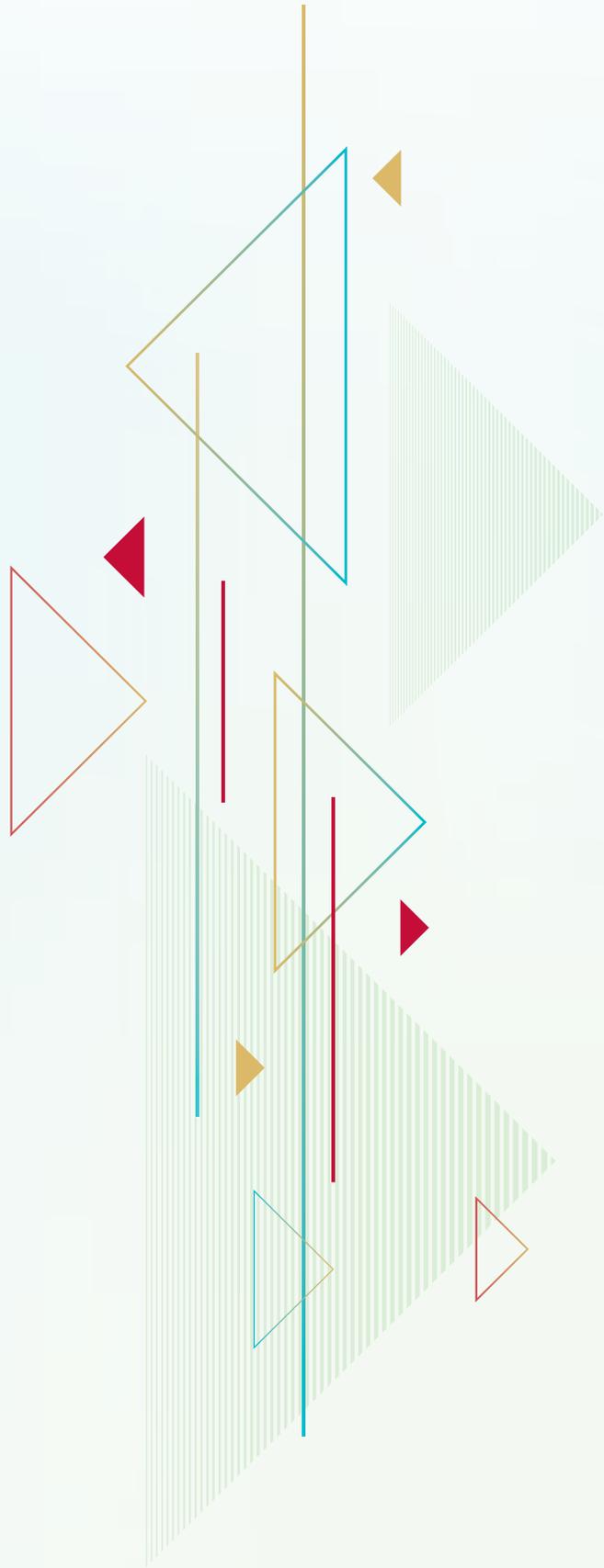


Corporate Social
Responsibility Report
2013



Contents

1 ■ About this Report	4
2 ■ Chief Executive's Message	5
3 ■ Corporate Social Responsibility at the Group	6
3.1 Our CSR Approach	6
3.2 CSR Governance	7
3.3 Recognition in Hang Seng Corporate Sustainability Index Series	7
4 ■ Our Business	8
4.1 About the Group	8
4.2 Business highlights in 2013	9
4.3 Our economic impact	10
5 ■ Corporate Governance	15
5.1 Corporate governance framework	15
5.2 The Board of Directors	16
5.3 Risk Management	18
6 ■ Stakeholder Engagement	19
6.1 Stakeholder engagement platforms	19
6.2 Customers	20
6.3 Employees	21
6.4 Shareholders	22
6.5 Investors	23
6.6 Government and regulators	24
6.7 Suppliers	24
6.8 Disclosure of information	24

7 ■ Our People	25
7.1 People-oriented Culture	25
7.2 Workplace practices	26
7.3 Employee wellbeing	26
7.4 Talent management and staff development	27
7.5 Employee Engagement	28
8 ■ Commitment to Community	29
8.1 Accessible banking services	29
8.2 Caring for the Communities	30
8.3 Educational programmes	31
8.4 Promoting sports development	32
8.5 Employee volunteering	32
9 ■ Commitment to Environment	33
9.1 Incorporating environmental considerations into our business	33
9.2 Being more energy and resource efficient	34
9.3 Building a green bank	34
9.4 Promoting green business operation	35
9.5 Promoting carbon reduction in the community	35
10 ■ Supply Chain	37
10.1 Sustainable Procurement Policy	37
10.2 Supply Chain Code of Conduct	38
10.3 Communication with suppliers	38

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”) 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 2013 calendar year. Information in this report covers the Group’s corporate governance, stakeholder engagement, workplace practices, community investment, environmental performance and supply chain.

This is our third CSR report following the Global Reporting Initiative (“GRI”) G3.1 Guidelines and this year, the report has also made reference to the Environmental, Social and Governance (“ESG”) Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (“HKEx”).

What’s on bochk.com

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

2. Chief Executive's Message

In 2013, the Group's performance reached a new height driven by solid growth of our core businesses. We made good progress in enhancing customer experience with comprehensive solutions and professional services. Our performance was well recognised by various industry awards across our major businesses. We were also named as the Bank of the Year in Hong Kong 2013 by The Banker in recognition of our consistently sound performance and the continuous success in building our franchise, particularly in the development of offshore RMB business.

Embedded in our core business strategies and operations is our commitment to sustainability. During the year, we stepped up our efforts in different areas to enhance our CSR performance. We revised our CSR Policy to refine the procedures of approving our annual reviews and amendments to the Policy. While continuing with our Five-Year Stakeholder Engagement Plan developed in 2012 to ensure effective communication with our stakeholders, in 2013 we engaged an external consultant to conduct independent interviews with our NGO partners. We succeeded in collecting their feedback on our CSR initiatives and identifying ways to enhance our CSR strategy. To uphold and maintain robust corporate governance, the Company formulated a Board Diversity Policy with a view to diversifying the board composition and promoting the board efficiency.

We attach great importance to caring and contributing to the community. During the year, we actively participated in a diverse range of charitable activities, covering environmental protection, caring the needy, education, culture, sports and arts. To proactively spread the message of caring, we encouraged employee participation in various community and

charity activities. In addition, providing access to banking services is both our core business and our responsibility to the community. We endeavour to make our banking services more accessible to customers with special needs. For example, we introduced the first-ever Voice Navigation ATM in Hong Kong for the visually impaired to use self-service banking more conveniently.

The Group's outstanding performance with regard to sustainability has earned us wide recognition. For four years in a row, BOC Hong Kong (Holdings) Limited has been included as a constituent of the Hang Seng Corporate Sustainability Index Series. We have also been named as a Caring Company by the Hong Kong Council of Social Service ("HKCSS") for 11 consecutive years and included in its List of Barrier-free Companies/Organisations newly launched in 2013.

Going forward, we will endeavour to implement BOC Group's strategic goal of "Serving Society, Delivering Excellence". Sustainability will remain the core belief of how we manage our business and plan for our development. We recognise the importance of engaging with our stakeholders to achieve our business goals and uphold our CSR commitment. We will continue to implement our CSR programmes in different facets of our business and thrive on our vision of becoming the premier bank of our stakeholders.



He Guangbei

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 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.
- In 2013, we refined our CSR Policy with a view to facilitating the implementation of our CSR initiatives and further enhancing our CSR performance.
- 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.

3.1 Our CSR Approach

At the Group, CSR means conducting business in a 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 Company. We ensure that our stakeholders provide feedback on our performance through our Five-Year Stakeholder Engagement Plan. We review and evaluate our CSR performance to ensure that we continue to make improvements that are aligned with our core business and meet stakeholders' expectation.

Our responsibility extends to our employees, customers, the wider community and supply chain. To fulfill 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 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. These 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.

In 2013, we revised our CSR Policy to refine the procedures of approving our annual reviews and amendments to the Policy.

Assessment of CSR performance

As corporate 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. For four years in a row, the Company has been included as a constituent of the Hang Seng Corporate Sustainability Index Series. We ranked 12th in 2013, with the rating upgraded from “AA-” to “AA”.

4. Our Business

- As a leading banking group in Hong Kong, we are committed to supporting the growth of the Hong Kong economy through various channels. We continue to enhance and broaden our business platforms to better cater for the banking and finance needs of our customers.
- In 2013, the Group's results reached a new height and its performance was well recognised by various industry awards. We were named the Bank of the Year in Hong Kong 2013 by The Banker in recognition of our consistently sound performance and the continuous success in building our franchise.
- With the offshore RMB business as our key strategic focus, we remain committed to promoting the development of Hong Kong as an offshore RMB centre through product innovation and service enhancement.
- We continue to support Hong Kong's economic growth by providing employment opportunities and making tax contributions.

4.1 About the Group

BOC Hong Kong (Holdings) Limited ("the Company") and its subsidiaries ("the Group") are a leading listed commercial banking group in Hong Kong, offering a comprehensive range of financial products and services to personal and corporate customers. Bank of China (Hong Kong) Limited ("BOCHK") is one of the three note issuing banks in Hong Kong and the Clearing Bank for offshore RMB business in Hong Kong. BOCHK is also the Clearing Bank of RMB banknotes business for the Taiwan region.

The Group has the most extensive distribution network in Hong Kong. As at 31 December 2013, we provided our services through more than 260 branches and an efficient automated platform including over 600 ATMs, internet and mobile banking platforms. In addition, we had 41 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 deposits, residential mortgage lending, corporate lending, loan syndications and offshore RMB business. With its close collaboration with its parent bank, Bank of China ("BOC"), the Group is also expanding its presence beyond Hong Kong to serve customers' needs for cross-border banking services and to support their global expansion plans.

OUR VISION

TO BE YOUR PREMIER BANK

OUR MISSION

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

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 2013

- The Group achieved a set of respectable results in 2013, driven by solid growth of our core businesses. Net operating income before impairment allowances was HK\$40,313 million, up by 13.2% as compared to 2012. Profit attributable to the equity holders still reached a new height of HK\$22,252 million, up 6.3% year-on-year.
- The Group maintained its proactive yet prudent approach in managing its balance sheet and driving business development. The total capital ratio as at 31 December 2013 was 15.80%. The average liquidity ratio for 2013 was 37.93%. Total assets increased by 11.8% to HK\$2,046.9 billion compared with end-2012. Deposits from customers expanded by 8.0% to HK\$1,328.0 billion. Advances to customers grew by 10.3% to a total of HK\$858.3 billion. Overall loan quality remained sound with the classified or impaired loan ratio at a low level of 0.28%.
- While we remained focused on maintaining cost discipline, we continued to invest in our business platform to drive long-term success. We continued to enhance our competitiveness and maintain leading market positions in various business areas.
- The Group is committed to becoming customers' premier bank with comprehensive solutions and professional services. One of our key competitive advantages is a robust customer base. 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 were able to capture the business opportunities on the Mainland and overseas.

4.3 Our economic impact

As a leading banking group in Hong Kong, we are committed to supporting the growth of the Hong Kong economy through various channels. We provide one-stop banking services to meet the financial needs of our customers to enable them to fulfill their financial goals and operate their businesses. We are also a major employer in Hong Kong 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

- The Group continued to provide advances to customers which grew 10.3% to HK\$858.3 billion. We are a market leader in providing accessible finance to both individual and corporate customers.
- In 2013, the Group's residential mortgage loans grew by 1.8% while we maintained our market leadership in the underwriting of new mortgage loans during the year.
- We introduced the fixed Portable Fixed-Rate Mortgage Scheme with a pioneering and unique portable feature. The Scheme allows customers to flexibly manage their finances by locking in the related interest expenses as well as the fixed rate of the original mortgage plan when switching to a new property during the fixed-rate period.
- To meet the increasingly sophisticated banking needs of customers, we strengthened our wealth management platform with the three-tier structure for more targeted services : i-Free Banking, Enrich Banking and BOCHK Wealth Management.
- Through working closely with BOC, we are able to enhance the BOC Group's total solution capabilities to corporate and institutional customers. The Group is not only the top mandated arranger in the Hong Kong-Macau syndicated loan market, but also acts as the Asia-Pacific Syndicated Loan Centre of BOC Group. In 2013, the Group's total corporate loan balance amounted to HK\$603.8 billion, representing an increase of 11.9%.
- SMEs are an important pillar of our economic growth. To facilitate their business development, BOCHK launched the BOC Small Business Loan, which features a one-hour preliminary approval service for unsecured loan applications.
- The Group also continued to support the SME Financing Guarantee Scheme of the Hong Kong Mortgage Corporation Limited ("HKMC") by offering a privileged guarantee fee subsidy. SMEs can utilise our financing services to fulfil their liquidity needs. In addition, BOCHK and Nanyang Commercial Bank provide HKMC's Microfinance Scheme, which helps small businesses ranging from start-ups to self-employed.
- With regard to our support to the development of the Mainland SMEs, NCB (China) launched the Small Micro-Enterprises Loan Programme to enhance their liquidity.

Full support to the development of the offshore RMB market

This year is the tenth anniversary of BOCHK operating as the RMB Clearing Bank in Hong Kong. Over the past years, we witnessed the robust development of the offshore RMB markets with RMB transactions becoming more prevalent around the world. We are committed to providing efficient clearing services and sufficient RMB liquidity for daily settlement to both local and global participating banks. We also continued to enhance our services to cater for the rapidly growing market needs. In 2013, we extended the operating hours for cross-border RMB payments involving Mainland counterparts, introduced time deposit products, launched a tiered interest rate offering for participating banks' settlement accounts and adjusted RMB intra-day repo limits. This helps to promote the increasing use of RMB globally and strengthen Hong Kong's competitive edge as an offshore RMB clearing hub.

The offshore RMB business, as our key strategic focus, enables us to capture more business opportunities and enhance customer relationships. The Group maintains its leadership in this business, riding on its strong RMB franchise and experience. We have successfully secured new customer groups, including international companies, public organisations and global financial institutions. We also actively participated in various seminars and conferences locally and globally to promote RMB business in Hong Kong. A number of pioneering RMB products and services were introduced by the Group in 2013:

- Completed the Group's first RMB cross-border loan in Qianhai
- BOCHK appointed by Clearstream Banking S.A. as its cash correspondent bank for offshore RMB in Hong Kong
- Completed the first CNH/USD cross-currency swap transaction using the CNH HIBOR as the pricing benchmark
- Acted as the arranger for the issuance of the first RMB certificate of deposit with the CNH HIBOR as the benchmark rate
- Designated as the market maker of the USD/CNH (offshore RMB) futures for the Chicago Mercantile Exchange Group and Hong Kong Futures Exchange
- Launched the FTSE-BOCHK Offshore RMB Bond Index Series jointly with FTSE Group
- Pioneered the RMB Settlement Service of UnionPay Card for Hong Kong Merchants jointly with UnionPay International

Direct contributions to the economy

- Through our operation, we provide employment opportunities. At the end of 2013, the total headcount measured in full-time equivalents was 14,647 (2012: 14,638). The staff costs were HK\$6,819 million.
- In 2013, the total tax paid amounted to HK\$4,718 million.

Awards and recognitions

- The Bank of the Year in Hong Kong by the Banker
- Three honours in the 11th Customer Service Excellence Awards, including two Gold Awards in the Team Category by Hong Kong Association for Customer Service Excellence
- The Best SME's Partner Award by The Hong Kong General Chamber of Small and Medium Business for six consecutive years
- Top bank in the Hong Kong-Macau syndicated loan market by Basis Point for nine consecutive years
- Excellent Brands of Mortgage Service and Securities Service in the Hong Kong Leaders' Choice Brand Awards by Metro Finance
- Sing Tao Service Awards – Mortgage Service by Sing Tao Daily
- The Best Domestic Cash Management Bank in Hong Kong by The Asian Banker
- The Best QFII Custodian in the Triple A Assets Servicing Awards by The Asset
- Seven honours in the 7th HKIB Outstanding Financial Management Planner Awards, including two Gold Awards and two Best Presentation Awards by The Hong Kong Institute of Bankers
- The Distinguished Wealth Management Service in the Distinguished Banking & Finance Awards by Wen Wei Po
- The Best Retail Bank (Gold Award) in the 3rd Prime Awards for Banking & Finance Corporations by MetroBox
- The Best-in-Class Technology and Innovation Award in the Fund of the Year Awards granted to BOCHK Asset Management by Benchmark
- Quality Management System of ISO 9001:2008 Certification granted to the Information Processing Division of the Bank-wide Operation Department by SGS Hong Kong
- The Best of Consumer e-Banking Service Provider and the Best of Mobile Banking Service Provider in the e-Brand Awards by e-zone
- Six honours in the 14th HKCCA Awards, including the Mystery Caller Assessment Award – Gold for four consecutive years, by Hong Kong Call Centre Association
- Popular MTR Shops – Merit Award by Mass Transit Railway Corporation
- Six 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 Service in the Hong Kong Leaders' Choice Brand Awards by Metro Finance
- The Distinguished RMB Business Service in the Distinguished Banking & Finance Awards by Wen Wei Po
- The Best RMB Service in the 3rd Prime Awards for Banking & Finance Corporations by MetroBox
- The Best Offshore RMB Manager in the Best of the Best Awards granted to BOCHK Asset Management by Asia Asset Management for two consecutive years

BOC Group Life Assurance Company Limited
("BOCG Life"):

- The Best Life Insurance Company in Hong Kong by World Finance
- Outstanding Brand Award by Economic Digest

BOC Credit Card (International) Limited
("BOCCC"):

- Customer Complaint Management of ISO:10002 Certification by Hong Kong Quality Assurance Agency for five consecutive years
- My Most Favourite Credit Card for Travelling Award by U Magazine in the U Magazine Travel Awards
- Ten honours UnionPay International
- 18 honours in Visa International
- Eight honours in MasterCard Worldwide

Financial Highlights

For the year	2013 HK\$'m	2012 ⁶ HK\$'m	Change +/(-)%
Net operating income before impairment allowances	40,313	35,617	13.18
Operating profit	27,493	23,499	17.00
Profit before taxation	27,793	25,521	8.90
Profit for the year	23,075	21,547	7.09
Profit attributable to the equity holders of the Company	22,252	20,930	6.32
Per share	HK\$	HK\$	+/(-)%
Basic earnings per share	2.1046	1.9796	6.32
Dividend per share	1.0100	1.2380	(18.42)
At year-end	HK\$'m	HK\$'m	+/(-)%
Capital and reserves attributable to the equity holders of the Company	158,813	150,969	5.20
Issued and fully paid share capital	52,864	52,864	–
Total assets	2,046,936	1,830,763	11.81
Financial ratios	%	%	
Return on average total assets ¹	1.22	1.24	
Return on average shareholders' equity ²	14.37	14.91	
Cost to income ratio	29.97	31.61	
Loan to deposit ratio ³	64.63	63.32	
Average liquidity ratio ⁴	37.93	41.20	
Total capital ratio/capital adequacy ratio ⁵	15.80	16.80	

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/capital adequacy ratio is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules. The bases of regulatory capital calculation for credit risk, market risk and operational risk are described in Note 4.5 to the Financial Statements in this Annual Report. As a result of the adoption of Banking (Capital) (Amendment) Rules 2012 and Banking (Capital) (Amendment) Rules 2013 since 1 January 2013 and 30 June 2013 respectively, the ratio for 2013 is not directly comparable to that of 2012.

6. Certain comparative amounts have been reclassified to conform with the current year's presentation.

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

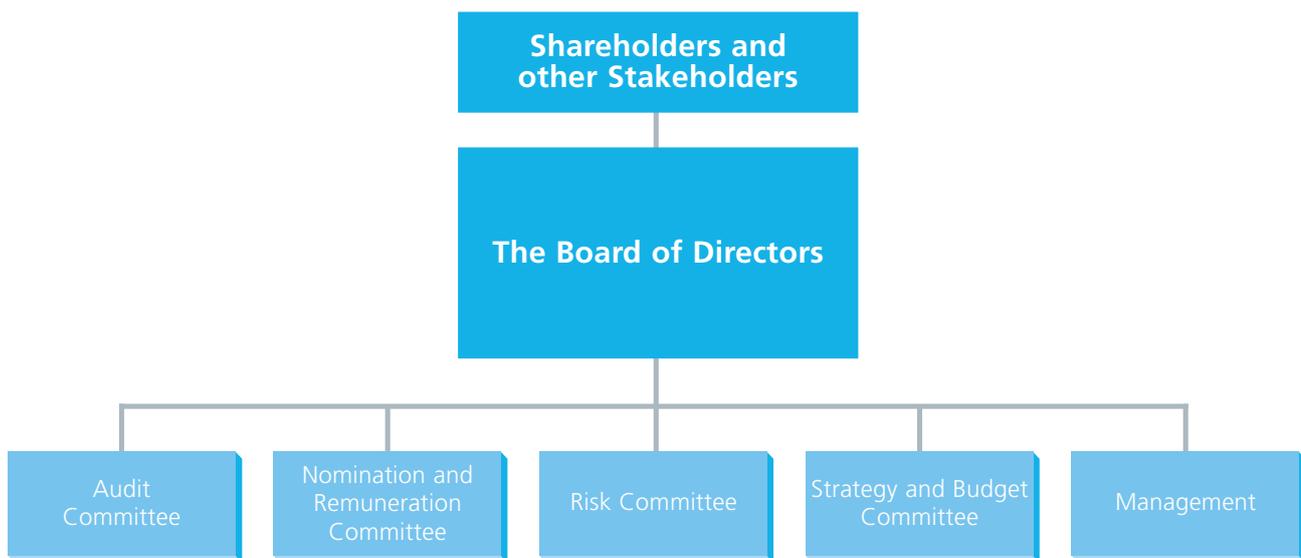
5. Corporate Governance

- The Group is committed to maintaining and upholding high standards of corporate governance in order to safeguard the interests of stakeholders.
- The Group strictly abides 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 from time to time review the corporate governance practices as adopted and strive to comply with the relevant requirements of international and local corporate governance best practices.
- During the year, the Company has made reference to guidelines and requirements issued by regulatory authorities, coupled with the experience drawn from daily best practice to formulate “Succession Policy for Directors”, “Board Diversity Policy”, “Policy on Managing Conflicts of Interest of Directors” and relevant measurements in order to ensure the system is in line with the regulatory requirements and further enhance corporate governance standard.
- In 2013, the Company was awarded “Asia’s Outstanding Company” which was organised by Corporate Governance Asia Magazine with an aim to recognise those companies with excellent and outstanding achievement in upholding aspects of shareholders’ rights, information disclosure and board function. This was the second consecutive year for the Company to be granted with such recognised awards. Besides, the Company was also awarded Platinum Winner of Excellence in Management and Corporate Governance Awards 2013 by The Asset.
- 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 framework

The Board is responsible for supervising the Management of the business and affairs of the Company. The Board has a strong representation of Independent Non-executive Directors well above the requirements set by relevant rules and regulations. To avoid concentration of power in any single individual, 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.

Taking into consideration market practices and international best practices in corporate governance, the Board has established four standing Board Committees to assist in performing its responsibilities. They are the Audit Committee, the Nomination and Remuneration Committee, the 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.



5.2 The Board of Directors

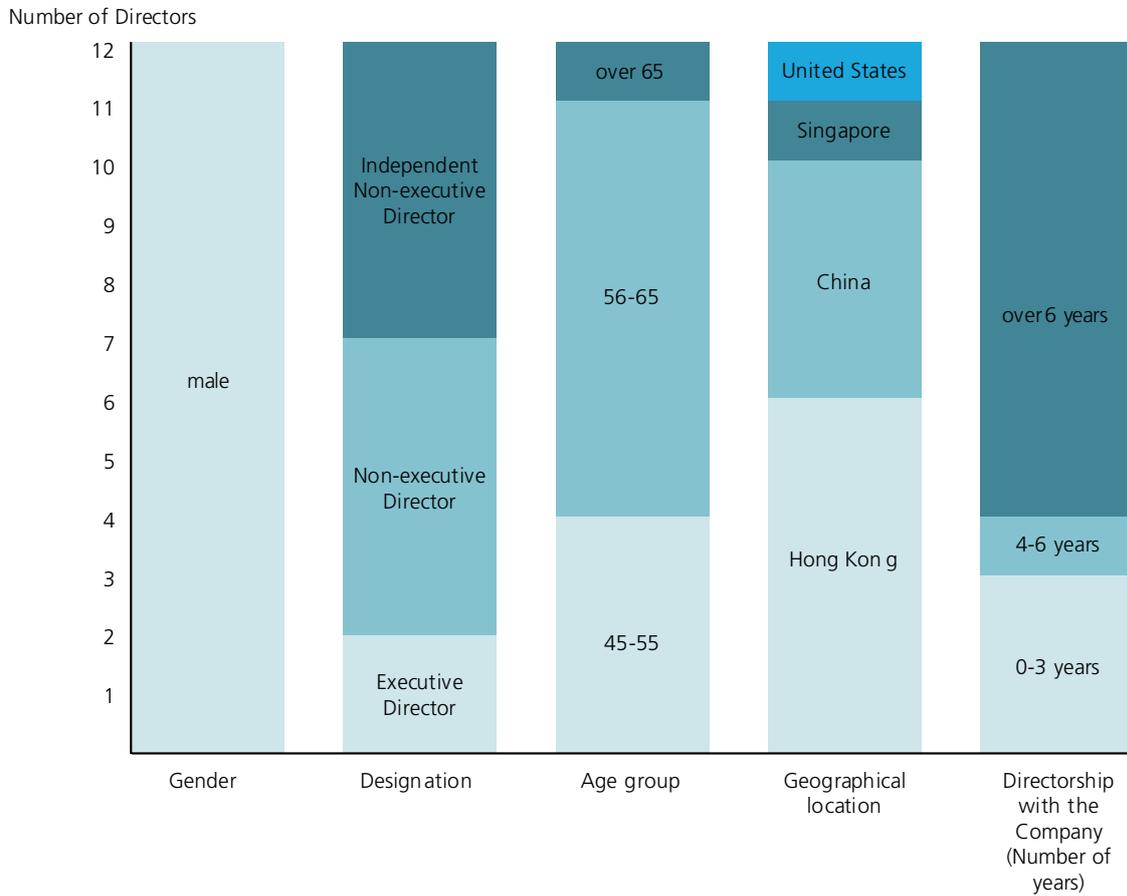
The Board of the Company is composed of majority of Non-executive Directors and Independent Non-executive Directors that ensures the independence and objectivity of the decisions of the Board, as well as comprehensive and impartial control of the Management. The Board has twelve members during the year, comprising five Independent Non-executive Directors, five Non-executive Directors and two Executive Directors. The Chairman of the Board is a Non-executive Director.

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. During the year, six Board meetings were held with an average attendance rate of 90%.

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.

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



Diversity Policy promotes efficiency and standards of corporate governance

The Company recognises the importance and benefits of board diversity. In August 2013, a Board Diversity Policy was formulated with a view to promoting the Board efficiency and standards of corporate governance of the Company and to be in line with the new Corporate Governance Code on board diversity which came into effect in September 2013. In identifying suitable and qualified candidates to be a Board member, Board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills and knowledge, etc., in order to have an appropriate proportion in the Board composition from various aspects as aforementioned.

5.3 Risk Management

We believe that sound risk management is critical to the success of any organisation. In our daily operation, we attach a high degree of importance to risk management and emphasise that there should be balance between risk control and business growth and development. The principal types of risks inherent in the Group's businesses are credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputational risk, legal and compliance risk, and strategic risk. We conduct formal measurement of our own ESG risks and measure and incorporate ESG factors when assessing our suppliers and credit risk of our customers.

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 we are willing to take in a controllable way in order to achieve our business goals and to meet the expectations of our stakeholders.

Awards and Recognitions

- Asia's Outstanding Company on Corporate Governance by Corporate Governance Asia for two consecutive years
- The Asset Excellence in Corporate Governance and Investor Relations – Platinum Award by The Asset

In 2013, the Audit Committee conducted an annual review of the effectiveness of the internal control systems of the Group. The review covered all the material internal controls and measures, including financial, operational and compliance controls as well as risk management functions.

For more information on the Company's corporate governance, please refer to our 2013 Annual Report or the corporate website.

6. Stakeholder Engagement

- The Group recognises the importance of engaging with stakeholders in achieving our business goals and upholding 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 2013, we continued with our Five-Year Stakeholder Engagement Plan 2012-2016 to ensure effective communication 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 NGO partners.

6.1 Stakeholder engagement platforms

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

Government and regulators	<ul style="list-style-type: none"> • Regular meetings and communication • Compliance reporting • Representatives at committees of major industry or government bodies
Supply chain	<ul style="list-style-type: none"> • Meetings and communication • Regular supplier reviews • Supplier management • Interviews
Community	<ul style="list-style-type: none"> • Sponsorships and donations • Meetings • Seminars and forums • Volunteer activities

As part of our stakeholder engagement, we engaged an external consultant to conduct independent interviews with our NGO partners in 2013. We succeeded in collecting their feedback on our CSR initiatives which is useful for the further enhancement of our CSR strategy. Leveraging our resources, we will reinforce our support to NGOs with a view to contributing to the community and environment.

6.2 Customers

The Group provides customer-centric banking services that address the needs of our customers. To protect customers' interest, the Group has a Quality Assurance Unit to respond to customers' opinions and suggestions.

We regularly gather customer feedback through various channels, including customer satisfaction survey, focus group discussion, and communication between front-line staff and customers. For example, we launched Enrich Banking Service in 2013 to provide the busy mid-segment working population with all-round financial management solutions, with a view to enhancing customer experience. This service is designed based on the lifestyle and financial needs of the mid-segment working population as revealed in our commissioned market survey.

We also carry out customer satisfaction surveys to solicit constructive feedback and identify areas for improvement. Based on the findings reflected in the survey conducted in 2013, we have continued to drive improvement in our overall performance. In addition, we organise seminars and make visits to our corporate customers to gain better understanding of their needs.

Customer privacy

To protect the personal data privacy of customers, the Group has a Customer Personal Data Protection Policy. It guides our departments in properly collecting and protecting 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 Company'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 when using the data for direct marketing which only targets customers who have opted-in to our database. If a data subject does not wish the Company to use or provide to other persons his data for use in direct marketing as described above, the data subject may exercise his opt-out right by notifying the Company.

6.3 Employees

At the end of 2013, the total headcount measured in full-time equivalents was 14,647. We have established platforms to ensure regular two-way communication between employees and 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 communication 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, internal website and communication.
- 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 they receive feedback from frontline staff on their work and customer feedback.
- We also have a formal complaint platform through which staff can submit their complaint in a confidential manner 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 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.

Shareholders are encouraged to actively participate in the Company’s annual general meetings. As at 31 December 2013, the Company had 10,572,780,266 shares in issue of which approximately 34% was held by the public and 0.55% was held in the form of ADSs. The Company’s 84,222 registered shareholders were distributed in various parts of the world, including Asia, Europe, North America and Australia. A total of 1,160 registered shareholders, 345 authorised corporate representatives and 527 authorised proxies holding an aggregate of 10,343,713,602 shares, representing 97.83% of the total issued share capital of the Company were present at the 2013 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 2013:

Category	Number of registered shareholders	% of shareholders	Number of shares held by registered shareholders	% of total issued share capital
Individuals	84,085	99.84	233,933,887	2.21
Institutions, corporates and nominees ^{Note}	136	0.16	3,397,768,623	32.14
Bank of China Group ^{Note}	1	0.00	6,941,077,756	65.65
Total	84,222	100.00	10,572,780,266	100.00

Note:

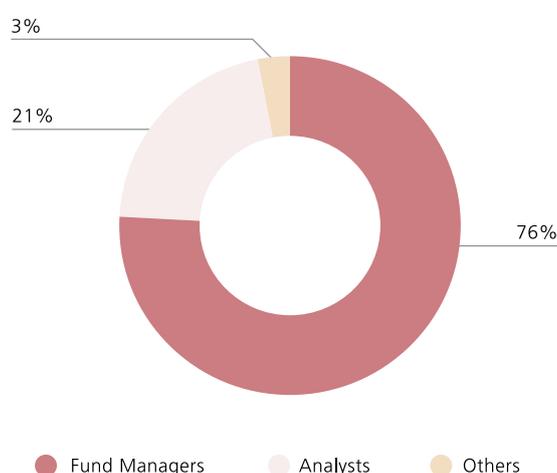
As recorded in the register maintained by the Company pursuant to section 336 of the SFO, the total number of shares held by Bank of China Group was 6,984,274,213 shares, representing 66.06% of the total issued share capital of the Company as at 31 December 2013. This figure included certain numbers 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 communication 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 2013, the Company held about 140 meetings with investors and analysts across the world with total attendances of approximately 420. 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 20 securities research institutions. Through emails, direct dialogue with investors and investor feedback, we continued to promote two-way communication. 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



The Group's 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. Such contents will be discussed so long as it is not considered to be material non-public information.

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 its business. Proper communication channels and reporting mechanisms are in place to facilitate close communication 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 an effective channel to communicate our views with government and regulators. Through these involvements, we 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. BOCHK is one of the Chairman banks of the Hong Kong Association of Banks which maintains close communication with the Hong Kong Monetary Authority. The Group's Chief Executive also holds various public positions which include member of Advisory Committee of Qianhai Shenzhen-Hong Kong Modern service Industry Corporation Zone, deputy officer of the Finance Committee of Guangdong's Association for promotion of cooperation between Guangdong, Hong Kong and Macau council member of Hong Kong Trade Development Council, etc.

6.7 Suppliers

To facilitate the implementation of the Code for suppliers, we have formulated a communication strategy, where we 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 Board reviews and monitors from time to time the effectiveness of the Company's disclosure process for reports, announcements, price sensitive and insider information. It encourages and takes necessary steps to disclose information in a timely way and to ensure the information concerning the Company is communicated in a clear and objective manner that enables the shareholders and the public to make informed investment decisions.

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 making 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:

- 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

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 the Group's HR strategy. We are the first bank in Hong Kong to be qualified in the banking industry by Hong Kong Council for Accreditation of Academic and Vocational Qualifications in 2013 for operating training programmes at Qualifications Framework Level 3.
- BOCHK recognises the importance of work-life balance and have initiatives which encourage our employees to enjoy their personal time.

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 and innovation. 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.

Healthy 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 occupational development opportunities for employees
- Open and transparent internal communication and operate an effective mechanism for handling employees' complaints
- Engagement with and among employees to strengthen employee loyalty and create a greater sense of belonging

Full Time Equivalent Employees

Year	Number of Employees
2008	13,463
2009	13,244
2010	13,806
2011	14,475
2012	14,638
2013	14,647

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. Our staff handbook 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 to 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 2013, our Corporate Safety Division continued to organise a series of training classes, including a basic fire prevention programme, occupational health and safety seminar 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 Guideline and conduct regular safety inspections.

7.3 Employee wellbeing

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

We organise a range of recreational activities for our staff, such as yoga and cooking classes, as well as competitions of badminton, singing, table tennis and football. We also hosted a Sports Day in a Country Club in New Territories which was well received with more than 5,000 of our staff and their family members. In addition, they were invited to participate in our “Hong Kong Geopark Charity Green Walk” to go hiking in the New Territories and outlying islands.

We provide family-friendly employment practices and offer our employees early leave on birthday and on days of festivals, and paid maternity/paternity leave to our staff. We provide free and regular body checks, competitive medical schemes and counselling services to our employees. Our employees enjoy breakfast, lunch and dinner at our subsidised canteen at Bank of China Tower or are eligible for meal allowance if they work elsewhere.

We believe volunteering activities will help drive the personal development of our staff. In 2006, we established the Dynamic Volunteer Team to formalise the employee volunteering activities. In 2011, we formulated the 'Guidelines for BOCHK 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 2013, over 1,400 employees have registered as members of our Dynamic Volunteer Team, contributing more than 12,000 hours of service through participation in 73 service activities.

7.4 Talent management and staff development

We believe effective talent management, which ensures successful succession planning and meets business expansion needs, is fundamental to the sustainable development of the Group. Thus we place a strong emphasis on providing a systematic structure 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 ensure the training and development plan is aligned with the Group's medium- and long-term business strategies, we introduced a Leadership Development Programme

in 2013. The Programme is designed to enhance the leadership and strategic thinking capabilities of our management staff. In 2012, a Talent Management Division was set up to be responsible for various important fundamental developments, including a newly built Leadership Model which gives strategic direction to talent management and succession planning initiatives for leadership or critical non-leadership positions.

As a banking institution committed to developing our next generation, we recruit talent through various platforms such as campus recruitment fairs in Hong Kong and the Mainland. We provide summer internship opportunities to undergraduate students to enable them to gain work experience in the banking industry and we believe that working in our business operation enables them to have a better understanding of the Group and our culture. Many of our interns have become our employees upon graduation.

We place a 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 continuous self-learning by staff, who can fulfil their learning objectives through our e-learning platform.

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.

Accreditations and awards

The Group's training and development programmes are well recognised.

- Being the first bank in Hong Kong to be qualified in the banking industry by Hong Kong Council for Accreditation of Academic and Vocational Qualifications for operating training programmes at Qualifications Framework Level 3
- Outstanding New Trainer Award in the Awards for Excellence in Training and Development by Hong Kong Management Association

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. We also place strong emphasis on work-life balance, with a diverse range of programmes organised for staff during the year. Outstanding staff and distinguished teams are recognised at an annual award presentation, which motivates staff to strive for excellence.

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. In 2013 we introduced the first-ever Voice Navigation ATM in Hong Kong for the visually impaired to use self-service banking more conveniently.
- We continued to work in partnership with different organisations (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 actively participated in a diverse range of charitable activities, covering education and culture, sports and arts, environmental protection, and social welfare and assistance to the needy in Hong Kong and the Mainland of China. Over the past 19 years, the Foundation contributed around HK\$193 million to the community.

8.1 Accessible banking services

Providing access to banking and finance is both our core business and our responsibility to the community. We maintain an extensive branch network that is easily accessible to our customers. To further enhance convenience for our customers, we have 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 from all walks of life, the Group has designed ATMs with special functions and features. We introduced the first-ever Voice Navigation ATM in Hong Kong while the protruding symbols on all our ATMs allow the visually impaired to use self-service banking more conveniently. In addition, around 93% of our ATMs 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.

For our website, we have designed functions for visually impaired customers including the support of screen readers. At our call centres, we have employees who are able to handle customer enquiries and requests in Cantonese, Putonghua, English, Japanese and Indonesian.

We recognise the importance of providing basic account services for customers who might otherwise be underserved. Since 2003, we provide 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 support of the Treat Customers Fairly Charter of the HKMA, the Group has cancelled its service fee on dormant accounts.

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 roving exhibition and seminar series during the year to encourage and educate the soon-to-be retired to plan ahead for greater 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 of the Hong Kong SAR Government, 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 extensive distribution network, we provide a convenient platform for our customers to donate and for charitable organisations to receive their donation. We have waived the administration cost for selected charitable organisations to ensure that the every penny donated by our customers goes directly to the charitable organisations. Charitable organisations can also enjoy waivers of the transaction processing fees for donations made through BOC credit cards. In addition, we encourage our staff to participate in the CARE Scheme – an employee matching donation programme organised by the Community Chest of Hong Kong (“The Chest”).

8.2 Caring for the Communities

We facilitate the disadvantaged to access electronic devices through the launch of the Caritas BOCHK Computer Donation Scheme, in which 2,000 refurbished computers were donated to the Caritas Computer Workshop for use by underprivileged families. The Foundation also donated HK\$1 million to the Workshop for the upgrade of both software and hardware. BOCHK volunteers have been invited to provide computer training to the beneficiaries.

To promote cross-sector cooperation in fulfilling CSR, the Foundation sponsored the Ocean Park Halloween Fest BOCHK Charity Day for the Chest for the second consecutive year. This initiative brought together charity and entertainment, helping to raise HK\$1.3 million for the Chest. We also offered 1,200 free tickets to underprivileged families, new immigrants and the physically disabled for them to enjoy a special day.

We were also the lead sponsor of the Hong Kong Corporate Citizenship Programme organised by the Hong Kong Productivity Council for four consecutive years. This initiative has successfully promoted CSR to over 370 enterprises and 9,800 participants through seminars and competitions.

In time of natural disasters, we provide timely financial assistance to communities in need. In April 2013, a massive earthquake jolted Yaan city in Sichuan province of China. The Foundation promptly donated HK\$1.6 million to the Hong Kong Red Cross to support the relief work. In addition to helping to collect donations through our extensive branch network, the Group made a donation of HK\$2 million through the Hong Kong Chinese Enterprises Charitable Foundation to the victims in the afflicted areas.

The Group's business segments also support various community initiatives. BOCG Life has also devoted considerable efforts to improving the livelihood of the local community. The three-year Health Engineer Programme and five-year Kids The Future Programme sponsored by our insurance arm have organised diversified health seminars and interests classes to benefit over 7,000 primary students, parents and teachers as well as the underprivileged.

In 2013, the Foundation made a total donation of over HK\$10 million for charity cause. In recognition of our contributions to the community, we received the President Award from the Chest and ranked fifth among its donors.

8.3 Educational programmes

Supporting educational programmes in the community is one of the key focus areas of our community investment. We provide scholarships and bursaries to support students in their studies. Since 1990, we have awarded nearly HK\$16.565 million in scholarships and bursaries to nine universities in Hong Kong, benefitting a total of 1,792 students.

In addition to providing scholarships, we believe that one valuable 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 organises the Summer Internship Programme to offer university and tertiary institution students valuable internship opportunities.

Caring has no boundaries. In 2013, we joined the 8-day Walkathon of Sowers Action to the west of Hunan with a record number of over 200 participants. The team included our 54 existing and retired staff members. Over HK\$1.24 million was raised by us to help improve rural education. The team also visited the Seeds of Hope Schools jointly with staff from BOC's Hunan Branch and donated basic necessities to the students. We have supported the Walkathon for the fifth consecutive year.

In addition, Chiyu Banking Corporation ("Chiyu") donated RMB1 million to assist in the educational development of the Jimei district on the Mainland.

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

Underpinned by the "learning before investing" concept, our new educational Virtual Securities Investment Platform was rolled out in 2013 to educate young investors about securities investment. They can 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.

In addition, we continued to arrange our staff to participate in the Financial Management Education Programme organised jointly by the Hong Kong Association of Banks and HKCSS. Through this programme, we helped educate the underprivileged about the importance of sound financial management and the key concepts of savings and financing.

8.4 Promoting sports development

The Group has been a patron of sports in the community. To facilitate the development of badminton, our key sports initiative, the Foundation donated a total of more than HK\$15 million over the past 15 years to fund a diverse range of activities which saw more than 1.2 million participants. The activities include the World Class Seminar and Volunteer Service Team introduced in 2013.

To foster the talent of young athletes, the Foundation sponsored the Hong Kong Island & Kowloon Regional Inter-school Sports Competition for 11 consecutive years. It has been well received by students, with over 80,000 athlete enrolments from more than 270 schools, which participated in more than 8,000 matches in 2013. The BOCHK Inter-school Sports Volunteering Project is a new initiative to organise more sports activities among schools while educating students the concept of lending a helping hand.

8.5 Employee volunteering

Involving our employees in meaningful community initiatives brings mutual benefits for the staff and the community. In 2013, over 1,400 employees have registered as members of our Dynamic Volunteer Team, contributing more than 12,000 hours of service through participation in 73 service activities. Some of these activities were organised jointly with a number of charitable organisations for children, the elderly, the underprivileged and mentally disabled. In recognition of our staff's enthusiasm for performing community services, BOCHK was presented the Gold Award for Volunteer Service by the Social Welfare Department of the HKSAR Government for four years in a row.

Awards and recognitions:

- Named the Caring Company for 11 consecutive years and included in the List of Barrier-free Companies/Organisations by The Hong Kong Council of Social Service
- President's Award and ranked 5th among the Top Donors by The Community Chest of Hong Kong
- Gold Award for Volunteer Service for four consecutive years by Social Welfare Department

NCB, BOCG Life and BOCCC:

- Named the Caring Company for a number of years by The Hong Kong Council of Social Service

BOCG Life:

- Friend of Social Enterprise in the Friends of Social Enterprise Award Scheme by Home Affairs Department and Social Enterprise Advisory Committee

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 footprint, 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.
- In 2013, we continued to implement energy-efficient and water-saving measures as well as recycling programmes on our premises. Various environmental campaigns were carried out on a continuous basis to actively promote carbon reduction in the community.

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 2013, we extended loans to a number of companies to develop new energy sources, renewable energy and water conservation projects. In addition, we collaborated with an overseas branch of BOC to provide financing support for a company's first overseas wind power project. The loan will finance the construction of the infrastructure of the project.

BOCHK also continued to provide the "Energy Efficiency Loan Scheme," launched jointly with the two electricity companies in Hong Kong to offer loans to commercial and industrial customers for the implementation of 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 2013, 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 9001:2008 and ISO 14001:2004, the international frameworks for environmental performance. In addition to installing water-cooled chillers in our air conditioning systems, we replaced the T8 lightings with T5 fluorescent tubes or LED lighting in BOC Centre for higher energy efficiency. This will lead to an estimated annual energy savings of 190,000 kWh.

Recycling programmes

The Group conducts 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.

Key items collected	Quantity
Computer equipment items	6,300
Recycled paper	241,460 kg
Plastic bottles	224.35 kg
Cans	180.76 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. We have been investing in upgrading technology in our branches and our internet and mobile banking platforms to promote paperless banking. In addition, we provide 24-hour e-statement registration service to facilitate customers to choose paperless operation.

- As at the end of 2013, the number of BOCHK mobile banking customers increased by 19.4% as compared with the previous year. In addition, those choosing to receive consolidated statements and investment statements in electronic form rose 35.8% and 14.1% respectively.

- Paperless branch teller model and electronic account opening platform have been implemented in over 80 local branches of the Group. Our new concept branch design has also been adopted in our newly renovated branches where customers can view banking information electronically through our e-posters and LED monitors.

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 employees 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 pledge our support for the conservation of sharks, the Group has signed the "No Shark's Fin Pledge" initiated by WWF Hong Kong since 2011, discontinuing the supply or serving of shark's fin and promotions related to shark's fin.

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

The Group's business segments are also committed to promoting environmental protection. For instance, BOC Credit Card (International) Limited ("BOCCC") organised sessions in which our CSR policies and eco-friendly initiatives, were communicated to the appointed staff as Environmental Protection Ambassadors. They are encouraged to raise the environmental awareness of their colleagues in their workplace.

9.5 Promoting carbon reduction in the community

In 2013, 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 School Programme, we advocate a vegetarian diet to help reduce carbon consumption. A series of green seminars, roving exhibitions, carnivals and writing competitions have been organised for over 500 schools and 400,000 students. We encouraged active staff participation by serving green recipes in our staff canteen at BOC Tower on 22 April and organising a Green Recipe Competition.

With ongoing efforts to promote low-carbon living, we participated in the Eco Expo Asia for the third consecutive year and the 1,000 Environment-Friendly Youth Ambassadors Action for two years in a row. Over 3,300 participants have been appointed as Youth Ambassadors to raise public awareness of energy saving on the Mainland and in Hong Kong.

Following the Hong Kong Geopark Green Walk spearheaded by BOCHK in 2009, we launched Lohas Community – Eco Charity Walk & Photo Tour during the year. This initiative offers the public an opportunity to explore the natural wonders of the Hong Kong Global Geopark of China, encouraging environmental conservation through carbon reduction in daily lives. Over 110 eco-tours have been organised for 11,500 customers, citizens, staff members and their companions.

A green lifestyle helps minimise the carbon footprint. The Foundation sponsored the Rooftop Farming Project of The University of Hong Kong to introduce organic farming on the rooftop of the buildings in the campus. BOCHK volunteers have joined hands with students to be Green Farmers of the farm and provide the farm products to Bijias, a vegetarian restaurant in the campus, for offering green menus. During the year, we also sponsored the Carbon Pioneer Campaign organised by the Zonta Club which showcases a green and sustainable way of living to secondary students.

In addition, our subsidiary BOCG Life introduced a “Green Month” in June 2013 with a series of green activities, including the “Dress Green Day”, “Green Bazaar” and seminars, to raise the environmental awareness among staff. The donations made by the participating staff were channelled to support the “Greeners Action”, an NGO in Hong Kong.

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:

- Quality Management System of ISO 9001:2008 Certification and Environmental Management System of ISO 14001:2004 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:

- Energy Management System of ISO 50001:2011 Certification by SGS Hong Kong

BOC Tower and BOC Centre:

- Indoor Air Quality Certificate – Excellent Class by Environmental Protection Department
- BOCHK’s LOHAS Community – Hong Kong Charity Walk for Eco-geo-cultural Discovery: Bronze Award for Green Marketing: Earth Science by International Astrid Awards and Honours for Special Events: Eco-Tour by International Galaxy Awards

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 2013, a Self-Assessment Questionnaire was sent to 78 companies supplying goods and services to the Group. We also conducted bi-yearly on-site visits of 21 selected suppliers. The assessed suppliers were in compliance with our Supply Chain Code of Conduct 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
- We will work with peers and policy makers to share experiences and adopt best practice
- Consideration will be made for small to medium enterprises (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 78 companies supplying goods and services to the Group to complete a Self-Assessment Questionnaire and conducted bi-yearly on-site visits of 21 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 Communication with suppliers

To facilitate the implementation of the Code for suppliers, we have formulated a communication strategy, where we 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 2013, we engaged with an independent consultant to conduct interviews with our suppliers to gather feedback on our sustainability performance and procurement process. According to our findings, the Group is considered to be committed to sustainability and has integrated environmental considerations into its business operations, services and products. Suppliers would welcome more opportunities to engage with the Group through briefings or evaluation meetings prior and post tendering process.

