

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2020, the Bank convened four on-site meetings and four meetings by written resolution of the Board of Supervisors. At these meetings, the Board of Supervisors reviewed and approved 31 proposals regarding the Bank's four regular reports, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, 2019 work report of the Board of Supervisors, Special Report of the Deposit and Use of Proceeds Raised from the Issuance of 2019 Domestic Preference Shares, evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2019, evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2019, supervision and evaluation opinions of the Board of Supervisors on the Bank's duty performance in remuneration management, consolidated management, internal audit, anti-money laundering management, internal control, fraud prevention, information disclosure management, new product management, data governance management, market risk management, employee behavior management and compliance management, performance evaluation results for the Chairman of the Board of Supervisors for 2019, 2019 remuneration distribution plan for the 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 2020, performance evaluation results and remuneration distribution plan for external supervisors, implementation plan on performance management for external supervisors in 2020, nomination of Ms. ZHANG Keqiu as candidate for Shareholder Representative Supervisor of the Bank, election of Ms. ZHANG Keqiu as the Chairman of the Board of Supervisors of the Bank, and appointment of Ms. ZHANG Keqiu as Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank, among others.

In 2020, 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
Incumbent Supervisors	
ZHANG Keqiu	0/0
WANG Zhiheng	8/8
LI Changlin	8/8
LENG Jie	8/8
JIA Xiangsen	8/8
ZHENG Zhiguang	8/8
Former Supervisors	
WANG Xiquan	8/8

In 2020, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and five meetings by written resolution, at which it reviewed and approved proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2019, performance evaluation results for the Chairman of the Board of Supervisors for 2019, 2019 remuneration distribution plan for the 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 2020, performance evaluation results and remuneration distribution plan for external supervisors, implementation plan on performance management for external supervisors in 2020, nomination of Ms. ZHANG Keqiu as candidate for Shareholder Representative Supervisor of the Bank, election of Ms. ZHANG Keqiu as the Chairman of the Board of Supervisors of the Bank, and appointment of Ms. ZHANG Keqiu as Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank, 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 four regular reports, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, and evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2019, among others.

Performance of Supervision and Inspection by the Board of Supervisors

In 2020, with the aim of building a first-class global banking group and meeting the objectives of the "Year of Enhanced Implementation", 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 proactively assessed external trends and changes, diligently supervised the duty performance, financial management, risk management and internal control in a more forward-looking, insightful and professional manner, and effectively played a constructive supervisory role within the corporate governance system, thus continuously contributing to the high-quality development of the Bank.

Supervised and evaluated the duty performance of directors and senior management members in an orderly manner. First, the Board of Supervisors strictly supervised 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, heard reports of relevant departments, participated in symposiums, held interviews, analysed materials and carried out special surveys. This allowed supervisors to stay informed regarding the duty performance of directors and senior management members, and to follow up on the decision-making, implementation and progress of major issues and key operation and management measures. In 2020, the Board of Supervisors completed four analysis reports on the duty performance of the Board of Directors and the Senior Management, and expressed

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supervisory opinions or suggestions regarding major concerns. Second, it earnestly carried out annual duty performance evaluation. The Board of Supervisors collected duty performance and due diligence reports of directors and senior management members, organised interviews with directors and senior management members regarding their duty performance, evaluated the annual duty performance of the Board of Directors, the Senior Management and its members in an objective and fair manner with due regards to routine supervision information, and formulated annual duty performance evaluation opinions. After review and approval at the meeting of the Board of Supervisors, it reported evaluation results to the shareholders' meeting, and duly filed duty performance evaluation opinions with the regulator. The Board of Directors and the Senior Management attached great importance to and actively cooperated with the supervision and evaluation of duty performance carried out by the Board of Supervisors, clearly embodying how the Bank's corporate governance entities perform their respective duties and obligations in a coordinated manner and maintain effective checks and balances.

Solidified the review and supervision of strategy, finance and regular reports. First, the Board of Supervisors effectively performed the responsibility of strategy supervision. It kept a close eye on the Bank's support for major national strategies and plans, pandemic prevention and control, the resumption of work and production, and the development of the real economy, followed and evaluated the implementation progress of the Bank's development strategies under the new circumstances, and provided insights and suggestions for the preparation of the Bank's strategies in the 14th Five-Year Plan period. Second, the Board of Supervisors made steady progress in routine financial supervision. It followed up the Bank's progress in the implementation of its major financial policies and decisions on financial matters, such as the priorities of annual financial management, the annual business plan and the financial budget. It regularly sorted and analysed the Bank's financial and accounting data, strengthened its forward-

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looking analysis and judgment of the Bank's financial operation based on tracking and studying of the macro-economic and financial situation, regulatory policies and peer dynamics, completed four analysis reports on the Bank's financial position, and made timely prompts to relevant management departments to take effective measures to improve operating results. Third, the Board of Supervisors solidified the review and supervision of regular reports. It regularly heard reports on operating results and audit opinions, supervised and reviewed the authenticity, accuracy and completeness of financial materials such as regular reports, annual financial report and profit distribution plan, and all supervisors signed written confirmation opinions. The Board of Supervisors put forward four letters of supervisory recommendations, outlined 17 concerns and made 40 specific suggestions to the Board of Directors and the Senior Management. These were related to paying due attention to the impact of the pandemic on the Bank's operation, capturing opportunities for business development, responding to changes in the external environment, strengthening the business management of overseas institutions, following national policies such as "dual circulation", consolidating the foundation for high-quality development, strengthening comprehensive risk management, improving the quality and efficiency of asset quality control, tracking the latest capital regulatory policies, and intensifying capital replenishment and management.

Deepened the supervision of risk management and internal control. First, the Board of Supervisors strengthened the day-to-day supervision of risk management and internal control. In response to the continuously rising credit risk, market risk, liquidity risk, internal control and operational risk in the banking sector during the year, the Board of Supervisors proactively studied and analysed new problems and new challenges faced by the Bank with respect to risk management and internal control. Taking into consideration its risk supervision responsibilities and remaining mindful of worst-case scenarios, it continuously followed up on the implementation of key tasks related to risk management and internal

control. In 2020, it completed four analysis reports on risk management and internal control, issued risk prompts, and put forward relevant opinions and suggestions. Second, focusing on the concerns of regulators and internal and external auditors, the Board of Supervisors properly supervised comprehensive risk management and risk control in key areas. It responded to the COVID-19 pandemic and related risk events, and sent risk alerts to the Senior Management and relevant departments.

Strengthened supervision in specific fields. The Board of Supervisors identified 17 key supervision matters according to the supervisory responsibilities assigned to it by regulatory requirements and the Articles of Association, including strategy implementation, capital management and advanced capital measurement management, liquidity risk management, comprehensive risk management, market risk management, consolidated management, stress test management, anti-money laundering management, internal control, fraud prevention, compliance management, new product management, data governance management, employee behaviour management, remuneration management, information disclosure and internal audit. It formulated supervision plans for all of the above matters, established corresponding supervision indicator system, heard reports from relevant functional departments of the Bank, and issued supervision and evaluation opinions as required.

Enhanced its supervisory role through special surveys. In 2020, the Board of Supervisors continued to combine special surveys with the supervision of duty performance, strategy, finance, risk and internal control, conducted more targeted and specialised surveys, brought the value of research into play, and strengthened the application of research results. Focusing on the Bank's development strategy and priorities, the Board of Supervisors organised three special surveys on the development of overseas institutions, the building of transaction banking and the disposal of non-performing assets. The survey teams were led by supervisors and consisted of

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directors and personnel from relevant departments of the Head Office. They interviewed directors and senior management members, held discussions with a total of 24 departments and institutions from the Head office and comprehensive operation subsidiaries, and conducted field surveys in five domestic tier-1 branches and tier-2 branches under jurisdiction. Due to the pandemic, they also held video seminars with 11 domestic and overseas institutions and carried out written surveys with 29 domestic and overseas institutions. Through these efforts, they developed a full understanding of the implementation of decisions and plans made by the Head Office, deeply analysed existing problems and difficulties, widely solicited proposed countermeasures, and submitted survey reports that provided the Board of Directors and the Senior Management with targeted and practical opinions and suggestions.

Actively improved synergies in supervision. The Board of Supervisors gave full play to the synergistic work of directors and supervisors. It strengthened information sharing with the Board of Directors in respect of macro information, regulatory information, the Bank's information and peer information, organised supervisors to attend the seminars of directors, supervisors and senior management members, and invited directors to participate in the surveys of the Board of Supervisors. It reinforced its coordination with the second and third lines of defence and comprehensive management departments, held special meetings with the audit line, and made best use of internal and external audit findings to broaden supervision horizons and improve supervision efficiency.

Strengthened self-improvement. The Board of Supervisors hosted a special seminar to study its work priorities and methods, focusing on the Bank's central tasks as well as problems encountered during supervision, so as to improve its work efficiency. The Board of Supervisors organised and completed the annual duty performance evaluation of itself and its members, and urged all supervisors to

earnestly perform the supervision duties delegated by laws, regulations and the Articles of Association. Special training courses were held to improve supervisors' professional competency around themes such as changes in current trends, challenges and opportunities faced by the banking industry, anti-money laundering and sanctions compliance management. All supervisors performed their duties faithfully and diligently, leveraged their respective expertise, and made efforts to sharpen their policy competence and duty performance capability. They also actively attended meetings, earnestly reviewed proposals, heard working reports, undertook special surveys and provided professional, well-considered and independent opinions, thus conscientiously fulfilling their supervisory function.

The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors. By holding Executive Committee meetings and special meetings, issuing written instructions and through other forms, they required senior management members and relevant functional departments to carefully study the opinions and suggestions offered by the Board of Supervisors in letters of supervisory recommendations and survey reports, push forward the rectification of existing problems, and regularly update the Board of Supervisors on rectification progress. As a result, the constructive supervisory role of the Board of Supervisors, through which supervision promotes improvement and development, was brought into full play. Effective interaction among the Board of Directors, the Board of Supervisors and the Senior Management boosted the continuous enhancement of the Bank's corporate governance.

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.

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Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang, 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 Corporate Culture and Consumer Protection Committee, the Audit Committee and the Risk Policy Committee as non-voting attendees, and personally attended all meetings of the Board of Supervisors and its special committees during their terms of office. Mr. JIA Xiangsen and Mr. ZHENG Zhiguang led three special surveys and proposed the following independent opinions: Regarding the survey of the development of overseas institutions, they proposed

to adhere to the globalisation strategy and take the path of high-quality development by implementing new development concept. Regarding the survey concerning the building of transaction banking, they proposed to strengthen top-level design and improve the product and service system. Regarding the survey concerning the disposal of non-performing assets, they proposed to optimise resource allocation and strengthen technological application. Their contributions played an active role in promoting the improvement of the Bank's corporate governance and business management. During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang worked at the Bank for more than 15 working days.

On behalf of the Board of Supervisors

ZHANG Keqiu

Chairwoman of the Board of Supervisors

30 March 2021