

Management Discussion and Analysis

— Organisational Management and Human Resources Development and Management

Organisational Management

As at the end of 2019, the Bank had a total of 11,699 institutions worldwide, including 11,142 institutions in the Chinese mainland and 557 institutions in Hong Kong, Macao, Taiwan and other countries and regions. Its commercial banking business in the Chinese mainland comprised 10,652 institutions, including 38 tier-1 and direct branches, 364 tier-2 branches and 10,249 outlets.

The geographic distribution of the organisations and employees of the Bank is set forth below:

Unit: RMB million/unit/person, except percentages

Items	Assets		Organisations		Employees	
	Total assets	% of total	Number	% of total	Number	% of total
Northern China	7,484,813	30.86%	2,091	17.87%	61,935	20.02%
Northeastern China	756,133	3.12%	939	8.04%	24,647	7.97%
Eastern China	4,585,157	18.90%	3,572	30.53%	91,692	29.64%
Central and Southern China	3,455,784	14.25%	2,820	24.10%	68,053	22.00%
Western China	1,696,434	6.99%	1,720	14.70%	37,717	12.19%
Hong Kong, Macao and Taiwan	4,217,013	17.38%	427	3.65%	19,205	6.20%
Other countries and regions	2,062,659	8.50%	130	1.11%	6,135	1.98%
Elimination	(1,488,249)					
Total	22,769,744	100.00%	11,699	100.00%	309,384	100.00%

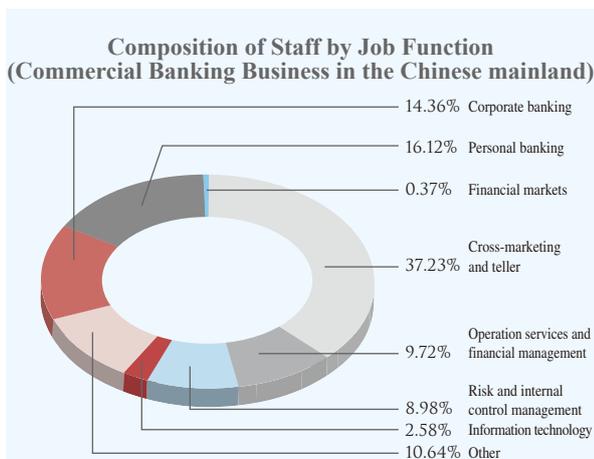
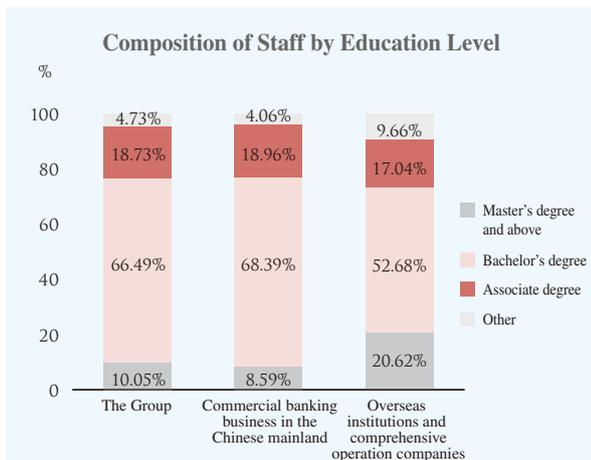
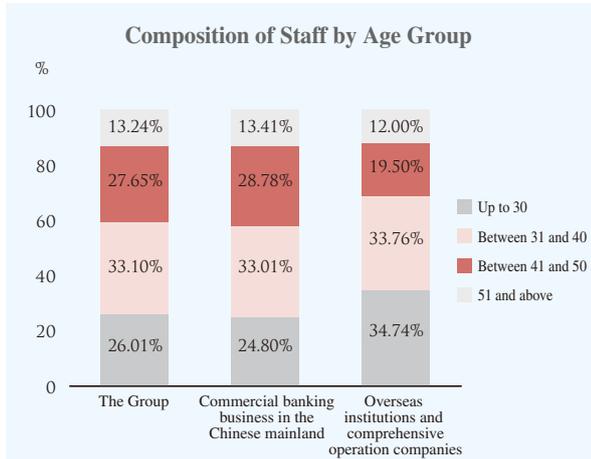
Note: The proportion of geographic assets was based on data before intra-group elimination.

Human Resources Development and Management

As at the end of 2019, the Bank had 309,384 employees. There were 284,044 employees in the Chinese mainland, of which 271,939 worked in the Bank's commercial banking business in the Chinese mainland. The Bank had 25,340 employees in Hong Kong, Macao, Taiwan and other countries and regions. As at the end of 2019, the Bank bore costs for a total of 5,318 retirees.

In 2019, centring on the Group's strategies and annual priorities, the Bank focused on "strong innovation, strong services, strong coordination and strong sharing", deepened reform of organisational structure, and made every effort to build a "strong headquarters". At the Group level, the Bank established a management decision-making and coordination mechanism covering all domestic branches, overseas institutions and comprehensive operation companies. It optimised the personal banking business structure, enhanced the synergy and penetration of personal banking marketing management, and embedded a "digital DNA" into all products, processes and fields of personal banking, so as to seize business opportunities and improve service quality and efficiency. The Bank optimised its corporate credit management system, reshaped business processes and boosted the high-quality development of its corporate credit business. It improved its data governance system, established a top-down, coordinated and well-defined data governance framework, and accelerated the building of digital banking. In addition, it endeavoured to enhance its "soft power" by optimising its research management system, integrating resources across the Bank, and building an efficient and standardised global integrated research system.

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The Bank vigorously strengthened its human resources, stimulated the enthusiasm of its employees, intensified the cultivation of young professionals, and continuously trained internationalised and all-round talented personnel. It strengthened the building of its overseas local staff and minority language talent team, and formulated and implemented a new programme for the cultivation of minority language personnel. It continuously pushed forward the building of professional development pathways by optimising pathway sequencing, improving professional qualification management and further opening up the development channel for professionals. Following national targeted poverty alleviation strategies, the Bank implemented a special recruitment plan for impoverished college students, supported employment in poverty-stricken areas, designated more management personnel to such areas and intensified their management. In response to the government's call for "ensuring stable employment", the Bank maintained a recruitment scale of more than 10,000 persons every year, increased the recruitment of talented employees with compound educational backgrounds and technological personnel, formulated a training plan for management trainees, and topped the rankings for "Best Employer in Financial Industry in the Opinion of Chinese University Students" for the 12th consecutive year.

In active response to national strategies, the Bank leveraged its characteristic advantages in globalised operations. It held two Belt and Road International Financial Exchange & Cooperation Seminars for five Central Asian countries, nine Portuguese-speaking countries and Macao SAR. The Bank continuously improved its incentive and constraint mechanism, established an assessment mechanism combining "annual assessment + long/short-cycle assessment"

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and “performance assessment + value assessment”, strengthened the assessment of private enterprise and inclusive finance business, and guided the establishment of an appropriate perspective on performance. It actively served the development of key regions such as the Beijing-Tianjin-Hebei region, the Xiongan New Area, the Yangtze River Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan FTZ, facilitated the development of private enterprises, served the real economy, and provided special training on the development of key regions, inclusive finance and green finance. In 2019, the Bank’s commercial banking institutions in the Chinese mainland held a variety of training courses, totalling 84,565 sessions with 2,927,903 participations.

The Bank’s remuneration policy is in line with corporate governance requirements, business development strategies, market positioning and talent competition strategies. The Board of Directors of the Bank has set up the Personnel and Remuneration Committee to assist it in reviewing the Bank’s human resources and remuneration strategies. An independent director serves as the Chairman of the Committee. Please refer to the section “Corporate Governance — Special Committees of the Board of Directors” for details of the work progress of the Personnel and Remuneration Committee. Based on the human resources and remuneration strategies determined by the Board of Directors, the senior management of the Bank is responsible for formulating rules and regulations for remuneration management.

The Bank’s remuneration distribution policy follows the principle of “remuneration by post, payment by performance”. Employee remuneration consists of

basic salary, performance remuneration and benefits. Basic salary is determined by the value of the position and the ability of employees to perform their duties; performance remuneration depends on performance evaluation results of the Group, the institution or department of the employee, and the employee, and is linked to performance, risk, internal control, ability and other factors. Deferred payment is required for more than 40% of the performance remuneration of personnel who are responsible for the Group’s major risk management and control functions, with a deferred payment period of not less than three years. If risk losses falling within such employees’ remit and responsibility are clearly exposed during the term of service, the Bank may recover part or all of the performance remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, and are managed in accordance with local regulatory policies. The Bank’s remuneration policy applies to all employees who have established a labour contract relationship with the Bank, with no exceptions beyond the remuneration policy.

The Bank has formulated an allocation mechanism for total remuneration. The distribution of total remuneration resources to branches is linked to branches’ completion of comprehensive benefits, taking full consideration of risk factors so as to focus on risk-adjusted value creation and enhance long-term performance. The Bank continued to improve its internal remuneration distribution structure, and allocated more remuneration resources to primary-level institutions and employees so as to effectively boost the driving forces powering the sustainable development of the Bank.