

BOC Hong Kong (Holdings) Limited

(the “Company”)

Policy on Independence of Directors

The General Principles of evaluating the independence of the Independent Non-executive Directors (“INEDs”) are that the INEDs should not have any substantive or material interest with the Group, the management of the Group or the Controlling Shareholder of the Group. The independence of a Director is more likely to be questioned if any of the following circumstances arises.

- **Stock Ownership Relationship**
 - The Director or his/her Family Member holds more than 1% of the total number of issued shares of the Company¹.
 - The Director is on the Board specifically to protect the interest of an entity that holds more than 1% of the total issued share capital of the Company whose interests are not the same as those of the shareholders as a whole.

- **Employment and Compensation Relationship**
 - The Director or his/her Family Member has been an Executive Officer or has been connected with a substantial shareholder of the Group or has been an executive or Director (other than an INED) of the Group or its holding company or of any of their respective subsidiaries or of any core connected persons of the Company within three years immediately prior to the month of assessing his/her independence.
 - The Director or one of his/her Family Members has received more than HKD1,000,000 in direct compensation from the Group during any consecutive twelve-month period within the last twenty-four months immediately prior to the month of assessing his/her independence.²

¹ When calculating the 1% limit, the total number of shares held legally or beneficially by the Director, together with the total number of shares which may be issued to the Director or his/her nominee upon the exercise of any outstanding share options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of shares of the Company must be taken into account.

² Direct compensation shall not include Board/Committees remunerations or other forms of deferred compensation for prior services

- Business Relationship
 - There are or were within one year immediately prior to the month of assessing the Director's independence, material business dealings between the Group or any core connected persons of the Company and the Director or his/her Family Member, which were not entered into in the ordinary course of business of the Group and were not made on terms available to independent third parties.
 - The Director or his/her Family Member has or had within one year immediately prior to the month of assessing the Director's independence, a material interest in any principal business activity of the Group.
 - The Director is involved in any material business dealings with the Group or any core connected persons of the Company. The business dealings between the Group and a company in which the Director is employed as a full-time executive³ (as defined by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) during the last fiscal year immediately prior to the year of assessing his/her independence are deemed to be material business dealings if:
 - ✧ The total income of the company from the Group exceeded 2% of its consolidated gross revenues for the year;
 - ✧ The interest income from the company exceeded 2% of the consolidated total interest income of the Group;
 - ✧ The non-interest income from the company exceeded 2% of the consolidated total non-interest income of the Group;
 - ✧ The total risk exposures of the company and its subsidiaries on a consolidated basis from the Group exceeded 10% of all the risk exposures for the year⁴.
 - The Director and/or his/her Family Member is to any large extent financially dependent on credit or other financial services from the Group, which means that the suspension of such credit or financial services will have significant adverse effect on the Director or his/her Family Member.

³ Under the Listing Rules, an executive includes any person who has any management function in the company and any person who acts as a company secretary of the company.

⁴ Exposures to Directors and their connected persons are dealt with in accordance with Banking (Exposure Limits) Rules (BELR). In accordance with BELR, the Company should monitor carefully its exposures to connected parties, whether natural persons or companies. Connected parties of a director is defined under Rule 85 which include relative of a director. Relative means parent, grandparent, step parent, spouse (including parent or step-parent of a spouse), child (step-child), grandchild, siblings (including their spouses).

- Professional Service Relationship
 - The Director is or was an employee, partner, Director or principal of a professional advisor, which provides or has provided services (including auditing services) that are material to the operations of the Group within two years (or three years if the person involved was the engagement partner of the professional firm) immediately prior to the month of assessing the Director's independence.
 - The Family Member of the Director is or was a partner or Director of a professional advisor which provides or has provided services (including auditing services) that are material to the operation of the Group within two years (or three years if the person involved was the engagement partner of the professional firm) immediately prior to the month of assessing the Director's independence.
 - The Family Member of the Director is currently an employee of the statutory auditor of the Group and is directly involved in providing auditing service to the Group.
 - The Director or his/her Family Member has been an employee, partner or Director of an audit firm which has provided auditing services to the Group, and the Director or his/her Family Member has been directly involved in providing such services during the last two fiscal years immediately prior to the year of assessing his/her independence.

- Cross-directorships and Other Links
 - The Director holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies⁵. If the Board determines that the Director concerned is independent notwithstanding such situation, the reasons should be disclosed in the Corporate Governance Report.

Notwithstanding the absence of the abovementioned circumstances, the Nomination and Remuneration Committee will assess the independence of the INED in accordance with the guidelines set out in the Listing Rules and Hong Kong Monetary Authority's guideline on Empowerment of Independent Non-Executive Directors in the Banking Industry in Hong Kong.

⁵ A cross-directorship exists when two (or more) directors sit on each other's boards, excluding charities or government boards and other public bodies provided they do not give rise to a conflict of interest.