

Anti-Money Laundering and Counter-Terrorist Financing Policy (Extract)

In order to ensure that the Group's business operations comply with applicable laws and regulations, to prevent the Group from being misused for money laundering ("ML"), terrorist financing ("TF"), tax evasion, proliferation financing, sanctions violations or endangering national security, etc., as well as to establish the AML risk management mechanism that matches with the regional strategic objectives and business development, the Bank of China (Hong Kong) Group Anti-Money Laundering and Counter Terrorist Financing Policy (the "Policy") has been formulated in accordance with major anti-money laundering and counter-financing of terrorism ("AML/CFT") regimes, including AML/CFT, anti-tax evasion, counter proliferation financing, sanctions compliance, safeguarding national security laws, regulations and regulatory requirements of Hong Kong and other jurisdictions where the Group operates, the Parent Bank's AML/CFT Policy, etc., and relevant international regulations in order to establish the basic principles and the respective roles and responsibilities etc. under the Group's ML/TF risk management systems.

The Group's ML/TF risk management follows the below major principles:

- 1. Principle of comprehensiveness.** The ML/TF risk management shall apply to the entire process of the Group's decision-making, implementation and supervision, covering various business activities and management processes, various institutions and relevant departments, positions and personnel.
- 2. Principle of independence.** The Group's ML/TF risk management shall remain independent in various aspects, and be reasonably prudent regarding business operations, management and decision-making.
- 3. Principle of matching.** The Group's resource allocation to ML/TF risk management should match with its industry's risk characteristics, business scale, and other factors, and shall be adjusted as needed.
- 4. Principle of effectiveness.** The Group shall take targeted control measures according to actual risk conditions, and thereby control ML/TF risk within the scope of its risk management capability.

The Group, in accordance with the Policy and the AML/CFT laws and regulations of the countries/regions in which it operates, establishes sound ML/TF risk management systems and makes timely adjustments to the systems based on changes in risk profile and market situations to ensure the effectiveness of the systems. The ML/TF risk management systems mainly consist of:

1. **Governance structure:** All staff of the Group shall fulfill their legal responsibilities and obligations in relation to AML/CFT. The Board and the Risk Committee under the Board have the responsibility for the AML/CFT governance of the Group. Various departments should undertake their respective roles and responsibilities in the management of ML/TF risks under the “three lines of defence” risk management framework. AML Compliance Officer and Money Laundering Reporting Officer have also been appointed pursuant to regulatory requirements.
2. **ML/TF risk management strategy:** The Group adopts a risk-based approach to allocate resources in an efficient way so that areas of greater risks receive higher attention. Furthermore, the Group takes into consideration the principle of financial inclusion in the management of ML/TF risk.
3. **Policies and procedures:** The Group has formulated and continuously maintains a series of AML/CFT related policies and procedures, to ensure they reflect the current status of the Group and the current legal and regulatory requirements are met.
4. **Risk assessment:** The Group has established an effective mechanism to identify and assess ML/TF risks, including a holistic assessment on risk factors including customers, products/services, transaction/delivery channels and countries/regions, etc., and to conduct ongoing reviews and updates of the assessment result to ensure proportionate measures and controls are in place and implemented.
5. **Internal controls:** The Group has established relevant systems and mechanisms for various internal control dimensions, such as customer acceptance principles, customer due diligence, ongoing monitoring, suspicious transactions reporting, record-keeping, etc., to fulfill relevant legal and regulatory requirements.
6. **System and data:** The Group explores the opportunities of new technology application in the aspect of AML, as well as reviews and enhances technological application on an on-going basis in light of continued technological advancement to meet the needs regarding robust AML/CFT controls and digitization development.
7. **Audit and inspection:** The Group performs independent reviews on its AML/CFT

systems and processes on an ongoing basis to ensure their effectiveness.

- 8. Training:** The Group provides mandatory AML/CFT training to employees to enhance their awareness towards AML/CFT.