Corporate Governance

Overview of the Corporate Governance

The Bank strictly follows the regulatory rules on capital markets and industries, closely follows changes and trends in overseas and domestic regulations, and has continuously enhanced its corporate governance capabilities.

The Bank attaches great importance to building up its corporate governance system. It continues to revise and improve its corporate governance normative documents based on regulatory requirements and the Bank’s actual development, and acts in strict accordance with those documents. The Bank’s comprehensive system supports the effective operation of its corporate governance.

The Bank proactively promotes innovative practices in corporate governance and ensures that minority shareholders are properly informed and able to participate and make decisions. The annual shareholders’ meetings are held in Beijing and Hong Kong by way of video conference, allowing shareholders from both Chinese mainland and Hong Kong to attend in person. In addition, online voting for A-Share Holders is available to guarantee the rights of minority shareholders. The Bank constantly improves the operation mechanism of the Board of Directors, information disclosure mechanism and stakeholder engagement mechanism, so as to make the work of the Board more constructive, to support the scientific decision-making of the Board, to promote the transparency of the Bank, and to meet its responsibilities to stakeholders including shareholders, customers, employees and society.

The Bank continues to enhance its corporate governance in a forward-looking and exploratory manner. In terms of group governance, the Board of Directors pays close attention to the internal controls and risk management of the Group, constantly improves the Group’s overall risk management capabilities and enhances the Group’s level of compliance. In addition, the Bank continuously tracks domestic and international latest corporate governance theories and practices. Taking the New Basel Capital Accord as an opportunity to improve corporate governance, the Bank carries out corporate governance with reference to the advanced practices of G-SIFIs and constantly pursues higher standards.

In 2013, the Bank revised the Articles of Association, formulated the Bank of China Limited Board Diversity Policy, and promoted the implementation of CBRC’s Guidance on Corporate Governance of Commercial Banks. It also organised corporate governance training sessions within the Group, and thus achieved more institutionalised and standardised corporate governance.

During the year, the Bank completed corporate governance procedures including change of the Chairman, appointment of independent directors and adjustments to chairmen and members of special committees of the Board. The election of new independent directors was led and organised by the independent director serving as the Chairman of the Personnel and Remuneration Committee. Candidates were recommended by incumbent independent directors and were proposed to the Board of Directors after a selection meeting attended by all independent directors. Currently the independent directors serve as the Chairmen of the Audit Committee, the Risk Policy Committee, the Personnel and Remuneration Committee and the Connected Transactions Control Committee of the Board of Directors, respectively. The Bank further explored innovative approaches of communication between directors and the senior management, giving directors advance notice and report on specific major issues related to board proposals. The Bank improved and standardised its proposal mechanism, actively organised trainings and surveys for directors, and thus enhanced its decision-making efficiency.

In 2013, the Bank’s progress in corporate governance continued to be recognised by the capital markets and the wider public. The Bank received, among other awards, the Hong Kong “Corporate Governance Excellence Awards”, “Top Ten Corporate Governance” from China Central Television, “Golden Prize of Round Table for Excellent Board of Directors” from Directors&Boards, “Excellent Board of Directors Award” and “Golden Board Secretary Award” by Dongshiju.com, and “Best Board Secretary Award” by Stockstar.
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 adopted Bank of China Limited Board Diversity Policy to put forward its stance regarding the diversity of its Board of Directors and to specify the approaches to realise Board diversity it took on an on-going basis pursuant to the new amendments to the Code which took effect in September 2013.

Amendments to the Articles of Association

The 2013 First Extraordinary General Meeting considered and approved the proposal to amend the Articles of Association regarding the cash dividend. The amendment further specified the Bank’s profit distribution principles, policy and adjustment procedures, consideration of the profit distribution plan and other affairs. The amendment stated that, except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the shareholders of the Bank. The amendment also stated that the Bank shall adopt cash dividend as the priority form of the profit distribution and the Bank shall offer online voting to shareholders when considering amendments to profit distribution policy. This amendment to the Articles of Association has been approved by CBRC.
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 of the Bank have the right to make a written request to the Board of Directors to convene an extraordinary shareholders’ meeting. Two or more shareholders 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

Functions and Powers of Shareholders’ Meeting

The shareholders’ meeting is the body of authority of the Bank. The shareholders’ meeting is responsible for making decisions on important issues of the Bank, including considering and approving the Bank’s profit distribution plan, annual financial budget and financial statements, changes in the Bank’s registered capital, adopting resolutions on matters such as issue of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing and replacing directors, shareholder’s representative supervisors and external supervisors and deciding on matters concerning remunerations of the aforementioned persons.

Convening of Shareholders’ Meeting

On 26 March 2013, the Bank held its 2013 First Extraordinary General Meeting in Beijing. This meeting considered and approved three proposals including the proposal to elect non-executive director of the Bank, the proposal on downward adjustment to the conversion price of the A-Share Convertible Bonds of the Bank and the proposal to amend the Articles of Association of the Bank. The proposal on downward adjustment to the conversion price of the A-Share convertible bonds of the Bank and the proposal to amend the Articles of Association of the Bank were special resolutions.

On 29 May 2013, the Bank held its 2012 Annual General Meeting in Beijing and Hong Kong by way of video conference. This meeting considered and approved 20 proposals including the 2012 work report of the Board of Directors, the 2012 work report of the Board of Supervisors, the 2012 annual financial statements, the 2012 profit distribution plan, the 2013 annual budget, the appointment of Ernst & Young Hua Ming as the Bank’s external auditor for 2013, the election of directors, the re-election of directors, the re-election of supervisors, and the issuance of qualified write-down Tier-2 capital instruments, among others.

The proposal on the issuance of qualified write-down Tier-2 capital instruments was a special resolution.

On 25 March 2014, the Bank held its 2014 First Extraordinary General Meeting in Beijing. This meeting considered and approved the proposal on the election of Mr. CHEN Siqing as Executive Director of the Bank.

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 26 March 2013, 29 May 2013 and 25 March 2014 respectively, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEx and the Bank.

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 2013 First Extraordinary General Meeting considered and approved a proposal to amend the Articles of Association. This amendment to the Articles of Association has been approved by CBRC, and the amended Articles of Association have 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.

As approved by the 2012 Annual General Meeting, the Board of Directors diligently carried out the 2012 profit distribution plan, distributed dividends to shareholders in a timely manner and effectively served the shareholders’ interests. The profit distribution was completed in July 2013.
Proposals to elect directors were approved by the 2012 Annual General Meeting. The relevant approval and filing procedures have been completed with regulatory authorities.

As approved by the 2012 Second Extraordinary General Meeting and the 2012 Annual General Meeting, the Bank has completed the appointment of Ernst & Young Hua Ming as the external auditor for 2013.

**Board of Directors**

**Functions and Powers of 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 making-up of the Bank; appointing or dismissing members of special committees and the 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 the senior management and examining their work, among others. 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 compliance with such policies and systems.

**Composition of the Board of Directors**

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 Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises thirteen members. Besides the Chairman, there are two executive directors, five non-executive directors and five independent directors. The number of independent directors exceeds one-third of the total number of 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 approval of the appointment from 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”.

### Board Composition

<table>
<thead>
<tr>
<th>Number of Directors</th>
<th>Male</th>
<th>Female</th>
<th>56-65</th>
<th>45-55</th>
<th>Other countries and regions over 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
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<td>11</td>
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<td>9</td>
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<td>8</td>
<td>4</td>
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<td>7</td>
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<td>5</td>
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<td></td>
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</tbody>
</table>

The table above shows the gender, designation, nationality, age group, and directorship with the Bank for each group of directors.
Corporate Governance

Convening of the Board Meetings

In 2013, the Bank convened eight on-site meetings of the Board of Directors on 30 January, 26 March, 25 April, 29 May, 29 July, 29 August, 30 October and 19 December, respectively. At these meetings, the Board of Directors reviewed and approved 44 proposals related to the Bank’s regular reports, the nomination of candidates for directors, the election of the Chairman, the 2012 corporate social responsibility report, the 2012 internal control self-assessment report, the Board Diversity Policy, the development strategy plan of the Bank for 2013-2016, the Group Recovery and Resolution Plans, and so on. It also heard nine reports related to the Bank’s consolidated management and other matters.

In 2013, the Bank convened eleven meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors approved the proposals related to changes in the composition of special committees under the Board of Directors and the Announcement in Relation to the Increase in Shareholding of the Bank by Its Controlling Shareholder, among others.

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

The Board attaches great importance to and continues to promote the construction of the Group’s effective long-acting internal control system, and regularly reviews the senior management reports concerning operational management, risk management, fraud case governance and internal control enhancement and assessment. The Board has effectively taken the responsibility for establishing, improving and performing effective internal controls and made great efforts to provide guidance for the Bank’s internal control and compliance work. The Group’s risk management and mitigation capability and level of operational compliance have been enhanced continuously.

The Audit Committee of the Board of Directors closely monitored the changing economic and financial environment both domestically and overseas, as well as the overall conditions of the Group’s internal control, including the establishment and operation of its internal control systems for financial and non-financial reporting. In addition, the committee listened to and reviewed, on a regular and ad hoc basis, the internal audit reports, the assessment opinions on internal control, the progress of internal control improvements based on the remedial measures recommended by the external auditor, and the overall situation of the prevention and control of fraud cases and non-compliance activities. The committee guided and urged the senior management to continuously improve the internal control system, and conducted special research on anti-money laundering and liquidity risk management. Moreover, the Audit Committee provided guidance to the internal audit function as it set the internal control priorities and performed the inspection work based on the philosophy of comprehensive risk management and risk assessment results. The committee also promoted and followed up the implementation of advanced capital management approach and provided independent suggestions and opinions on internal control improvement, so as to improve the Group’s operating effectiveness and efficiency and to enhance its corporate governance.

During the reporting period, the Bank followed 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 deficiencies identified in the internal control systems of the Bank, including both financial and non-financial reporting. Ernst & Young Hua Ming LLP, as the Bank’s internal control auditor, audited the effectiveness of the Bank’s internal controls over financial reporting and issued a standard unqualified opinion. The 2013 Internal Control Assessment Report of Bank of China Limited and Auditor’s Report on Internal Control issued by Ernst & Young Hua Ming LLP have been published on the websites of SSE, HKEx and the Bank.
Corporate Governance

Duty Performance of Directors

Directors’ Attendance of the Shareholders’ Meeting, Meetings of the Board of Directors and Special Committees

During the reporting period, the attendance rate of each director of the shareholders’ meeting, the Board of Directors meetings and special committees meetings is given below:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Shareholders’ Meeting</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>Incumbent Directors</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TIAN Guoli</td>
<td>0/0</td>
<td>13/13</td>
<td>3/3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Li Zaohang</td>
<td>2/2</td>
<td>19/19</td>
<td>–</td>
<td>–</td>
<td>5/5</td>
<td>–</td>
<td>3/3</td>
</tr>
<tr>
<td>WANG Yongli</td>
<td>2/2</td>
<td>19/19</td>
<td>–</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SUN Zhijun</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LIU Lina</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>5/5</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>ZHANG Xiangdong</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>5/5</td>
<td>2/2</td>
<td>7/7</td>
<td>–</td>
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<tr>
<td>ZHANG Qi</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>–</td>
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<td>7/7</td>
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<tr>
<td>WANG Yong</td>
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<td>10/10</td>
<td>2/3</td>
<td>3/3</td>
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<tr>
<td>CHOW Man Yiu, Paul</td>
<td>2/2</td>
<td>19/19</td>
<td>–</td>
<td>5/5</td>
<td>5/5</td>
<td>–</td>
<td>3/3</td>
</tr>
<tr>
<td>Jackson TAI</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>5/5</td>
<td>3/3</td>
<td>–</td>
<td>2/3</td>
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<tr>
<td>Nout WELLINK</td>
<td>2/2</td>
<td>19/19</td>
<td>5/5</td>
<td>5/5</td>
<td>5/5</td>
<td>–</td>
<td>–</td>
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<tr>
<td>LU Zhengfei</td>
<td>0/0</td>
<td>9/9</td>
<td>–</td>
<td>3/3</td>
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<td>1/1</td>
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<td>LEUNG Cheuk Yan</td>
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<tr>
<td>Former Directors</td>
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<tr>
<td>XIAO Gang</td>
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<td>0/0</td>
<td>–</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>LI Lihui</td>
<td>2/2</td>
<td>18/19</td>
<td>5/5</td>
<td>–</td>
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<td>–</td>
<td>–</td>
</tr>
<tr>
<td>JIANG Yansong</td>
<td>2/2</td>
<td>14/14</td>
<td>4/4</td>
<td>–</td>
<td>4/4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anthony Francis NEOH</td>
<td>2/2</td>
<td>13/13</td>
<td>–</td>
<td>3/3</td>
<td>3/3</td>
<td>6/7</td>
<td>2/2</td>
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<tr>
<td>HUANG Shizhong</td>
<td>0/2</td>
<td>13/13</td>
<td>–</td>
<td>3/3</td>
<td>2/3</td>
<td>4/7</td>
<td>2/2</td>
</tr>
<tr>
<td>HUANG Danhan</td>
<td>2/2</td>
<td>13/13</td>
<td>–</td>
<td>3/3</td>
<td>–</td>
<td>7/7</td>
<td>2/2</td>
</tr>
</tbody>
</table>

Note: Please refer to the section “Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members” for changes in directors.

Training and Expertise Enhancement of Directors

In 2013, the Board of Directors paid much attention to enhance directors’ expertise, with a special focus on arranging relevant trainings. All directors of the Bank fully observed Rule A6.5 of the Code as well as regulatory requirements of Chinese mainland and participated in many special training sessions focusing on topics such as interest rate liberalisation and commercial bank development, corporate governance of large banks, norms for annual report audit and finances, laws and regulations on inside information and the Hong Kong Listing Rules. The Bank gave a detailed explanation of its business operations to all newly appointed non-executive directors and independent directors in 2013. The Bank’s directors have also taken it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles and books, attending forums and seminars, participating special training sessions and giving public lectures, and conducting on-site research exercises at leading
Corporate Governance

international banks and at the Bank’s domestic and overseas branches.

Directors’ Liability Insurance

The Bank renewed the directors’ liability insurance in 2013 to provide protection against claims arising from the lawful discharge of duties by the directors, thus encouraging the directors to fully perform their duties.

Independence and Duty Performance of Independent Directors

There are currently five 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 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 2013, 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 “Directors’ Attendance of the Shareholders’ Meeting, Meetings of the Board of Directors and Special Committees” for the attendance of independent directors at meetings.

In 2013, independent directors put forward recommendations on the Bank’s strategic planning, capital management, liquidity risk management, data management, consolidated management, and so on. The recommendations were adopted and diligently implemented by the Bank.

In 2013, the independent directors did not raise any objection to the resolutions of the Board of Directors or its special committees.

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 justice, fairness and objectivity, the Independent Directors of the Bank, Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan 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 2013, the outstanding amount of letters of guarantee issued by the Bank was RMB846.497 billion.
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.

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises eight members, including Chairman Mr. TIAN Guoli, Non-executive Directors Ms. SUN Zhijun, Ms. LIU Lina, Mr. ZHANG Xiangdong, Mr. ZHANG Qi, Mr. WANG Yong and Independent Directors Mr. Jackson TAI and Mr. Nout WELLINK. Chairman Mr. TIAN Guoli serves as the Chairman of the committee.

The committee is mainly responsible for reviewing the strategic development plans presented by the senior management, assessing the factors that may affect the strategies of the Bank and their implementation, and advising the Board with regard to strategy adjustments; reviewing the annual budget, strategic capital allocation (policies on capital structure, capital adequacy ratio and risk-reward trade-off), objectives of asset-liability management, IT development and other special strategic development plans of the Bank, and advising the Board accordingly; coordinating strategies on the overall development of various financial businesses and the development of domestic and overseas institutions, and deciding on the setup, cancellation and increase or decrease of capital of domestic and overseas institutions within its scope of authorisation; designing and formulating key investment and financing plans and merger and acquisition plans of the Bank; and reviewing the substantial internal reorganisation and adjustment plans of the Bank, and advising the Board accordingly.

The Strategic Development Committee held five meetings in 2013. At these meetings, it mainly approved the proposal on profit distribution for 2012, the proposal on issuing qualified write-down capital instruments and the development strategy planning for 2013-2016 (including the capital management planning for 2013-2016). In response to changes in international and domestic economic and financial situations, the Strategic Development Committee stepped up its analysis of the operating environment, paid constant attention to opportunities and challenges brought about by interest and exchange rate liberalisation, deposit insurance scheme and other major policies on the Bank, and put forward many important comments and recommendations for formulating and implementing the Bank’s strategic development plans and improving its capital management, thus providing strong support to the scientific decision-making of the Board of Directors.

Audit Committee

The Audit Committee comprises seven members, including Non-executive Directors Ms. SUN Zhijun, Mr. WANG Yong and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LU Zhengfei serves as the Chairman of the 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 annual audit priorities, the internal 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 five meetings in 2013. It mainly reviewed proposals such as the Bank’s quarterly, interim and annual financial reports, the annual self-assessment report on internal control, the matter of requesting the Annual General Meeting to approve the appointment of external auditor for 2013 and the appointment and audit fee of the external auditor for 2014. In addition, the Audit Committee reviewed and approved the internal audit work plan and budget for 2013 and the internal audit priorities for 2014. It heard a report on major inspection findings by the internal audit function in 2012, a report on internal audit related to anti-money laundering and IT audit, a report on cases in 2013, a report on the audit progress of internal control by the external auditor, an assessment report on anti-money laundering and a report on the 2014 audit plan of the external auditor and on independence compliance. The Audit Committee undertook an important role in paying close attention to the improvement of business performance, enhancement of internal control and intensification of risk control of the Bank.

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 2013 audit plan, including areas of focus for auditing the 2013 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 judgment between the auditors and the senior management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee heard 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 2014, the Audit Committee reviewed and approved the Bank’s 2013 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, the external auditors made a summary report on their work and submitted a report on their independence compliance to the committee. The Bank’s senior management appraised external auditors’ work. Based on this appraisal, the Audit Committee conducted its own assessment on the auditors’ performance, effectiveness and independence in 2013. It discussed re-appointment matters, and decided to reappoint Ernst & Young Hua Ming LLP as the Bank’s domestic auditor and internal control auditor for 2014, and to reappoint Ernst & Young as the Bank’s international auditor for 2014. Such proposals have been submitted to the Board of Directors for approval.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises five members, including Executive Director Mr. WANG Yongli, Non-executive Director Ms. LIU Lina and Independent Directors Mr. CHOW Man Yiu, Paul, Mr.
Jackson TAI and Mr. Nout WELLINK. Independent Director Mr. Nout WELLINK 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 five meetings in 2013, in which it mainly reviewed and approved the Group’s recovery and resolution plan, the statement and qualification plan of the Group’s risk appetite, data management framework policy, management measures and limits for country risk, market risk limit and credit proposals exceeding the approval authority of the senior management. The committee also regularly reviewed the Group risk reports and progress reports regarding the Bank’s implementation of the New Basel Capital Accord.

In addition, the committee paid constant attention to critical risk issues, such as the Bank’s 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 brought forward 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, and so on.

**Personnel and Remuneration Committee**

The Personnel and Remuneration Committee comprises five members, including Non-executive Director Mr. ZHANG Xiangdong, Mr. ZHANG Qi, and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. 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 the 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; performing preliminary review of the candidates for senior management members 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 for 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 and members of the senior management, and making recommendations to the Board of Directors.
The Personnel and Remuneration Committee held five on-site meetings and two meetings by written resolution in 2013. 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 2012, the 2013 performance targets for the Group, performance targets for the Chairman, the President and other senior management members, proposal on election of Mr. TIAN Guoli as the Chairman of the Bank, proposals on nomination of candidates for executive directors, non-executive directors and independent directors, proposal on re-appointment of the Company Secretary of the Bank, and a proposal on Bank of China Limited Board Diversity Policy. The committee also reviewed the remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors in 2012. The committee put forward important opinions and recommendations on further improving the Bank’s performance evaluation management in compliance 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 or re-appointed directors in strict compliance with the Articles of Association.

**Connected Transactions Control Committee**

The Connected Transactions Control Committee comprises five members, including Executive Director Mr. LI Zaohang, and Independent Directors Mr. CHOW Man Yiu, Paul, Mr. Jackson TAI, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LEUNG Cheuk Yan 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 significant connected transactions of the Bank.

The Connected Transactions Control Committee held three meetings in 2013, in which it mainly reviewed and approved the report on the confirmation of connected parties list of the Bank and the schedule of the committee meetings in 2014. The committee also reviewed the special report of funds occupied by controlling shareholders and other related parties in 2012, the statement of the Bank’s Connected Transactions in 2012, and the report on the Implementation Rules for the Management of Connected Party Transactions of Bank of China Limited (2013 Version). During the reporting period, the committee paid constant attention to issues such as the IT system for Connected Transactions and transactions with key connected parties. The committee members offered important opinions and recommendations regarding IT system constructions and data report of the connected transactions, among others.

**Board of Supervisors**

*Functions and Powers of the 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 of the Bank, 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.

Composition of the Board of Supervisors

The Board of Supervisors currently comprises eight members. There are three shareholder supervisors (including the Chairman of the Board of Supervisors), three employee supervisors and two external supervisors. According to the Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment. Shareholder supervisors 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 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.

Duty Performance of the Board of Supervisors

In 2013, 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 during the reporting period, please refer to the section “Report of the Board of Supervisors”.

Senior Management

Functions and Powers of the 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.

Duty Performance of the Senior Management

In 2013, the senior management of the Bank managed 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 strategic objective of “Serving Society, Delivering Excellence”, the senior management remained focusing on efficiency, emphasised streamlining structure and managing risks, pushed forward the sound and rapid development of various businesses, and thus continuously enhanced the Bank’s performance.

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

The senior management of the Bank presides over 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) 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 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.

Appointment of External Auditors

In 2011 and 2012, the Bank engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its domestic auditor and internal control auditor, and PricewaterhouseCoopers as its international auditor. According to the relevant requirements of MOF on the tenure of service of an external auditor engaged by a financial institution and upon the approval of the 2012 Annual General Meeting, the Bank engaged Ernst & Young Hua Ming LLP to audit its financial statements and internal control pursuant to CAS for 2013. Ernst & Young Hua Ming LLP entrusted Ernst & Young to audit financial statements of the Bank pursuant to IFRS.

Fees paid to Ernst & Young 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 RMB185 million for the year ended 31 December 2013, of which the fees for internal control audit paid to Ernst & Young Hua Ming LLP totalled RMB15 million.

Ernst & Young and its member firms were not engaged in significant non-auditing services with the Bank in 2013. The Bank incurred RMB9.74 million for non-auditing services performed by Ernst & Young and its member firms for the year ended 31 December 2013.

Ernst & Young Hua Ming LLP and Ernst & Young have provided audit services to the Bank for one year. Mr. ZHANG Xiaodong and Mr. YANG Bo are the certificated public accountants who signed the auditor’s report on the Group’s financial statements prepared in accordance with CAS for the year ended 31 December 2013.

At the forthcoming 2013 Annual General Meeting, the Board of Directors will tender a resolution for review and approval regarding the proposal on engaging Ernst & Young Hua Ming LLP as the Bank’s domestic auditor and internal control auditor for 2014, providing services of auditing its financial statements and internal audit pursuant to CAS; and engaging Ernst & Young as the Bank’s international auditor for 2014, providing services of financial statements audit pursuant to IFRS.

Investor Relations and Information Disclosure

In 2013, following the 2012 annual results and 2013 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. In 2013, faced with strategic opportunities arising from interest rate liberalisation, RMB internationalisation and mobile internet, the
Bank proactively enhanced its investor relations activities by participating in influential investor conferences, expanding investors coverage base and earnestly communicating with investors and analysts to consistently highlight the Bank’s differentiated competitive advantages. It received positive recognition from the capital market as a result. During the reporting period, the Bank’s senior management and representatives of major departments held and attended 150 meetings with domestic and overseas institutional investors and analysts, and effectively improved the investment community’s understanding of the Bank’s investment value. The Bank’s investment ratings were upgraded by major investment banks and its shareholder structure was further optimised. The Bank also upgraded its investor relations webpage to ensure that investors received comprehensive information and a user-friendly experience. The Bank exploited other communication channels including its telephone hotline and email. The Bank also replied investors’ questions on the e-interaction online platform run by SSE. Its statistics on timeliness and comprehensiveness lead its peers.

The Bank continued to enhance management of its external credit rating affairs and improve the effectiveness, timeliness, professionalism in related communications. The Bank strengthened communication on multiple levels regarding its risk management, liquidity management, operating performance and development strategy. During the reporting period, Standard & Poor’s Ratings Services raised the Bank’s Stand-alone Credit Profile and the Bank’s other credit ratings were reaffirmed by Moody’s Investors Service, Fitch Ratings and other rating agencies.

In 2013, the Bank prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, timeliness and fairness. It continuously enhanced the pertinence, effectiveness and transparency of information disclosure in order to guarantee investors’ access to relevant information.

The Bank thoroughly reviewed and revised the Management Measures on Responsibility Investigation on Material Information Disclosure Errors of Regular Reports of Bank of China Limited, to further strengthen the work procedures and quality control related to its regular reports. During the reporting period, no material disclosure error in the Bank’s regular reports was found. The Bank strictly carried out the Rules Governing Persons with Knowledge of Inside Information of Bank of China Limited and other relevant regulatory rules, to ensure that inside information was kept confidential, a well-managed system was in place for registering those with access to inside information for filing purpose and their management, and that inside trading was strictly prohibited. The Bank further reinforced the accountability systems and information correspondence mechanisms within the Group and organised discussions and training sessions for information correspondents. The Bank paid close attention to relevant regulatory rules and requirements, revised the information disclosure work procedures and developed case studies to improve the initiation, planning and long-term perspective of its management work, and thus enhanced its information disclosure management ability and compliance level.

In 2013, the Bank once again received wide recognition for its investor relations and information disclosure performance. The Bank was awarded “the Greater China Top 100” by IR Magazine. The Bank also ranked among the “Top 100 Hong Kong listed companies 2013” awarded jointly by Tencent, Finet Group Limited and Hong Kong Economic Journal. The Bank was recognised as one of the “Companies with the Most Sustainable Investment Value” awarded by Chinese Securities Journal, “Gold Medal Board Secretary for IR” awarded by Chinese Securities Journal, and was again recognised as a “Top 50 listed company” by Investor Journal Weekly and a “Top 100 Listed Company by Capital Capacity” by China Center for Market Value Management. The 2012 annual report of the Bank was awarded again a “Gold Award” in the League of American Communications Professionals annual report competition, being among the “Top 50 Annual Report in Asia Pacific” and “Top 50 Annual Reports in China”. It was also awarded a “Silver Award” for written text by Annual Report Competition.