The Bank considers excellent corporate governance as an important goal. During 2012, the Bank strictly complied with the state laws and regulations, relevant regulatory requirements and listing rules of the Chinese mainland and Hong Kong, closely observed trends in regulatory changes in China and abroad, and continuously improved its corporate governance.

1. Ensuring legal compliance by virtue of a sound and scientific corporate governance framework in order to meet all capital market regulatory requirements

The Bank abided by the regulatory rules of Chinese mainland and Hong Kong, adhering to the stricter regulation in each case and consistently improved its corporate governance framework, which mainly consists of the shareholders’ meeting, the Board of Directors, the Board of Supervisors, and the senior management. This framework operated smoothly and achieved comprehensive compliance based on a clear division of duties.

2. Providing support to the corporate governance and shaping excellent corporate governance culture by virtue of a comprehensive and rational corporate governance system

The Bank attached importance to the strengthening of its corporate governance systems. It continued to revise and improve its corporate governance normative documents based on regulatory requirements and the Bank’s development, and acted in strict accordance with those documents. During the reporting period, the Bank amended the Articles of Association, revised and improved relevant provisions concerning the operation of the Board of Directors, independent directors and profit distribution, thus making its corporate governance system more comprehensive and rational.

3. Enhancing the corporate governance efficiency continuously by virtue of the coordinated operations of an efficient and pragmatic corporate governance mechanism

Focusing on scientific decision-making, the Bank’s Board of Directors is rationally structured with members of various backgrounds and a sound operational mechanism. Directors performed their duties diligently and the Board meeting attendance was high. The Board of Directors fully communicated with the senior management on major proposals, which effectively ensured the scientific decision-making of the Board of Directors and continuously improved efficiency. The Bank continued to improve its information disclosure mechanisms and strengthened information disclosure management, thus improving the transparency and quality of information disclosure.

4. Exploring and developing the best practice of corporate governance by virtue of initiative and innovative corporate governance, striving for excellent corporate governance

The Bank actively explored the use of innovative corporate governance practices. The Bank reinforced its efforts in exploring the corporate governance at the Group level and effectively improved Group-level management and control. The Bank treated all shareholders equally, and ensured that all shareholders, especially minority shareholders, were properly informed and able to participate and make decisions. The annual shareholders’ meetings were held in Beijing and Hong Kong by way of video conference, allowing shareholders from both places to attend in person. The Bank also continued to improve its stakeholder mechanism. It was responsible for shareholders, society, clients, the Bank, and the staff, and actively assumed social responsibilities. The Bank focused closely on exploring forward-looking issues and strived for corporate governance excellence.

In 2012, progress in the Bank’s corporate governance continued to be recognised by the capital markets and society. The Bank received, among other awards, “Top Ten Corporate Governance” by China Central Television, “Top Ten Enterprises with Highest Corporate Governance Scores” by The Hong Kong Institute of Directors, “Best Corporate Governance” by Institute of Corporate Governance of Nankai University, “Excellence of Listed Enterprises Award” by Capital Weekly of Hong Kong, “Achievement Award for Listed Companies” by China Business News, “Best Board of Directors of Main Board Listed Companies in China” by Money Weekly.
Corporate Governance

Corporate Governance Framework

The Bank’s corporate governance framework is shown below:

Corporate Governance Compliance

During the reporting period, the Bank’s corporate governance was fully in line with the Company Law and the relevant provisions of CSRC.

During the reporting period, the Bank strictly observed the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank has complied with all provisions of the Code and has substantially complied with most of the recommended best practices set out in the Code. The Bank had already started to observe the amendments to the Code before 1 April 2012 when the amendments took effect and had proactively adopted the recommended best practices specified by the amended Code.

Amendments to the Articles of Association

The 2012 First Extraordinary General Meeting considered and approved a proposal to amend the Articles of Association to specify that “the independent directors shall account for at least one third of the total board members”. This amendment to the Articles of Association has been approved by CBRC.

The 2011 Annual General Meeting considered and approved a proposal for amendments to the Articles of Association, the key components of which were: “any vote of shareholders at the shareholders’ meeting shall be taken by poll”, the directors shall “take an active interest in the Bank’s affairs and follow up anything untoward that comes to their attention”, the Board of Directors’ function and power shall include the responsibility “to develop and review the
corporate governance policies of the Bank”, “persons in charge of Personnel and Remuneration Committee and Connected Transactions Control Committee shall be independent directors”, and a clarification of the function and power of the Audit Committee and the Personnel and Remuneration Committee. Please refer to the notice of the 2011 Annual General Meeting disclosed on 12 April 2012 and announcement regarding the resolutions of the 2011 Annual General Meeting disclosed on 30 May 2012 for details. These amendments of the Articles of Association have been approved by CBRC.

The Board of Directors’ Meeting on 25 October 2012 considered and approved a proposal to amend the Articles of Association to specify the profit distribution principles and policy of the Bank. The amendments to the Articles of Association are subject to approval by the 2013 First Extraordinary General Meeting. Please refer to the section “Report of the Board of Directors — Formulation and Implementation of Cash Dividend Policy” and the notice of the 2013 First Extraordinary General Meeting disclosed on 7 February 2013 for the details.

Shareholders and Shareholders’ Rights

The Bank highly values the protection of its shareholders’ interests and has established and maintained an effective and multi-channel platform to communicate with shareholders. This includes holding shareholders’ meetings and setting up an investor hotline to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank. The Bank is independent and completely autonomous in all of its business operations. It operates independently and separately from its controlling shareholder, Huijin, in respect of its business, personnel, assets, institutional and financial matters.

Shareholders’ right to convene an extraordinary shareholders’ meeting and a meeting of shareholders of different categories

According to the Articles of Association, shareholders individually or in aggregate holding a total of 10% or more of the shares carrying voting rights of the Bank may sign one or more written requests of identical form and substance requesting the Board of Directors to convene a meeting of shareholders of different categories and stating the subject of the meeting. If the Board of Directors fails to issue a notice of such a meeting within 30 days after having received a written request for convening an extraordinary shareholders’ meeting or a meeting of shareholders of different categories submitted by the proposing shareholders, the proposing shareholders may themselves convene the meeting within four months after the Board of Directors received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which shareholders’ meetings are convened by the Board of Directors. Where the proposing shareholders convene and hold a meeting because the Board of Directors failed to convene such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Bank and shall be deducted from the sums owed by the Bank to the negligent directors.

Shareholders’ right to propose resolutions at shareholders’ meetings

According to the Articles of Association, any shareholders who hold, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose a resolution in a shareholders’ meeting. Any shareholders who hold, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose and submit in writing to the Board of Directors interim proposals 10 days prior to the convening of a shareholders’ meeting. When the Board of Directors decides not to include such proposals in the meeting’s agenda, it shall explain and clarify the reasons in the shareholders’ meeting. When the proposing shareholders dissent with the Board of Directors’ decision to exclude such proposals, they may request to call for an extraordinary shareholders’ meeting by themselves based on the relevant procedures stipulated in the Articles of Association.

Shareholders’ right to present enquiries

According to the Articles of Association, any shareholder who holds severally or jointly with others 5% or more of voting shares of the Bank shall have right to present enquiries to a shareholders’ meeting. The Board of Directors, the Board of Supervisors, or
other relevant senior management personnel shall attend the shareholders’ meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights entitled to shareholders. If shareholders need to contact the Board of Directors regarding the aforementioned items or for other enquiries to the Board of Directors, please refer to the section “Reference for Shareholders — Investor Enquiry” for contact details.

**Shareholders’ Meeting**

The Bank held its 2012 First Extraordinary General Meeting in Beijing on 6 January 2012. This meeting considered and approved three proposals including a proposal to elect Mr. WANG Yongli as Executive Director of the Bank, the remuneration plan for the Chairman, executive directors, Chairman of the Board of Supervisors and shareholder representative supervisors of 2010, and a proposal to amend the Articles of Association. The proposal to amend the Articles of Association was a special resolution.

On 30 May 2012, the Bank held its 2011 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved eight proposals including the 2011 work report of the Board of Directors, the 2011 work report of the Board of Supervisors, the 2011 annual financial statements, the 2011 profit distribution plan, the 2012 annual budget, the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as external auditors for 2012, the proposal to elect Mr. Nout WELLINK as an Independent Director of the Bank, and the proposal to amend the Articles of Association. The proposal to amend the Articles of Association was a special resolution.

On 25 October 2012, the Bank held its 2012 Second Extraordinary General Meeting in Beijing. This meeting considered and approved two proposals including the remuneration plan for the Chairman, executive directors, Chairman of the Board of Supervisors and shareholder representative supervisors of 2011 and a proposal regarding the appointment of Ernst & Young Hua Ming as the Bank’s external auditor for 2013.

All of the aforementioned meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the Chinese mainland and Hong Kong. The Bank’s directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern.

The Bank published announcements on the resolutions and legal opinions of the aforementioned shareholders’ meetings on 6 January 2012, 30 May 2012 and 25 October 2012 respectively, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEx and the Bank.

**Directors’ Attendance at Shareholders’ Meetings**

During the reporting period, the attendance rate of each director is given below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of meetings attended in person/Number of meetings convened during term of office</th>
</tr>
</thead>
<tbody>
<tr>
<td>XIAO Gang</td>
<td>2/3</td>
</tr>
<tr>
<td>LI Lihui</td>
<td>2/3</td>
</tr>
<tr>
<td>LI Zaohang</td>
<td>3/3</td>
</tr>
<tr>
<td>WANG Yongli</td>
<td>2/2</td>
</tr>
<tr>
<td>CAI Haoyi</td>
<td>3/3</td>
</tr>
<tr>
<td>SUN Zhijun</td>
<td>3/3</td>
</tr>
<tr>
<td>LIU Lina</td>
<td>3/3</td>
</tr>
<tr>
<td>JIANG Yansong</td>
<td>3/3</td>
</tr>
<tr>
<td>ZHANG Xiangdong</td>
<td>3/3</td>
</tr>
<tr>
<td>ZHANG Qi</td>
<td>3/3</td>
</tr>
<tr>
<td>Anthony Francis NEOH</td>
<td>2/3</td>
</tr>
<tr>
<td>Alberto TOGNI</td>
<td>0/2</td>
</tr>
<tr>
<td>HUANG Shizhong</td>
<td>2/3</td>
</tr>
<tr>
<td>HUANG Danhan</td>
<td>3/3</td>
</tr>
<tr>
<td>CHOW Man Yiu, Paul</td>
<td>2/3</td>
</tr>
<tr>
<td>Jackson TAI</td>
<td>2/3</td>
</tr>
<tr>
<td>Nout WELLINK</td>
<td>1/1</td>
</tr>
</tbody>
</table>

**Notes:**

1. Please refer to the section “Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members” for changes in directors.
2. Rule I. (c) of Corporate Governance Report, as set out in Appendix 14 to the Hong Kong Listing Rules, requires that the corporate governance reports shall disclose each director’s attendance at shareholders’ meetings. This rule took effect on 1 April 2012.
Implementation of the Resolutions Passed at the Shareholders’ Meeting by the Board of Directors

The Board of Directors earnestly and fully implemented the resolutions passed at the shareholders’ meetings during the reporting period.

The 2012 First Extraordinary General Meeting and the 2011 Annual General Meeting considered and approved a proposal to amend the Articles of Association. The relevant amendments have been approved by CBRC, and the amended Articles of Association has been published on the websites of SSE, HKEx and the Bank. All activities of the Bank are in line with the amended Articles of Association.

Proposals to elect directors were approved by the 2012 First Extraordinary General Meeting and the 2011 Annual General Meeting. The relevant approval and filing procedures have been completed with regulatory authorities.

As approved by the 2011 Annual General Meeting, the Board of Directors diligently carried out the 2011 profit distribution plan, distributed dividends to shareholders in a timely manner and effectively served the shareholders’ interests. The profit distribution was completed in July 2012.

As approved by the 2011 Annual General Meeting, the Bank has completed the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as external auditors for 2012.

The Board of Directors

The Board of Directors, which is responsible to the shareholders’ meeting, is the Bank’s decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank’s Articles of Association: convening shareholders’ meetings and implementing the resolutions of shareholders’ meetings; deciding on the Bank’s strategic policies, business plans and material investment plans (except for those material investment plans that are subject to shareholders’ meeting approval as specified in the Articles of Association); formulating the annual financial budgets, final accounts and plans for profit distribution and loss remedy of the Bank; appointing or dismissing members of special committees and senior management of the Bank; reviewing and deciding on the establishment of the Bank’s basic administrative system, internal management framework and important sub-entities; developing and reviewing corporate governance policies of the Bank; taking charge of performance evaluation and matters of material reward and punishment for senior management members, and hearing the reports of senior management and examining their work, etc. The Board of Directors continuously reviews and updates the Articles of Association and the Bank’s corporate governance policies and systems in accordance with the applicable laws and regulations, relevant regulatory requirements and listing rules, and ensures the compliance with such policies and systems.

The Board of Directors has set up the Strategic Development Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and Connected Transactions Control Committee to assist the Board in performing different aspects of its functions. The positions of Chairman and President of the Bank are assumed by two persons. The Bank renewed the directors and officers’ liability insurance for members of the Board in 2012 to provide protection against claims arising from the lawful discharge of duties by the directors, thus encouraging the directors to fully perform their duties.

Currently, the Board of Directors comprises fourteen members. There are three executive directors, five non-executive directors and six independent directors. The Bank’s directors are elected at the shareholders’ meeting, with a term of office of three years starting from the date when the Bank receives the approval of the appointment of CBRC. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations and supervisory requirements. For detailed background and an explanation of recent changes to the Board members, please refer to the section “Directors, Supervisors and Senior Management Members”.

Corporate Governance

Convening of Board Meetings

In 2012, the Bank convened six on-site meetings of the Board of Directors on 29 March, 26 April, 30 May, 23 August, 25 October and 13 December, respectively. At these meetings, the Board of Directors reviewed and approved 39 proposals related to the 2011 internal control self-assessment report, the 2011 corporate social responsibility report, the 2011 work report of the Board of Directors, the Bank’s regular reports, the profit distribution plan, the appointment of directors, the adjustment of the composition of special committees of the Board of Directors, the amendments to the Articles of Association, the appointment of auditor for 2013 and matters concerning expenses, etc. It also listened to 10 reports, including reports related to the consolidated management and other matters.

In 2012, the Bank convened twelve meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors approved the Rules Governing Persons with Knowledge of Inside Information of Bank of China Limited (Version 2012), the Announcement Regarding the Surveillance Credit Rating Results on the Convertible Bonds of Bank of China Limited and other proposals.

During the reporting period, the attendance rate of each director of the Board of Directors and Special Committees is given below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Board of Directors</th>
<th>Strategic Development Committee</th>
<th>Audit Committee</th>
<th>Risk Policy Committee</th>
<th>Personnel and Remuneration Committee</th>
<th>Connected Transactions Control Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>XIAO Gang</td>
<td>17/18</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Li Lihui</td>
<td>18/18</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Li Zaohang</td>
<td>18/18</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WANG Yongli</td>
<td>16/17</td>
<td>—</td>
<td></td>
<td>6/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAI Haoyi</td>
<td>15/15</td>
<td>1/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUN Zhijun</td>
<td>18/18</td>
<td>2/2</td>
<td>6/6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIU Lina</td>
<td>18/18</td>
<td>2/2</td>
<td></td>
<td>8/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JIANG Yansong</td>
<td>18/18</td>
<td>2/2</td>
<td></td>
<td>8/8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ZHANG Xiangdong</td>
<td>18/18</td>
<td>2/2</td>
<td>6/6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ZHANG Qi</td>
<td>18/18</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anthony Francis NEOH</td>
<td>18/18</td>
<td>—</td>
<td>6/6</td>
<td>8/8</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>Alberto TOGNI</td>
<td>6/7</td>
<td>1/1</td>
<td>2/2</td>
<td>2/4</td>
<td></td>
<td>1/1</td>
</tr>
<tr>
<td>HUANG Shizhong</td>
<td>18/18</td>
<td>—</td>
<td>6/6</td>
<td>6/8</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>HUANG Danhan</td>
<td>18/18</td>
<td>—</td>
<td>6/6</td>
<td></td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>CHOW Man Yiu, Paul</td>
<td>18/18</td>
<td>—</td>
<td>6/6</td>
<td>8/8</td>
<td>2/2</td>
<td>4/4</td>
</tr>
<tr>
<td>Jackson TAI</td>
<td>18/18</td>
<td>2/2</td>
<td>6/6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nout WELINK</td>
<td>4/4</td>
<td>0/0</td>
<td>0/0</td>
<td>1/1</td>
<td>1/1</td>
<td>1/1</td>
</tr>
<tr>
<td>Average Attendance Rate</td>
<td>99%</td>
<td>95%</td>
<td>100%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notes:
1. Please refer to the section “Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members” for changes in directors.
2. In 2012, the Bank’s Board of Directors convened a total of eighteen meetings, comprising six on-site meetings and twelve meetings via written resolutions.
3. Independent Director Mr. Alberto TOGNI was not able to attend the Board Meeting in person on 30 May 2012. He authorised another director to attend and vote at the meeting as his proxy.
4. Chairman Mr. XIAO Gang and Executive Director Mr. WANG Yongli were not able to attend the Board Meeting in person on 13 December 2012 due to other business engagements. They authorised other directors to attend and vote at the meeting as their proxies.
5. Non-executive Director Mr. CAI Haoyi was not able to attend the Strategic Development Committee Meeting in person on 22 August 2012. He authorised another director to attend and vote at the meeting as his proxy.
The Strategic Development Committee

The Strategic Development Committee comprises eight members, including Executive Director Mr. LI Lihui, Non-executive Directors Ms. SUN Zhijun, Ms. LIU Lina, Ms. JIANG Yansong, Mr. ZHANG Xiangdong, Mr. ZHANG Qi and Independent Directors Mr. Jackson TAI and Mr. Nout WELLINK.

The committee is mainly responsible for reviewing the strategic development plans presented by the senior management and advising the Board accordingly; reviewing the annual budget of the Bank in accordance with the strategic development plan, and advising the Board accordingly; reviewing decisions on strategic capital allocation (policies on capital structure, capital adequacy ratio and risk-reward trade-off) and the objectives of asset-liability management, and advising the Board accordingly; coordinating strategy on the overall development of the various financial businesses, and advising the Board accordingly; designing and formulating key investment and financing plans, reviewing and approving the plans presented by senior management under the Board’s authorisation, and advising the Board accordingly.

The Strategic Development Committee held two meetings in 2012. At these meetings, it mainly approved the 2011 profit distribution plan, a proposal to turn the Bangkok Branch to a subsidiary, a report on the progress of the village bank project and requests for instructions on relevant issues.

The Audit Committee

The Audit Committee comprises eight members, including Non-executive Directors Ms. SUN Zhijun, Mr. ZHANG Xiangdong and Independent Directors Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Ms. HUANG Danhan, Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI and Mr. Nout WELLINK. Independent Director Mr. HUANG Shizhong serves as Chairman of the Audit Committee. The committee is mainly responsible for reviewing financial reports and other significant accounting policies and regulations formulated by the senior management; reviewing the external auditors’ audit opinion, annual audit plan and recommendations for management; approving the Internal Audit Charter, Internal Audit Development Plan, annual audit priorities, annual audit plan and budget; appraising the duty performance and work quality of the external auditors and internal audit and monitoring their independence; recommending the engagement, reappointment, replacement and audit fee of the external auditors; recommending the appointment and dismissal and appraising the performance of the Chief Audit Officer; overseeing the Bank’s internal control function, reviewing significant deficiencies in internal control design and execution by the senior management and investigating fraud cases, reviewing the employee reporting system and urging the Bank to conduct fair investigations and take appropriate measures regarding matters reported by the employees.

The Audit Committee held six meetings in 2012. It mainly reviewed such proposals as the Bank’s quarterly, interim and annual financial reports, the annual self-assessment report on internal control and the 2011 internal audit work summary. It reviewed and approved the internal audit’s work plan and budget for 2012, the internal audit priorities for 2013, the work plan for implementation of internal control standards in 2012, the overall work plan for external auditor rotation in 2013, the appointment and audit fee of the external auditor for 2013 and audit plan for external auditor transition in 2013. It also listened to a report on internal audit related to anti-money laundering, a report on internal audit requirements arising from the implementation of the Administrative Measures for the Capital of Commercial Banks (Trial) and corresponding countermeasures, and a report on cases in 2012. It also followed up on the implementation progress of an internal rating system for credit risk under the New Basel Capital Accord, the working practices of a risk accountability system and the building of an integrated monitoring platform for operational risk at the Group level.
Corporate Governance

According to the Procedure Rules on the Preparation of Annual Report of the Board Audit Committee of Bank of China Limited, prior to the start of audit field work by the auditors, the Audit Committee confirmed with the auditors the details of the 2012 audit plan, including areas of focus for auditing the 2012 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control and fraud related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any differences of judgement between the auditors and the senior management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee listened to and reviewed reports from the senior management concerning the Bank’s business performance and major financial data. The committee also requested that the senior management submit the annual financial statements to the auditors in a timely manner, to ensure sufficient time for the annual audit. During the audit, the committee maintained independent discussions with the auditors and arranged independent meetings between the auditors and the independent directors. At its first meeting of 2013, the Audit Committee reviewed and approved the Bank’s 2012 financial statements and submitted them to the Board of Directors for approval.

In accordance with the Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited, a summary report was submitted by the external auditors and appraised by the Bank’s senior management. Based on this appraisal, the Audit Committee conducted its own assessment on the auditors’ performance, effectiveness and independence in 2012.

According to the relevant requirements of MOF on the tenure of service of an external auditor engaged by a financial institution, the service term of the Bank’s current external auditors will reach the prescribed time limit soon. As a result, the Bank launched the rotation of external auditors. Following the selection and engagement procedures required by the relevant regulations, the Audit Committee proposed to engage Ernst & Young Hua Ming as the Bank’s external auditor for auditing its financial statements and internal control in 2013. This proposal has been reviewed and approved by the Board of Directors and the Extraordinary General Meeting of the Bank.

**Guidance of the Board of Directors and the Audit Committee regarding Internal Control**

The Board proactively promotes and attaches great importance to the establishment of the Group’s long-acting internal control system and regularly reviews reports from senior management concerning operational management, risk management, case prevention and control and internal control enhancement and assessment. The Board has taken responsibility for establishing, improving and conducting effective internal control and has made great efforts towards providing guidance to the Bank’s internal control and compliance work, the Group’s risk mitigation ability and level of operational compliance have been continuously enhanced.

The Audit Committee of the Board of Directors closely tracked changes in overseas and domestic economic and financial environment and paid close attention to the overall condition of the Group’s internal control, including the establishment and operation of its internal control systems for financial and non-financial reporting, as well as the Bank’s progress in implementing the Basic Standard for Enterprise Internal Control and its supporting guidelines. The Audit Committee guided the internal audit function to follow the implementation of the Group’s strategies, focused on mitigating systemic and material risks, set inspection priorities and conducted inspection work based on the philosophy of comprehensive risk management and risk assessment results, thus improving the effectiveness and efficiency of the Group’s operations and enhancing its corporate governance.
The Audit Committee heard and reviewed, on a regular and ad hoc basis, reports on internal audit and inspections, the assessment opinions on internal control, the progress of rectification measures related to the external auditor’s recommendations for the improvement of internal control and the prevention and control of fraud cases and non-compliance, with a view to encouraging the senior management to continuously improve the internal control system. The Audit Committee continued to guide the internal audit function to closely track the overall process of the New Basel Capital Accord implementation and provided independent suggestions and opinions on internal control improvement.

During the reporting period, the Bank followed the relevant requirements set forth in the Basic Standard for Enterprise Internal Control and its supporting guidelines, and performed internal control self-assessment in accordance with the Standards of Internal Control Assessment of Bank of China Limited and the Standards of Recognising Internal Control Deficiencies of Bank of China Limited, with no material deficiency identified in the internal control systems of the Bank, including both financial and non-financial reporting. Please refer to the announcement of the Bank dated 26 March 2013 for the relevant reports.

The Risk Policy Committee

The Risk Policy Committee of the Bank comprises seven members, including Executive Director Mr. WANG Yongli, Non-executive Directors Ms. LIU Lina and Ms. JIANG Yansong, and Independent Directors Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Mr. CHOW Man Yiu, Paul and Mr. Nout WELLINK. Independent Director Mr. Anthony Francis NEOH serves as the Chairman of the committee. The committee is mainly responsible for reviewing the Bank’s risk management strategies, major risk management policies, procedures and systems, and providing suggestions to the Board of Directors; reviewing the Bank’s major risk activities, and exercising its veto power in a reasonable manner over any transaction that will or may lead to debts to the Bank and/or expose the Bank to market risk in excess of the single transaction risk limit or the accumulated transaction risk limit approved by the Risk Policy Committee or the Board of Directors; monitoring the implementation of the Bank’s risk management strategies, policies and procedures, and providing suggestions to the Board of Directors; reviewing the Bank’s risk management situation, regularly assessing the duty performance of risk management and internal control by the senior management, departments and institutions of the Bank, including regularly hearing reports and requesting improvements.

The Risk Policy Committee held eight meetings in 2012, in which it mainly reviewed and approved a compliance plan for advanced risk measurement approach and capital adequacy ratio, an assessment and rectification plan for the implementation of the New Basel Capital Accord, an internal rating policy for credit risk, securities investment policy, market risk limits and credit proposals whose amounts exceeded the approval authority of senior management. The committee also regularly reviewed progress reports regarding the Bank’s implementation of the New Basel Capital Accord and reports on the Group’s risk assessment.

In addition, the committee paid constant attention to critical risk issues, such as the Bank’s securities investments and loans to certain industries, in response to changes in overseas and domestic economic and financial conditions and adjustments of the government’s macro policies. The committee members offered important opinions and recommendations regarding the improvement of the Bank’s risk governance mechanism and the effective prevention and control of risks, including credit risk, market risk, operational risk, legal and compliance risk, liquidity risk, etc.
Corporate Governance

The Personnel and Remuneration Committee

The Personnel and Remuneration Committee comprises five members, including Non-executive Director Mr. ZHANG Qi, and Independent Directors Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Ms. HUANG Danhan and Mr. CHOW Man Yiu, Paul. Independent Director Mr. CHOW Man Yiu, Paul serves as the Chairman of the committee. The committee is mainly responsible for assisting the Board of Directors in reviewing the Bank’s human resources and remuneration strategies and overseeing their implementations; reviewing the structure, size and composition of the Board of Directors on an annual basis, and making suggestions to the Board regarding the scale and composition of the Board of Directors; studying and reviewing the standards and procedures for selecting, nominating and appointing directors, members of the Board committees and senior management, and making recommendations to the Board of Directors; identifying individuals suitably qualified to become directors and making recommendations to the Board of Directors on the selection of individuals nominated for directorships; performing preliminary review of the candidates for the members of the senior management and the Chairman of the Board committees, selecting and nominating candidates for different Board committees, and reporting to the Board of Directors for approval; reviewing and monitoring the remuneration and incentive policies of the Bank; considering and examining the remuneration plan of directors, supervisors and senior management members, and making recommendations to the Board of Directors; and setting the performance appraisal standards for the senior management of the Bank, evaluating the performance of the directors, supervisors and members of the senior management, and making recommendations to the Board of Directors.

The Personnel and Remuneration Committee held three on-site meetings and one meeting by written resolution in 2012. At these meetings, the committee mainly approved proposals on the performance evaluation and remuneration distribution plan for the Chairman, executive directors and senior management members for 2011, the 2012 performance targets for the Group, the 2012 performance targets for the Chairman, the President and the senior management members, a proposal for the nomination and appointment of an independent director, a proposal for adjustments to the composition of the Board committees and a proposal on the nomination and appointment of the Secretary to the Board of Directors. The committee also reviewed the remuneration distribution plan for the Chairman and members of the Board of Supervisors in 2011. The committee put forward important opinions and recommendations on further improving the Bank's performance evaluation management in line with regulatory requirements.

The procedures and methods for the nomination of directors and the specific requirements for nominating independent directors are specified in the Articles of Association. For details, please refer to articles 59, 103 and 135 of the Articles of Association, which can be found on the websites of SSE, HKEx and the Bank. During the reporting period, the Bank appointed Mr. WANG Yongli as an Executive Director and Mr. Nout WELLINK as an Independent Director in strict compliance with the Articles of Association.

The Connected Transactions Control Committee

The Connected Transactions Control Committee comprises six members, including Executive Director Mr. LI Zaohang, and Independent Directors Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Ms. HUANG Danhan, Mr. CHOW Man Yiu, Paul and Mr. Jackson TAI. Independent Director Ms. HUANG Danhan serves as the Chairman of the committee. The committee is mainly responsible for administering connected transactions of the Bank in accordance with relevant laws, regulations and normative documents,
and formulating administrative regulations with regard to connected transactions; confirming the Bank’s connected parties according to laws, regulations and normative documents, and reporting the relevant confirmation to the Board of Directors and the Board of Supervisors; defining connected transactions of the Bank in accordance with laws, regulations and normative documents; examining connected transactions of the Bank pursuant to relevant laws, regulations and normative documents, as well as the business principles of justice and fairness; and examining information disclosure matters related to the significant connected transactions of the Bank.

The Connected Transactions Control Committee held four meetings in 2012, in which the committee reviewed and approved several proposals, including the *Procedural Rules for Connected Transactions Control Committee of the Board of Directors of Bank of China Limited* (2012), the report on 2012 connected transactions management of the Bank, and the report on the confirmation of connected parties list of the Bank. It also reviewed proposals related to the special report on funds occupied by controlling shareholders and other related parties in 2011, the declaration on connected transactions of the Bank in 2011, the report on transactions between the Bank and Fullerton Financial Holdings Pte. Ltd. and the report on the connected transactions monitoring system.

**Independent Directors**

There are currently six independent directors on the Board of Directors. This exceeds one-third of the total number of directors and is in compliance with the quorum requirement specified in the Articles of Association and relevant regulatory requirements. For the professional backgrounds and other details of the independent directors, please refer to the section “Directors, Supervisors and Senior Management Members”. The independent directors serve as members of the special committees under the Board of Directors and the Chairmen of the Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, respectively. As stipulated in relevant domestic regulatory requirements and Rule 3.13 of the Hong Kong Listing Rules, the Bank has received the annual confirmation in writing from each independent director with regard to his/her independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2012, the Bank’s independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Work Rules of Independent Directors of Bank of China Limited*. Please refer to the section “Convening of Board Meetings” for the attendance of independent directors at Board meetings and refer to the “Directors’ Attendance at Shareholders’ Meetings” for the attendance of independent directors at shareholders’ meetings.

In 2012, independent directors put forward recommendations on the Bank’s strategic planning, capital management, overseas development, human resources allocation, financial markets business, New Basel Capital Accord implementation, the appointment of external auditors and many other aspects. The recommendations were adopted and seriously implemented by the Bank.

In 2012, the independent directors did not raise any objection to the resolutions of the Board of Directors or its special committees.
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**Expertise Enhancement of Directors**

In 2012, the Board of Directors paid much attention to enhancing directors’ expertise, focused on and actively arranged for relevant trainings. All directors of the Bank fully observed Rule A.6.5 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and regulatory requirements of Chinese mainland and participated in many special training sessions, focusing on such topics as risk management in the financial industry, the supervision of G-SIFIs, latest changes in laws and regulatory requirements for companies listed in Hong Kong, domestic regulatory rules on the insider trading of securities, the application of economic capital under the New Basel Capital Accord, and the new price-sensitive information disclosure regime of Hong Kong, among others. All directors have also propelled their own progress in professional skills through various ways, including writing and publishing professional articles and books, attending forums and seminars, special trainings and public lectures, and conducting on-site research exercises at the international leading banks and the Bank’s domestic and abroad branches.

**Specific Explanation and Independent Opinions of Independent Directors on the Guarantee Business of the Bank**

Pursuant to the provisions and requirements set forth in the circular (ZhengJianFa [2003] No.56) issued by CSRC, and according to the principles of equity, fairness and objectivity, the Independent Directors of the Bank, Mr. Anthony Francis NEOH, Mr. HUANG Shizhong, Ms. HUANG Danhan, Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI and Mr. Nout WELLINK have provided the following information regarding the Bank’s guarantee business:

The guarantee business is one of the Bank’s ordinary business activities. It has been approved by PBOC and CBRC and does not fall within the scope of guarantees as defined in the Circular on Regulating Guarantee Businesses of Listed Companies. The Bank has formulated specific management measures, operational processes and approval procedures in light of the risks of the guarantee business and carried out this business accordingly. The Bank’s guarantee business principally comprises letters of guarantee. As at 31 December 2012, the outstanding amount of letters of guarantee issued by the Bank was RMB846.627 billion.

**Supervisors and Board of Supervisors**

The Board of Supervisors is the Bank’s supervisory organ and is responsible to the shareholders’ meeting. As stipulated in the Company Law and the Articles of Association, the Board of Supervisors is accountable for overseeing the Bank’s financial activities, internal control and the legality and compliance of the Board of Directors, the senior management and its members in performing their duties.

The Board of Supervisors currently comprises eight members. Other than the Chairman of the Board of Supervisors, there are two supervisors representing shareholders, three employee supervisors and two external supervisors. According to the Bank’s Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment. Supervisors representing shareholders and external supervisors are elected or replaced by the shareholders’ meeting.

The Board of Supervisors has set up the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee to assist it in performing its authorised duties. The special committees mentioned above are responsible to the Board of Supervisors, members of which are supervisors, and each committee shall have at least three members.
In 2012, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and reviewed relevant proposals through detailed discussion. The Board of Supervisors held six meetings and made related resolutions. The Duty Performance and Due Diligence Supervision Committee held one meeting, while the Finance and Internal Control Supervision Committee held four meetings. For the performance of, and supervisory opinions from the Board of Supervisors within the reporting period, please refer to the section “Report of the Board of Supervisors”.

Senior Management

The senior management is the executive organ of the Bank. It is headed by the President, with Executive Vice Presidents and other senior management members assisting the President’s work. The main responsibilities of the President include: presiding over the Bank’s daily administrative, business and financial management; organising the implementation of business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management members; and reviewing employees’ remuneration, benefit, reward and punishment measures.

In 2012, the senior management of the Bank drove forward the Bank’s operations in accordance with the powers bestowed upon them by the Articles of Association and the authorisations of the Board of Directors, and carried out the Bank’s development strategy based on the annual performance objectives approved by the Board of Directors. Following the principles of “streamlining structures, scaling up, managing risks and sharpening competitiveness”, the senior management adhered to focusing on efficiency and emphasising on streamlining structure and managing risks, propelled the sound development of various businesses, and hence continuously enhanced the Bank’s performance.

During the reporting period, the senior management of the Bank held twenty-five regular meetings, in which it discussed and decided upon a series of significant matters, including the Bank’s business development, asset and liability management, risk management, IT application, product innovation, human resources and performance management. It also convened one hundred and forty-three special meetings to arrange for matters relating to corporate banking, personal banking, financial markets, risk management and internal control, overseas development and integrated operations.

In 2012, in response to actual operational management needs, the senior management established the Asset and Liability Management Committee to take charge of the review of management policies on asset allocation, asset and liability business pricing, liquidity management, interest rate and exchange rate risk management, etc. The senior management of the Bank presides over the Corporate Banking Committee, the Personal Banking Committee, the Financial Markets Committee, the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Securities Investment and Management Committee and the Asset Disposal Committee), the Operation Service Committee and the Procurement Review Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Group Executive Committee, and strived to push forward the sound development of various operations of the Bank.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the Management Measures on Securities Transactions by Directors, Supervisors and Senior
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Management Personnel of Bank of China Limited (the “Management Rules”) to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the Management Rules are more stringent than the mandatory standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”). All directors and supervisors confirmed that they have complied with the standards set out in both the Management Rules and the Model Code throughout the reporting period.

Responsibility Statement of Directors on Financial Reports

The following statement, which sets out the responsibilities of the directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor’s statement of their responsibilities as set out in the Independent Auditor’s Report contained in this annual report.

The directors acknowledge that they are responsible for preparing financial statements of the Bank that truly represent the operating results of the Bank for each financial year. To the best knowledge of the directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Bank.

Appointment of External Auditors

At the 2011 Annual General Meeting of the Bank, shareholders of the Bank approved the appointments of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its domestic auditor and internal control auditor for 2012, and PricewaterhouseCoopers as its international auditor for 2012.

Fees paid to PricewaterhouseCoopers and its member firms for the audit of the financial statements of the Group, including those of the Bank’s overseas subsidiaries and branches, were RMB222 million for the year ended 31 December 2012, of which the fees for internal control audit totalled RMB15 million.

PricewaterhouseCoopers was not engaged in significant non-auditing services with the Bank in 2012. The Bank incurred RMB6 million for non-auditing services performed by PricewaterhouseCoopers for the year ended 31 December 2012.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers have provided audit services to the Bank for 10 years. Mr. WU Weijun and Mr. WANG Wei are the certified public accountants that signed the auditor’s report on the Group’s financial statements prepared in accordance with the CAS for the year ended 31 December 2012. Mr. WU Weijun has provided audit services to the Bank for two consecutive years.

Upon the approval of the 2012 Second Extraordinary General Meeting, the Bank engaged Ernst & Young Hua Ming as its external auditor for auditing its financial statements and internal control in 2013.

Investor Relations and Information Disclosure

In 2012, following the 2011 annual results and 2012 interim results announcements, the Bank successfully organised non-deal roadshows in which the senior management explained the Bank’s strategies and operating performance to investors from different countries and regions including the Chinese mainland, Hong Kong, Europe and North America. The senior management listened earnestly to market concerns and feedback and were warmly welcomed by investors. Furthermore, the Bank proactively enhanced
investor relations activities by actively participating in influential investor conferences, successfully holding corporate day events and earnestly communicating with investors and analysts regarding critical issues such as interest rate liberalisation, cross-border RMB business and risk management. Through these activities, the Bank actively highlighted its differentiated competitive advantages to the market. During the reporting period, the Bank’s senior management and representatives of major departments held and attended over 200 meetings with domestic and overseas institutional investors and analysts, effectively promoting the investment community’s understanding of the Bank’s investment value. The investor relations team of the Bank also continuously updates its investor relations webpage and improves other communication channels including telephone hotline and email, providing timely information to individual investor.

In the meantime, the Bank continued to enhance management of its external credit rating affairs, closely tracked the influence of its credit rating on the market and relevant institutions, proactively researched rating methodologies and rating reports, and strengthened its integrated credit rating management, thereby further improving its management capability. In 2012, in the face of a complicated global financial and economic environment, the Bank’s investor relations department fostered effective and more frequent communication with rating agencies at multiple levels, in respect of the Bank’s risk profile, operating performance and development strategy. During the reporting period, the Bank’s credit ratings have been reaffirmed by the major rating agencies.

In 2012, the Bank further improved its information disclosure management system by optimising the working procedure for its regular reports, revising the Rules Governing Persons with Knowledge of Inside Information of Bank of China Limited published on the websites of SSE, HKEx and the Bank, and formulating the rules of disclosure for material provisional reports. During the reporting period, the Bank prepared and disclosed its regular reports and provisional reports strictly in line with the principles of truthfulness, accuracy, completeness, timeliness and fairness in order to enhance transparency. The Bank strictly complied with regulatory requirements and internal regulations, conducted the registration of persons with knowledge of inside information and self-inspection to prevent the occurrence of insider trading. The Bank reinforced the accountability systems and information correspondence mechanism across the Head Office departments, domestic and overseas branches and subsidiaries, organised training sessions for employees involved in the information correspondence mechanism and included information disclosure effectiveness as part of the Group’s internal control assessment. Moreover, the Bank has further enhanced its information disclosure management ability and compliance by paying close attention to the relevant laws and regulations, and conducting case studies on information disclosure. The Bank has established the Management Measures on Responsibility Investigation on Material Information Disclosure Errors of Regular Reports of Bank of China Limited. During the reporting period, no material disclosure error in the Bank’s regular reports was found.

In 2012, the Bank once again received wide recognition for its investor relations and information disclosure performance. The Bank was recognised as a “Top 100 Listed Company by Capital Capacity” jointly by China Center for Market Value Management and Chinese Financial Research Center of Tsinghua University. The 2011 Annual Report of the Bank was honoured with a “Gold Award” in the overall category of the LACP (League of American Communications Professionals) and recognised as one of the “Top 25 Chinese Annual Reports” and “Top 50 Annual Reports in the Asia-Pacific Region”. It was also awarded “Gold Winner in the Asia/Pacific Region” by Galaxy Awards.