

# Report of the Board of Supervisors

## Meetings of the Board of Supervisors

In 2019, the Bank convened four on-site meetings of the Board of Supervisors on 29 March, 28 April, 30 August and 30 October. At these meetings, the Board of Supervisors reviewed and approved 27 proposals regarding the Bank's 2018 annual report, 2018 profit distribution plan, 2018 internal control assessment report, 2018 corporate social responsibility report, 2018 work report of the Board of Supervisors, evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, senior management and its members for 2018, nomination of Mr. JIA Xiangsen and Mr. ZHENG Zhiguang to be appointed as external supervisors of the Bank, report for the first quarter ended 31 March 2019, 2019 interim report, report for the third quarter ended 30 September 2019, performance evaluation results for the Chairman of the Board of Supervisors and shareholder supervisors for 2018, 2018 remuneration distribution plan for Chairman of the Board of Supervisors and shareholder supervisors, implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2019, and evaluation measures for duty performance of external supervisors (2019 version), among others. In 2019, the Board of Supervisors held four meetings by written resolution, at which it mainly reviewed and approved nine proposals regarding the amendments to Chapter 13 (Board of Supervisors) of the Articles of Association, report on the management of new products, and duty performance in market risk management, among others.

In 2019, the attendance rate of each supervisor of the meetings of the Board of Supervisors is given below:

Supervisors	Number of meetings attended in person/Number of meetings convened during term of office
<b>Incumbent Supervisors</b>	
WANG Xiquan	8/8
WANG Zhiheng	8/8
LI Changlin	7/8
LENG Jie	8/8
JIA Xiangsen	4/4
ZHENG Zhiguang	4/4
<b>Former Supervisors</b>	
LIU Wanming	4/4
CHEN Yuhua	4/4

Notes:

- 1 Please refer to the section "Directors, Supervisors and Senior Management Members — Changes in Directors, Supervisors and Senior Management Members" for changes in supervisors.
- 2 Supervisors who did not attend the meetings of the Board of Supervisors in person have authorised other supervisors to attend and vote at the meetings as their proxy.

In 2019, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and three meetings by written resolution, at which it reviewed and approved the proposals regarding the evaluation opinions on the duty performance and due diligence of the Board of Directors, senior management and their members for 2018, nomination of Mr. JIA Xiangsen and Mr. ZHENG Zhiguang

## Report of the Board of Supervisors

to be appointed as external supervisors of the Bank, 2018 remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors, and the implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2019, among others. The Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-site meetings, at which it reviewed and approved the proposals regarding the Bank's 2018 annual report, 2018 profit distribution plan, 2018 internal control assessment report, 2018 corporate social responsibility report, report for the first quarter ended 31 March 2019, 2019 interim report and report for the third quarter ended 30 September 2019, among others.

### **Performance of Supervision and Inspection by the Board of Supervisors**

In 2019, with the aim of building BOC into a world-class bank in the new era, the Board of Supervisors stimulated vitality, made agile response and achieved breakthroughs in key areas in compliance with relevant laws and regulations, regulatory requirements and the Articles of Association of the Bank. It diligently supervised the duty performance, strategy implementation, financial management, internal control and risk management, added a great deal of insight and perspective to its work and played a constructive supervisory role for the Bank's sound development, hence making new achievements in various tasks.

#### **Stepped up the supervision of duty performance of directors and senior management members.**

First, the Board of Supervisors strengthened the supervision of day-to-day duty performance.

Supervisors attended the meetings of the Board of Directors and its special committees, as well as meetings of the Senior Management as non-voting attendees. This allowed supervisors to stay informed regarding the duty performance of directors and senior management members, follow up on the decision-making, implementation and progress of major issues and key operation and management measures, and to share supervisory opinions and suggestions regarding major concerns in a timely fashion. Supervisors collected and analysed information on the duty performance of directors and senior management members at regular intervals, facilitated their duty performance in accordance with laws and regulations, and issued reminders on matters requiring particular attention. Second, it earnestly carried out annual duty performance assessment. The Board of Supervisors organised interviews with directors and senior management members on their duty performance, and formulated annual duty performance assessment opinions on the Board of Directors, the Senior Management and its members with due regards to routine supervision information. After review and approval at the meeting of the Board of Supervisors, it reported annual assessment results to the shareholders' meeting, as well as duly filing duty performance assessment opinions with the regulator. The duty performance supervision and assessment helped to enhance the Bank's overall level of corporate governance, and provided institutional support to the Bank's reform, innovation and sustainable development.

#### **Deepened the review and supervision of strategy, finance and regular reports.**

Taking routine finance supervision as its basis, the Board of Supervisors analysed the Bank's operation and management in depth, tracked the Bank's

## Report of the Board of Supervisors

operation and management dynamics at regular intervals, made its supervision increasingly forward-looking and effective, and solidified its efforts in the supervision of strategy and finance. First, the Board of Supervisors proactively proposed suggestions and recommendations for the Bank's operation and management as well as reform and development. At the seminar of directors and supervisors chaired by the Chairman, all supervisors made suggestions and recommendations on major issues such as corporate governance, operation and management, risk management and internal control, and proposed matters requiring the attention of the Board of Directors and the Senior Management, earnestly performing its strategy supervision and assessment function. The suggestions and recommendations were welcomed and adopted by the Board of Directors and the Senior Management. Second, the Board of Supervisors deepened routine supervision. It followed up on progress towards the implementation of major financial decisions, and put in place regular communication mechanism with the financial management, risk management, credit management, audit and other departments of the Head Office. It paid attention to the arrangement and implementation of financial management, tracked the implementation progress of the annual financial budget, and regularly sorted out and analysed the financial and accounting data of the Bank. Based on the analysis and study of the macro-economic situation and regulatory policies, the Board of Supervisors strengthened its forward-looking analysis and judgment of the Bank's financial position, prepared financial supervision and analysis briefings, and made timely prompts to relevant management departments to take effective measures to improve the operating status. Third, the Board of Supervisors solidified the review and supervision of regular reports. It properly performed its duties

regarding the review and supervision of regular reports by regularly hearing reports on operating results and financial position, changes in risk assets, provisioning of reserves and material audit findings, and paying special attention to the accuracy of the application of accounting policies, the reasonableness of accounting valuation methods, authenticity of disclosure of risk events, the effectiveness of internal control over financial activities. It also heard special reports of the external auditor on audit plans and audit opinions, and strengthened supervision and guidance. It put forward four letters of supervisory recommendations and outlined 15 concerns and 29 specific suggestions to the Board of Directors and the Senior Management. These related to cultivating new income growth points, improving interest margin performance, performing well in inclusive finance, strengthening risk control, increasing the efforts in NPA mitigation, developing high-quality deposit and loan businesses, responding to changes in the external environment and giving full play to the Bank's advantages in globalised operations. The Board of Directors and the Senior Management paid much attention to the above-mentioned issues, and related management departments responded timely and actively remedied the issued requiring attention.

**Made solid efforts in supervising routine risk management and internal control with an issue-oriented approach.** In 2019, the Board of Supervisors kept up a keen awareness of changes in the external environment as well as new situations, new problems and new challenges faced by the Bank with respect to risk management and internal control. In implementing its risk supervision responsibilities, it was always mindful of worst-case scenarios, became more aware of urgency and potential dangers, and focused on forestalling and defusing material risks. Focusing

## Report of the Board of Supervisors

on the overall imperative to prevent risks and boosting development, the Board of Supervisors followed up on the implementation of major risk resolution and key tasks in risk management and internal control, and paid constant attention to and followed up on the regional, industry-wide and policy risks faced by the Bank. It also strengthened its judgment of the internal and external situations, regularly analysed the Bank's overall risk management profile, promptly drew attention to risks, urged relevant parties to perform well in forestalling and defusing material risks, and timely observed, accurately understood and effectively addressed various risks and challenges.

**Launched special in-depth surveys.** In 2019, the Board of Supervisors continued to combine special surveys with its mission as specified in the Articles of Association. Giving full play to the practical and efficient characteristics of special surveys, it focused on the Bank's major plans, decisions and priorities, and organised three surveys on strategy implementation, the operation and management mode of village banks and the capacity building for globalised development. The survey teams were led by supervisors and consisted of directors and personnel from relevant departments of the Head Office. They held many discussions with Head Office departments and visited 14 domestic tier-1 branches, eight overseas institutions and their branches, and village banks in order to streamline existing problems, dig into their causes, and widely solicit proposed countermeasures. Based on this, they submitted survey reports that provided the Board of Directors and the Senior Management with forward-looking and effective opinions and suggestions. The Board of Directors and the Senior Management fully recognised the value of the survey reports, and held special meetings to make arrangement for rectification.

**Actively improved the coordination in supervision.** First, the Board of Supervisors strengthened coordination with directors. It drew on past experience, took new approaches and promoted healthy links between directors and supervisors. It strengthened the sharing of macro information, management information, peer information, risk prompts and other information with the Board of Directors. It intensified the communication and coordination with the Board of Directors and the Senior Management, promoted the sharing of supervision resources, and improved collaboration and coordination. This in turn, provided reference opinions for the Board of Supervisors to better perform its supervision responsibilities. Second, the Board of Supervisors deepened its collaboration with the second and third lines of defense and the comprehensive management departments of the Head Office, by strengthening joint information sharing, supervision coordination and training interaction. Overall, it actively leveraged the collaborative role of the supervision system to reduce the supervision costs, develop a broader vision, join forces, and improve the efficiency of supervision.

**Strengthened self-improvement.** The Board of Supervisors consolidated the foundation of supervision function, and facilitated the appointment of two new external supervisors. It held a special seminar to implement the guiding principles put forth at the Fourth Plenary Session of the 19th CPC Central Committee, improve its ability and efficiency, better perform its duties, and play a more constructive role in the corporate governance system. The Board of Supervisors organised and completed the annual duty performance assessment of itself and its members, and urged all the supervisors to earnestly perform the supervision duties delegated by the Articles

## Report of the Board of Supervisors

of Association. Special training courses were held to improve the supervisors' expertise and duty performance capability. Experts inside and outside the Bank were invited to talk about the supervision and operation experience of financial holding companies, the evolution of big data-driven business decisions, the impact of LPR reform on the Bank's business development, the business development of the new zone in Shanghai FTZ, and the development history and experience of the Bank's peers. All supervisors performed their duties faithfully and diligently, made efforts to sharpen their policy competence and duty performance capability, actively attended meetings, earnestly reviewed proposals, heard working reports, undertook special surveys and expressed opinions professionally, rigorously and independently, thus conscientiously carrying out their supervisory function.

The Board of Directors and the Senior Management highly valued and greatly supported to the work of the Board of Supervisors. Through holding Executive Committee meetings and special meetings or in other forms, they earnestly studied the supervisory reminders of the Board of Supervisors, steadfastly pushed forward remediation measures and continually improved the Bank's overall level of corporate governance.

In accordance with the regulatory requirements, the Board of Supervisors has put forward the following supervision and assessment opinions regarding the duty performance related to remuneration management by the Board of Directors and the Senior Management of the Bank. During the reporting period, the Bank continuously improved its remuneration management policy system, made the incentive and restraint mechanism more reasonable and effective, and upgraded the performance assessment indicator system. It actively pushed forward the continuous innovation and efficiency enhancement of the resource allocation

mechanism, and disclosed remuneration information in strict accordance with regulatory requirements. In its remuneration management, the Bank adhered to the principles of balancing income and risk, coordinated short-term and long-term remunerations and the combination of talent training and risk control, all of which is conducive to the implementation of the Bank's strategic objectives and enhancement of competitiveness of the Bank and consistent with the Bank's requirements for sustainable development. The Bank granted more remuneration resources to primary-level outlets, continuously improved the employee welfare support system, enhanced the sense of happiness and safety among its employees, and steadily increased employee remuneration competitiveness.

In accordance with the regulatory requirements, the Board of Supervisors issued the following supervision and assessment opinions regarding duty performance related to liquidity risk management by the Board of Directors and the Senior Management of the Bank. During the reporting period, the Bank adhered to the operating principle of balancing safety, liquidity and profitability, and continuously optimised the liquidity risk management system. In accordance with regulatory policies and management practice, the Bank reviewed and revised its liquidity risk management policy, the implementation rules for stress testing and its liquidity contingency plan; strengthened intraday liquidity risk management and centralised fund management; strengthened risk limit management and differentiated risk limit indicators for domestic and overseas institutions; conducted liquidity risk stress testing on a quarterly basis, and comprehensively analysed short-term and medium-to-long-term stress resistance. Thanks to these efforts, the Bank's liquidity risk indicators and stress testing results met regulatory and internal management requirements, and the liquidity risk was controllable overall.

## Report of the Board of Supervisors

During the reporting period, the Board of Supervisors held no objection to such matters under its supervision regarding the Bank's operational and legal compliance, financial position, use of raised funds, purchase and sale of assets, connected transactions, internal control and corporate information disclosure.

### **Working Performance of the External Supervisors**

During the reporting period, Mr. JIA Xiangsen, Mr. ZHENG Zhiguang and Mr. CHEN Yuhua, the external supervisors of the Bank, performed their supervisory duty in strict accordance with the provisions of the Articles of Association of the Bank. They were present at shareholders' meetings, attended the meetings of the Board of Directors, the Strategic Development Committee, the Risk Policy Committee and the Audit Committee as non-voting attendees, and personally attended all the meetings of the Board of Supervisors and its special committees during their terms of office. Mr. JIA Xiangsen and Mr. ZHENG Zhiguang,

the two external supervisors led two special surveys regarding the Bank's strategy implementation and the operation and management model of village banks, and proposed independent opinions such as accelerating technology infrastructure construction, improving innovation capability, sharpening traditional advantages, deepening mechanism reform and innovation, building an agile response system, pushing forward breakthroughs in key fields, leveraging the advantages of the Bank's investment banking license, and promoting innovations based on the macro policies. They also participated in the special survey on the capacity building for globalised development, and put forward opinions and suggestions regarding strengthening differentiated management, increasing overseas IT investment and intensifying the cultivation of a global talent team, thus playing an active role in promoting the improvement of the Bank's corporate governance and management. During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang worked at the Bank for more than 15 working days.