

## > Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. It adopts corporate governance practices in conformity with the Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010, corporate governance guidelines issued by the Monetary Authority of Singapore (“MAS”) and observes the Singapore Exchange Securities Trading Ltd’s Code of Corporate Governance 2012 (the “Code”).

### BOARD OF DIRECTORS

#### BOARD COMPOSITION AND INDEPENDENCE

An independent Director in OCBC Bank is one who is independent from management, substantial shareholder, business relationship with the Bank, and has not served for more than nine years on the Board. The Board at present comprises 11 Directors of whom six, a majority, are independent Directors. They are Mr Ooi Sang Kuang, Mr Lai Teck Poh, Mr Quah Wee Ghee, Mr Tan Ngjap Joo, Dr Teh Kok Peng and Mr Wee Joo Yeow.

Mr Lee Seng Wee and Dr Lee Tih Shih are not independent from substantial shareholder, but deemed independent from management and business relationships. Dr Cheong Choong Kong is deemed not independent because he has served more than nine years on the Board. Mr Samuel N. Tsien and Mr Pramukti Surjaudaja are not independent from management. Mr Samuel N. Tsien is executive Director and Chief Executive Officer (“CEO”). Mr Pramukti Surjaudaja has an immediate relative, a sister, who is chief executive of the Bank’s subsidiary, PT Bank OCBC NISP Tbk.

Mr Bobby Chin, Mrs Fang Ai Lian and Mr David Conner stepped down from the Board, respectively, on 24 April 2014, 24 April 2014 and on 31 August 2014.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman’s responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agenda; ensuring that Directors receive accurate, timely and clear information; ensuring effective

communication with shareholders; encouraging constructive relations between the Board and management; facilitating the effective contribution of non-executive Directors; ensuring constructive relations between the executive Director and non-executive Directors; and, promoting high standards of corporate governance. The Bank does not appoint a Lead Independent Director as the Chairman is an independent Director.

The Board identifies the skills that it collectively needs to discharge its responsibilities effectively, and steps are taken to improve effectiveness, where necessary. It is assessed that the members of the Board as a group provide skills and competencies to ensure the effectiveness of the Board and its committees. These include banking, insurance, accounting, finance, law, strategy formulation, business acumen, management experience, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors’ professional qualifications and background can be found on pages 200 to 205.

As a principle of good corporate governance, all Directors are subject to re-nomination and re-election at regular intervals and at least every three years. The Bank’s Articles of Association provide for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by the MAS. The Nominating Committee reviews the board size annually and it considers the current number of board members to be appropriate given the size of the Group, its business complexity and the number of board committees.

#### BOARD CONDUCT AND RESPONSIBILITIES

The Board is elected by the shareholders to supervise the management of the business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholders as a whole while taking into account the interests of other stakeholders. Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy, as well as organisation structure, developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems;
- providing oversight in ensuring that the Bank’s risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;

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- overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the adequacy of the risk management function (including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines), and the quality of the risk management processes and systems;
- reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- ensuring that the necessary human resources are in place for the Bank to meet its objectives, as well as appointing and removing executive officers, as deemed necessary;
- reviewing management performance and ensuring that management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- establishing corporate values and standards, emphasising integrity, honesty and proper conduct at all times with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest;
- overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework, and ensuring that the remuneration practices are aligned and in accord with the remuneration framework;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- ensuring that obligations to shareholders and others are understood and met;
- maintaining records of all meetings of the Board and Board Committees, in particular records of discussion on key deliberations and decisions taken;
- identifying the key stakeholder groups, recognising that perceptions affect the company's reputation; and
- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They meet during the year, without the presence of management, to discuss the effectiveness of management.

In 2014, the Board and its committees held a total of 35 meetings. Prior to each meeting, members are provided with timely and complete information to enable them to fulfill their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, operating plans, forecasts, and reports of variances from operating plans and forecasts.

The Board and its committees have unfettered access to information which the Bank is in possession of and to the Bank's senior management and company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense. The role of the company secretary is defined. He attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between senior management and non-executive Directors, as well as

facilitates orientation of new Directors and professional development of Directors, as required. The appointment and removal of the company secretary is considered to be a matter for the Board as a whole.

### **BOARD ORIENTATION AND DEVELOPMENT**

A formal appointment letter and director handbook are provided to every new Director. The handbook sets out, among other corporate information, the time commitment required and the duties and obligations of Directors, as well as relevant rules and regulations such as those relating to the Banking Act and SGX listing rules. The Bank conducts a focussed orientation programme, which is presented by the CEO and senior management, to familiarise new Directors with its business and governance practices. The programme also enables the new Directors to be acquainted with senior management, thereby facilitating the latter's interaction with and access to the Directors. Arrangements are made for the newly appointed Directors to visit the Bank's operations and facilities.

On a continuing basis, the Directors receive appropriate development to perform their roles on the Board and its committees. This, among other subjects, includes updates on regulatory developments and their impact on business, new business and products, accounting and finance, corporate governance, and risk management, which are provided by subject-matter experts from within and outside the Bank. When deciding on the scope of the development to be provided, the skills required to enable Directors to properly discharge their duties at the Board and its committees are taken into account.

The Directors participate in external courses as and when needed, including participation in programmes conducted by the Singapore Institute of Directors, where relevant. The Bank funds the training and development programmes for existing and new Directors that it arranged.

Training provided to new and existing Directors in 2014 covered subjects, such as:

- Global Trends in Executive Remuneration
- Risk Appetite
- Cyber Security Threats
- Wealth Management Industry Trends
- Anti-Money Laundering/Countering Financing Terrorism
- Key Accounting Standards and Directors' Financial Statement Responsibilities

#### **BOARD PERFORMANCE**

The Board has an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contribution. Aon Hewitt Singapore Pte Ltd is engaged to administer the process, provide industry benchmarks and maintain confidentiality of results. The purpose of the evaluation process is to increase the overall effectiveness of the Board.

The Directors participate in the evaluation. Each Director evaluates the performance of the Board and Board Committees and conducts a peer assessment of the other Directors. The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively by the Nominating Committee to discuss improvements with the Board and ensure that each Director remains qualified for office. The Chairman acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors, in consultation with the Nominating Committee.

Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director could assume. The Nominating Committee, based on the guidelines established, assesses annually each Director's attendance record and

degree of participation at meetings. In respect of other appointments, it takes into account, among various factors, the nature of the appointment (full-time or otherwise), number of meetings to attend, complexity of organisation, and degree of participation in sub-committees. Generally, a Director who has full-time employment in any organisation, shall have appointments in no more than three other listed companies, while a Director who has no full-time employment, shall have appointments in no more than six other listed companies.

#### **BOARD COMMITTEES**

##### **EXECUTIVE COMMITTEE**

The Executive Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Cheong Choong Kong, Mr Lee Seng Wee, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow. A majority of the Committee, i.e. Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow, are independent Directors.

The Committee has written terms of reference that describe the responsibilities of its members.

The Executive Committee oversees the management of the business and affairs of the Bank and the Group, within the parameters delegated by the Board. It reviews the Bank's policies, principles, strategies, values, objectives and performance targets. These include investment and divestment policies. It also endorses such other matters and initiates any special reviews and actions as appropriate for the prudent management of the Bank.

##### **NOMINATING COMMITTEE**

The Nominating Committee comprises Mr Ooi Sang Kuang (Chairman), Mr Lai Teck Poh, Mr Lee Seng Wee, Dr Lee Tih Shih and Mr Tan Ngiap Joo. A majority of the Committee, i.e. Mr Ooi Sang Kuang, Mr Lai Teck Poh and Mr Tan Ngiap Joo, are independent Directors.

The Committee has written terms of reference that describe the responsibilities of its members.

The Nominating Committee plays a vital role in reinforcing the principles of transparency and meritocracy at the Bank. It plans for board succession and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. This includes review of all nominations for the appointment, re-appointment, election or re-election as well as resignations of Directors of the Bank and members of the Executive Committee, Remuneration Committee, Audit Committee and Risk Management Committee of the Bank. The Nominating Committee is also charged with determining annually whether or not a Director is independent, capable of carrying out the relevant duties and qualified to remain in office. It also reviews nominations, dismissals or resignations for senior management positions in the Bank, including the CEO, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer. It makes recommendations to the Board on all such appointments, including the compensation package for offer of employment, promotion and cessation of employment. Mr Vincent Choo was appointed the Bank's Chief Risk Officer on 1 August 2014, replacing Mr Gilbert Kohnke who had completed his employment contract. The Nominating Committee reviews obligations arising in the event of termination of the contracts of service of executive directors and senior management, to ensure such contracts contain fair and reasonable termination clauses.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required at the Board, and makes recommendations to the Board on appointment of new Directors, when necessary. When the need for a new Director is identified, the Nominating Committee will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Nominating Committee may engage external search consultants to search for the Director. The Board reviews the recommendation of the Nominating Committee and appoints the new Director, subject to the

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approval of MAS. In accordance with the Bank's Articles of Association, the new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

### AUDIT COMMITTEE

The Audit Committee comprises Mr Tan Ngiap Joo (Chairman), Mr Lai Teck Poh and Dr Teh Kok Peng. All the Committee members are independent Directors and have accounting or related financial management expertise and experience.

The Audit Committee performs the functions specified in the Companies Act, the Code, the SGX-ST Listing Manual, and the MAS' corporate governance regulations and guidelines.

The Committee has written terms of reference that describe the responsibilities of its members. The Board approved the terms of reference of the Audit Committee. The Committee may meet at any time but no less than four times a year. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The Audit Committee members keep abreast of changes to accounting standards and issues which have a direct

impact on financial statements. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The Audit Committee reviews the Bank's whistle blowing policy as well as any concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed up. If fraud is determined, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle blower's interest will be safeguarded at all times, including the right to appeal to the Audit Committee if reprisals are taken against him.

The Audit Committee meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the head of internal audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations. Formal reports are sent to the Audit Committee on a regular basis. The Board is updated on these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors are compatible with maintaining the independence of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2014, and breakdown of total fees paid for audit and non-audit services, respectively, are shown in the Notes to the Financial Statements.

In respect of the 2014 financial year, the Audit Committee

- has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgments affecting the financial statements;
- has discussed with the external auditors the quality of the above principles and judgments; and
- believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditors.

Where appropriate, the Audit Committee has adopted relevant best practices set out in the Guidebook for Audit Committees in Singapore.

### Internal Audit Function

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the effectiveness of the internal audit function. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Banking Group's governance, risk management and internal control processes, as designed and implemented by senior management, are adequate and effective. Group Audit reports on the adequacy of the system of internal controls to the Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. The internal audit of the recently acquired OCBC Wing Hang Bank Limited is in transition to meet these requirements.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational, technology, compliance and strategic

risks as well. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring prompt and accurate recording of transactions and the adequate safeguarding of assets. In addition, Group Audit provides an independent assessment of the Group's credit portfolio quality and credit risk management process. Reviews conducted by Group Audit also focus on the Group's compliance with relevant laws and regulations, adherence to established policies and whether management has taken appropriate measures to address control deficiencies. Group Audit provides advice on the development of new products as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls, without assuming management responsibility.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience and reports functionally to the Audit Committee and administratively to the CEO, and has unfettered access to the Audit Committee, Board and senior management, as well as the right to seek information and explanations. Currently, the number of internal audit staff is 192 in the division (and 283 in the Group). The division is organised into departments that are aligned with the structure of the Bank. The Audit Committee approves the appointment, removal and remuneration of the Head of Group Audit.

#### Internal Controls

The Bank has in place, self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls,

and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management. The Board has received assurance from the CEO and Chief Financial Officer on the effectiveness of the Bank's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the Audit and Risk Management Committees, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2014, to address the risks which the Group considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute, assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

#### External Auditor

The Audit Committee assesses the quality of the external auditor before its first appointment and at least annually. The selection of the current external auditor was made on tender process based on the framework for the selection/appointment of OCBC's external auditor. This framework lists the considerations, criteria and provides a robust tender process for

the selection and appointment of external auditors. Considerations include global reach of the external auditor, its technical and industry expertise, skills, resources, reputation, and quality of service delivery.

Exercising oversight over the external audit function, the Audit Committee is responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor. The Audit Committee also considers the annual fee proposals presented by the external auditor and reviews the scope of the audit plan, the level of materiality, areas of focus and significant risks to be addressed.

In its recommendation on the re-appointment of the external auditor, the Audit Committee considers the length of the external auditor's tenure and the risk it may pose to its objectivity and independence. The Audit Committee also takes into consideration the external auditor's policy of rotating the lead engagement partner every five years.

The Audit Committee is responsible for monitoring the performance, objectivity and independence of the external auditor. In its evaluation process, the Audit Committee takes into consideration the following:

- the experience and expertise of senior members of the engagement team;
- the audit plan agreed with the external auditor, the areas of audit focus and external auditor's approach to materiality;
- the quality of reports and findings presented by the external auditor;
- the external auditor's presentation of its Audit Quality Framework and its confirmation of independence pursuant to its policies and processes for maintaining independence and objectivity;

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- the external auditor's report to the Audit Committee on main findings on audit quality reviews of the Bank's audit;
- the key highlights or findings on the external auditor's quality control systems by audit oversight bodies and where relevant, the appropriate steps taken by the external auditor;
- feedback through an annual evaluation exercise from senior management across geographical regions to gather internal perceptions on the knowledge, competence, independence, communication, efficiency and effectiveness of the external auditor.

As part of its assurance process on the objectivity and independence of the external auditor, the Audit Committee has in place a policy that lists the non-audit services which may not be provided by external auditors and sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. Permitted non-audit services exceeding S\$250,000 require the approval of the Audit Committee before the auditor can be engaged. In addition, the Audit Committee reviews reports on non-audit services undertaken by the external auditor to satisfy itself of the nature of non-audit services being provided and the fees incurred. The nature of the non-audit services provided during the financial year ended 31 December 2014, can be found in Note 8 in the Notes to the Financial Statements on page 111.

To reinforce the Audit Committee's effectiveness and enhance the quality of the audit, the Audit Committee meets regularly with the external auditor. The external auditor discusses its audit plan with the Audit Committee and presents its engagement terms and its audit fee proposals. It reports to the Audit Committee on audit focus areas, the support rendered by management, key audit findings, quantitative and qualitative aspects of financial statement disclosures, any unadjusted review differences and any

other matters relevant to its engagement. Discussions may be held privately without the presence of management. The external auditor also discusses with the Audit Committee key changes to regulatory requirements and reporting and developments in accounting standards.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Cheong Choong Kong, Dr Lee Tih Shih, Mr Quah Wee Ghee and Dr Teh Kok Peng. A majority of the Committee, i.e. Mr Ooi Sang Kuang, Mr Quah Wee Ghee and Dr Teh Kok Peng, are independent Directors. All the Committee members are well versed with executive compensation matters, given their extensive experience in senior corporate positions and major appointments.

The Committee has written terms of reference that describe the responsibilities of its members.

The Remuneration Committee recommends to the Board a framework for determining the remuneration of executive officers, and reviews the remuneration practices to ensure that they are aligned with the approved framework. It is empowered to review the human resources management policies and the policies governing the compensation of executive officers of the Bank and its subsidiaries, as well as the remuneration of senior executives. In addition, the Remuneration Committee administers the various employee share ownership schemes. In its deliberations, the Remuneration Committee takes into account remuneration principles, practices and standards that may be specified by the MAS from time to time.

### RISK MANAGEMENT COMMITTEE

The Risk Management Committee, which supports the Board in performing its risk oversight responsibilities, comprises Mr Lai Teck Poh (Chairman), Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Pramukti Surjandaja and Mr Wee Joo Yeow. All the Committee members are non-executive Directors. Members

of the Committee have relevant technical financial sophistication in risk disciplines or business experience.

The Committee has written terms of reference that describe the responsibilities of its members.

The Committee reviews the overall risk management philosophy, guidelines and major policies for effective risk management, including the risk profile, risk tolerance level and risk strategy. The Committee reviews the scope, effectiveness and objectivity of Group Risk Management and the risk reports that monitor and control risk exposures. It also oversees the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis, including ensuring the adequacy of risk management practices for material risks.

## DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2014

Name of Director	Board <sup>(2)</sup>		Executive Committee		Audit Committee	
	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held <sup>(1)</sup>	Attended	Held <sup>(1)</sup>	Attended	Held <sup>(1)</sup>	Attended
Ooi Sang Kuang	10	10	5	5	—	—
Cheong Choong Kong <sup>(2, 3)</sup>	9	9	5	5	—	—
Bobby Chin <sup>(4)</sup>	4	3	—	—	—	—
David Conner <sup>(2, 5)</sup>	7	7	3	3	—	—
Fang Ai Lian <sup>(6)</sup>	4	3	—	—	3	3
Lai Teck Poh <sup>(7)</sup>	10	10	—	—	3	3
Lee Seng Wee <sup>(2)</sup>	9	9	5	5	—	—
Lee Tih Shih <sup>(2, 8)</sup>	9	8	—	—	—	—
Quah Wee Ghee <sup>(9)</sup>	10	9	5	5	—	—
Pramukti Surjandaja <sup>(2)</sup>	7	7	—	—	—	—
Tan Ngiam Joo <sup>(10)</sup>	10	10	5	5	6	6
Teh Kok Peng	10	10	—	—	6	6
Samuel N. Tsien <sup>(2, 11)</sup>	6	6	—	—	—	—
Wee Joo Yeow <sup>(12)</sup>	10	9	5	5	—	—

Name of Director	Nominating Committee			Remuneration Committee		Risk Management Committee	
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Scheduled Meeting	
	Held <sup>(1)</sup>	Attended	Attended	Held <sup>(1)</sup>	Attended	Held <sup>(1)</sup>	Attended
Ooi Sang Kuang	3	3	2	3	3	6	6
Cheong Choong Kong <sup>(2, 3)</sup>	2	2	2	3	3	—	—
Bobby Chin <sup>(4)</sup>	1	1	1	2	2	—	—
David Conner <sup>(2, 5)</sup>	—	—	—	—	—	4	4
Fang Ai Lian <sup>(6)</sup>	—	—	—	2	2	—	—
Lai Teck Poh <sup>(7)</sup>	3	3	2	—	—	6	6
Lee Seng Wee <sup>(2)</sup>	3	3	2	—	—	—	—
Lee Tih Shih <sup>(2, 8)</sup>	1	1	—	3	3	—	—
Quah Wee Ghee <sup>(9)</sup>	—	—	—	1	1	6	6
Pramukti Surjandaja <sup>(2)</sup>	—	—	—	—	—	6	6
Tan Ngiam Joo <sup>(10)</sup>	2	2	1	—	—	—	—
Teh Kok Peng	—	—	—	3	3	—	—
Samuel N. Tsien <sup>(2, 11)</sup>	—	—	—	—	—	—	—
Wee Joo Yeow <sup>(12)</sup>	—	—	—	—	—	6	5

### Notes:

<sup>(1)</sup> Reflects the number of meetings held during the time the Director held office.

<sup>(2)</sup> Includes Independent Director, non-executive Director (NED) and Board Strategy Meetings. Mr Pramukti Surjandaja and Mr Samuel N. Tsien do not attend NED Meetings. Non-independent Directors do not attend Independent Directors' meetings.

<sup>(3)</sup> Stepped down as a Member of Nominating Committee on 31 August 2014.

<sup>(4)</sup> Stepped down from the Board, Nominating and Remuneration Committees on 24 April 2014.

<sup>(5)</sup> Stepped down from the Board, Executive and Risk Management Committees on 31 August 2014.

<sup>(6)</sup> Stepped down from the Board, Audit and Remuneration Committees on 24 April 2014.

<sup>(7)</sup> Appointed a Member of Audit Committee on 24 April 2014.

<sup>(8)</sup> Appointed a Member of Nominating Committee on 1 September 2014.

<sup>(9)</sup> Appointed a Member of Remuneration Committee on 24 April 2014.

<sup>(10)</sup> Appointed a Member of Nominating Committee on 24 April 2014.

<sup>(11)</sup> Appointed to the Board on 13 February 2014. Mr Samuel N. Tsien attended all Audit, Executive and Risk Management Committees' meetings held during the financial year by invitation of the relevant committees.

<sup>(12)</sup> Appointed to the Board, Executive and Risk Management Committees on 2 January 2014.

The Bank's Articles of Association provide for Directors to participate in Board and Board Committee meetings by means of conference telephone, video conferencing or audio visual equipment.

**REMUNERATION POLICY**

**EMPLOYEES' REMUNERATION**

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain quality staff globally. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The total compensation packages for employees comprise basic salary, fixed bonus, variable performance bonus, allowances, deferred share awards and share options for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach. Where relevant, financial measurements, adjusted for the various types of risk (such as market, credit and operational risks), include, if appropriate:

- Operating efficiency measures which include revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measure such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

There were no significant changes to the above measures during 2014.

Each business unit has its own performance measures that match their

functions and objectives and these objectives are consistent with the Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators are taken into account when assessing business performance. Executives are remunerated based on their own performance measures, while taking into account market compensation data for their respective job roles.

The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures. Market compensation data on risk and compliance functions is also taken into account for remuneration.

In determining the composition of compensation packages, the Bank takes into account the time horizon of risk and includes in the total compensation for executives, a significant portion of deferred payment in the form of deferred shares and share options. To ensure that its remuneration packages are competitive, the Bank regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys of comparative groups in the financial sector. The determination of the Bank's variable bonus pool is fully discretionary and the factors taken into consideration include the Bank's performance, market conditions and competitive market practices.

The Bank adopts a performance-driven approach to compensation. Compensation packages are linked to personal performance, the performance of the organisational function as a whole and the overall performance of the Bank. Compensation is reviewed each year based on information from market surveys provided by reputable management consultants.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices

to reduce incentives that encourage excessive risk taking. The Financial Stability Forum ("FSF") developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. The Remuneration Committee made changes to the Bank's compensation structure to increase the proportion of deferred remuneration component for senior executives. While the Bank's compensation practices largely meet the FSF principles and implementation standards, the Bank continues to review its compensation practices to comply with the required standards on an ongoing basis.

The Bank has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Bank. This group comprises "senior management" (the CEO and his direct reports) and "material risk takers" (employees of Senior Vice President rank and above). The Board approves the compensation of the CEO, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Head, Global Treasury, and the Remuneration Committee approves the compensation of all other senior executives of at least Senior Vice President rank.

The remuneration practices for staff in bargainable positions are established through negotiation with the Bank's unions.

The Bank's remuneration policy is also applied to all OCBC overseas branches and the following subsidiaries:

- Bank of Singapore Ltd
- OCBC Management Services Pte Ltd
- OCBC Securities Pte Ltd
- OCBC Investment Research Pte Ltd
- OCBC Trustee Ltd
- e2 Power Pte Ltd
- e2 Power Sendirian Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- OCBC Bank (China) Ltd



## DIRECTORS' REMUNERATION

The Remuneration Committee recommends the remuneration for executive Directors and non-executive Directors of the Bank. The remuneration for non-executive Directors is subject to shareholders' approval at the AGM.

## COMPENSATION OF NON-EXECUTIVE DIRECTORS

OCBC's remuneration for non-executive Directors is intended to attract capable individuals to the Board, as well as retain and motivate them in their roles as non-executive Directors. It aligns their interest to those of shareholders, is competitive in the region and recognises individual contributions.

The Remuneration Committee has considered market practices for non-executive director compensation and on its recommendation, the Board has decided to adopt the following fee structure to compute the fee for each non-executive Director of the Bank:

- annual board chairman fee of S\$1,800,000;
- annual retainer fee of S\$45,000;
- annual committee chairperson fee of S\$70,000 for Audit, Risk Management and Executive Committees, and S\$40,000 for Nominating and Remuneration Committees;
- annual committee member fee of S\$40,000 for Audit, Risk Management and Executive Committees, and S\$20,000 for Nominating and Remuneration Committees (committee chairpersons are not awarded these fees); and
- attendance fee of S\$3,000 per Board or Board Committee meeting. These attendance fees are paid to non-executive Directors to recognise their commitment and time spent in attending each meeting.

The previous year, shareholders approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interest

of non-executive Directors with the interest of shareholders. At the recommendation of the Remuneration Committee, the Board has decided to continue with the grant of 6,000 new ordinary shares to each non-executive Director. Any non-executive Director who has served less than a full annual term with the Board will be awarded shares, pro-rated on the basis of the term he has served as non-executive Director in the financial year. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2015.

Under the OCBC Share Option Scheme 2001, the Remuneration Committee also has the discretion to grant share options to non-executive Directors in recognition of their contributions.

## COMPENSATION OF EXECUTIVE DIRECTORS

The compensation for executive Directors is formulated and reviewed by the Remuneration Committee annually to ensure that it is market competitive and that the rewards commensurate with their contributions. The compensation package comprises basic salary, benefits-in-kind, performance bonus, incentive bonus, share options, share awards and compensation in the event of early termination where service contracts are applicable. Performance and incentive bonuses relate directly to the financial performance of the Group and the contributions of the individual executive Director. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to executive Directors are similar to those for the executives of the Bank.

## REMUNERATION OF DIRECTORS' IMMEDIATE FAMILY

None of the Directors had immediate family members who were employees of the Bank and whose personal annual remuneration exceeded S\$50,000.

## REMUNERATION OF TOP 5 KEY MANAGEMENT PERSONNEL IN 2014

The Code recommends the disclosure of the individual remuneration of the Bank's top five key management personnel as

well as their aggregate remuneration. The Board considered this matter carefully and has decided against such disclosure for the time being as it is not standard business practice to do so, having taken into account the highly competitive conditions for talent in the industry.

The Bank does not provide any termination, retirement and post-employment benefits to its executive Director and top five key management personnel.

## DIRECTORS' REMUNERATION IN 2014

Name of Director	Total Remuneration (\$'000)	Salary and Fees (\$'000) <sup>(d)</sup>	Performance-Based Remuneration				Other Benefits (\$'000) <sup>(b)</sup>	Value of Remuneration Shares Awarded (\$'000) <sup>(c)(d)</sup>	Options Granted (No.)	Acquisition Price (\$)	Exercise Period
			Bonuses (\$'000)	Value of Share Options Granted (\$'000) <sup>(a)</sup>	Value of Deferred Share/Share Awards Granted (\$'000)						
Ooi Sang Kuang <i>(Chairman with effect from 1 September 2014)</i>	1,010	940	–	–	–	8	62	–	–	–	
Cheong Choong Kong <i>(Former Chairman)</i>	1,549	1,402	–	–	–	85	62	–	–	–	
Bobby Chin	69	50	–	–	–	–	19	–	–	–	
David Conner	167	126	–	–	–	–	41	–	–	–	
Fang Ai Lian	95	76	–	–	–	–	19	–	–	–	
Lai Teck Poh	299	237	–	–	–	–	62	–	–	–	
Lee Seng Wee	233	171	–	–	–	–	62	–	–	–	
Lee Tih Shih	173	111	–	–	–	–	62	–	–	–	
Quah Wee Ghee	265	203	–	–	–	–	62	–	–	–	
Pramukti Surjandaja	186	124	–	–	–	–	62	–	–	–	
Tan Ngjap Joo	297	235	–	–	–	–	62	–	–	–	
Teh Kok Peng	224	162	–	–	–	–	62	–	–	–	
Wee Joo Yeow	244	182	–	–	–	–	62	–	–	–	
<b>Director &amp; CEO</b>											
Samuel N. Tsien	9,885	1,242	5,138	856	2,569	80	–	744,867	10.378	16 March 2016 to 15 March 2025	

Notes:

- <sup>(a)</sup> Share option was valued using the Binomial valuation model.
- <sup>(b)</sup> Non-cash component such as club and car benefits.
- <sup>(c)</sup> Value of remuneration shares was estimated based on closing price of ordinary shares on 13 March 2015, i.e. S\$10.31.
- <sup>(d)</sup> Fees and remuneration shares for non-executive Directors refer to those for 2014 financial year that are subject to approval by shareholders at the AGM in April 2015.

The table above includes Directors who were appointed or who resigned or retired during the year.

### SHARE SCHEMES

#### OCBC SHARE OPTION SCHEME 2001

The OCBC Share Option Scheme 2001 (the "Scheme") seeks to inculcate in all participants a stronger and long term sense of identification with the OCBC Group, as well as to incentivise participants to achieve higher standards of performance. It forms a substantial part of senior executives' variable compensation and serves to align the Bank's compensation with the sustained long term performance of the Bank. Group executives comprising any employee of the OCBC Group holding the rank or equivalent rank of Manager and above and any Group Executive Director selected by the Remuneration Committee, as well as non-executive Directors of the Group, are eligible to participate in the Scheme.

The cumulative total number of ordinary shares to be issued by the Bank in respect of options granted under the Scheme cannot exceed 10% of the Bank's total number of issued ordinary shares.

The acquisition price for each ordinary share in respect of which the option is exercisable shall be determined by the Remuneration Committee to be a price equal to the average of the last dealt price of the shares for the five consecutive trading days immediately prior to the offering date. No options were granted at a discount since the commencement of the Scheme.

The validity period of the options is subject to prevailing legislation applicable on the date of grant.

Based on current legislation, options granted to Group Executives are exercisable up to 10 years, while options granted to non-executive Directors are exercisable up to five years. The options may be exercised after the first anniversary of the date of the grant, in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant of the respective options. The Committee has adopted the following vesting schedule:

Vesting schedule

Percentage of shares over which an option is exercisable

On or before the first anniversary of the date of grant	Nil
After the first anniversary but on or before the second anniversary of the date of grant	33%
After the second anniversary but on or before the third anniversary of the date of grant	33%
After the third anniversary but before the date of expiry of the exercise period	34%

These options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee. Shares granted on exercise of options are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

All awards are subject to cancellation if it is determined that they were granted on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Bank's risk profile/rating.

#### **OCBC DEFERRED SHARE PLAN**

The OCBC Deferred Share Plan ("Plan") aims to increase the performance-orientation and retention factor in compensation packages of executives, and foster an ownership culture within the organisation. It also aligns the interests of executives to the sustained business performance of the Bank. Group Executives holding the rank or equivalent rank of Assistant Manager and above, and any Group Executive Director selected by the Remuneration

Committee are eligible to participate in the Plan. In 2014, the participants are executives of the Bank, selected overseas locations and subsidiaries.

Share awards are granted annually to eligible executives who are paid variable performance bonus of S\$70,000 and above. The share awards form 20% to 40% of their total variable performance bonus for the year. Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

Shares granted are allocated from treasury shares or acquired from the market in accordance with guidelines established under the Plan. The unvested deferred share grants will be adjusted to take into account dividends declared by the Bank. The additional shares granted in respect of this adjustment are also acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

All awards are subject to cancellation if it is determined that they were granted on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Bank's risk profile/rating.

During the financial year, an aggregate of 5,056,122 ordinary shares were granted to eligible executives of the Group pursuant to the Plan.

#### **OCBC EMPLOYEE SHARE PURCHASE PLAN**

The OCBC Employee Share Purchase Plan ("ESPP"), implemented in 2004, has been extended for another 10 years from 2014 to 2024, as approved by the shareholders. The ESPP was implemented for all employees of the Group, including executive Directors, to inculcate in all participants a stronger and more lasting sense of identification with the Group.

The ESPP is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll and/or CPF funds. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESPP, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date. Shares granted on conversions in accordance with the rules of the ESPP are allocated from treasury shares or from the issue of new ordinary shares by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the Scheme and the ESPP cannot exceed five per cent of the Bank's total number of issued ordinary shares.

**REMUNERATION DISCLOSURE FOR SENIOR MANAGEMENT AND MATERIAL RISK TAKERS**  
**GUARANTEED BONUSES, SIGN-ON AWARDS, SEVERANCE PAYMENTS AND VARIABLE REMUNERATION**

Category	Senior Management	Material Risk Takers
Number of guaranteed bonuses		3 <sup>1</sup>
Number of sign-on awards	0	0
Number of severance payments	0	0
Total amounts of above payments made for the financial year (S\$'000)		2,056 <sup>1</sup>
Number of employees	15	96
Number of employees that received variable remuneration	15	93

<sup>1</sup> Information is aggregated to maintain individual data confidentiality.

**BREAKDOWN OF REMUNERATION AWARDED IN CURRENT FINANCIAL YEAR**

Category		Senior Management		Material Risk Takers	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
<b>Fixed remuneration</b>	Cash-based	23	0	45	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	0	0	0	0
<b>Variable remuneration</b>	Cash-based	46	0	33	0
	Shares and share-linked instruments	0	31	0	22
	Other forms of remuneration	0	0	0	0
	<b>Total</b>	<b>100</b>		<b>100</b>	

**BREAKDOWN OF LONG-TERM REMUNERATION AWARDS**

Category	Senior Management %	Material Risk Takers %
Change in deferred remuneration awarded in current financial year	22	48
Change in amount of outstanding deferred remuneration from previous financial year	2	6
<b>Outstanding deferred remuneration (breakdown):</b>		
Cash	0	0
Shares and share-linked instruments	100	100
Other forms of remuneration	0	0
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Outstanding deferred remuneration (performance adjustments):</b>		
Of which exposed to ex-post adjustments	100	100
Reductions in current year due to ex-post adjustments (explicit <sup>1</sup> )	0	0
Reductions in current year due to ex-post adjustments (implicit <sup>2</sup> )	0	0
<b>Outstanding retained remuneration (performance adjustments):</b>		
Of which exposed to ex-post adjustments		
Reductions in current year due to ex-post adjustments (explicit)	N.A.	N.A.
Reductions in current year due to ex-post adjustments (implicit)		

<sup>1</sup> Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.

<sup>2</sup> Examples of implicit ex-post adjustments include fluctuations in the value of shares or performance units.

## COMMUNICATION WITH SHAREHOLDERS

OCBC Bank recognises the importance of communicating regularly and effectively with its shareholders so that they can better understand its operations, strategies and directions. One of the key roles of the Group's Corporate Communications and Investor Relations Units is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers. In addition, shareholders and the public can access the Group's media releases, financial results, presentation materials used at briefings and other corporate information on the Bank's website.

The Bank has an investor relations policy approved by the Board. Shareholders are given the opportunity to participate effectively at OCBC Bank's AGMs and EGMs, where they can ask questions and communicate their views. They are allowed to vote in person or by proxy. The Bank's Articles of Association currently allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. The Bank also currently allows investors, who hold shares through nominees such as CPF and custodian banks, to attend the AGM and EGM as observers so long as they comply with the prescribed procedures for attendance. Once the Companies (Amendment) Act 2014 takes effect, a new multiple-proxies regime will be introduced which will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings.

To ensure authenticity of shareholder identity and other related security issues, the Bank currently does not allow voting in absentia by mail, email or fax. Since 2011, the Bank has conducted electronic poll voting for all the resolutions passed at the AGM and EGM, for greater transparency in the voting process. Following the meetings, it announces the detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages.

The Bank provides for separate resolutions at general meetings on each substantially separate issue. It does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

The Company Secretary prepares minutes of general meetings, which reflect responses from the Board and management to queries and comments from shareholders. The minutes are available to shareholders upon their request.

At the AGM, the Group's financial performance for the preceding year is presented to shareholders. The Directors, external auditors as well as senior management are present at these meetings to address any relevant queries raised by shareholders. Independent scrutineers, i.e. the external auditors, are engaged to review voting process and attend the AGM.

## RELATED PARTY TRANSACTIONS

OCBC Bank has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more favourable than those granted to non-related obligors under similar circumstances. The Bank also complies with the SGX-ST Listing Manual on interested person transactions.

## ETHICAL STANDARDS

The Bank has adopted the SGX-ST Listing Manual's guidelines on dealings in securities and has a policy against insider trading. Directors and officers are prohibited from dealing in the securities of the Bank during the period commencing two weeks before the announcement of the Bank's quarterly or half-yearly financial results, and one month before the announcement of

year-end results ("black-out" period) and at any time they are in possession of unpublished material price-sensitive information. The Bank will notify Directors and employees of the commencement date for each black-out period. The policy also states that employees are not to deal in the Bank's securities on short-term considerations. Employees are also instructed to conduct all their personal securities transactions through the Group's stockbroking subsidiary.

The Bank's insider trading policy also includes instructions pertaining to dealings in the listed securities of customers of the Group.

The Bank has a code of conduct that applies to all employees and reinforces the core values expected of employees. The code covers all aspects of the business operations of the Bank and sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. Employees are required to observe and comply with laws and regulations, and company policies, as well as ABS Code of Conduct for Banks and Bank Staff.

The Bank has a suite of policies in place for proper governance and management that staff have to comply with. All policies, including those related to vendor management and procurement, are subject to the Bank's risk management and internal control systems and processes, including management self-assessment and independent audits.

The Bank also has a policy to manage or eliminate any actual or potential conflicts of interest which may impact the impartiality of research analyses or research reports issued by research analysts in OCBC Bank or its financial subsidiaries. These include prohibitions on business units from attempting to influence research analyses or recommendations of research analysts, as well as securities trading by staff who receive information on research analyses or recommendations in unissued research reports.