

# 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 that conform to the Banking (Corporate Governance) Regulations and the corporate governance guidelines of the Monetary Authority of Singapore (“MAS”), and observes the Singapore Exchange Securities Trading Ltd’s Code of Corporate Governance (the “Code”).

## Board of Directors

### Board Composition and Independence

The Bank has majority representation of independent Directors on its Board. The Nominating Committee reviews the independence of Directors at least annually in accordance with internal due diligence procedures and self-declarations by the Directors.

An independent Director in OCBC Bank is one who is independent of any 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 ten Directors of whom seven, a majority, are independent Directors. They are Mr Ooi Sang Kuang, Mr Lai Teck Poh, Ms Christina Ong, Mr Quah Wee Ghee, Mr Tan Ngjap Joo, Dr Teh Kok Peng and Mr Wee Joo Yeow.

Ms Christina Ong is senior partner and co-chairman of Allen & Gledhill LLP (“A&G”), which provides legal services to and receives fees from the Bank. Her interest in A&G is however less than five per cent. She is also an independent director of Singapore Telecommunications Limited which provides telecommunication services to and receives payments from the Bank, not unlike many organisations in Singapore. The Nominating Committee is of the view that these business relationships do not affect her disposition to act independently.

Dr Lee Tih Shih is not independent from substantial shareholder, but deemed independent from management and business relationships. Mr Samuel N. Tsien and Mr Pramukti Surjoudaja are not independent of management. Mr Samuel N. Tsien is executive Director

and Chief Executive Officer (“CEO”).

Mr Pramukti Surjoudaja has an immediate relative, a sister, who is chief executive of the Bank’s subsidiary, PT Bank OCBC NISP Tbk.

Dr Cheong Choong Kong retired from the Board on 22 April 2016.

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 in 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 executive 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 assesses the diversity of its members’ competency profiles and determines the collective skills required to discharge its responsibilities effectively. Steps are taken to improve effectiveness, where necessary. It is assessed that the members of the Board as a group provide skills and competencies that 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 12 to 15.

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 Constitution provides for the retirement of Directors by rotation and all appointments and re-appointments of Directors have to be approved by 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 members do not appoint alternate directors as a matter of practice.

### 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 interests of the shareholders as a whole while taking into account the interests of other stakeholders. The Bank has a board charter approved by the Board. Broadly, the responsibilities of the Board include the following:

- reviewing and approving overall business strategy as well as organisation structure, as developed and recommended by management;
- ensuring that decisions and investments are consistent with long-term strategic goals;

- ensuring that the Bank operates in such a way as 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 its strategic intent, the operating environment and effective internal controls, as well as capital sufficiency and regulatory standards;
- 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 remuneration practices are aligned to and in accord with the remuneration framework;
- providing a balanced and understandable assessment of the Bank's performance, position and prospects, including interim and other price-sensitive public reports as well as 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, particularly records of discussion on key deliberations and decisions taken;
- identifying the key stakeholder groups, recognising that perceptions affect the Bank's reputation; and
- considering sustainability issues, e.g. environmental and social factors, as part of strategy formulation.

The non-executive Directors on the Board constructively challenge and help develop proposals on strategy, 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.

Separate sessions are also arranged for the independent Directors to meet at least once a year to ensure effective corporate governance in managing the affairs of the Board and the Bank.

Each year, the Board and senior executives meet to develop or refresh strategies for the Group.

In 2016, the Board and its committees held a total of 31 meetings. As a general rule, Directors are provided with complete information related to agenda items about seven days before each meeting to allow adequate time for review. Directors are also equipped with electronic tablets that allow secure access to Board and Board Committee meeting materials.

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, can 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 Approval**

The Bank has documented internal guidelines for matters that require Board approval. Matters which are specifically reserved for Board approval, amongst others, are:

- material acquisition and disposal of assets;
- corporate or financial restructuring; and
- share issuance, dividends and other returns to shareholders.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and management to optimise operational efficiency.

#### **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 focused orientation

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programme, 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 new 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 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 as members of 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 that it arranges for existing and new Directors. There is a formal record of all attendance at trainings.

Training and updates provided to Directors in 2016 were on subjects that included:

- Fintech's Re-shaping of the Financial Industry
- Cyber Security Threats and Defence
- Anti-Money Laundering/Countering the Financing of Terrorism
- Megatrends in Asia
- Aftermath and Implications of Brexit
- Impact of New Regulations in Islamic Banking
- Impact of Indonesia's Tax Amnesty Law
- Insurance and Securities Businesses in Indonesia
- Technology Risk and Cyber Risk
- Malaysia Socio-Political Update

- Economic Review of Indonesia
- Aligning Enterprise Risk with Strategy and Performance
- Sustainability Reporting Requirements

## 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. 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 whilst the Chairman and Nominating Committee Chairman evaluate the performance of each Director and meet to discuss the matter. 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 to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairman and/or Nominating Committee 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. They must provide declarations of any changes in their other appointments, which are disseminated to all members. The Bank has guidelines on meeting attendance and the extent of other appointments that a Director can 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 an 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 Lee Tih Shih, Mr Quah Wee Ghee, Mr Tan Ngiap Joo, Mr Samuel N. Tsien 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 - within the parameters delegated by the Board - the management of the business and affairs of the Bank and the Group. 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 such special reviews and actions as are appropriate for the prudent management of the Bank.

### Nominating Committee

The Nominating Committee comprises Mr Tan Ngiap Joo (Chairman), Mr Ooi Sang Kuang, Mr Lai Teck Poh, Dr Lee Tih Shih and Mr Wee Joo Yeow. A majority of the Committee, i.e. Mr Tan Ngiap Joo, Mr Ooi Sang Kuang, Mr Lai Teck Poh and Mr Wee Joo Yeow, 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 reviewing all nominations for the 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. 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. In addition, it reviews nominations for and dismissals or resignations of senior management positions in the Bank, including the CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Chief Information Officer. It makes recommendations to the Board on all such appointments, including the compensation package for offer of employment, promotion and cessation of employment. The Nominating Committee reviews obligations arising in the event of the 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 approval of MAS. In accordance with the Bank's Constitution, the new Director will hold office until the next AGM and if eligible, may then stand for re-election.

#### **Audit Committee**

The Audit Committee comprises Mr Tan Ngiap Joo (Chairman), Mr Lai Teck Poh and Ms Christina Ong. All the Committee members are independent Directors. Two members, including the Chairman,

have recent and relevant accounting or related financial management expertise or experience. The members have not been partners or directors of KPMG, the external auditors, and none of them hold any financial interest in KPMG.

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

The Committee has written terms of reference that describe the responsibilities of its members. The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time and no fewer 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 through briefings provided by internal or external subject matter experts. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements. The Committee reviews 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. The Committee will ensure such concerns are independently investigated and followed up on. If it is found that there has been fraud, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle-blower's interests will be safeguarded at all times, including a 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 regarding these reports. The Audit Committee has received the requisite disclosures from the external auditors evidencing their independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditors will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid to the external auditors for financial year 2016, and the breakdown of total fees paid for audit and non-audit services, are shown in the Notes to the Financial Statements.

In the review of the 2016 financial statements, the Audit Committee discussed with management the quality of the accounting principles applied and significant judgements affecting the financial statements. Matters raised by Group Audit and the external auditor in respect of risk management, accounting and internal controls over financial reporting were also considered. The following key audit matters highlighted in the Independent Auditors' Report on pages 101 to 103 were also discussed with management and the external auditor:

#### ***Impairment of loans and receivables***

The Audit Committee reviewed management's computation of portfolio allowances in accordance with approved

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methodology and guiding principles. The Committee also considered management's estimates of specific allowances. The adequacy of specific allowances set aside for key loan accounts was also discussed with the external auditor. Additionally, the Committee considered the input from Group Audit's independent assessment of the Group's credit portfolio quality and credit risk management process.

## *Valuation of financial instruments*

The Audit Committee considered management's valuation of the financial instruments framework and their control, monitoring and issue escalation processes. In addition, the Committee reviewed both Group Audit's and the external auditor's assessments of the controls over valuation which included independent verification of price and validation of valuation models.

## *Valuation of insurance contract liabilities*

The Audit Committee considered the approach and methodology applied to the valuation of insurance contract liabilities of Great Eastern Holdings Ltd in their review of Great Eastern's financial results together with the Group's financial performance. In considering the valuation of insurance contract liabilities, the Committee reviewed the external auditor's independent assessment of the valuation methodology and assumptions adopted by Great Eastern and its subsidiaries.

The Audit Committee 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 International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. The internal audit of OCBC Wing Hang Bank Limited, acquired in July 2014, 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 current and emerging risks, including financial, operational, technology, compliance and strategic risks. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's governance, risk management and internal control processes in meeting its strategic objectives and operating within the risk appetite established. In addition, Group Audit provides an independent assessment of the Group's credit portfolio quality and credit risk management process. Without assuming management responsibility, Group Audit may provide consultative services to line management on certain business initiatives as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and its standing. The Committee ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and for outstanding exceptions or

recommendations to be closely monitored. Group Audit is staffed with individuals with the relevant qualifications and experience. It reports functionally to the Audit Committee and administratively to the CEO, has unfettered access to the Audit Committee, Board and senior management, and has the right to seek information and explanations. Currently, the number of internal audit staff in the Group is 294. The division is organised into departments that are aligned with the structure of the Group. 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 assurances 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 as well as risk management systems, were adequate and effective as at 31 December 2016, 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 thereafter. The selection of the current external auditor was made after a tender process based on the established framework for the selection/appointment of OCBC's external auditor. This framework lists the considerations and criteria for the external auditor and provides a robust tender process. Considerations include having global reach as well as technical and industry expertise, skills, resources and 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 that may pose to 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 the 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;
- 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; and
- feedback through an annual evaluation exercise from senior management across geographical regions to gather internal perceptions as to the knowledge, competence, independence, efficiency and effectiveness - as well as communications by and with - 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 as to 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 2016 is shown in the Notes to the Financial Statements.

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 teams 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 as well as developments in accounting standards.

### Remuneration Committee

The Remuneration Committee comprises Mr Wee Joo Yeow (Chairman), Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Dr Teh Kok Peng. All are independent Directors well-versed in 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 MAS from time to time. No consultant was engaged in 2016 to provide remuneration advice.

No member of the Remuneration Committee is involved in the deliberations regarding any remuneration, compensation, options or any form of benefits to be granted to himself.

### Risk Management Committee

The Risk Management Committee, which supports the Board in performing its risk

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oversight responsibilities, comprises Mr Lai Teck Poh (Chairman), Mr Ooi Sang Kuang, Mr Quah Wee Ghee, Mr Pramukti Surjandaja, Mr Samuel N. Tsien and Mr Wee Joo Yeow. All the Committee members, except Mr Samuel N. Tsien, are non-executive Directors. Members of the Committee have relevant technical financial sophistication in risk disciplines or business experience. Mr Lai Teck Poh also serves on the Audit Committee. The common membership helps to facilitate communication and foster the sharing of information and knowledge between the two committees.

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. The Chief Risk Officer has a direct reporting line to the Committee as well as to the CEO.

Activities performed by Risk Management Committee are also described under the caption "Risk Management" on pages 62 to 71.

## Directors' Attendance at Board and Board Committee Meetings in 2016

Name of Director	Board			Executive Committee			Audit Committee	
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting	
	Held <sup>(1)</sup>	Attended	Attended	Held <sup>(1)</sup>	Attended	Attended	Held <sup>(1)</sup>	Attended
Ooi Sang Kuang	6	6	3	4	4	1	—	—
Cheong Choong Kong <sup>(2)</sup>	2	2	2	—	—	—	—	—
Lai Teck Poh	6	6	3	—	—	—	6	6
Lee Tih Shih	6	6	3	4	4	1	—	—
Christina Ong <sup>(3)</sup>	5	4	2	—	—	—	4	4
Quah Wee Ghee	6	6	3	4	4	1	—	—
Pramukti Surjandaja	6	6	3	—	—	—	—	—
Tan Ngiam Joo	6	6	3	4	4	1	6	6
Teh Kok Peng <sup>(4)</sup>	6	6	3	—	—	—	2	2
Samuel N. Tsien	6	6	3	4	4	1	—	—
Wee Joo Yeow	6	6	3	4	4	1	—	—

Name of Director	Nominating Committee		Remuneration Committee		Risk Management 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	2	2	3	3	6	6
Cheong Choong Kong <sup>(2)</sup>	—	—	—	—	—	—
Lai Teck Poh	2	2	—	—	6	6
Lee Tih Shih	2	2	—	—	—	—
Christina Ong <sup>(3)</sup>	—	—	—	—	—	—
Quah Wee Ghee	—	—	3	3	6	6
Pramukti Surjandaja	—	—	—	—	6	6
Tan Ngiam Joo	2	2	3	3	—	—
Teh Kok Peng <sup>(4)</sup>	—	—	3	3	—	—
Samuel N. Tsien	—	—	—	—	6	6
Wee Joo Yeow	2	2	3	3	6	5

### Notes:

- <sup>(1)</sup> Reflects the number of meetings held during the time the Director held office.  
<sup>(2)</sup> Retired from the Board on 22 April 2016.  
<sup>(3)</sup> Appointed to the Board on 15 February 2016 and Audit Committee on 22 April 2016.  
<sup>(4)</sup> Stepped down from Audit Committee on 22 April 2016.

The Bank's Constitution provides 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 or 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 as appropriate for the various types of risk (such as market, credit and operational risks) - include:

- Operating efficiency measures covering revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures 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 2016.

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 as well as audit findings and compliance issues 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 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 on 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 last financial crisis, 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 the deferred remuneration component for senior executives. The

Bank's compensation practices are reviewed annually by an independent party and confirmed to have met the FSF principles and implementation standards.

The Bank has identified a group of senior executives whose authority and actions are deemed to have a major influence on the long term performance of the Bank. This group, identified as "Material Risk Takers" comprises senior management (the CEO and his direct reports), employees of Senior Vice President rank and above, key personnel at business units, senior control staff, and employees who had been awarded significant variable performance bonuses. The Board approves the compensation of the CEO, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Information 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 performance evaluation for senior executives in 2016 has been conducted in accordance with the above objectives and considerations.

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
- BOS Trustee Ltd
- e2 Power Pte Ltd
- e2 Power Sendirian Berhad
- OCBC Bank (Malaysia) Berhad
- OCBC Al-Amin Bank Berhad
- OCBC Wing Hang Bank Ltd
- OCBC Wing Hang 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 shareholder approval at the AGM.



# Corporate Governance

## 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 interests with those of shareholders, is competitive in the region and recognises individual contributions.

The Remuneration Committee has considered market practices for non-executive director compensation. On its recommendation, the Board has decided to maintain the fee structure unchanged from the previous year. The board chairman's fee however has been reduced from S\$1,800,000 to S\$1,400,000.

The fee structure is as follows:

• Board chairman's fee	S\$1,400,000
• Retainer fee	S\$45,000
• Committee chairperson's fee for the Audit, Risk Management and Executive Committees	S\$70,000
• Committee chairperson's fee for the Nominating and Remuneration Committees	S\$40,000
• Committee member's fee for the Audit, Risk Management and Executive Committees (committee chairpersons are not awarded these fees)	S\$40,000
• Committee member's fee for the Nominating and Remuneration Committees (committee chairpersons are not awarded these fees)	S\$20,000
• Attendance fee per meeting	S\$3,000

The resolution proposing the fee for non-executive Directors will be presented to shareholders at the AGM in April 2017.

The previous year, shareholders had approved the grant of 6,000 remuneration shares to each non-executive Director. The remuneration shares align the interests of non-executive Directors with the interests 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 on the Board for less than a full financial year will be awarded shares on a pro-rated basis, according to how long he has served. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2017.

## Compensation of Executive Directors

The compensation for executive Directors is formulated and reviewed annually by the Remuneration Committee to ensure that it is market-competitive and that the rewards are commensurate with the contributions made. 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 Directors. Under the OCBC Share Option Scheme 2001, the guidelines on granting of share options to the executive Director 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 with personal annual remunerations exceeding S\$50,000.

## Remuneration of Top Five Key Management Personnel in 2016

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 a 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 for any termination, retirement or post-employment benefits to executive Directors or the top five key management personnel.

## Directors' Remuneration in 2016

### Bank

Director	Fees <sup>(b)</sup>	Remuneration Shares <sup>(b)(c)</sup>	Other Benefits <sup>(d)</sup>	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Ooi Sang Kuang	1,550	57	30	1,637
Cheong Choong Kong <sup>(a)</sup>	30	17	—	47
Lai Teck Poh	247	57	—	304
Lee Tih Shih	162	57	—	219
Christina Ong	105	50	—	155
Quah Wee Ghee	217	57	—	274
Pramukti Surjajudaja	133	57	—	190
Tan Ngiap Joo	293	57	—	350
Teh Kok Peng	124	57	—	181
Wee Joo Yeow	260	57	—	317
	3,121	523	30	3,674

Director & CEO	Salary	Bonus	Share Options <sup>(e)</sup>	Deferred Shares	Other Benefits <sup>(d)</sup>	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Samuel N. Tsien	1,242	4,251	708	2,125	54	8,380

#### Notes:

<sup>(a)</sup> Ceased to be a board member on 22 April 2016.

<sup>(b)</sup> Fees and remuneration shares for non-executive Directors are subject to approval by shareholders at the 2017 AGM.

<sup>(c)</sup> Value of remuneration shares was estimated based on closing price of ordinary shares on 22 March 2017, i.e. S\$9.45.

<sup>(d)</sup> Non-cash component such as club and car benefits.

<sup>(e)</sup> Option to acquire 772,350 ordinary shares at an acquisition price of S\$9.598 each. Exercise period is from 23 March 2018 to 22 March 2027. The option is valued using the Binomial valuation model.

### Subsidiaries

Director	Fees
	S\$'000
Ooi Sang Kuang	223 <sup>(f)</sup>
Cheong Choong Kong <sup>(a)</sup>	79 <sup>(g)</sup>
Lai Teck Poh	223 <sup>(h)</sup>
Quah Wee Ghee	209 <sup>(i)</sup>
Pramukti Surjajudaja	704 <sup>(j)</sup>
Tan Ngiap Joo	270 <sup>(k)</sup>
Wee Joo Yeow	140 <sup>(l)</sup>

#### Notes:

<sup>(f)</sup> Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and OCBC Wing Hang Bank.

<sup>(g)</sup> Fees from Great Eastern Holdings and OCBC Wing Hang Bank.

<sup>(h)</sup> Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and PT Bank OCBC NISP.

<sup>(i)</sup> Fees from Bank of Singapore, The Great Eastern Life Assurance Co and The Overseas Assurance Corporation.

<sup>(j)</sup> Fees from PT Bank OCBC NISP for being President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.

<sup>(k)</sup> Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank, Banking Computer Services and BCS Information Systems.

<sup>(l)</sup> Fees from Great Eastern Holdings.

## 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 portion 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 new 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 date of grant. No options have been granted at a discount to the price as determined above since the commencement of the Scheme.

The validity period of the options is subject to legislation applicable on the date of grant. Based on current legislation, options granted to Group executives are exercisable for up to 10 years, while options granted to

# Corporate Governance

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

## Vesting schedule

	Percentage of shares for 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 upon termination of employment or appointment, except in the event of retirement, redundancy or 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 upon the exercising of options are allocated from treasury shares or from new ordinary shares issued by the Bank.

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

### OCBC Deferred Share Plan

The OCBC Deferred Share Plan (the 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 with 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 2016, 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 bonuses of S\$70,000 or more. 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 for 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 may be acquired from the market in accordance with guidelines established under the Plan.

The awards will lapse immediately upon termination of employment and appointment, except in the event of retirement, redundancy or 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 and clawback if it is determined that they were granted on the basis of materially inaccurate financial statements and/or

that the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes to the Bank's risk profile/rating.

During the financial year, an aggregate of 8,137,316 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) 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 to withdraw the contributions at any time. 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 the offering period is 24 months and the share acquisition price is fixed before the offering period based on the average of the last traded prices over the five consecutive trading days immediately preceding the price fixing date. Shares granted upon conversions in accordance with the rules of the ESPP are allocated from treasury shares or from new ordinary shares issued by the Bank.

The aggregate number of new ordinary shares issued by the Bank pursuant to the ESPP, together with the aggregate number of new ordinary shares issued pursuant to the Scheme, cannot exceed 15 per cent of the Bank's total number of issued ordinary shares. Notwithstanding the limits allowed under the respective rules, the Bank had been applying a lower aggregate limit of five per cent instead of 15 per cent as a matter of conservative practice.

## 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	0	0
Number of sign-on awards	0	0
Number of severance payments	0	0
Total amounts of above payments made for the financial year (\$'000)	0	0
Number of employees	17	191
Number of employees that receive variable remuneration	17	183

### Breakdown of Remuneration Awarded in Current Financial Year

Category		Senior Management		Material Risk Takers	
		Unrestricted %	Deferred %	Unrestricted %	Deferred %
Fixed remuneration	Cash-based	31	0	56	0
	Shares and share-linked instruments	0	0	0	0
	Other forms of remuneration	0	0	0	0
Variable remuneration	Cash-based	41	0	27	0
	Shares and share-linked instruments	0	28	0	17
	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	-17	6
Change in amount of outstanding deferred remuneration from previous financial year	45	52
<b>Outstanding deferred remuneration (breakdown):</b>		
Cash	0	2
Shares and share-linked instruments	100	98
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)	N.A.	N.A.

<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 via the Bank's

website. Material information is also announced through the stock exchange.

The Bank has an investor relations policy approved by the Board. Shareholders are given the opportunity to participate effectively at the general meetings of OCBC Bank, where they can ask questions and communicate their views. They are

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allowed to vote in person or by proxy. The Bank's Constitution currently allows a shareholder to appoint up to two proxies to attend, speak and vote in his place at general meetings. Under the new multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings.

To ensure authenticity of shareholder identity and due to other related security issues, the Bank currently does not allow voting in absentia by mail, email or fax. The Bank conducts voting by poll for all resolutions proposed at the general meetings, 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 made available on the Bank's website.

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

## 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 and interested person transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions for 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 and its listed subsidiary, Great Eastern Holdings Limited (GEH) during the period commencing two weeks before the announcement of the Bank's and GEH's quarterly or half-yearly financial results, and one month before the announcement of year-end results (the "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. In addition, employees are 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 while adhering to the highest standards of personal and corporate integrity. Employees are required to observe and comply with laws and regulations as well as company policies, along with the 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 attempting to influence research analyses or recommendations by research analysts, as well as on securities trading by staff who receive information on research analyses or recommendations in unissued research reports.

## Summary of Disclosures

Express disclosure requirements in the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (which comprises the Code of Corporate Governance 2012), and the applicable disclosures pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
<b>Guideline 1.3</b> Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters.	Pages 42 to 48
<b>Guideline 1.4</b> The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings.	Pages 43 and 48
<b>Guideline 1.5</b> The type of material transactions that require Board approval under guidelines.	Page 43
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing directors.	Pages 43 and 44
<b>Guideline 1.16</b> An assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively.	Page 44
<b>Guideline 2.1</b> Compliance with the guideline on proportion of independent directors on the Board.	Page 42
<b>Guideline 2.3</b> The Board should identify in the Company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him/her as independent should be disclosed.	Page 42
<b>Guideline 2.4</b> Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Not Applicable
<b>Guideline 2.6</b> (a) The Board's policy with regard to diversity in identifying director nominees (b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness.	Pages 42 and 45



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Principle and Guidelines	Page Reference in OCBC Annual Report 2016
<p><b>Guideline 2.13</b> Names of the members of the Executive Committee and the key terms of reference of the Executive Committee, explaining its role and the authority delegated to it by the Board.</p>	Page 44
<p><b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members.</p>	Not Applicable
<p><b>Guideline 4.1</b> Names of the members of the Nominating Committee and the key terms of reference of the Nominating Committee, explaining its role and the authority delegated to it by the Board.</p>	Pages 44 and 45
<p><b>Guideline 4.4</b> (a) The maximum number of listed company Board representations which directors may hold should be disclosed (b) Specific considerations in deciding on the capacity of directors.</p>	Page 44
<p><b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process.</p>	Page 45
<p><b>Guideline 4.7</b> Key information regarding directors, including which directors are executive, non-executive or considered by the Nominating Committee to be independent.</p>	Pages 12 to 15 and 42
<p><b>Guideline 4.13</b> Resignation or dismissal of key appointment holders.</p>	Not Applicable
<p><b>Guideline 4.14</b> Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.</p>	Not Applicable
<p><b>Guideline 5.1</b> The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its directors. This assessment process should be disclosed in the Company's Annual Report.</p>	Page 44
<p><b>Guideline 6.1</b> Types of information which the Company provides to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided.</p>	Pages 43, 46 to 48
<p><b>Guideline 7.1</b> Names of the members of the Remuneration Committee and the key terms of reference of the Remuneration Committee, explaining its role and the authority delegated to it by the Board.</p>	Page 47

Principle and Guidelines	Page Reference in OCBC Annual Report 2016
<p><b>Guideline 7.3</b> Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company.</p>	Not Applicable
<p><b>Principle 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.</p>	Pages 49, 50 and 53
<p><b>Guideline 9.1</b> Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).</p>	<p>For CEO and Management: Pages 50, 51 and 53</p> <p>For the Company's other directors: Pages 50 and 51</p>
<p><b>Guideline 9.2</b> Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.</p>	Page 51
<p><b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonus, benefits in kind, stock options granted, share-based incentives and awards, and the other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.</p>	Page 50
<p><b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000.</p>	Not Applicable
<p><b>Guideline 9.5</b> Details and important terms of employee share schemes.</p>	Pages 51, 52 and 96 to 99
<p><b>Guideline 9.6</b> For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.</p>	Pages 49, 50 and 53

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Principle and Guidelines	Page Reference in OCBC Annual Report 2016
<p><b>Guideline 11.3</b> The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.</p>	Pages 46 and 47
<p><b>Guideline 11.14</b> Names of the members of the Risk Management Committee and the key terms of reference of the Risk Management Committee, explaining its role and the authority delegated to it by the Board.</p>	Pages 47 and 48
<p><b>Guideline 12.1</b> Names of the members of the Audit Committee and the key terms of reference of the Audit Committee, explaining its role and the authority delegated to it by the Board.</p>	Pages 45 to 47
<p><b>Guideline 12.6</b> Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.</p>	Pages 47 and 127
<p><b>Guideline 12.7</b> The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report.</p>	Page 45
<p><b>Guideline 12.8</b> Summary of the Audit Committee's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.</p>	Page 45
<p><b>Guideline 13.1</b> Whether the Company has an internal audit function.</p>	Page 46
<p><b>Guideline 15.4</b> The steps the Board has taken to solicit and understand the views of the shareholders, e.g. through analysts briefings, investor roadshows or Investors' Day briefings.</p>	Pages 53 and 54
<p><b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons.</p>	Not Applicable
<p><b>Guideline 17.4</b> Material related party transactions.</p>	Page 54

# Additional Information Required Under the SGX-ST Listing Manual

## 1. Interested Person Transactions

Interested person transactions carried out during the financial year under review:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	2016 S\$'000	2016 S\$'000
Dasar Sentral (M) Sdn Bhd, a company wholly-owned by Lee Rubber Company (Pte) Limited, an associate of Dr Lee Tih Shih, director of OCBC Bank - Lease of premises at Wisma Lee Rubber, Kuala Lumpur to a subsidiary of OCBC Bank.	583	—
Dr Cheong Choong Kong - Advisory services rendered to major subsidiaries of OCBC Bank on talent identification and management succession.	153 <sup>(1)</sup>	—

Note

<sup>(1)</sup> Reflects payments to him when he was a director of OCBC Bank.

## 2. Material Contracts

Since the end of the previous financial year, no material contract involving the interest of any Director or controlling shareholder of the Bank has been entered into by the Bank or any of its subsidiary companies, and no such contract subsisted as at 31 December 2016.

## 3. Appointment of Auditors

The Group has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.