior management throughout the Branch;

4.1.3 appointing the Code of Conduct Officer with sufficient independence, competence, experience, integrity and seniority; and

4.1.4 keeping the senior management promptly informed of any material matters in relation to the implementation of this Code.

4.2 The values held and attitudes demonstrated by the senior management have a great influence on the behaviour of all employees of the Branch. The Branch's senior management should continuously promote employee awareness and serve as role models for the Code of Conduct.

4.3 Senior management responsible for the local operations should oversee the implementation of this Code. The results of the local compliance monitoring should be regularly reported to the head office overseeing the Hong Kong operation.

Chapter 5 Internal Control

5.1 In cases where employees of the Branch engage in activities that require approval from the senior management of the Branch, the Code of Conduct Officer should manage the actual and potential misconduct cases reported by employees or identified by the Branch, and where necessary, to escalate the potential misconduct cases to higher levels of senior management for their attention and action.

5.2 In the event of non-compliance with this Code by any employees, the Branch should promptly review the situation leading to such non-compliance and assess if this is reflective of any deficiencies in its internal control systems that would necessitate remedial action.

5.3 For applications relating to private investments, granting or receiving credit, and outside employment for which staff declaration is required, all employees of the branch should refer to the relevant policies and procedures placed at the common drive of the Branch.

5.4 With a view to managing conflicts of interest, employees are required to:

5.4.1 for new recruits, report within a reasonable period whether there would be any conflicts of interest between their private interests (including associated with their close family members that the new employees are aware of) and their job duties;

5.4.2 for incumbent employee, review annually the accuracy of declarations made previously, and where necessary update the records; and

5.4.3 for staff whose job nature is to be substantially changed (e.g. through rotation, promotion), assess whether additional declaration would be required.

Chapter 6 Record maintenance

6.1 The Branch maintains a written record (either in electronic or physical format) of all personal benefits received by employee which they have been permitted to retain. This record need not cover benefits which this Code permits employee to accept or retain without further reference. The Branch also maintains a record of the declarations submitted by employees relating to conflicts of interest and private investments.

6.2 Such records should be subject to periodic reviews by the senior management or Code of conduct Officer to ensure that:

6.2.1 they are properly maintained;

6.2.2 the approvals given to employee receiving personal benefits are justified;

6.2.3 there is no likelihood that employee receiving personal benefits have been placed in a

position of obligation;

6.2.4 declarations made by employee relating to conflicts of interest or private investments are properly reviewed; and

6.2.5 actions to manage the breaches of this Code are appropriate.

6.3 Upon request by the HKMA, such records should be made available to it for review.

Chapter 7 Reporting channels

7.1 Once any potential violation, fraud or other situation or activity that is inconsistent with this Code is noted, employees of the Branch must immediately report it to their department head and Code of Conduct Officer. In addition, the Branch encourages employees to report their improper activities to the Legal & Compliance Department in confidence through the whistleblower procedure. The Branch prohibits retaliation against any employee who reports in good faith. The Branch expects each department heads to set an example and report any violations of laws, regulations, policies, industry standards and the principles of this Code.

7.2 The Branch once becomes aware of an incident assessed to potentially have a significant impact on its business, customers or reputation, the Branch should notify the HKMA immediately and provide it with whatever information is available. Depending on the nature of such incident, the Branch should report it to other relevant regulatory (e.g. Securities and Futures Commission) or law enforcement authorities as soon as possible.

7.3 This Code shall take effect from the date of issuance.