

# Corporate Governance

## Overview of Corporate Governance

The Bank takes excellent corporate governance as an important objective. It has constantly pursued the best practice in corporate governance and integrated the Party's leadership with improvement of corporate governance. Adhering to the rules and regulations governing capital markets and relevant industries, the Bank has made constant efforts to improve its corporate governance framework, which comprises the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. This framework operates smoothly owing to a clear division of duties. All special committees of the Board of Directors and the Board of Supervisors have performed their duties and functioned effectively, thereby enhancing the Bank's corporate governance capabilities.

The Bank has been working on improving its corporate governance structure, policies and procedures. It persistently followed up and implemented regulatory requirements on capital market, always choosing to adhere to the strictest available standards. It comprehensively and systematically reviewed the Articles of Associations and the rules of procedure of each special committee. The Bank established the Corporate Culture and Consumer Protection Committee, which is responsible for cultural fostering and consumer protection at the Group level.

The Bank places great emphasis on improving its corporate governance operation mechanisms. It 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 on-site and connected by way of video

conference, allowing shareholders from both the Chinese mainland and Hong Kong to attend in person. In addition, online voting for A-Share Holders is available to safeguard the rights and interests of the minority shareholders. The Bank focuses on constantly enhancing coordination with respect to the operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. It continues to support the Board of Directors to function more constructively and make scientific and efficient decisions. The Bank works to heighten transparency and proactively perform its duties to the relevant stakeholders, including shareholders, customers, staff and society.

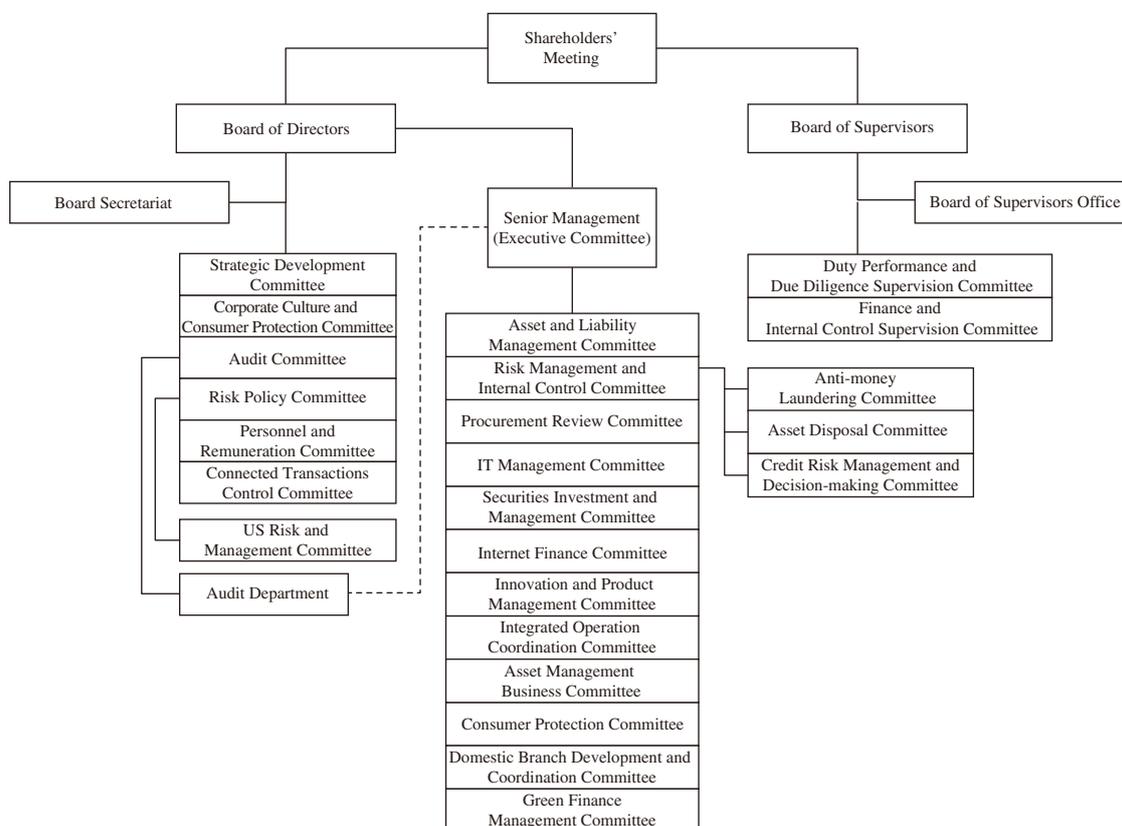
The Bank makes great efforts to promote Board diversity. It has formulated the *Bank of China Limited Board Diversity Policy*, which lays out the stance of the Bank on the diversity of the members of the Board of Directors and the approaches it adopts to realise such diversity on an on-going basis. All appointments are made on merit, in the context of the skills and experience the Board of Directors as a whole requires, and taking into full consideration and from various perspectives the object and requirements for diversity, including but not limited to regulatory requirements, gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, etc. The Bank applies the aforementioned diversity policy and requirements to the director selection and engagement process.

In 2019, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. The Bank was granted the 14th "Golden Prize of Round Table" for Value Creating Board of Directors of Chinese Listed Companies.

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## Corporate Governance Framework

The Bank's corporate governance framework is shown below:



## Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with the Company Law and the requirements for the governance of listed companies set out in the normative documents 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. Save as disclosed in this annual report, during the reporting period, the Bank has complied with all the provisions of the *Code* and has substantially complied with most of the recommended best practices set out in the *Code*.

## Amendments to the Articles of Association

No amendment was made to the Articles of Association in 2019.

## Shareholders and Shareholders' Rights

The Bank highly values the protection of its shareholders' interests and has established and maintained an effective and multi-channel shareholder communication platform. This includes holding shareholders' meetings and maintaining 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, asset, 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 voting 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 voting shares 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 receipt of 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 by themselves convene the meeting within four months after the Board of Directors receives 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 fails 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 shareholder who holds, 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 shareholder who holds, 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 on the meeting agenda, it shall explain and clarify the reasons at 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 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 voting shares of the Bank shall have the right to present enquiries to the shareholders' meeting. The Board of Directors, the Board of Supervisors, or other relevant senior management members shall attend the shareholders' meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights pertaining 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.

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## 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 the 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 the issue of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing directors, electing shareholders' representative supervisors and external supervisors and deciding the remunerations of directors and supervisors.

### *Convening of Shareholders' Meeting*

On 4 January 2019, the Bank held its 2019 First Extraordinary General Meeting in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved seven proposals, including the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, the non-public issuance plan of offshore preference shares of the Bank, the impact on dilution of current returns and remedial measures upon the issuance of preference shares of the Bank, formulating the *Shareholder Return Plan for 2018 to 2020 of Bank of China Limited*, the election of Mr. WU Fulin to be appointed as Executive Director of Bank of China Limited, and the election of Mr. LIN Jingzhen to be appointed as Executive Director of Bank of China Limited. The proposals regarding the general mandate to issue new shares of the Bank, the non-public issuance plan of domestic preference shares of the Bank, and the non-public issuance plan of offshore preference shares of the Bank were special resolutions, and others were ordinary resolutions.

On 17 May 2019, the Bank held its 2018 Annual General Meeting in Beijing and Hong Kong on-site and connected by way of video conference. A-Share Holders could also cast votes online. This meeting considered and approved 20 proposals including the 2018 work report of the Board of Directors, the 2018 work report of the Board of Supervisors, the 2018 annual financial report, the 2018 profit distribution plan, the 2019 annual budget for fixed assets investment, the appointment of the Bank's external auditor for 2019, the election of Mr. ZHANG Jianguo to be appointed as Non-executive Director of the Bank, the election of Mr. Martin Cheung Kong LIAO to be appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Changyun to be re-appointed as Independent Non-executive Director of the Bank, the election of Ms. Angela CHAO to be re-appointed as Independent Non-executive Director of the Bank, the election of Mr. WANG Xiquan to be re-appointed as Shareholder Representative Supervisor of the Bank, the election of Mr. JIA Xiangsen to be appointed as External Supervisor of the Bank, the election of Mr. ZHENG Zhiguang to be appointed as External Supervisor of the Bank, the 2017 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2017 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors, the general mandate to issue new shares of the Bank, the issue of bonds, the issue of write-down undated capital bonds and the issue of qualified write-down tier 2 capital instruments. The meeting also heard the 2018 report on the connected transactions, the 2018 duty report of independent directors and the 2018 report on the implementation on the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China*. The proposals regarding the general mandate to issue new shares of the Bank, the issue of bonds, the issue of write-down undated capital bonds, and the issue of qualified write-down tier 2 capital instruments were special resolutions, and others were ordinary resolutions.

On 31 December 2019, the Bank held its 2019 Second Extraordinary General Meeting in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved seven proposals, including the 2018 remuneration distribution plan for Chairman of the Board of Directors and Executive Directors, the 2018 remuneration distribution plan for Chairman of the Board of Supervisors and Shareholder Representative Supervisors, improving the remuneration plan of Independent Non-executive Directors, the election of Ms. CHEN Chunhua as Independent Non-executive Director of the Bank, the election of Mr. CHUI Sai Peng Jose as Independent Non-executive Director of the Bank, the application for provisional authorisation of outbound donations, and the election of Mr. WANG Jiang as Executive Director of Bank of China Limited. All the proposals were ordinary resolutions.

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 issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meetings on 4 January 2019, 17 May 2019 and 31 December 2019 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***

During the reporting period, the Board of Directors has fully implemented the resolutions passed at the shareholders' meetings and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out the proposals regarding the 2018 profit distribution plan, the 2019 annual budget for fixed assets investment, the issuance of bonds, the appointments of directors and 2019 external auditor and so on.

### **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 recovery of the Bank; appointing or dismissing members of special committees and the Senior Management of the Bank; reviewing and deciding on

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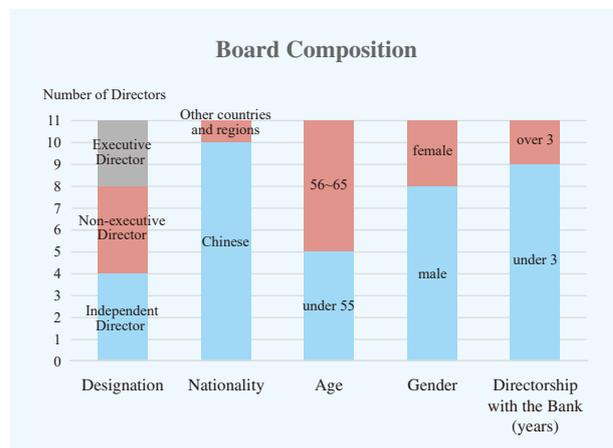
the establishment of the Bank's basic administrative system, internal management framework and important sub-entities; developing and reviewing the corporate governance policies of the Bank; taking charge of performance evaluation and matters of material reward and punishment for senior management members, 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, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors.

The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises eleven members. Besides the Chairman, there are two executive directors, four non-executive directors and four independent directors. The proportion of independent directors reaches 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 CBIRC. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. The positions of Chairman and President of the Bank are assumed by two persons.

For detailed background and an explanation of recent changes to the Board membership, please refer to the section "Directors, Supervisors and Senior Management Members".



### *Convening of Board Meetings*

In 2019, the Bank convened seven on-site meetings of the Board of Directors on 25 January, 29 March, 29 April, 28 June, 30 August, 30 October and 13 December respectively. At these meetings, the Board of Directors reviewed and approved 72 proposals related to the Bank's regular reports, the nomination of candidates for the directors, the appointment of senior management members, the issuance of bonds, the dividend distribution plan, the establishment of overseas branches and subsidiaries, etc. It also heard 15 reports related to the report on strategy implementation, circular on regulatory situation, the report on country risk management, and other matters.

In 2019, the Bank convened three meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors mainly reviewed and approved the proposals on the nomination of candidates for directors, the application for provisional authorisation of outbound donations, and the convening of extraordinary general meeting, among others.

### ***Risk Management and Internal Control by the Board of Directors and its Special Committees***

The Board of Directors of the Bank considers a sound risk management system to be the basic prerequisite of realising the Bank's strategic goals. By continuously improving the independence, specialisation, foresight, and initiative of its risk management function, the Bank ensures the sound and sustainable development of its banking businesses and creates greater value for shareholders.

According to regulatory rules and internal management requirements, the Senior Management submits important risk management policies, systems and procedures to the Board of Directors and Risk Policy Committee for review and approval. The Risk Policy Committee regularly reviews the Group's overall risk status (covering major risk categories such as credit risk, market risk, operational risk, liquidity risk, legal and compliance risk and reputational risk) and upcoming work plan and puts forward corresponding work requirements.

The Board of Directors and its Risk Policy Committee have acknowledged the full effectiveness of the existing risk management system of the Bank based on their close monitoring and quarterly evaluation of the system's effectiveness.

The Board of Directors attached great importance to the Group's far-reaching internal control system and continued to promote its development. It regularly heard and reviewed Senior Management reports concerning the implementation of the *Guidelines on Internal Control of Commercial Banks*, bank-wide operational management, risk management,

fraud case management and internal control system development and assessment, thus earnestly assuming its responsibility to improve and deliver a sound and effective internal control function.

The Audit Committee under the Board of Directors closely monitored the changing economic and financial environment at home and abroad, as well as the overall conditions of the Group's internal control function, including the establishment and operation of its internal control systems for both financial reporting and non-financial reporting. In addition, the committee heard and reviewed, on a regular and ad hoc basis, internal audit reports and assessment opinions on internal control, reports on the progress of internal control improvements and remediation suggested by external auditors, as well as the overall situation regarding the prevention, control and redress of fraud cases and risk events.

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. Ernst & Young Hua Ming LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued a standard unqualified opinion. The *2019 Internal Control Assessment Report of Bank of China Limited* and the *2019 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.

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## *Duty Performance of Directors*

### Directors' Attendance of Shareholders' Meetings, Meetings of the Board of Directors and Special Committees

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

Number of meetings attended in person/Number of meetings convened during term of office

Directors	Shareholders' Meetings	Meetings of the Board of Directors	Meetings of the Special Committees of the Board of Directors					
			Strategic Development Committee	Corporate Culture and Consumer Protection Committee	Audit Committee	Risk Policy Committee	Personnel and Remuneration Committee	Connected Transactions Control Committee
<b>Incumbent Directors</b>								
LIU Liange	3/3	9/10	7/8	–	–	–	–	–
WANG Jiang	0/0	0/0	–	–	–	–	–	–
LIN Jingzhen	1/2	8/9	–	–	–	9/9	–	–
ZHAO Jie	3/3	10/10	–	–	5/5	10/10	5/5	–
XIAO Lihong	3/3	10/10	8/8	–	–	10/10	–	–
WANG Xiaoya	3/3	10/10	8/8	–	–	–	10/10	–
ZHANG Jianguang	1/1	6/6	3/3	–	2/2	–	–	–
WANG Changyun	3/3	10/10	8/8	–	5/5	10/10	9/10	–
Angela CHAO	2/3	8/10	–	–	5/5	5/10	–	1/4
JIANG Guohua	3/3	10/10	3/3	–	5/5	–	10/10	4/4
Martin Cheung Kong LIAO	1/1	5/5	2/2	–	1/1	–	4/4	1/1
<b>Former Directors</b>								
CHEN Siqing	0/1	2/2	3/3	–	–	–	–	–
WU Fulin	2/2	8/9	–	–	–	–	–	3/3
LI Jucai	2/2	3/3	4/4	–	3/3	–	–	–
LIAO Qiang	3/3	10/10	8/8	–	–	3/3	5/5	–
LU Zhengfei	2/2	3/4	–	–	3/3	–	5/5	2/2
LEUNG Cheuk Yan	2/2	5/5	–	–	4/4	–	6/6	3/3

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 Directors who did not attend certain meetings above in person have authorised other directors to attend and vote at those meetings as their proxy.

### **Training and Expertise Enhancement of Directors**

In 2019, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule A.6.5 of the *Code* as well as PRC regulatory requirements, actively participating in specialised training including sessions on the international financial situation, advanced capital measurement approaches, development trends in internet-based business patterns, application scenarios and prospect for cooperation in the financial industry of 5G technologies, among others. The Bank also gave special presentations and training to the newly appointed directors in 2019 regarding its development strategy, business development, directors' responsibilities and internal control assessment. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced international banks.

### **Independence and Duty Performance of Independent Directors**

There are currently four independent directors on the Board of Directors. This reaches one-third of the total number of directors and is thus 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". Independent directors individually serve as the Chairman of the Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. As stipulated in the 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 their independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2019, 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 2019, independent directors put forward constructive recommendations on capital replenishment, strategy implementation, the Group risk management, anti-money laundering and the development of overseas institutions, among others. These recommendations were adopted and diligently implemented by the Bank.

In 2019, 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. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, and Mr. Martin Cheung Kong LIAO have provided the following information regarding the Bank's guarantee business:

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The guarantee business is one of the Bank's ordinary business activities approved by PBOC and CBIRC 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 2019, the outstanding amount of letters of guarantee issued by the Bank was RMB1,049.629 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. LIU Liange, Vice Chairman and President Mr. WANG Jiang, Non-executive Directors Ms. XIAO Lihong, Ms. WANG Xiaoya and Mr. ZHANG Jianguang and Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Chairman Mr. LIU Liange 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), the 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 the Bank's 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; reviewing the Bank's green credit strategy and making relevant suggestions to the Board; establishing the Bank's strategic development plan and basic management regimes with regard to inclusive finance business, reviewing annual business plan and assessment measures on inclusive finance business, and supervising the Bank's implementation of inclusive finance strategies, policies and regulations.

The Strategic Development Committee held six on-site meetings and two meetings via written resolutions in 2019. At these meetings, it mainly approved the proposal on the business plan and financial budget of Bank of China for 2019, the profit distribution plan of Bank of China for 2018, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, exercising the redemption right of the offshore preference shares, the inclusive finance development plan of Bank of China, the establishment of financial leasing company and so on. In addition, in response to changes in international and domestic economic and financial situations, the Strategic Development

Committee stepped up its analysis of opportunities and challenges, and put forward many important comments and recommendations regarding the Bank's strategy implementation and the layout of globalisation and diversification thus providing strong support to the scientific decision-making of the Board of Directors.

### **Corporate Culture and Consumer Protection Committee**

The Bank set up the Corporate Culture and Consumer Protection Committee in October 2019 to enable the Board of Directors to make overall plans for and provide specialised guidance on the building of corporate culture and the protection of consumer rights. The committee comprises three members, including Chairman Mr. LIU Liange, Non-executive Director Ms. WANG Xiaoya, and Independent Director Mr. JIANG Guohua.

The committee is mainly responsible for reviewing and advising the Board of Directors on the Bank's corporate culture development plans and policies, etc. and supervising the implementation of such plans and policies, etc.; urging the management to examine and assess the Bank's implementation of its values, and promoting the refinement and breakdown, promotion and popularisation, education and training, and implementation of the value concepts system; urging the management to build a corporate culture work evaluation system, overseeing and assessing the development and implementation of the Bank's corporate culture; reviewing the code of conduct for the Bank's employees and urging the management to put in place a matching implementation mechanism; reviewing and advising the Board of Directors on the Bank's consumer protection strategies, policies and objectives, etc., overseeing and evaluating the Bank's consumer protection work; reviewing and advising the Board of Directors on the Bank's environmental, social

and governance (ESG) development plans, policies and reports; identifying, assessing and managing important ESG-related matters and building an appropriate and effective ESG risk management and internal control system; regularly hearing the reports on the Bank's corporate culture building, ESG and consumer protection work; and other duties delegated by the Board of Directors.

### **Audit Committee**

The Audit Committee comprises six members, including Non-executive Directors Mr. ZHAO Jie and Mr. ZHANG Jiangang and Independent Directors Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Independent Director Mr. JIANG Guohua 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 on financial reporting, annual audit plan and recommendations for management; approving the annual internal audit plan and budget; appraising the duty performance, work quality and effectiveness 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 material 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.

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The Audit Committee held five on-site meetings and one meeting via written resolutions in 2019. It mainly reviewed and approved the 2019 work plan and financial budget for internal audit, reviewed the Bank's 2018 financial report, 2019 interim financial report and financial reports for the first and third quarters of 2019, the *Internal Audit Charter*, the internal control work report for 2018 and the first half of 2019, the 2018 internal control assessment report, the audit results on internal control and management proposal, and the proposal on appointment of external auditors and audit fees for 2020. In addition, it heard the report on the Senior Management response to Ernst & Young's management proposal for 2018, reports on internal audit in 2018 and the first half of 2019, the report on three-year plan for IT application in audit and implementation progress (three times in aggregate), the 2018 report on the overseas supervision information, the profile of comprehensive operation companies in recent years, the report on progress in internal control audit of Ernst & Young in 2018, updates on compliance with the principle of independence and the report on 2019 audit plan and self-assessment report, the report on asset quality in the first quarter of 2019, and the report on prevention and control of external infringement cases in 2018.

Moreover, in response to changes in domestic and overseas economic trends, the Audit Committee paid close attention to developments in the Bank's progress towards improving business performance and cost-effectiveness control. Through joint meetings, the committee heard the Group risk report and the report on asset quality, among others, thus assisting the Board of Directors in performing its responsibilities and duties. It also put forward many important opinions and suggestions regarding the improvement of the corporate governance mechanism, the enhancement of internal audit independence, the advancement of IT application in audit, the upgrading of credit asset quality and the improvement of internal control measures.

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 2019 audit plan, including areas of focus for auditing the 2019 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control, compliance and fraud related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference 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 primary financial data. It also requested that the Senior Management submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its second meeting of 2020, the Audit Committee reviewed and approved the Bank's 2019 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 audit report and submitted a report on their independence compliance to the committee. The Bank's Senior Management appraised the external auditors' work. Based on this appraisal, the Audit Committee conducted its own assessment on the auditors' performance, effectiveness and independence compliance in 2019. It discussed re-engagement matters, and decided to reappoint Ernst & Young Hua

Ming LLP as the Bank's domestic auditor and internal control auditor for 2020, and to reappoint Ernst & Young as the Bank's international auditor for 2020. 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. LIN Jingzhen, Non-executive Directors Mr. ZHAO Jie and Ms. XIAO Lihong, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Mr. WANG Changyun serves as the Chairman of the committee.

The committee is mainly responsible for performing functions and exercising powers in relation to comprehensive risk management; reviewing the Bank's risk management strategies, substantial risk management policies, and risk management procedures and regimes, and advising the Board accordingly; discussing the risk management procedures and regimes with the management and making suggestions on how to improve them in order to ensure that the risk management policies, procedures and regimes are uniformly adhered to throughout the Bank; reviewing the Group's risk data aggregation and risk reporting framework and ensuring that there is adequate resource support in place; examining the material risk activities of the Bank and judiciously exercising veto power regarding commitments that expose the Bank to credit and/or market risk exceeding the individual risk limits approved by the Risk Policy Committee or the Board of Directors or that lead to breaches of approved aggregate limits; supervising the implementation status of the Bank's risk management strategy, policy and procedure, and advising the Board accordingly; examining the Bank's risk management status and reviewing its risk management procedures and

regimes; regularly evaluating and hearing reports on the implementation of risk management and internal control responsibilities by the Bank's management, functional departments and institutions, as well as risk data aggregation and risk reporting work, and proposing requirements for improvement; supervising the status of the Bank's compliance with laws and regulations; reviewing and examining relevant administrative systems related to legal compliance and making suggestions which are submitted to the Board for examination and approval, and hearing and examining the report on the implementation status of the legal compliance policy of the Bank; assessing the material investigation results of risk management matters and the management's response to such results (either voluntarily or as required by the Board of Directors); reviewing and approving the Bank's general policy on case prevention and control, and defining the management's functions, powers and authorities in relation to case prevention and control; setting out overall requirements on case prevention and control, and reviewing related working reports; checking and effectively supervising the Bank's case prevention and control work, assessing the effectiveness of case prevention and control, and promoting the construction of its case prevention and control management system.

The Risk Policy Committee held six on-site meetings and four meetings via written resolutions in 2019, at which it mainly considered the general principles of risk management, risk appetites statement and management measures, market risk management policy, trading book market risk limits, liquidity risk management policy, policies for interest rate risk in the banking book, country risk rating and limit, securities investment policy, measures for consolidated management, management measures for outsourcing risks, capital adequacy ratio report and internal capital adequacy assessment report. The committee also regularly reviewed the Group risk reports and other agendas.

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In addition, the committee paid close attention to critical risk issues arising from changes in overseas and domestic economic and financial conditions, adjustments of the government's macro policies and overall overseas and domestic regulations. The committee expressed 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.

The US Risk and Management Committee is established under the Risk Policy Committee, it oversees and manages all the risks incurred by the Bank's institutions in the US, and performs the duties of the board of directors of the Bank's New York Branch and its special committees.

The US Risk and Management Committee currently comprises four members, all of whom are members of the Risk Policy Committee, including Non-executive Directors Mr. ZHAO Jie and Ms. XIAO Lihong, Independent Directors Mr. WANG Changyun and Ms. Angela CHAO. Independent Director Ms. Angela CHAO serves as the Chairman of the US Risk and Management Committee.

In 2019, the US Risk and Management Committee convened four on-site meetings and four meetings via written resolutions. It regularly heard reports regarding the risk management and operations of all of the Bank's institutions in the US, the latest US regulatory trends and dynamics, among others. In addition, the committee reviewed and approved the relevant framework documents and important policies and regulations of the Bank's institutions in the US and the New York Branch according to regulatory requirements.

The US Risk and Management Committee put forward important opinions and recommendations regarding strengthening the prevention and control of risks and compliance based on US regulatory dynamics, market changes and the business development strategies of the Bank's US operations.

### **Personnel and Remuneration Committee**

The Personnel and Remuneration Committee comprises five members, including Non-executive Directors Mr. ZHAO Jie and Ms. WANG Xiaoya, Independent Directors Mr. WANG Changyun, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Independent Director Mr. WANG Changyun 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 implementation; 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 relevant 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 Senior Management positions and the chairmanship of 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;

drafting the remuneration plan of directors and senior management members, and making recommendations to the Board of Directors; and formulating the performance appraisal standards for the senior management members of the Bank, and evaluating their performances.

The Personnel and Remuneration Committee held seven on-site meetings and three meetings by written resolutions in 2019. At these meetings, the committee mainly approved proposals on the performance evaluation results and remuneration distribution plan for the Chairman, Executive Directors and senior management members for 2018, and the 2019 implementation plan for performance evaluation of the Chairman, Executive Directors and senior management members, the election of Mr. LIU Liange as Chairman of the Bank, the appointment of Mr. WANG Jiang as President, candidate for Executive Director, and Vice Chairman of the Bank, the appointment of Mr. SUN Yu, Mr. ZHENG Guoyu and Mr. WANG Wei as Executive Vice Presidents of the Bank, the appointment of Mr. LIU Jiandong as Chief Risk Officer of the Bank, the nomination of Mr. WANG Changyun and Ms. Angela CHAO to be re-appointed as Independent Non-executive Directors of the Bank, the nomination of Mr. ZHANG Jiangan as candidate for Non-executive Director of the Bank, the nomination of Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose as candidates for Independent Non-executive Directors of the Bank, and the establishment of the Corporate Culture and Consumer Protection Committee of the Board of Directors.

According to the Articles of Association of the Bank, any shareholder who holds by himself or jointly with others 3% or more of the total number of voting shares of the Bank may, by submitting a written proposal to the shareholders' meeting, recommend candidates for directorships, provided the number of candidates nominated shall be in accordance with the provisions of the Articles of Association (between 5 and 17) and not exceed the number to

be elected. List of candidates for directorships may be recommended by the Board of Directors within the number of candidates stipulated in the Articles of Association, with reference to the diversity policy of the Bank and according to the number to be elected. The Personnel and Remuneration Committee shall undertake a preliminary review of the qualifications and conditions of candidates for directorships, and refer those qualified candidates to the Board of Directors for further examination. After the Board of Directors' approval by resolutions, the candidates shall be referred to the shareholders' meeting in written proposals. When directorships need to be added or filled temporarily, the Board of Directors shall raise the proposal and make recommendation to the shareholders' meeting to elect or replace. During the reporting period, the Bank appointed directors in strict compliance with the Articles of Association.

### **Connected Transactions Control Committee**

The Connected Transactions Control Committee comprises three members, including Independent Directors Ms. Angela CHAO, Mr. JIANG Guohua and Mr. Martin Cheung Kong LIAO. Independent Director Mr. Martin Cheung Kong LIAO serves as the Chairman of the committee.

The committee is mainly responsible for administering the 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 the connected transactions of the Bank in accordance with laws, regulations and normative documents; examining the 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.

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The Connected Transactions Control Committee held four meetings in 2019, at which it mainly reviewed and approved the amendments to connected transaction management policy, the report on connected transactions in 2018 and the report on the connected party list, among others. It also reviewed the statement of connected transactions of the Bank in 2018, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the development of the Bank's policies and system for connected transactions, and put forward constructive suggestions in that regard.

### **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 responsible for overseeing the work of the Board of Directors so as to ensure the establishment of a stable operational principle, value criterion and an appropriate development strategy. It supervises the duty performance and due diligence of the Board of Directors, the Senior Management and its members as well as the Bank's financial activities, internal control and risk management.

#### ***Composition of the Board of Supervisors***

The Board of Supervisors currently comprises six members. There is one shareholder supervisor (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 unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the

Bank. 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.

#### ***Duty Performance of the Board of Supervisors***

In 2019, 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 four on-site meetings and four meetings by written resolution, and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held four on-site meetings and three meetings by written resolution, while the Finance and Internal Control Supervision Committee held four on-site 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 functions and powers of the President include presiding over the Bank's daily administrative, business and financial management; organising the implementation of the business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management positions; and reviewing employees' remuneration, benefit, reward and punishment measures.

### ***Duty Performance of the Senior Management***

In 2019, 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. In line with the annual performance objectives approved by the Board of Directors and by persistently stimulating vitality, making agile response and achieving breakthroughs in key areas, the Senior Management actively seized development opportunities, strived to eliminate bottlenecks, firmly held the bottom line for risk management and made solid work progress on all fronts, thus continuously enhancing the Bank's operating results.

During the reporting period, the Senior Management of the Bank held 32 regular meetings, at which it discussed and decided upon a series of significant matters, including the Group's business development, performance management, risk management, globalised development, integrated operation, IT development, data governance, smart operation and outlet transformation.

During the reporting period, the Senior Management (Executive Committee) additionally established five committees, the Integrated Operation Coordination Committee, which is responsible for the overall management and decision-making of the Group's integrated operation; the Asset Management Business Committee, which is responsible for the coordination, management and decision-making of the Group's asset management business; the Consumer Protection Committee, which is responsible for the unified planning and overall arrangement of the Bank's consumer protection work; the Domestic Branch Development and Coordination Committee, which is responsible for the overall coordination of key issues pertaining to the operation and management of the Bank's domestic branches; and the Green Finance Management Committee,

which is responsible for the overall management and decision-making regarding the Group's green finance work. The Senior Management currently presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the IT Management Committee, the Securities Investment and Management Committee, the Internet Finance Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, and the Green Finance Management 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 Executive Committee, and pushed forward the sound development of the Bank's various operations.

### **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 had complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

## Corporate Governance

### Appointment of External Auditors

Upon approval by the 2018 Annual General Meeting, Ernst & Young Hua Ming LLP was reappointed as the Bank's domestic auditor and internal control auditor for 2019 and Ernst & Young was reappointed as the Bank's international auditor for 2019.

Fees paid to Ernst & Young and its member firms for financial statements audit of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB229 million for the year ended 31 December 2019, of which the fees for internal control audit paid to Ernst & Young Hua Ming LLP totalled RMB14 million.

Ernst & Young and its member firms were not engaged in other significant non-auditing services with the Bank in 2019. The Bank paid RMB31.3695 million for non-auditing services to Ernst & Young and its member firms in the year.

Ernst & Young Hua Ming LLP and Ernst & Young have provided audit services to the Bank for seven consecutive years. Mr. LEUNG Shing Kit and Ms. ZHANG Fan are the certified public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2019.

At the forthcoming 2019 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 2020, providing audit services on its financial statements and internal control pursuant to CAS; and engaging Ernst & Young as the Bank's international auditor for 2020, providing financial statements audit services pursuant to IFRS.

### Investor Relations and Information Disclosure

In 2019, the Bank continued to expand the depth and breadth of its capital market tracking and analysis, further enriched the forms of market communications and enhanced the initiative and effectiveness of its investor relations activities. The Bank successfully held its 2018 annual results briefing and 2019 interim results briefing, further expanded the coverage area of its annual road shows and made its best efforts to attract potential investors. The Bank held innovative reverse road-shows on specific topics as well as continuing its routine communication activities, such as results road-show, participating in the conferences for major investment banks, inviting the analysts and investors to visit the Bank, and holding the teleconferences etc., through which it actively introduced its recent developments, timely responded to market concerns, and earnestly listened to market feedback. The Bank continued to improve timely communication with minority shareholders so as to effectively protect their rights. As such, the Bank answered the investor hotlines promptly, provided comprehensive responses to the emails from shareholders and the enquiries posted on e-interaction online platform run by SSE. It organised the special communication with individual shareholders present at its annual general meeting and organised the open day for investors via the roadshow platform run by SSE, all of which resulted in active engagement and acclaim from investors. In addition, the Bank actively studied rating opinions and further strengthened communications with rating agencies, and actively maintained the stability of external ratings. In 2019, S&P Global Ratings upgraded the Bank's stand-alone credit profile (SACP), Fitch Ratings upgraded the Bank's short-term Issuer Default Rating (IDR), and Moody's Investors Service affirmed the Bank's ratings and outlook. At present, the Bank's external ratings

are at the highest level among comparable domestic peers, which has the continuous positive effect of lowering financing costs and enhancing the Bank's market image.

In 2019, 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. Through concise and clear language, investors are provided with equal opportunity to access accurate information. The Bank has established a sound information disclosure system and put in place clear specifications regarding information disclosure standard and the scope of application, responsibility and division of work, communication mechanism, as well as working procedures and internal monitoring measures. It carefully organised compliance analysis and disclosure of material events, as well as actively exploring and steadily promoting voluntary information disclosure. The Bank reinforced the principal responsibility system

and information correspondent mechanism, promoted the building of a professional team and a strong compliance culture of information disclosure, so as to improve the initiative and long-term perspective of its information disclosure management work. It also carried out the registration and submission of insider information in strict compliance with relevant regulatory requirements and the rules of the Bank.

In 2019, the Bank continued to enhance its work in investor relations and information disclosure and had received wide recognition. The Bank won awards including "Quam IR Awards — The Most Remarkable Investor Relations Recognition", the 7th "Overall Top 100 Listed Companies in Hong Kong" and "2019 Top 100 Listed Companies in China" etc. The Bank's annual report won a Gold Award in the overall category of the annual report competition and Technical Achievement Award of the League of American Communications Professionals (LACP). It also won a Gold Award in Chairman's/President's letter of the Annual Report Competition (ARC). In addition, it once again won an Excellence Award for H-Share & Red Chip Entries from the Hong Kong Management Association (HKMA).