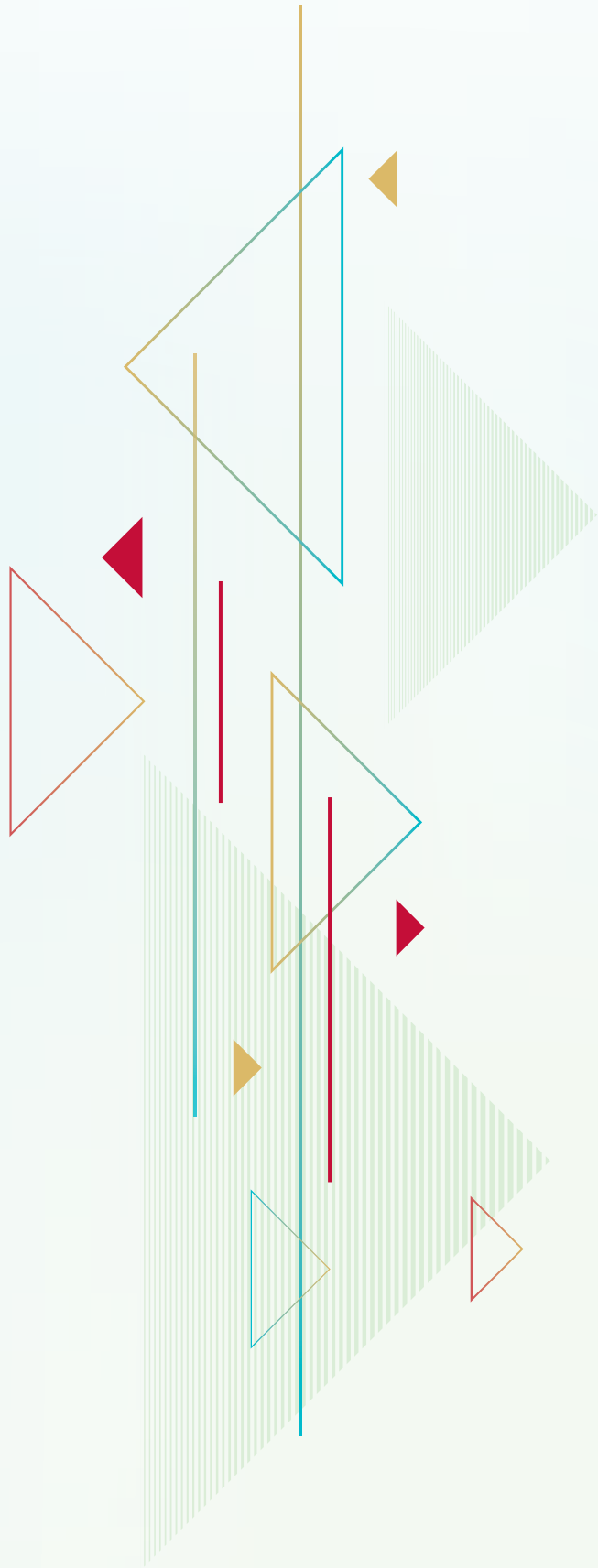


Corporate Social  
Responsibility Report  
2014



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# 1. About this Report

This report provides an annual summary of the sustainable development and corporate social responsibility (“CSR”) activities of BOC Hong Kong (Holdings) Limited (“the Company”; HK Stock Code: 2388; ADR OTC Symbol: BHKLY) and its subsidiaries (comprising Bank of China (Hong Kong) (“BOCHK”), Nanyang Commercial Bank, Chiyu Banking Corporation and others, collectively referred to as “the Group”) during the 2014 calendar year. Information in this report covers the Group’s corporate governance, stakeholder engagement, workplace practices, commitment to community, environmental performance and supply chain management.

In compiling this report, we made reference to the Global Reporting Initiative (“GRI”) Guidelines and the Environmental, Social and Governance (“ESG”) Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (“HKEx”).

What’s on [www.bochk.com](http://www.bochk.com)

Our website contains detailed information about BOCHK, our CSR reports, CSR Policy, Environmental Policy, Corporate Governance Policy and relevant CSR initiatives.

## 2. Chief Executive's Message

Rooted in Hong Kong for nearly a century, the BOCHK Group has been serving Hong Kong with a commitment to grow and prosper along with the city. While we provide quality financial services to customers, we proactively undertake our corporate social responsibility with a view to contributing to the sustainable development of the economy, society and the environment.

Our key responsibilities are to maintain steady business growth and promote the economic development of Hong Kong

During the year of 2014, as a leading banking group in Hong Kong, we continued to support the growth of the Hong Kong economy by different means while enhancing customer experience through continuous product innovation and channel optimisation. Driven by the solid growth in our core businesses, the Group delivered another year of record results. In recognition of our financial strength and ability to drive long-term profitability, we were named the Strongest Bank 2014 in Asia Pacific and Hong Kong by *The Asian Banker*.

As the Clearing Bank for RMB business in Hong Kong, we maintain a leading position in the provision of offshore RMB clearing services. To support the rapid development of the cross-border and offshore RMB business, we have built an all-weather RMB clearing system featuring strong functions that operates across the global markets. This system reinforces Hong Kong's role as an offshore RMB centre as well as its position as the global hub for offshore RMB clearing business.

Locally, we continue to offer comprehensive financial services which encompass credit and financing solutions for Hong Kong's major infrastructure projects, as well as the development of the industrial, commercial and trading sectors. We have also

participated in a number of syndicated loans to meet the funding needs of the large-scale development projects. All of these initiatives contribute to the long-term prosperity of Hong Kong. By providing homebuyers with access to a variety of reliable and convenient financial services, we continue to maintain our strong leadership in the residential mortgage market over the years.

To facilitate the business expansion of SMEs, an important pillar of Hong Kong's economic growth, we provide them with flexible financing solutions and a comprehensive range of cross-border financial services. Our continuous and relentless efforts to support SMEs and related activities have won us recognition as the Best SME's Partner by the Hong Kong General Chamber of Small and Medium Business for seven consecutive years.

To serve our community and promote the social development of Hong Kong are also our main responsibilities.

We make use of our banking expertise to benefit society and have integrated our sustainability strategy into our business operations. In addition to constantly refining our CSR policy, we have devised the Five-Year Stakeholder Engagement Plan 2012-2016 to ensure effective communication with our customers, shareholders, employees and the community.

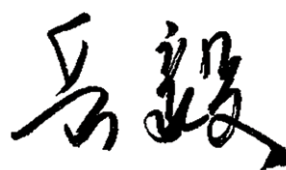
We attach great importance to serving our community and participate in a diverse range of charitable activities in order to share our success. These activities cover poverty relief, environmental protection and carbon reduction, education and culture, as well as sports and the arts. Our employees also proactively spread the message of caring through volunteer activities. In 2014, more than 1,400 employees registered as members of our Dynamic Volunteer Team, with their hours of service

increasing significantly by 81% over the year before. We further encourage our customers to conduct transactions through our e-channels and mobile banking to reduce paper consumption and protect our environment. More than 75% of their financial transactions were completed by electronic means. Through our sponsorship of the Hong Kong Corporate Citizenship Programme organised by the Hong Kong Productivity Council, we helped to raise awareness of CSR in the business community for the fifth consecutive year. We also witnessed a substantial increase of 30% in the number of participating companies over the year before.

In support of the Hong Kong Monetary Authority's ("HKMA") Treat Customers Fairly Charter, we assist the underprivileged with an array of preferential offers and convenient banking services. These include service fee waivers, ATMs with special functions for the visually impaired, as well as sloping platforms and bells to facilitate wheelchair access to our branches. As a leading bank offering the Reverse Mortgage Programme, we help senior citizens plan for their financial security. This retirement solution has been well received by customers.

Our contribution to the sustainable development of the economy, society and the environment has earned us wide recognition. For five years in a row, the Group has been included as a constituent of the Hang Seng Corporate Sustainability Index Series. BOCHK has also been named a Caring Company by the Hong Kong Council of Social Service for 11 consecutive years since 2003. In recognition of our people policies and measures, we were selected a winner of the Award of Distinguished Family-Friendly Employer 2013/2014 by the Family Council.

Looking ahead, BOCHK will remain focused on Serving Society, Delivering Excellence. We will be proactive in taking advantage of the opportunities associated with the major national strategies such as the One Belt, One Road initiative, the internationalisation of the RMB, Mainland enterprises going global, and the development of Free Trade Zones. Through closer collaboration with our parent bank, Bank of China ("BOC"), we will build on our global capabilities to better meet customers' diverse needs for quality financial services while making every effort to contribute to the enhancement of Hong Kong as an international financial hub and its long-term economic development. For our charity work, we will continue to implement our strategy of caring for all members of society and organise programmes for the people in need. In addition, we will make greater effort to promote sustainability among our staff, customers and members of the community, and encourage them to serve society. At the Group level, we will continue to undertake our social responsibilities, which we believe will enable us to create greater value for our customers, shareholders, employees and the community. We are committed to building a more prosperous and sustainable future for Hong Kong.



**YUE Yi**

Vice Chairman & Chief Executive

# 3. Corporate Social Responsibility at the Group

- CSR is an integral part of our business operations and is incorporated into our strategy, helping us to achieve our vision of becoming the premier choice for our stakeholders.
- We have formal policies, structures and mechanisms in place to manage our CSR programmes.
- The Group is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. We consistently support and participate in activities that are beneficial to the community.

## 3.1 Our CSR approach

At the Group, CSR means conducting business in a socially responsible way. This approach benefits our internal and external stakeholders as well as the wider economy, society and the environment. The fulfilment of our social responsibility is crucial for creating and maintaining our long-term core competitiveness, forging closer relationships with our stakeholders and enhancing the value of our brand.

We adopt a systematic approach to manage our CSR programmes. We have formal policies, structures and mechanisms in place to ensure that our CSR strategy is implemented and integrated across the Group. We ensure that our stakeholders provide feedback on our

performance through our Five-Year Stakeholder Engagement Strategy. We review and evaluate our CSR performance to ensure that we continue to make improvements that are aligned with our core businesses and meet stakeholders' expectation.

Our responsibility extends to our employees, customers, the wider community and supply chain. To fulfil our commitment, we provide secure employment for our employees, offer accessible banking services for our customers, support community initiatives which create meaningful impact and, within our sphere of influence, encourage positive behaviour towards the community and environment.

## 3.2 Our CSR governance

### CSR Committee

Established in 2010, the CSR Committee is chaired by the Chief Executive and comprises senior management and the chief executives of the subsidiaries. The CSR Committee is responsible for stipulating and reviewing strategies and policies, overseeing execution and reporting periodically to the Board on our CSR initiatives and progress.

### CSR policies

The Group has a CSR Policy and an Environmental Policy with reference to international guidelines, such as the UNEP (“United Nations Environmental Programme”) Statement by Financial Institutions on the Environment and Sustainable Development, ISO 26000-2010: Guidance on Social Responsibility and other sustainability-related principles. The policies provide the foundation that guides the Group’s CSR implementation. The Group also has a Sustainable Procurement Policy and a Supply Chain Code of Conduct

in place to ensure that our suppliers’ values are aligned with our position on ethics, corporate governance, environmental standards and fair labour conditions.

### Assessment of CSR performance

As social responsibility is one of the Group’s core values, CSR-related tasks and activities are assigned to related departments and subsidiaries to ensure the effective implementation of our CSR initiatives. Appropriate internal and external assessment mechanisms are set up to assess the practice of CSR on a regular basis to improve our performance.

## 3.3 Recognition in Hang Seng Corporate Sustainability Index Series

The Group’s sustainability performance has earned us broad recognition. Since the launch of the Hang Seng Corporate Sustainability Index Series in 2010, the Company has been included as a constituent.



# 4. Our Business

- 2014 marked another year of success of the Group in terms of our business development and growth, with record high results achieved in revenue and profits. All key financial ratios stayed sound. We continued to enhance and broaden our business platforms to better cater for the banking and finance needs of our customers.
- Our outstanding performance was well recognised by various industry awards. We were named the Strongest Bank 2014 in Asia Pacific and Hong Kong by The Asian Banker in recognition of our solid financial position and ability to drive long-term profitability.
- As a leading banking group in Hong Kong, we remain focused on Serving Society, Delivering Excellence while making every effort to contribute to the enhancement of Hong Kong as an international financial hub and the long-term development of its economy.
- Through our business operation, we support the growth of the Hong Kong economy in various aspects, e.g. by catering for the banking needs of different customer segments, providing employment opportunities and making tax contributions. With the offshore RMB business as our key strategic focus, we also strive to promote the development of Hong Kong as an offshore RMB centre through continuous product innovation and service enhancement.

## 4.1 About the Group

The Group is a leading listed commercial banking group in Hong Kong, offering a comprehensive range of financial products and services to personal and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong and also the Clearing Bank for RMB business in Hong Kong.

The Group has the most extensive distribution network in Hong Kong. As at 31 December 2014, we provided our services through more than 260 branches and an automated platform including over 1,000 self-serving machines (such as ATMs and Cash Deposit Machines), internet and mobile banking services. We had 42

branch outlets in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland. We maintain market leadership in all major businesses in Hong Kong including new residential mortgages, Hong Kong-Macau syndicated loans, cross-border trade settlement, RMB deposits, RMB insurance and currency exchange services, as well as the UnionPay merchant acquiring business and card issuing business in Hong Kong. With our close collaboration with our parent bank, BOC, we have been expanding our presence beyond Hong Kong to serve customers' needs for cross-border banking services and to support their global expansion plans.

Our Vision is to be

# YOUR PREMIER BANK

Our Mission is to

## Build

customer satisfaction and provide quality and professional service

## Offer

rewarding career opportunities and cultivate staff commitment

## Create

values and deliver superior returns to shareholders

Combining the initials of mission and core values, we have

# BOC SPIRIT

Our Core Values are

## Social Responsibility

We care for and contribute to our communities

## Performance

We measure results and reward achievement

## Integrity

We uphold trustworthiness and business ethics

## Respect

We cherish every individual

## Innovation

We encourage creativity

## Teamwork

We work together to succeed

## 4.2 Business highlights in 2014

- The Group delivered a set of strong results in 2014, driven by solid growth of our core businesses. Net operating income before impairment allowances was HK\$44,282 million, up by 9.8% as compared to 2013. Profit attributable to the equity holders still reached a new height of HK\$24,577 million, up 10.4% year-on-year.
- The Group maintained the proactive approach in managing its balance sheet to enhance returns and support our business development. The total capital ratio as at 31 December 2014 was 17.51%. The average liquidity ratio for 2014 was 42.17%. Total assets increased by 7.0% to HK\$2,189.4 billion compared with end-2013. Deposits from customers expanded by 11.7% to HK\$1,483.2 billion. Advances to customers grew by 12.0% to a total of HK\$961.0 billion. Overall loan quality remained sound with the classified or impaired loan ratio at a low level of 0.31%.
- We allocate ample resources to employee training and development with the aim of sustaining a competent staff force that contribute to the business development. This enables us to enhance our competitiveness and maintain leading market positions in various business areas. We maintained discipline in managing our expenses in order to balance profit growth and long-term business needs. Our cost-to-income ratio of 29.29% was among the lowest in the industry.

- We endeavour to become the main bank for our customers with comprehensive products and professional services. The Group has the most extensive branch network in Hong Kong and a robust customer base. In addition to optimising our branch network, we have enhanced our electronic channels, such as internet banking and mobile banking, to provide better customer experience. Our sophisticated customer segmentation strategy enables us to better cater for the diverse needs of our customers and to attract new customers. Through stronger collaboration with our parent bank, BOC, we are able to enhance our global service capabilities and capture the business opportunities on the Mainland and overseas.
- We provide accessible finance to customers. As at 31 December 2014, the Group provided advances to customers of HK\$961.0 billion which grew by 12.0% (2013: HK\$858.3 billion).
- The Group's residential mortgage loans grew by 7.2% while we maintained our market leadership in the underwriting of new mortgage loans during the year by developing our strategic initiatives. These included the Mortgage Expert mobile application that provides convenient mortgage application review and application appointment services. Mortgage top-up and re-financing promotions were also introduced to serve potential homebuyers.

### 4.3 Our economic impact

As a leading banking group in Hong Kong, we remain focused on Serving Society, Delivering Excellence while making every effort to contribute to the enhancement of Hong Kong as an international financial hub and the long-term development of its economy. Through our business operation, we support the growth of the Hong Kong economy in various aspects. We provide one-stop banking services to meet the financial needs of our customers to enable them to fulfil their financial goals and operate their businesses. We are also a major employer in local community to provide stable and promising job opportunities. We contribute directly to support the economy through tax payment. We are committed to promoting the healthy development of the Hong Kong as an international financial hub and the major offshore RMB centre.

#### Catering for the banking and finance needs of our customers

- With our sophisticated customer segmentation strategy in place, we provide targeted products and services to meet the banking needs of different customer segments.
- The Group's total corporate loan balance amounted to HK\$676.982 billion, representing an increase of 12.1%. The Group's Corporate Banking business continued to grow in the local sector while its cohesive relationship with BOC enabled the Group to capture the increasing demand for cross-border banking services from BOC Group's customers around the globe.
- With constant focus on ways to support the development of SMEs, an important pillar of Hong Kong's economic growth, the Group has optimised its Business Integrated Account to provide customers with a variety of products and business privileges. These included its BOC Small Business Loan, which has been enhanced with a streamlined application and approval service as part of a prompt and flexible financing solution for small businesses. With closer collaboration with BOC, the Group also offers SMEs a full range of innovative cross-border financial services. Supply chain finance has been launched to provide financing services for both upstream and downstream companies in the supply chain.

- The Group provides the Hong Kong Mortgage Corporation Limited's Microfinance and SME Financing Guarantee schemes as well as the Trade and Industry Department's SME Loan Guarantee Scheme to meet the diverse liquidity needs of SMEs for business development.

### Full support to the development of the offshore RMB market

During the year, the offshore RMB markets continued to expand with the introduction of some important initiatives. To meet market demand, we acted decisively to enhance our capabilities as the clearing bank and participating bank.

As the clearing bank for RMB business in Hong Kong, we continued to develop better infrastructure to ensure the stable and efficient RMB clearing services in both Hong Kong and overseas. In 2014, we extended our RMB clearing service hours to 20.5 hours per day, making us the world's first clearing system covering time zones in Europe, America and Asia with the longest operating hours globally. We successfully migrated to the second generation of the China National Advanced Payment System to further improve our RMB clearing efficiency and service capability.

We are also committed to providing sufficient RMB liquidity for daily settlement to both local and global participating banks. We have been designated by the HKMA as the Primary Liquidity Provider to facilitate more efficient liquidity management in the offshore RMB market.

As a major participating bank, we also continue to strengthen our services to cater for the rapidly growing needs of corporate and personal customers for RMB transactions around the world. The Group maintains its leadership in major offshore RMB businesses such as cross-border trade settlement, RMB deposits, RMB

insurance and currency exchange services, riding on its strong RMB franchise and experience. During the year, we significantly increased our market share in the underwriting of dim-sum bonds and introduced a series of RMB products following the official launch of the Shanghai-Hong Kong Stock Connect programme and uplifting of the RMB daily conversion limit for Hong Kong residents. Through our new customer relationships with central banks and major financial institutions in overseas countries and regions, we extended our global banknote distribution network to new markets in Central America, and Central and Southeast Asia. We were also granted a franchise in managing the Extended Custodial Inventory of a major currency, making us the first Chinese bank to be qualified for this role. Meanwhile, we actively participated in various seminars and conferences locally and globally to promote RMB business in Hong Kong. The new RMB products and services we introduced in 2014 include:

- We have been appointed as a designated bank of China Securities Depository and Clearing Corporation Limited at the Hong Kong Securities Clearing Company Limited ("HKSCC"), as well as the designated settlement bank of HKSCC for northbound trading under the Shanghai-Hong Kong Stock Connect.
- We introduced direct RMB exchange against other currencies, RMB Currency Linked Investment, A shares margin trading as well as RMB mortgage and personal loans.
- We set up cash pooling services in RMB that facilitate two-way cash sweeping for large corporates and provided cross-border RMB loans for corporates established in the Shanghai Free Trade Zone.
- We launched RMB settlement services for member institutions of UnionPay International Co. Ltd.

### Direct contributions to the economy

- Through our operation, we provide employment opportunities. At the end of 2014, the total headcount measured in full-time equivalents of 14,926 (2013: 14,647). The staff costs were HK\$7,268 million.
- In 2014, the total tax paid amounted to HK\$5,558 million (2013: HK\$4,718 million).

### Awards and recognitions

#### Financial Strength

- The Strongest Bank in Asia Pacific and Hong Kong by The Asian Banker

#### RMB business

- ISO 9001:2008 Quality Management System Certification by SGS Hong Kong Limited
- Shenzhen Financial Settlement System Innovation Award by Shenzhen Financial Electronic Settlement Centre
- The Best RMB Bonds, Offshore (Three Years) and the Best RMB Manager in Hong Kong by Asia Asset Management
- Eight honours in the Hong Kong Offshore RMB Centre – RMB Business Outstanding Awards by Metro Finance, Metro Finance Digital and Wen Wei Po
- Excellent Brand of RMB Banking Services by Metro Finance and Metro Finance Digital
- The Best RMB Service Gold Award by Metro Prosperity

- RMB Fixed Income Mutual Fund: Best-in-Class by Benchmark

#### Service Excellence

- Best Retail Bank in Hong Kong and Achievement Award for the Best Cash Management Bank in Hong Kong by The Asian Banker
- Hong Kong Domestic Cash Management Bank of the Year and Online Securities Platform of the Year – Hong Kong by Asian Banking and Finance
- Top bank in the Hong Kong-Macau syndicated loan market by Basis Point
- Operational Excellence Appreciation Award by Wells Fargo Bank N.A., New York
- Quality Recognition Award for Outstanding Achievement by J.P. Morgan Chase Bank, New York
- The Best Insurance Company in Hong Kong by World Finance
- The Best SME's Partner Award by The Hong Kong General Chamber of Small and Medium Business
- Eleven honours in the Outstanding Financial Management Planner Awards, including two Grand Awards and the Best Presentation Award by The Hong Kong Institute of Banker
- Four honours in the HKCCA Awards, including the Mystery Caller Assessment Award – Best of the Best by The Hong Kong Call Centre Association

- Three honours in the Customer Service Excellence Award, including the Outstanding Customer Service Programme Award by The Hong Kong Association for Customer Service Excellence
- Top Performer (Bank and Services) in the Quality Service Scheme and Mid-Year Encouragement Award by Mass Transit Railway Corporation
- Product and Service Innovation: Outstanding Achiever, Customer Commitment and Engagement – Insurance: Best-in-Class and Customer Insight – Insurance: Best-in-Class by Benchmark
- Seven honours in the Hong Kong Leaders' Choice Brand Awards by Metro Finance and Metro Finance Digital
- The Best of Consumer e-Banking Service Provider and the Best of Mobile Banking Service Provider by e-zone
- The Best Retail Bank Gold Award by Metro Prosperity
- My Most Favourite Credit Card for Travelling Award by U Magazine
- Celent Model Insurer Asia – Product Design/Product Definition by Celent, a research and consulting company in the U.S.
- 14 honours by Visa International
- Ten honours by MasterCard Worldwide
- Nine honours by UnionPay International
- Customer Complaint Standard ISO 10002 Customer Complaint Management Certification by Hong Kong Quality Assurance Agency
- ISO 9001:2008 Quality Management System Certification by SGS Hong Kong Limited
- Person-to-Person Telemarketing Code of Practice Certification by Hong Kong Call Centre Association

## Financial Highlights

	2014	2013	Change
For the year	HK\$'m	HK\$'m	+/(-)%
Net operating income before impairment allowances	<b>44,282</b>	40,313	9.8
Operating profit	<b>30,260</b>	27,493	10.1
Profit before taxation	<b>30,663</b>	27,793	10.3
Profit for the year	<b>25,105</b>	23,075	8.8
Profit attributable to the equity holders of the Company	<b>24,577</b>	22,252	10.4
<b>Per share</b>	<b>HK\$</b>	HK\$	+/(-)%
Basic earnings per share	<b>2.3246</b>	2.1046	10.4
Dividend per share	<b>1.1200</b>	1.0100	10.9
<b>At year-end</b>	<b>HK\$'m</b>	HK\$'m	+/(-)%
Capital and reserves attributable to the equity holders of the Company	<b>176,714</b>	158,813	11.3
Issued and fully paid share capital	<b>52,864</b>	52,864	–
Total assets	<b>2,189,367</b>	2,046,936	7.0
<b>Financial ratios</b>	<b>%</b>	%	
Return on average total assets <sup>1</sup>	<b>1.19</b>	1.22	
Return on average shareholders' equity <sup>2</sup>	<b>14.65</b>	14.37	
Cost to income ratio	<b>29.29</b>	29.97	
Loan to deposit ratio <sup>3</sup>	<b>64.79</b>	64.63	
Average liquidity ratio <sup>4</sup>	<b>42.17</b>	37.93	
Total capital ratio <sup>5</sup>	<b>17.51</b>	15.80	

1. Return on average total assets =  $\frac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

2. Return on average shareholders' equity  
=  $\frac{\text{Profit attributable to the equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to the equity holders of the Company}}$

3. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposit represents deposits from customers including structured deposits reported as "Financial liabilities at fair value through profit or loss".

4. Average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.

5. Total capital ratio is computed on the consolidated basis for regulatory purposes that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules.

## Credit Rating

Agency	Rating	Outlook
Moody's Investors Service	'Aa3' long-term and 'P-1' short-term local and foreign currency bank deposit ratings; and 'C+' bank financial strength	Stable
Standard & Poor's	'A+' long-term and 'A-1' short-term issuer	Stable
Fitch Ratings	'A' long-term and 'F1' short-term foreign currency issuer default	Stable

# 5. Corporate Governance

- The Group is committed to maintaining and upholding high standards of corporate governance in order to safeguard the interests of its stakeholders.
- In 2014, the Company was awarded “Asia’s Outstanding Company” by Corporate Governance Asia Magazine with an aim to recognise those companies with excellent and outstanding achievements in upholding aspects of shareholders’ rights, information disclosure and board function. This was the third consecutive year for the Company to be granted with such recognised award.
- The Group abides strictly by the laws and regulations in Hong Kong, and observes the rules and guidelines issued by regulatory authorities including HKMA, Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. We constantly review the corporate governance practices as adopted and strive to comply with the relevant requirements of international and local corporate governance best practices.
- To further enhance corporate governance standard, the Company will revamp the corporate governance system and strengthen relevant measurements by referencing to market trend as well as guidelines and requirements issued by regulatory authorities. We will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of our information disclosure.

## 5.1 Corporate Governance Principles

(1) Eminent Board	
Authority	The Board is responsible for supervising the management of the business and affairs of the Group with due regard to maximising shareholder value and enhancing corporate governance standard of the Group. The Board is obliged to act honestly and in good faith and to make decisions objectively in the best interests of the Group and its shareholders as a whole.
Structure	The Company is led by a high caliber Board. The Board has a well-balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors. Both the number and percentage of the Independent Non-executive Directors are in compliance with the requirements set by relevant rules and regulations. All Directors are eminent individuals from diverse disciplines with extensive professional experience and are able to make objective judgment.



Roles of Chairman and Chief Executive	The roles of Chairman and Chief Executive are segregated. The Company may benefit from the segregation as the Chairman can focus on leading the Board and monitoring corporate governance and shareholder issues, while the Chief Executive leading the Management to perform the day-to-day operations and affairs of the Company.
Board Committees	The Board has established five Board Committees which are delegated with different responsibilities to assist the Board in performing its duties. They are Audit Committee, Nomination Committee, Remuneration Committee, Risk Committee, and Strategy and Budget Committee. Most of them are composed of a majority of Independent Non-executive Directors. Each of the Board Committees has a well-defined mandate with the roles and responsibilities delineated therein. The performance and effectiveness of these Board Committees are evaluated periodically with a view to making further enhancement. Other Board Committees like Independent Board Committee and Search Committee will be formed as and when required under the appropriate circumstances.

## (2) Prudent Risk Management

The Board recognises the need for risk control and management being a vital component of the business of the Group. The Board formulates and oversees the risk management strategies, and the related framework and policies with the assistance of the Risk Committee and other relevant Board Committee(s). The Management performs the daily risk management responsibilities of the Group under the guidance of the Risk Committee.

## (3) Fair Remuneration System

The Company ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Directors' fees are subject to the approval of the shareholders. The Board, based on the recommendations of the Remuneration Committee which is mainly responsible for ensuring the fairness and reasonableness of the overall human resources and remuneration strategies, approves the remuneration policies of the Group. No Director shall be involved in deciding his or her own remuneration.

## (4) Effective Disclosure Mechanism

The Board reviews and monitors from time to time the effectiveness of the Group's disclosure process for reports, announcements, price sensitive and inside information. It encourages and takes necessary steps to disclose information in a timely manner and to ensure the information concerning the Group is expressed and communicated in a clear and objective manner that enables the shareholders and the public to appraise the position of the Group to make informed investment decisions.

### **(5) Upholding Shareholders' Rights**

The Board respects the rights of shareholders as mandated by the articles of association of the Company (the "Articles of Association") and relevant applicable laws and regulatory requirements. The Board places utmost importance on maintaining effective communications with shareholders and also makes its best efforts to keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders. In addition, the shareholders also have the rights to obtain all available information of the Company, make proposals at general meetings, nominate a person for election as a director, and make enquiries about the Company.

### **(6) Safeguarded Stakeholders' Interests**

The Board has a fiduciary duty to ensure, with due care, the interests of stakeholders including but not limited to employees, customers, business partners, suppliers, regulators and the community. All the interests of stakeholders of the Company are further safeguarded by strictly complying with applicable laws and regulations as well as governance policies.

### **(7) Sustainable Corporate Social Responsibility**

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community.

### **(8) Pursuit of "Good to Great"**

The Board encourages the pursuit of Good to Great. With the assistance of the Nomination Committee, the Board ensures that each Board Committee shall conduct regular self-assessment of its effectiveness, and based on the evaluation results, the Board gives guiding feedback to enhance its efficiency and effectiveness.

## 5.2 Corporate governance framework

### Responsibilities of the Board and Management

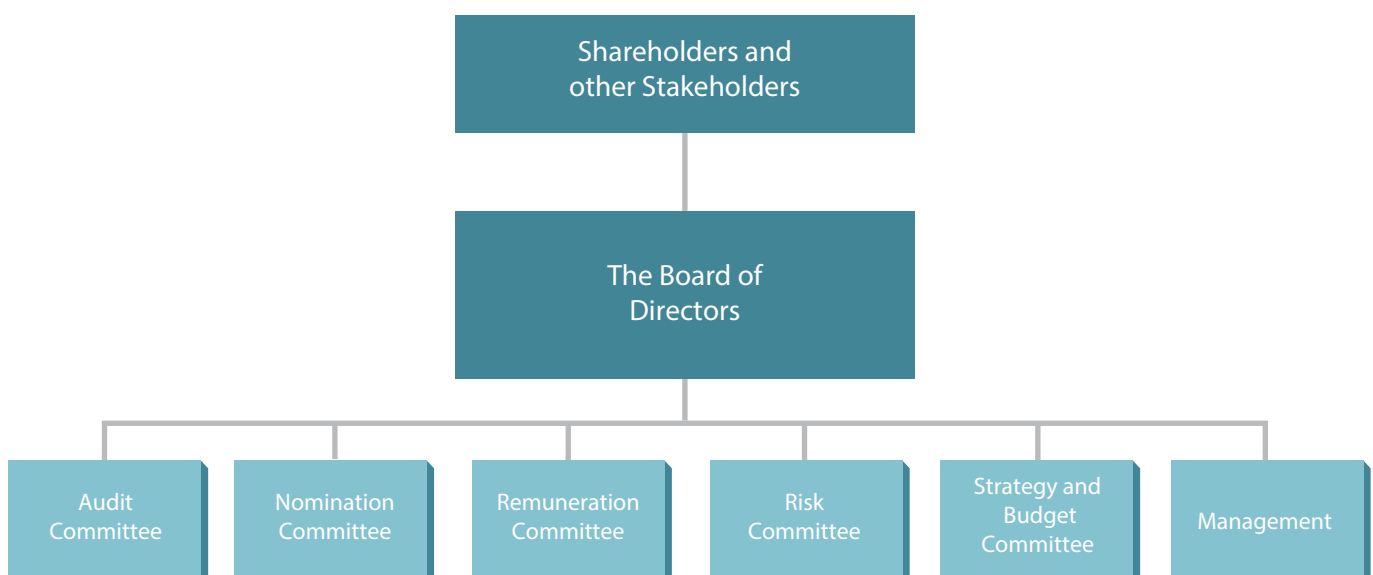
The Board is at the core of the Company's corporate governance framework and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. The Board authorises the Management to implement the strategies as approved by the Board. The Management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances whereas the Management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines.

### Roles of the Chairman and the Chief Executive

The positions of the Chairman and the Chief Executive are held by two different individuals. Their roles are distinct, clearly established and stipulated in the Board's Mandate. In short, the Chairman is responsible for ensuring that the Board properly discharges its responsibilities and conforms to good corporate governance practices and procedures. In addition, as the Chairman of the Board, he is also responsible for ensuring that all Directors are properly briefed on all issues currently on hand, and that all Directors receive adequate, accurate and reliable information in a timely manner. The Chief Executive is responsible for providing leadership for the whole Management and implementing important policies and development strategies as adopted by the Board. Led by the Chief Executive, the Management Committee fulfils responsibilities including management of the Group's routine operation, implementation of business development strategies and realisation of the Group's long-term targets and strategies.

### Board Committees

Taking into consideration market practices and international best practices in corporate governance, the Board has established five Board Committees to assist in performing its responsibilities. They are Audit Committee, Nomination Committee, Remuneration Committee, Risk Committee, and the Strategy and Budget Committee. Each of the Board Committees has a well-defined mandate and they make recommendations to the Board on relevant matters within its scope of responsibilities or make decisions under appropriate circumstances in accordance with the power delegated by the Board. According to their respective Mandates, the Board and each of the Board Committees will evaluate and review their work process and effectiveness annually, with a view to identifying areas for further improvements.



## 5.3 The Board of Directors

The Board of the Company is composed of majority of Non-executive Directors and Independent Non-executive Directors that ensures the independence and objectivity of the decisions of the Board, as well as comprehensive and impartial control of the Management. The Board acts honestly and in good faith so that decisions are made objectively with a view to delivering long-term and maximum shareholder value and fulfilling its corporate responsibility to other stakeholders of the Group.

The Board has eleven members, comprising four Independent Non-executive Directors, five Non-executive Directors and two Executive Directors. The Chairman of the Board was a Non-executive Director. During the year, six Board meetings were held with an average attendance rate of 82%.

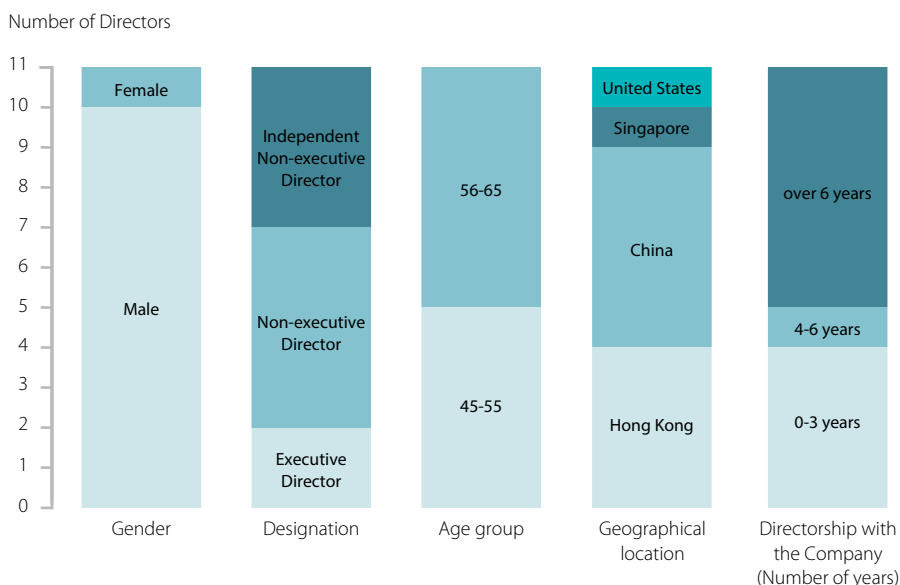
### Diversity and Independence of the Board Members

The Company recognises the importance and benefits of board diversity. In order to promote the corporate governance standards of the Board, the guidance set out in the “Board Diversity Policy” adopted by the Company will be considered in identifying suitable and qualified candidates to be a Board member, which covers a

number of aspects, including but not limited to gender, age, cultural and educational background, geographical location, professional experience, skills and knowledge, etc., in order to have an appropriate proportion in the Board composition from various aspects as aforementioned. At the same time, all Board appointments are made on merit, in the context of the skills and experience the Board as a whole required and the various perspectives of Board diversity elements as mentioned above shall also be adequately considered.

Under the current board membership, all Directors possess extensive experience in banking and management. In addition, over one-third of them are Independent Non-executive Directors, of whom some of them are experts in strategic development, financial and/or risk management. The Board has formulated the “Policy on Independence of Directors” which stipulates the criteria on independence of Independent Non-executive Directors. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence by reference to the Independence Policy. Based on the information available to the Company, it considers that all of the Independent Non-executive Directors are independent.

An analysis of the Board Composition during the year is set out below:



## 5.4 Risk Management

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk.

The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression

of the types and level of risk that the Group is willing to take in a controllable way in order to achieve its business goals and to meet the expectations of its stakeholders.

For a detailed report on the Company's corporate governance and risk management governance structure, please refer to the Company's 2014 Annual Report.

### Awards and Recognition

- Asia's Outstanding Company on Corporate Governance and Asian Excellence Recognition Award – Best Investor Relations Company by Corporate Governance Asia

# 6. Stakeholder Engagement

- The Group recognises the importance of engaging with stakeholders in making informed decisions which help us to achieve our business goals and uphold our CSR commitment.
- We identify our stakeholders as customers, employees, shareholders and the investment community, the government and regulators, supply chain and the community.
- In 2014, we continued with our Five-Year Stakeholder Engagement Plan 2012-2016 to ensure effective communications with our stakeholders through various channels to better understand their needs and priorities. These are all important in formulating the Group’s sustainable development strategy. During the year, we engaged an external consultant to conduct independent interviews with our suppliers, sustainability experts, the Government of the Hong Kong Special Administrative Region (“HKSAR”) and regulators, as well as industry associations.

## 6.1 Stakeholder engagement platforms

Key stakeholders	Key communication platforms
Customers	<ul style="list-style-type: none"> <li>▪ Focus group discussion</li> <li>▪ Communications with front-line staff</li> <li>▪ Customer satisfaction surveys</li> <li>▪ Collection of feedback</li> <li>▪ Corporate website</li> <li>▪ Quality Assurance Unit to respond to customers’ opinions and suggestions</li> </ul>
Employees	<ul style="list-style-type: none"> <li>▪ Staff performance assessment</li> <li>▪ Regular updates through staff magazine, intranet and announcements</li> <li>▪ Departmental meetings</li> <li>▪ Designated staff hotline</li> <li>▪ Online surveys</li> <li>▪ Staff discussion forum</li> <li>▪ Forum to collect staff feedback and suggestions</li> </ul>
Shareholders and the investment community	<ul style="list-style-type: none"> <li>▪ Company’s annual general meetings</li> <li>▪ Company announcements</li> <li>▪ Corporate website</li> <li>▪ Results briefings</li> <li>▪ Investor emails and meetings</li> </ul>

Government and regulators	<ul style="list-style-type: none"> <li>▪ Regular meetings and communications</li> <li>▪ Compliance reporting</li> <li>▪ Representatives at committees of major industry or government bodies</li> </ul>
Supply chain	<ul style="list-style-type: none"> <li>▪ Meetings and communications</li> <li>▪ Regular supplier reviews</li> <li>▪ Supplier management</li> <li>▪ Interviews</li> </ul>
Community	<ul style="list-style-type: none"> <li>▪ Sponsorships and donations</li> <li>▪ Seminars and forums</li> <li>▪ A diverse range of community reach-out activities for the grassroots and the underprivileged</li> <li>▪ Volunteer activities</li> </ul>

In 2014, as part of our stakeholder engagement, we continued to engage an external consultant to conduct independent interviews with our suppliers, sustainability experts, the HKSAR Government and regulators, as well as industry associations. We collected their feedback on our CSR initiatives which helped us identify ways to enhance our CSR strategy in contributing to the community and environment.

## 6.2 Customers

The Group provides customer-centric banking services that address the needs of our customers. With the most extensive distribution network in Hong Kong through more than 260 branches and an automated platform including over 1,000 self-serving machines (such as ATMs and Cash Deposit Machines), internet and mobile banking services, we provide customers with professional, efficient and quality services. In addition, as over 70% of corporate customers maintain personal accounts with us, we offer convenient one-stop banking platform encompassing both personal and corporate financial solutions, to assist them in investment and business development.

To protect customers' interest, the Group has a Quality Assurance Unit to respond to customers' opinions and suggestions with regard to our banking services. In addition, we regularly gather customer feedback through various channels, including focus group discussions, and communications between front-line staff and customers. Customer satisfaction surveys are also carried out to solicit constructive feedback and identify areas for improvement. Based on the findings reflected in the survey conducted in 2014, we continued to drive improvement in our overall performance. In addition, we organised seminars and visited our corporate customers to gain better understanding of their needs.

## Customer privacy

To protect the personal data privacy of customers, the Group has a Personal Data Protection Policy in place. It guides our departments in properly collecting and protecting personal data (including customer information) against unauthorised or accidental access, processing or other use.

Our Privacy Policy Statement is available on the BOCHK's website. It sets out the policies and practices towards the Group's commitment to protect personal data privacy in accordance with the provisions of the Personal Data (Privacy) Ordinance. Our customer database is managed in accordance with Personal Data (Privacy) Ordinance of Hong Kong. We take a responsible approach in direct marketing which only targets customers who have provided their consent to us. If a data subject does not wish the Group to use or provide to other persons his data for use in direct marketing, the data subject may exercise his opt-out right by notifying the Group.

## 6.3 Employees

At the end of 2014, the total headcount measured in full-time equivalents was 14,926. We have established platforms to ensure regular two-way communications between employees and senior management.

- Staff performance assessment is conducted annually with interim review as well. This is not only an important platform to review staff's performance but also to facilitate effective communications between the manager and the staff regarding their feedback on the job arrangement, Company's development or any other issues they may have.
- Regular updates about the Group's development are also shared through staff magazine, intranet and communications.
- Our employees can provide feedback through a designated hotline, online surveys and staff discussion forum.
- Our senior management makes regular branch visits to ensure that feedback from frontline staff on employment practices and customers are received.
- We also have a formal platform through which staff can submit their suggestions or complaints and appropriate action will be taken when necessary.
- We also have mechanisms in place to collect employees' views in making decisions that might impact them. For instance, the Group's Pension Fund/MPF Committee consists of staff representatives who monitor fund performance and discuss issues related to the Pension Fund/MPF scheme.



## 6.4 Shareholders

The Board respects the rights of shareholders as mandated by the “Articles of Association” and relevant applicable laws and regulatory requirements. The Board places utmost importance on maintaining effective communications with shareholders and also makes its best efforts to keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders. In addition, the shareholders also have the rights to obtain all available information of the Company, make proposals at general meetings, nominate a person for election as a director, and make enquiries about the Company.

Shareholders are encouraged to actively participate in the Company’s annual general meetings. As at 31 December 2014, the Company had 10,572,780,266 shares in issue of which approximately 34% was held by the public and 0.47% was held in the form of ADSs. The Company’s 82,529 registered shareholders were distributed in various parts of the world, including Asia, Europe, North America and Australia.

A total of 1,305 registered shareholders, 428 authorised corporate representatives and 649 authorised proxies holding an aggregate of 10,336,023,791 shares, representing 97.76% of the total issued share capital of the Company, were present at the 2014 Annual General Meeting. Minutes of the Annual General Meeting were available to shareholders on the Company’s website.

The following table shows the distribution of ownership according to the register of members which includes registered shareholders and shareholders recorded in the participant shareholding report generated from the Central Clearing and Settlement System as at 31 December 2014:

Category	Number of registered shareholders	% of registered shareholders	Number of shares held by registered shareholders	% of total issued share capital
Individuals	82,394	99.84	235,822,577	2.23
Institutions, corporates and nominees <sup>Note</sup>	134	0.16	3,395,879,933	32.12
Bank of China Group <sup>Note</sup>	1	0.00	6,941,077,756	65.65
Total	82,529	100.00	10,572,780,266	100.00

**Note:**

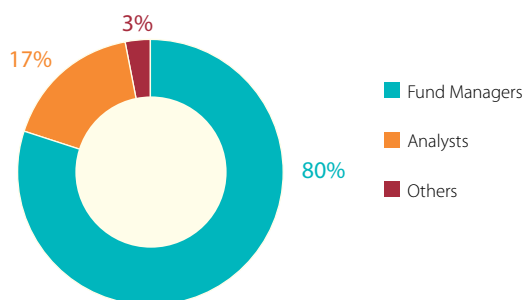
As recorded in the register maintained by the Company pursuant to section 336 of the SFO, the total number of shares held by Bank of China Group was 6,984,274,213 shares, representing 66.06% of the total issued share capital of the Company as at 31 December 2014. This figure included certain numbers of shares held for Bank of China Group in the securities account opened with BOCI Securities Limited, a participant of Central Clearing and Settlement System. Accordingly, these shares are included under the category of ‘Institutions, corporates and nominees’.

## 6.5 Investors

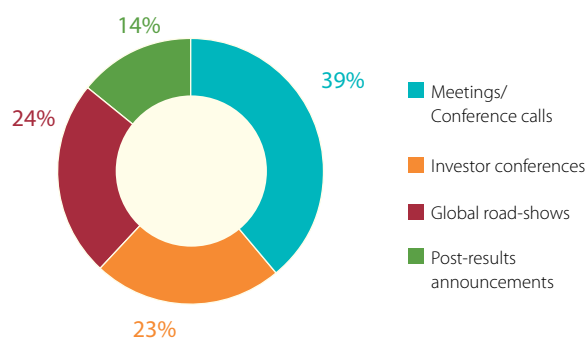
We recognise the fundamental importance of maintaining effective communications with our existing and potential investors. We strive to provide clear and timely information that is reasonably required to make a fair investment decision with regard to the Company’s equity and debt securities. We also highly value investor feedback and comments for the formulation of the Group’s growth strategies to ensure its sustainable development and to enhance shareholder values.

In 2014, the Company held about 130 meetings with investors and analysts across the world with total attendances of approximately 400. These meetings were conducted during global road-shows, investor conferences, company visits and conference calls to enable investors better understand the Group’s strategies and new business initiatives. The Company is widely covered by more than 15 securities research institutions. Through emails, direct dialogue with investors and investor feedback, we continued to promote two-way communications. The responses received from investors enabled us to better understand the market focus which helped formulate its investor relations plan and continually improved the investor relations practices.

Investor Meetings by Category



Investors Met by Event



Our senior management is highly supportive and actively involved in investor relations activities. We will actively meet with the investment community in meetings, conferences and road-shows. During these meetings, we will discuss general public information, including disclosed financial information and historical data, markets and products strategies, business strengths and weaknesses, growth opportunities and threats.

## 6.6 Government and regulators

The Group abides strictly by the laws and regulations, and observes the rules and guidelines issued by regulatory authorities which govern the operation of our business. Through regular meetings and reporting, we maintain effective communications with regulatory authorities. The Group has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the Management, business units and the regulatory bodies in assessing and monitoring the Group's operation and performance.

The participation in various committees of governmental or industrial bodies also provides us with an effective channel to communicate our views with government and regulators. These initiatives aim to promote the economic development and banking stability of Hong Kong, as well as the cross-border economic cooperation between Hong Kong and the Mainland of China. As the alternate chairman bank of the Hong Kong Association of Banks ("HKAB") in 2014, BOCHK has actively promoted HKAB's work in the following three key areas: to uphold Hong Kong's status as an international financial centre, strengthen the communications with the Government and regulatory authorities (including HKMA), and maintain and protect the interests of the public and the banking industry. HKAB has also conducted a large amount of analysis and research on the issues of concern to the banking sector, and provided over 90 submissions or proposals to the Government, regulatory authorities and international organisations. For the enhancement of capital management, HKAB has proactively communicated with the regulatory authorities to reflect the industry's views on Basel III with a view to helping the industry to establish a more robust capital base and liquidity and maintain the competitiveness of Hong Kong.

## 6.7 Suppliers

To facilitate the implementation of the Supply Chain Code of Conduct, we formulated a communication strategy, where we have trained procurement staff to communicate our standard and requirements to our suppliers. We work closely with our suppliers and conduct regular reviews on their performance to ensure that they meet our standards. We also conduct interviews with our suppliers to gather feedback on our sustainability performance and procurement process.

## 6.8 Disclosure of information

The Company recognises the importance of timely and effective disclosure of information and formulates its policies, procedures and controlling measures on information disclosure (including inside information) in accordance with the requirements under applicable laws, regulations and regulatory requirements which includes the Securities and Futures Ordinance, Listing Rules and HKMA Supervisory Policy Manual.

Relevant laws in respect of information disclosure of listed companies have become effective since 1 January 2013. The Company attaches high importance to the principles of information disclosure on timeliness, fairness and transparency, and in addition proactively discloses the information that may have impact on investment decisions. In accordance with relevant legislations and statutory requirements, the Company formulates Information Disclosure Policy, which is available on the Company's website for public reference. Such policy contains clear guidelines to ensure the following:

- Information disclosure is in compliance with the Listing Rules and other regulatory requirements
- All communications with the public, including the investment community and the media, follow the principles of timeliness, fairness, truthfulness, accuracy and compliance
- Effective monitoring of procedures for information disclosure is in place

# 7. Our People

- People are the Group's most important asset. We have laid a solid foundation for the career and personal development of our people.
- We are an equal opportunities employer and all our employment decisions are based on business needs, job requirements as well as individual experience and qualifications. We provide competitive remuneration packages based on the skills and performance of individuals.
- We invest heavily in staff training and development with a focus on supporting our people's personal development and the Group's business growth. In 2014, we won four honours in the Awards for Excellence in Training and Development organised by Hong Kong Management Association.
- The Group recognises the importance of work-life balance and implements initiatives which encourage our employees to enjoy their personal time. Our employees also actively participate in the charitable activities. As at the end of 2014, over 1,400 employees have registered as members of our BOCHK Dynamic Volunteer Team. Both their hours of service and the number of events organised grew significantly in 2014 by around 80% over the year before.

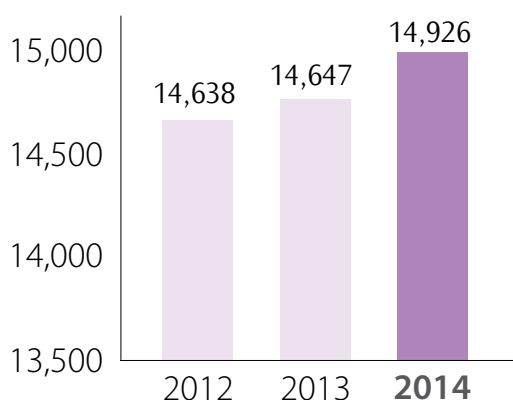
## 7.1 People-oriented Culture

We consider a pleasant working environment to be fundamental in achieving good performance for the Group. We aim to provide a working environment which allows our employees to foster a strong sense of belonging, develop their career and achieve work-life balance, as well as promotes open communication. We understand the importance of job security and career development for our people. As a leading banking group in Hong Kong, we continue to drive business growth and maintain our commitment to the community and our employees.

We recognise that the personal development of our people is crucial to the Group's long-term success. We invest heavily in staff training and development. Together with our competitive incentive scheme, we attract, motivate and retain the best talent. To guide the recruitment and development of our employees, our CSR Policy sets out four pillars related to our employees:

- Diversity in our workforce and implement a fair and transparent recruitment policy
- Good working conditions and career development opportunities for employees
- Open and transparent internal communication and operate an effective mechanism for handling employees' opinions
- Engagement with and among employees to strengthen employee loyalty and create a greater sense of belonging

### No. of Full-Time Employees



## 7.2 Workplace practices

Our workplace practice is governed by our Staff Code of Conduct which is reviewed and approved by the Management Committee annually. The code is developed in accordance with “Codes of Practice on Employment Relating Sex Discrimination Ordinance”, “Disability Discrimination Ordinance” and “Family Status Discrimination Ordinance”. We comply with discrimination laws and legislation in the jurisdiction in which we operate.

We are an equal opportunities employer and all our employment decisions are based on business needs, job requirements as well as individual experience and qualifications. We provide competitive remuneration packages based on the skills and performance of individuals. We regularly review our remuneration packages to ensure that they comply with relevant regulatory requirements and are aligned with market practices. We have incentive schemes in place to reward and recognise our employees for their performance. For staff working in sales, we developed a scorecard mechanism to ensure that their assessment takes into account both sales and compliance.

We also take steps to ensure a safe working environment for our employees. In 2014, our Corporate Safety Division continued to organise a series of training classes, including a basic fire prevention programme, occupational health and safety seminars as well as first aid certification programme. Through these activities, we aim to equip our employees with the necessary skills and knowledge to efficiently identify any potential safety risk and provide assistance to those in need. We also have a designated team to coordinate and centralise efforts to monitor the implementation of our Occupational Health and Safety Policy and conduct regular safety inspections.

## 7.3 Employee wellbeing

BOCHK recognises the importance of work-life balance and therefore has in place initiatives which encourage our employees to enjoy their personal time.

We organise a range of recreational activities for our staff, such as yoga, handicraft and cooking classes, as well as competitions of bowling, basketball, and table tennis. We also hosted a Staff Fun Day at Hong Kong Disneyland which was well received with more than 27,000 of our staff and their family members.

In addition, we care about our staff through a number of initiatives, such as offering our staff birthday, wedding and retirement gifts. We provide family-friendly employment practices and offer our employees early leave on birthday and on days of festivals, and paid maternity/paternity leave. Free and regular body checks, competitive medical schemes and counselling services are also offered to our employees. They can enjoy subsidised meals at our canteen at Bank of China Tower or are eligible for meal allowance if they work at other office premises.

We believe volunteering activities will help drive the personal development of our staff. In 2006, we established the BOCHK Dynamic Volunteer Team to formalise the employee volunteering activities. In 2011, we formulated the Guidelines for BOCHK Dynamic Volunteer Team to provide a set of standards and information for our employee volunteers. To proactively spread the message of caring, we encourage employee participation in various community and charitable activities. As at the end of 2014, over 1,400 employees have registered as members of our BOCHK Dynamic Volunteer Team. Both their hours of service and the number of events organised grew significantly in 2014 by around 80% over the year before.

## 7.4 Talent management and staff development

We believe effective talent management, which ensures successful succession planning to meet our business expansion needs, is fundamental to the sustainable development of the Group. Thus we place a strong emphasis on enhancing our human resources management to continuously attract, identify and develop talent.

We also have in place a well-established talent pool consisting of professionals from different backgrounds with versatile experience, covering different levels of staff to support our succession planning. To align our staff development plan with the Group's medium- and long-term business strategies, we set up a Leadership Model and a Fundamental Competency Model in 2014 to specify the respective competency levels for leadership and non-leadership roles. Both models provide clear objectives for personal development and serve as the foundation for our talent recruitment and staff performance assessments.

We introduce different recruitment channels to recruit talent through various platforms such as campus recruitment fairs in Hong Kong and the Mainland. We provide local and Mainland summer internship opportunities that enable university students to gain personal experience in an actual workplace environment. Many of our interns have become our employees upon graduation.

We place strong emphasis on providing learning opportunities and rendering our support for our employees to pursue continuing education. We continuously identify learning opportunities and facilitate a learning process which is aligned with the needs of each individual and the long-term growth of our business. We have in place a systematic talent development mechanism underpinned by a "four-in-one" approach involving senior executives, department heads, human resources personnel and individual staff.

We provide well-structured curriculum to new frontline staff to ensure that they are competent and their values are aligned with the Group's ethical standards in executing business activities. We conduct post-training assessment to ensure that our training is effective in developing the knowledge and skills of our employees.

By making compliance training courses mandatory for every staff, we have strengthened our compliance culture throughout the Group. We also encourage staff for continuous self-learning through our e-learning platform to fulfil their learning objectives.

Our Management Trainee Programme and the Officer Trainee Programme continue to provide structured learning for our employees through in-house training, on the job training and job rotations. Our young employees are arranged to visit our corporate clients to gain a wider exposure. For our management staff, we provide various education and development programmes with renowned universities. Education subsidy is provided to encourage staff to pursue their own study for continual improvement.

## 7.5 Employee Engagement

The Group conducts an “online staff engagement survey” to garner staff opinion. This contributes to the

continuous enhancement of our working environment, management policies and measures. Outstanding staff and distinguished teams are recognised at an annual award presentation, which motivates staff to strive for excellence.

### Accreditations and awards

- Social Capital Builder Award by the Labour and Welfare Bureau as well as Community Investment and Inclusion Fund
- Qualifications Framework Partnerships Commendation by the Education Bureau
- Four honours in the Awards for Excellence in Training and Development, including the Bronze Award for the Training and Development Programme by Hong Kong Management Association
- Employee Engagement – Banking: Best-in-Class by Benchmark

# 8. Commitment to Community

- Rooted in Hong Kong, the Group has been serving the community with a dedication to developing harmonious relationships with our community members and helping those in need.
- We continued to enhance our banking services and make them more accessible to customers with special needs. We are the first and only local bank to introduce Voice Navigation ATMs for the convenience of the visually impaired and, in 2014, extended access to self-service banking by setting up new Voice Navigation ATMs in different districts.
- We continued to work in partnership with different organisations (including charitable organisations, peer companies and the government) to ensure we leverage our core finance business and strength to achieve positive community impact.
- Through the BOCHK Charitable Foundation (“the Foundation”), we have actively participated in a diverse range of charitable activities, covering poverty relief, environmental protection and carbon reduction, education and culture, sports and arts in Hong Kong and the Mainland of China. Over the past 20 years, the Foundation contributed over HK\$200 million to the community and in 2014 sponsored a total of 29 programmes.

## 8.1 Accessible banking services

Providing accessible banking services and diversified financing solutions is both our core business and our responsibility to the community. To enhance convenience for our customers, we offer our services through an extensive branch network and 24-hour self-service banking centres in major transport hubs, shopping arcades and residential areas.

As part of our ongoing efforts to make our banking services more accessible to people with special needs, the Group has designed ATMs with special functions and features. We are the first and only local bank to introduce Voice Navigation ATMs for

the convenience of the visually impaired and, in 2014, extended access to self-service banking by setting up new Voice Navigation ATMs in different districts. Protruding symbols are provided on all of our ATMs, while around 94% have soft keypads on both sides of the screens for account/service selection. All our newly installed or replaced ATMs are located at a height where the keypads and screens are suitable for wheelchair access. To facilitate wheelchair access to branches, we installed facilities such as sloping platforms or bells for our Customer Service Ambassadors to provide assistance in our branches.



At our call centres, we have employees who are able to handle customer enquiries and requests in Cantonese, Putonghua, and English.

We recognise the importance of providing basic account services for customers who might otherwise be underserved. Since 2003, we have provided a HKD savings account service with no minimum balance requirements and a free ATM Card. Account holders aged 65 and above, or below 18, as well as recipients of Government Disability Allowances/Comprehensive Social Security Assistance can enjoy a service fee waiver for counter transactions. Those who have temporary special needs in terms of finances can also apply for such a fee waiver. In addition, no service fee is charged on dormant accounts in support of the HKMA's Treat Customers Fairly Charter.

### Serving senior citizens

BOCHK strives to provide customers with flexible retirement financial solutions. As a leading bank offering the Reverse Mortgage Programme, we organised a series of seminars during the year to help retirees and the soon-to-be retired plan for their financial security. This programme provides people aged 55 or above the flexibility to use their self-occupied and non-mortgaged residential properties as collateral in return for a stream of annuity payments while staying in their residence.

To support the Portable Comprehensive Social Security Assistance Scheme and the new Guangdong Scheme for Old Age Allowance offered by the Social Welfare Department, we offer elderly customers preferential rates on remittances to the Mainland. Under both schemes, the elderly maintaining accounts with BOCHK can continue to receive cash assistance in Guangdong or Fujian.

For senior citizens over 65, we offer a free BOC Fast Cash Card for them to enjoy basic banking services. We make visits to elderly centres to educate senior citizens on the use of cards and ATMs.

The Group will continue to explore innovative ways to better address the financial needs of this customer segment.

### Supporting charitable organisations

Capitalising on our convenient banking platform, we offer NGOs a complete banking solution, including counter and payroll services to reduce their banking expenses. Additionally, we help increase their administrative efficiency through our comprehensive cash management solutions and facilitate donation collections with our Electronic Bill and Presentment and Payment Service. Charitable organisations can also enjoy waivers of the transaction processing fees for donations made through BOC credit cards.

## 8.2 Caring for the Communities

We reach out to the wider community by continuing to support activities organised by charitable organisations. In 2014, the Foundation sponsored the New Territories Walk for Millions – Stonecutters Bridge and the Community Chest BOCHK Cycling Challenge organised by the Community Chest of Hong Kong ("the Chest"), helping to raise over HK\$8 million for children and youth services. As the title sponsor of the Chest's Charity Golf Tournament for four consecutive years, we helped raise HK\$1.5 million in 2014 for psychiatric patients and rehabilitation services.

To spread the message of caring through music, the Foundation has been working with the Hospital Authority Chinese Orchestra under the 2014/2015 Caring Programme. Through a series of seasonal concerts and Chinese music therapy workshops at public hospitals, we helped support the chronically ill, medical staff and the elderly. Over 2,000 tickets were donated to them to enjoy the large-scale music concert.

We have been the lead sponsor of the Hong Kong Corporate Citizenship Programme organised by the Hong Kong Productivity Council for five consecutive

years. This initiative has successfully promoted CSR to over 530 enterprises and 11,050 participants through a number of seminars and competitions.

Under the 2013/2014 Caritas BOCHK Computer Donation Scheme, we provided refurbished computers and donations to the Caritas Computer Workshop, giving the disadvantaged access to electronic devices.

The Group's subsidiaries and business segments also support various community initiatives. For example, the three-year Health Engineer Programme and five-year Kids The Future Programme, sponsored by our insurance arm BOCG Life, continued to organise health seminars and special interest classes for over 8,000 participants from local primary schools. Our Mainland subsidiary, NCB (China) supported homes for the elderly, victims of natural disasters and Yangping School in the Mainland through its donations.

### 8.3 Educational programmes

Supporting educational programmes in the community is one of the key focus areas of our community involvement. We have awarded nearly HK\$17.57 million in scholarships and bursaries to nine universities in Hong Kong, benefitting a total of 1,910 students since 1990.

In addition to providing scholarships, we believe that one important way in which we can develop talent in the community is to provide practical work experience at our banking group to enable students to learn more about the financial sector and develop their skills. The Group therefore offers university students with valuable opportunities of local and Mainland summer internships.

Our insurance arm sponsored the BOCG Life Young Reporter Programme organised by the *South China Morning Post*. This three-month programme is designed to enhance the communication skills of

secondary students, equipping them for their future careers.

Caring has no boundaries. In 2014, we sponsored the Education Walkathon and the Charity Golf Tournament of Sowers Action, both of which raise funds to help improve rural education on the Mainland. Over HK\$1.5 million was raised by the Education Walkathon to Jiangxi Province.

#### Leveraging BOCHK's expertise to improve the community's financial literacy

Various financial workshops have been organised for different members of the public to promote financial literacy. We continued to arrange our staff to participate in the Financial Management Education Programme organised jointly by the HKAB and Hong Kong Council of Social Service. Through this programme, we helped educate the underprivileged about the means of savings and financial management.

In addition, before the official launch of the Hong Kong-Shanghai Stock Connect Scheme during the year, we launched the new *A shares Information Web Page* and organised a number of seminars to give investors an overview of the Scheme and related risks.

Underpinned by the "learning before investing" concept, our educational Virtual Securities Investment Contest was rolled out to encourage young investors to learn more about securities investment. Participants could conduct virtual securities trading with virtual funds and real-time stock prices via our interactive online platform free of charge. The platform leads investors through a step-by-step procedure in trading Hong Kong stocks denominated in HKD and RMB, Exchange Traded Funds as well as Warrants and Callable Bull/ Bear Contracts, allowing them to gain more investment experiences before securities trading.

## 8.4 Promoting sports development

Participation in sports not only promotes good health but also develops a positive mindset. In support of badminton, the Foundation donated a total of more than HK\$15.85 million over the past 16 years to fund a diverse range of activities which benefitted more than 1.2 million participants.

To promote sporting excellence among young athletes, the Foundation sponsored the Hong Kong Island & Kowloon Regional Inter-school Sports Competition for 12 consecutive years. In 2014, this popular event recorded around 80,000 athlete enrolments from more than 270 schools at more than 8,000 matches. The first-ever BOCHK Schools Sports Volunteer Scheme launched in 2013 offered volunteer training to over 400 students from more than 50 secondary schools, who contributed over 6,200 hours of service in inter-school sports events. As a result of the scheme, students were successfully educated in the concept of lending a helping hand to others in the community.

## 8.5 Promoting culture

As culture enriches our lives and enhances creativity, the Group continued to support cultural events and performances during the year.

In 2014, the Group sponsored the Paris Chinese Painting Legacy of 20th Century Chinese Masters presented during Le French May. This exhibition showcased a magnificent ensemble of more than 100 works by painters such as Wu Guanzhong and Lin Fengmian, giving the public the opportunity to appreciate the exceptional artistry of these famous Chinese artists. We also supported the Hong Kong Trade Development Council's Tea Sharing for the fourth consecutive year to promote the tea culture.

Moreover, we sponsored a performance of the Hong Kong Philharmonic Orchestra featuring the world-

famous pianist Lang Lang, who played a selection of enchanting piano classics. Our support of the Hong Kong Chinese Orchestra – Majestic Drums concert promoted the spirit of vitality that the drums represent.

## 8.6 Employee volunteering

Involving our employees in meaningful community initiatives brings mutual benefits for the staff and the community. As at the end of 2014, over 1,400 employees registered as members of BOCHK Dynamic Volunteer Team. Both their hours of service and the number of events organised grew significantly in 2014 by around 80% over the year before. In addition to taking part in various community activities for children, the elderly, the underprivileged and the disabled, our team supported the Group's CSR programmes such as providing computer training for the underprivileged and assisting in eco-tours as well as music concerts and workshops. We also continued to arrange volunteer training for staff to strengthen their communication skills in serving those in need so that they can enjoy more rewarding volunteer experiences.

As the alternate chairman bank of the HKAB in 2014, we enthusiastically supported the launch of the Little Volunteers, Big Hearts volunteering programme. Our staff represented the Group and joined with student volunteers on visits to low-income families. To promote financial literacy, our team participated in educational activities organised by HKAB. These included the Junior Banker Induction Programme for secondary students, Financial Education Workshops for low-income families and the ATM Education Programme for the elderly.

In recognition of our staff's enthusiasm for performing community services, we were presented the Gold Award for Volunteer Service by the Social Welfare Department of the HKSAR Government for five years in a row.

Awards and recognitions:

- A Caring Company by The Hong Kong Council of Social Service
- President's Award by The Community Chest of Hong Kong
- Gold Award for Volunteer Service and Award of 10,000 hours for Volunteer Service by Social Welfare Department

# 9. Commitment to Environment

- The Group is committed to environmental sustainability. We recognise that our business may have direct and indirect impacts on the environment. Through implementation of our Environmental Policy, we endeavour to minimise our environmental impact by reducing our carbon emissions, using resources more efficiently and effectively as well as promoting environmentally responsible business practices.
- The Group's Environmental Policy outlines our approach to preventing, managing and where possible, reducing the environmental impacts generated, directly or indirectly, by the Group's activities. Our approach is to incorporate environmental considerations into our business decisions and into our operations.
- To actively promote carbon reduction, we have carried out various environmental campaigns on a continuous basis. As the title sponsor of the Green Monday School Programme, for example, we encourage students to follow a vegetarian diet. This year, we achieved a significant increase of 35.7% in the meatless meal order rate to 228,000. Also, our new Shoreline Clean-up Volunteer Programme has been included as part of the activities organised by the Environmental Protection Department to encourage marine conservation.

## Our pledge

- We will work towards integrating environmental considerations into our business operations, services and products.
- We will implement rigorous environmental programmes based on environmental management systems and a regular programme of reviewing and reporting on relevant key performance indicators.
- We will ensure that the space we occupy is operated with the objective of best practice environmental performance.
- We are committed to complying with local, national and international environmental regulations.

## 9.1 Incorporating environmental considerations into our business

To ensure sustainable growth for both the Group and the community, the Group has incorporated ESG factors into our lending and credit policies.

Integrating environmental considerations into our lending policies enables us to better manage our risk. We incorporate elements promoting environmental protection, energy and emissions reduction as well as public health and safety in our credit risk policy and procedures. In our credit assessment, we evaluate the potential positive and negative social or environmental impact our customers or financed projects might have before making a lending decision.

## BOCHK promotes environmental awareness through green credit services

Environmental performance of our customers or credit projects is one of the factors for making our credit decisions. In 2014, we extended loans to a number of companies to develop new energy sources, renewable energy and water conservation projects in the Mainland of China in support of environmental protection. We also continued to provide the Energy Efficiency Loan Scheme, which was launched together with the two local electricity companies, to offer loans to qualified commercial and industrial customers carrying out energy-saving initiatives.

## 9.2 Being more energy and resource efficient

The Group's energy and resource efficiency can go a long way in minimising our impact on the environment and our operating expenses. In 2014, we continued our efforts to increase energy efficiency and implement water saving measures in the Group's buildings in accordance with recognised certifications and standards.

Bank of China Tower ("BOC Tower"), Bank of China Building ("BOC Building"), Bank of China Centre ("BOC Centre") and Bank of China Wanchai Commercial Centre have all been certified with UKAS's ISO 14001:2004 Certification, the international framework for environmental performance. During 2014, we completed the installation of water-cooled chillers in our air conditioning systems and replacement of the T8 lightings by T5 fluorescent tubes or LED lighting in BOC Centre for higher energy efficiency. This helped us achieve an annual energy savings of 950,000 kWh. In addition, we provide a green menu every Monday to tie in with the Green Monday School Programme supported by the Foundation that advocates a vegetarian diet to help reduce carbon emissions.

## Recycling programmes

We conduct in-house recycling programmes for items such as batteries, compact fluorescent lamps, fluorescent tubes, and toner cartridges on a continuous basis. Since 2012, a food waste processing company has been appointed to process the food waste collected in our staff canteen at BOC Tower. The leftover food and oil collected has been processed, recycled and turned into animal feed and biodiesel fuel. As a sponsor of the Greeners Action's Red Packet Recycling Programme, we collect used red packets in our buildings and branches for processing and distribution to the public for use in the following year.

Key items collected	Quantity
Computer equipment items	7,285 pieces
Recycled paper	258,889 kg
Plastic bottles	227.43 kg
Cans	196.36 kg

## 9.3 Building a green bank

In recent years, we have been actively making our banking services less paper intensive to uphold our commitment to environmental protection. To achieve this, we make extensive use of electronic services in our operations:

- We encourage customers to conduct transactions through our convenient ATMs, internet and mobile banking services to reduce paper consumption. In 2014, over 90% of cash withdrawal transactions were conducted via ATMs, while more than 75% of financial transactions and over 80% of securities trading were completed through e-channels.

- A paperless branch teller model has been implemented in all our branches in Hong Kong for higher transaction efficiency and the average transaction time was reduced by 24%.
- We provide 24-hour e-statement registration service to facilitate customers' paperless operation. Customers opting to receive consolidated statements in electronic form rose by 27% in 2014.
- The Company's website provides shareholders with access to important and relevant corporate information on an effective and timely basis. To support environmental protection, we encourage our shareholders and investors to access corporate communications of the Company through its website.

## 9.4 Promoting green business operation

As one of the largest employers in Hong Kong, the Group recognises that we play an important role in encouraging positive behaviour of our employees towards environmental protection. We take concrete steps to ensure that our operation becomes less paper intensive. We have introduced various electronic platforms for our staff to share internal documents and submit expenses or update personal information and other administration information electronically.

We procure paper with proven environmental impact reduction or FSC-certified paper approved by Procurement Committee. We provide recycling facilities in our buildings for our staff to recycle paper. We have implemented an e-Performance system to support the handling of our appraisal process electronically.

We are aware that reducing our overall paper usage is an area in which our employees would like us to further strengthen and thus we will continue to explore more innovative ways to address this.

Shark's fin, endangered reef species and black mosses have not been served at corporate banquets since 2009. To promote marine conservation, the Group has signed the "No Shark's Fin Pledge" initiated by WWF Hong Kong since 2011, pledging to discontinue the supply of and promotions related to shark's fin.

The furniture items we purchase are subject to the green specifications of the Environmental Protection Department, while electrical appliances must bear the "grade 1" energy label.

## 9.5 Promoting carbon reduction in the community

In 2014, the Foundation continued to sponsor various green campaigns with a view to encouraging carbon reduction in the community.

As the title sponsor of the Green Monday 2013-2015 School Programme, we encourage students to follow a vegetarian diet. We made good progress with this programme in 2014, achieving a substantial increase in the number of participating schools from 400 to 800 and reaching 600,000 students. The meatless meal order rate also recorded a significant increase of 35.7% to 228,000. Other initiatives introduced during the year included organising the Short Film Competition and the Chinese University Go Veggie Campaign for tertiary school students and serving green recipes to kindergarten students.

Over the years, the Foundation has cooperated with the Association for Geoconservation, Hong Kong to



implement a number of green campaigns. For example, we launched the world's first-ever Global Geoparks iBook Series in 2014 to promote global geoparks in the Mainland of China and Hong Kong through an interactive electronic platform. As a sponsor of the 1,000 Environment-Friendly Youth Ambassadors Action since 2011, we have supported the training of more than 5,000 youths from the Mainland. These ambassadors play an active role in raising public awareness of the need for energy saving and carbon reduction.

Ever since we first spearheaded the Hong Kong Geopark Charity Green Walk in 2009, we have been constantly enriching this programme. Recent activities have included the 2013/2014 BOCHK's LOHAS Community – Eco Charity Walk and Photo Tours, 2014/2015 Hong Kong Coastal Geology and Ecology Tours and a dedicated social media page to promote geopark conservation. We have received an overwhelming response to these programmes, with more than 13,600 participants in over 130 eco-tours. Our new Shoreline Clean-up Volunteer Programme has been included as part of the activities organised by the Environmental Protection Department to encourage marine conservation.

Since 2009, we have participated in the global environmental initiative "Earth Hour" organised by WWF to raise public awareness of the global climate change.

## Environmental accreditations and awards

BOC Tower, BOC Building, BOC Centre and Bank of China Wanchai Commercial Centre:

- ISO 14001:2004 Environmental Management System Certification by UKAS
- Certificate of Quality Water Recognition Scheme for Building by Water Supplies Department

BOC Tower, BOC Centre and Bank of China Wanchai Commercial Centre:

- ISO 50001:2011 Energy Management System Certification by UKAS/SGS Hong Kong Limited

BOC Tower, BOC Building, BOC Centre and BOC Group Life Assurance Tower:

- Indoor Air Quality Certificate – Excellent/Good Class by Environmental Protection Department

BOC Tower and BOC Centre:

- Hygiene Control Management Systems Certificate by SGS Hong Kong Limited

BOC Group Life Assurance Tower:

- Certificate of Quality Water Recognition Scheme for Building by Water Supplies Department



# 10. Supply Chain

- Our approach to supply chain management is to formulate policies that outline what we expect from our suppliers and how internal procurement should be conducted with these policies in mind. We work closely with our suppliers to ensure that they meet our standards.
- The Group has a Sustainable Procurement Policy (“the Policy”) and a Supply Chain Code of Conduct (“the Code”) which set clear guidelines for the environmental and social expectations of our suppliers. The Policy and the Code demonstrate our commitment to promote sustainable development by reinforcing our efforts to integrate CSR throughout our supply chain.
- In 2014, a Self-Assessment Questionnaire was sent to 77 major companies supplying goods and services to the Group. We also conducted bi-yearly on-site visits of selected suppliers. The assessed suppliers were in compliance with our Code and ensured that environmental certification was obtained.
- We also engaged with an independent consultant to conduct interviews with our suppliers during the year to gather feedback on our sustainability performance and procurement process.

## 10.1 Sustainable Procurement Policy

Our Policy provides a framework for the major categories of goods and services that the Group purchases. We adopt the following principles for our procurement:

- We will demand, buy and use more sustainable and resource efficient products and services
- We will raise suppliers’ awareness and use our influence to stimulate innovation, new technologies and better design
- We will adopt an ethical and responsible behaviour in dealing with suppliers, based on trust and cooperation to ensure a long-term development
- Consideration will be made for SMEs to ensure that our assessment process does not place them at a disadvantage in doing business with the Group
- We will promote business opportunities to SMEs and social enterprises
- We will provide guidance and training to encourage staff involved in purchasing to adopt our sustainable purchasing policies

Under the Policy, we have incorporated suppliers’ sustainability performance and developed corresponding assessment criteria in the tender documents.

## 10.2 Supply Chain Code of Conduct

Our Code outlines our requirements for ethical, corporate governance, environmental standards and fair labour conditions that the Group expects all its suppliers to comply with. The Code has been developed following international labour standards and the principles of Decent Work based on the International Labour Organisation (“ILO”) Core Conventions.

The Group takes this Code seriously and adherence to this Code is one of the critical factors when selecting new suppliers or in decisions pertaining to existing suppliers. We assign weighting to these factors when evaluating potential suppliers. In cases where our suppliers fail to meet our requirement set out in the Code, we work closely with them to improve their performance and we will take appropriate action if issues are not resolved and rectified.

The Group conducts assessment on suppliers’ compliance to the Code. During the year, we requested 77 major companies supplying goods and services to the Group to complete a Self-Assessment Questionnaire and conducted bi-yearly on-site visits of selected suppliers. These initiatives help ensure that

the content and packaging of their products can be recycled and environmental certification has been obtained.

## 10.3 Communications with suppliers

To facilitate the implementation of the Code for suppliers, we formulated a communication strategy, where we have trained procurement staff to communicate our standard and requirements to our suppliers. Any non-compliance with the Code may lead to contract termination if a remedial action plan to come into compliance is not put into place by the supplier.

In 2014, we continued to engage with an independent consultant to conduct interviews with our suppliers to gather feedback on our sustainability performance and procurement process. According to our findings, they were well aware of the Group’s commitment to sustainability and its integration of environmental considerations into its business operations, services and products. Suppliers would further enhance their social and environmental performance to better fulfil the Group’s requirements and expect to establish more long-term relationships with the Group.



**中銀香港(控股)有限公司**  
BOC HONG KONG (HOLDINGS) LIMITED

