

Corporate Governance

OCBC Bank is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of corporate governance. The Bank complies with the Banking (Corporate Governance) Regulations 2005 and the supplementary principles and guidelines prescribed under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers Incorporated in Singapore issued on 3 April 2013 and has early adopted all material aspects of the Code of Corporate Governance 2018 [the Code].

A summary of the disclosures made pursuant to the Bank's corporate governance arrangements are provided on pages 98 to 99 of this Annual Report.

Board Matters

Principle 1: The Board's Conduct of Affairs

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 Bank as a whole while taking into account the interests of shareholders and 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;
- 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 Nominating Committee, the appointments, re-election and resignation of Directors of the Bank as well as the appointment, dismissal and resignation of senior management, ensuring that principles of transparency and meritocracy are observed;

- 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.

Directors with conflicts of interests are required under the Bank's Constitution to recuse themselves from meetings and decisions involving issues of conflicts.

Board Approval

The Bank has documented internal guidelines for matters that require Board approval. These guidelines are communicated to management in writing. 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 Access to Information

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, individually or as a group, can also take independent professional advice from legal firms at the Bank's expense. The role of the Company Secretary is defined. The Company Secretary attends all board meetings and ensures that board procedures and applicable regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its committees and between senior management and non-executive Directors, and facilitates the 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 Committees

While the Board has ultimate responsibility for the affairs of the Bank, various Board Committees have been established to assist the Board in discharging its duties more effectively. The Board Committees have clearly-defined terms of reference and changes to the terms require Board approval. The Board and its committees

maintain records of all meetings setting out in detail key deliberations and decisions taken. The minutes of each committee meeting are also circulated to members of the Board who are not members of that particular committee. The composition and summary terms of reference of each of these committees are as follows.

• 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, Risk Management Committee and Ethics and Conduct 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 Chief Executive Officer (CEO), Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Chief Information Officer (Head, Group Operations and Technology). 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.

• Audit Committee

The Audit Committee comprises Mr Chua Kim Chiu (Chairman), Mr Lai Teck Poh, Ms Christina Ong and Mr Tan Ngiap Joo. All the Committee members are independent Directors. Three 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 LLP, the external auditor, and none of them hold any financial interest in KPMG LLP.

The Audit Committee performs the functions specified in the Companies Act, the Code, the Singapore Exchange

Corporate Governance

Securities Trading Limited (SGX-ST) Listing Manual, and the corporate governance regulations and guidelines issued by the Monetary Authority of Singapore (MAS).

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.

Further information on the Audit Committee is provided under Principle 10 on pages 93 to 96.

• Remuneration Committee

The Remuneration Committee comprises Mr Wee Joo Yeow (Chairman), Mr Ooi Sang Kuang, Ms Christina Ong, Mr Quah Wee Ghee and Mr Tan Ngiap Joo. 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 resource 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 and Directors. 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.

• 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 Chua Kim Chiu, Mr Pramukti Surjaudaja, 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 understanding in risk disciplines or business experience. Mr Lai Teck Poh and Mr Chua Kim Chiu also serve 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 sets the overall risk management philosophy, approves risk management frameworks and major policies, as well as reviews the risk profile, risk tolerance level and risk strategy of the Bank for effective risk management. 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 the Risk Management Committee are also described under the section on Risk Management on pages 103 to 113.

• Ethics and Conduct Committee

The Ethics and Conduct Committee was established in January 2019 to support the Board in overseeing ethics and conduct within the Bank. The Committee comprises Mr Ooi Sang Kuang (Chairman), Dr Lee Tih Shih and Ms Christina Ong. All the Committee members are non-executive Directors.

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

The Committee reviews and assesses the state and implementation of ethics and conduct programmes and initiatives, including matters relating to fair dealing with customers, to ensure proper behaviour within the Bank in respect of ethics and conduct. It also reviews policies and guidelines pertaining to ethics and conduct to ensure they are relevant and up to date, and reviews communications to stakeholders on ethics and conduct and their effectiveness with regard to the reputation of the Bank. The Committee supports a strong and responsible organisation culture firmly founded on the Bank's core values.

Name of Director	Board		Executive Committee		Audit Committee	
	Scheduled Meeting		Scheduled Meeting		Scheduled Meeting	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
Ooi Sang Kuang	5	5	4	4	-	-
Chua Kim Chiu	5	5	-	-	5	5
Lai Teck Poh	5	5	-	-	5	5
Lee Tih Shih	5	5	4	4	-	-
Christina Ong	5	4	-	-	5	5
Quah Wee Ghee	5	5	4	4	-	-
Pramukti Surjaudaja	5	5	-	-	-	-
Tan Ngiap Joo	5	5	4	4	5	5
Samuel N. Tsien	5	5	4	4	-	-
Wee Joo Yeow	5	5	4	4	-	-

Name of Director	Nominating Committee			Remuneration Committee		Risk Management Committee		AGM
	Scheduled Meeting		Ad hoc Meeting	Scheduled Meeting		Scheduled Meeting		
	Held ⁽¹⁾	Attended		Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	
Ooi Sang Kuang	2	2	2	3	3	6	6	1
Chua Kim Chiu	-	-	-	-	-	6	6	1
Lai Teck Poh	2	2	2	-	-	6	6	1
Lee Tih Shih	2	2	2	-	-	-	-	1
Christina Ong	-	-	-	3	3	-	-	1
Quah Wee Ghee	-	-	-	3	3	-	-	1
Pramukti Surjaudaja	-	-	-	-	-	6	6	1
Tan Ngiap Joo	2	2	2	3	3	-	-	1
Samuel N. Tsien	-	-	-	-	-	6	6	1
Wee Joo Yeow	2	2	2	3	3	6	5	1

Note:

⁽¹⁾ Reflects the number of meetings held during the time the Director held office.

Directors' Attendance at Board and Board Committee Meetings in 2018

Directors attend and actively participate in Board and Board Committee meetings.

In 2018, the Board and its committees held a total of 27 meetings. 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.

Board Orientation and Development

A formal appointment letter and a director's handbook are provided to every new Director. The handbook sets out, along with 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-ST Listing Manual. The Bank conducts a focused orientation 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 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 global trends and regulatory developments as well as their impact on business, new business and products, accounting and finance, corporate governance, risk management and anti-money laundering issues as well as fintech and cyber security, 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 knowledge and 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. 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 training sessions.

Training and updates provided to Directors in 2018 were on subjects that included:

- Key Digital Changes and Innovations to Prepare for Disruptions
- Data & Analytics: Age of Data
- Serving the Digital Customer and End-to-End Digitalisation
- Ecosystems
- Digital Operating & Organisation Models

Corporate Governance

- Technology Risk Updates
- Implications of MAS Notice on Cyber Hygiene
- Anti-Money Laundering/Countering the Financing of Terrorism

Principle 2: Board Composition and Guidance

The Bank has majority representation of independent Directors on its Board.

An independent Director in OCBC Bank is one who is independent of any management, substantial shareholder, business relationship with the Bank, and who 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 Chua Kim Chiu, Mr Lai Teck Poh, Ms Christina Ong, Mr Quah Wee Ghee, Mr Tan Ngiap Joo and Mr Wee Joo Yeow.

Ms Christina Ong is senior partner and co-chairman of Allen & Gledhill LLP (A&G), one of several law firms which provides legal services to and receives fees from the Bank. Her interest in A&G is however less than 5% and the fees paid by the Group does not form a significant portion of A&G's revenue. 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 of a substantial shareholder. Mr Samuel N. Tsien and Mr Pramukti Surjaudaja are not independent of management. Mr Samuel N. Tsien is executive Director and CEO. Mr Pramukti Surjaudaja has an immediate family member, a sister, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk.

The Board reviews the size of Board and Board Committees annually and it considers the current number of Board and Board Committee members to be appropriate

given the size of the Group and its business complexity. It also assesses the diversity of members' profiles and determines the collective skills required to discharge its responsibilities effectively. A Board Diversity Policy, setting out the approach to diversify the appointment of members and composition of the Board is published on the Bank's website. The policy embraces the diversity of skills, knowledge, experience including familiarity in the Bank's core markets, age, gender and length of service as well as merit and independence. Steps are taken to improve effectiveness where necessary. It is assessed that the members of the Board as a group provide the appropriate balance and mix of skills, knowledge, experience, competencies and other aspects of diversity such as gender and age that foster constructive debate and ensure the effectiveness of the Board and its committees. Skills, knowledge and experience 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, background and age can be found on pages 24 to 27.

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.

The Board and senior executives meet as frequently as necessary to develop or refresh strategies for the Group.

Principle 3: Chairman and Chief Executive Officer

The Chairman and CEO are not related.

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.

Principle 4: Board Membership

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 Board establishes a Nominating Committee to make recommendations to the Board on matters relating to board membership. The Committee reviews the independence of Directors at least annually in accordance with internal due diligence procedures and the Directors' declarations. It also reviews the succession plans for Directors, including the appointment and/or replacement of the Chairman and executive Director, and ensures that only the most competent individuals capable of contributing to the success of the organisation are appointed. It reviews 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, Risk Management Committee and Ethics and Conduct Committee. It is also charged with determining annually whether or not a Director is independent, capable of carrying out relevant duties and qualified to remain in office.

The Nominating Committee establishes annually the profile required of Board members, having regard to the competencies and skills required, and makes recommendations to the Board on the 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 Annual General Meeting (AGM) and, if eligible, may then stand for re-election.

The Bank does not, as a matter of practice, appoint alternate directors.

Directors are aware of their duties and obligations and the expectation to set aside adequate time for their oversight of matters relating to the Bank. They attend and actively participate in Board and Board Committee meetings. The number of such meetings and each director's attendances at such meetings are disclosed in the annual report. They must provide declarations of any changes in their other appointments and principal commitments, which are disseminated to all Board 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 to determine if a Director is able to and has been adequately carrying out his or her duties as a Director of the Bank. 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.

Key information on the Directors' qualifications, working experience, and other directorships and principal commitments/appointments are provided on pages 24 to 27 while information on their shareholdings in the Bank and its related corporations are provided in the Directors' Statement on pages 134 to 139.

Principle 5: Board Performance

The Board has an annual performance evaluation process, carried out by the Nominating Committee, Nominating Committee Chairman and Board Chairman, 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.

An external party is engaged after every three years to facilitate the Board evaluation process and to provide the Board with an independent perspective of the Board's performance, including benchmarking against peer boards and industry best practices. In 2018, the Nominating Committee engaged Aon Hewitt to facilitate the board evaluation process. Aon Hewitt and its consultants are independent and not related to the Bank or its Directors.

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.

Remuneration Matters

Principle 6: Procedures for Developing Remuneration Policies

The objective of the Bank's remuneration policy is to attract, motivate, reward and retain talented and competent staff globally. The Board ensures that 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 Remuneration Committee is tasked to review and recommend to the Board the general remuneration framework as well as the specific remuneration for each Director and for each key executive. The composition and summary terms of reference of the Remuneration Committee are provided on page 84. 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 or herself.

In its review of the Bank's remuneration practices, the Remuneration Committee can seek expert advice, if necessary. In 2018, the Bank used salary surveys conducted by external compensation consultants, McLagan (a business unit of Aon Hewitt) and Willis Towers Watson for the purpose of benchmarking employee salaries in Singapore and overseas. McLagan and Willis Towers Watson and their consultants are independent and are not related to the Bank or its subsidiaries or any of their directors. The Bank's compensation practices are also reviewed annually by McLagan against the Financial Stability Forum's principles and implementation standards for Sound Compensation Practices for significant financial institutions.

The Bank's remuneration policy is applied to all OCBC overseas branches and the

Corporate Governance

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

The Bank does not provide for any termination, retirement or post-employment benefits to executive Directors or the top five key management personnel.

Principle 7: Level and Mix of Remuneration

Compensation for 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 for non-executive Directors is subject to shareholder approval at the AGM.

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 fee structure for the newly established Ethics and Conduct Committee is similar to that of the Nominating Committee and Remuneration Committee.

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, Remuneration, and Ethics and Conduct Committees | S\$40,000 |

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| • 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, Remuneration, and Ethics and Conduct Committees (committee chairpersons are not awarded these fees) | S\$20,000 |
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|------------------------------|----------|
| • 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 2019.

In 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 granting 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/she has served. The resolution proposing these share grants will be presented to shareholders at the AGM in April 2019.

Compensation for Executive Directors

The compensation for an executive Director 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, share awards and compensation in the event of early termination where service contracts are applicable. Performance bonus relate directly to the financial performance of the Group and the contributions of the executive Director. The guidelines on the granting of share awards to the executive Director are similar to those for the executives of the Bank.

Employee Remuneration

The total compensation packages for employees comprise basic salary, fixed bonus, variable performance bonus, allowances and deferred share awards for eligible executives, as well as benefits. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. 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 2018.

In the Bank's continuous efforts to create sustainable value for stakeholders, relevant performance measures are set for each business unit. These objectives which include broad-based growth across its core markets, delivering sustained earnings momentum from core businesses, driving core competencies of disciplined risk management, diversified funding base and continued investments in technology and people, and ensuring sustainable business practices are also 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 the achievements of their own performance measures, and the demonstration of core values and

competencies, 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. All awards of deferred shares or share options (granted in previous years) 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. 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 financial and non-financial metrics like the Bank's performance, audit ratings, risk indicators and compliance issues, 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 each business unit, 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 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 McLagan which has confirmed for 2018 that the Bank had met the Financial Stability Forum 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. For the "Material Risk Takers" with bonuses exceeding S\$100,000, at least 40% of their variable performance bonuses are deferred in the form of shares. The Board approves the compensation of the CEO, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Information Officer (Head, Group Operations and Technology) and Head, Global Treasury, and the Remuneration Committee approves the compensation of all other senior executives of Senior Vice President rank and above, as well as the top five employees who had been awarded significant variable performance bonuses who are below the rank of Senior Vice President.

The performance evaluation for senior executives in 2018 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.

Share Schemes

• OCBC Share Option Scheme 2001

The Bank has ceased granting share options under the OCBC Share Option

Scheme 2001 (the Scheme) effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by the recipients.

The cumulative total number of new ordinary shares issued by the Bank in respect of options granted under the Scheme has not exceeded 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 was determined by the Remuneration Committee to be the 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 granted 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 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:

<u>Percentage of shares for which an option is exercisable</u>	
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%

Corporate Governance

After the third anniversary but before the date of expiry of the exercise period

34%

The options granted 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 2018, 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 exceeding S\$100,000. 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 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 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 6,446,996 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 participating companies in 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 any new ordinary shares issued pursuant to the Scheme, cannot exceed 15% of the Bank's total number of issued ordinary shares. Notwithstanding the limits allowed under the relevant rules, the Bank had been applying a lower aggregate limit of 5% instead of 15% as a matter of conservative practice.

Principle 8: Disclosure on Remuneration

The following disclosures should be read in conjunction with the remuneration policies, practices and share plans as described under Principles 6 and 7.

Directors' Remuneration in 2018

Bank

Director	Fees ^(a)	Remuneration Shares ^{(a)/(b)}	Other Benefits ^(c)	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Ooi Sang Kuang	1,550	67	42	1,659
Chua Kim Chiu	209	67	4	280
Lai Teck Poh	241	67	4	312
Lee Tih Shih	150	67	4	221
Christina Ong	147	67	4	218
Quah Wee Ghee	144	67	4	215
Pramukti Surjaudaja	121	67	-	188
Tan Ngiap Joo	254	67	4	325
Wee Joo Yeow	254	67	4	325
	3,070	603	70	3,743

Director & CEO	Salary	Bonus	Deferred Shares	Other Benefits ^(c)	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Samuel N. Tsien	1,242	5,623	3,749	86	10,700

Notes:

- ^(a) Fees and remuneration shares for non-executive Directors are subject to approval by shareholders at the 2019 AGM.
^(b) Value of remuneration shares was estimated based on closing price of ordinary shares on 18 March 2019, i.e. S\$11.21 per share.
^(c) Non-cash component such as club and car benefits for Mr Ooi Sang Kuang and Mr Samuel N. Tsien and carparks for Directors.

Subsidiaries

Director	Fees
	S\$'000
Ooi Sang Kuang	139 ^(d)
Lai Teck Poh	210 ^(e)
Quah Wee Ghee	198 ^(f)
Pramukti Surjaudaja	668 ^(g)
Tan Ngiap Joo	158 ^(h)
Wee Joo Yeow	150 ⁽ⁱ⁾

Notes:

- ^(d) Fees from OCBC Bank (Malaysia), OCBC Al-Amin Bank and OCBC Wing Hang Bank.
^(e) Fees from OCBC Bank (Malaysia) and PT Bank OCBC NISP.
^(f) Fees from Bank of Singapore, The Great Eastern Life Assurance Co and Great Eastern General Insurance.
^(g) Fees from PT Bank OCBC NISP for being President Commissioner, a capacity in Indonesia with critical supervisory responsibilities over the organisation.
^(h) Fees from OCBC Bank (Malaysia) and OCBC Al-Amin Bank.
⁽ⁱ⁾ Fees from Great Eastern Holdings.

Remuneration of Top Five Key Management Personnel in 2018

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.

Remuneration of Directors' and CEO's Immediate Family

The Director, Mr Pramukti Surjaudaja, has a sister, Ms Parwati Surjaudaja, who is chief executive of the Bank's subsidiary, PT Bank OCBC NISP Tbk. Her personal remuneration in 2018 exceeds S\$100,000 but for reasons stated above, her individual remuneration is not disclosed. Apart from Ms Parwati Surjaudaja, none of the Group's employees was an immediate family member of a Director or the CEO in 2018.

Remuneration of Substantial Shareholder's Immediate Family

None of the Bank's substantial shareholders are individuals, thus the disclosure on remuneration to employees who are immediate family of substantial shareholders is not applicable.

Corporate Governance

Remuneration Disclosure for Senior Management and Material Risk Takers

Remuneration Awarded during the Financial Year

		Senior Management	Other Material Risk-Takers
Fixed remuneration	Number of employees	17	335
	Total fixed remuneration	26%	50%
	of which: cash-based	26%	50%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	0%	0%
	of which: deferred	0%	0%
	of which: other forms of remuneration	0%	0%
	of which: deferred	0%	0%
Variable remuneration	Number of employees	17	332
	Total variable remuneration	74%	50%
	of which: cash-based	44%	31%
	of which: deferred	0%	0%
	of which: shares and other share-linked instruments	30%	19%
	of which: deferred	30%	19%
	of which: other forms of remuneration	0%	0%
	of which: deferred	0%	0%
Total remuneration		100%	100%

Special Payments

	Guaranteed Bonuses		Sign-on Awards		Severance Payments	
	Number of Employees	Total Amount (\$\$)	Number of Employees	Total Amount (\$\$)	Number of Employees	Total Amount (\$\$)
Senior management	0	0	0	0	0	0
Other material risk-takers	0	0	5	1,285,712	0	0

Deferred Remuneration

Deferred and Retained Remuneration	Total outstanding deferred remuneration	of which: total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amendments during the year due to ex post explicit adjustments ⁽¹⁾	Total amendments during the year due to ex post implicit adjustments ⁽²⁾	Total deferred remuneration paid out in the financial year
Senior management	100%	100%	0%	0%	46%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	46%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	41%
Cash	0%	0%	0%	0%	0%
Shares	100%	100%	0%	0%	41%
Share-linked instruments	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%

Notes:

⁽¹⁾ Examples of ex post explicit adjustments include malus, clawbacks or similar reversal or downward revaluation of awards.

⁽²⁾ Examples of ex post implicit adjustments include fluctuation in the value of shares performance or performance units.

Accountability and Audit

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk. It sets the tone for the Bank's risk culture and oversees, through the Risk Management Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, the quality, adequacy and effectiveness of the internal controls and risk management processes and systems (including ensuring that the risk management function is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines). The Board approves the Bank's risk appetite and has oversight of the risk activities to ensure that these are consistent with the Bank's strategic intent and operating environment, as well as capital sufficiency and regulatory standards.

Further details on risk management are described under the section on Risk Management Committee on page 84.

The Board is also responsible for ensuring that the Bank's internal controls adequately safeguard shareholders' interests and the Bank's assets. 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 (which includes assurances provided by key management personnel to the CEO) on the effectiveness of the Bank's risk management and internal control systems. The Board has also received assurances from the CEO and Chief Financial Officer 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 view 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 2018, 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 judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

The composition and summary terms of reference of the Audit Committee are provided under the section on Audit Committee on pages 83 and 84 and the Committee's summary activities are also provided in the Directors' Statement on page 139. The Audit Committee adopts, where appropriate, relevant best practices set out in the Guidebook for Audit Committees in Singapore.

In addition to the review of the Group Financial Statements, which includes reviewing the assurances provided by the CEO and Chief Financial Officer on the financial records and statements, the Audit Committee reviews and evaluates, with the external auditor and internal auditor, 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 auditor and internal auditor. When the external

auditor provides 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 auditor against its 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 judgements to ensure the integrity of the financial statements. The Committee reviews announcements relating to financial performance.

The Audit Committee is also responsible for the review of 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 whistle-blowing policy and procedures for raising such concerns are disclosed and clearly communicated to employees. 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 auditor and internal auditor in separate sessions and without the presence of management, to consider any matters which may 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.

External Audit

The Audit Committee has received the requisite disclosures from the

Corporate Governance

current external auditor evidencing its independence. It is satisfied that the financial, professional and business relationships between the Group and the external auditor will not prejudice the independence and objectivity of the external auditor. The aggregate amount of fees paid to the external auditor for financial year 2018, and the breakdown of total fees paid for audit and non-audit services, are shown in the Notes to the Financial Statements.

The Audit Committee assesses the quality of the current external auditor before its first appointment and at least annually thereafter. The selection of the 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 current 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 compliance with SGX-ST Listing Rules which require the lead engagement partner to be rotated every five years.

The Audit Committee noted that the current external auditor, KPMG LLP, has served as external auditor of the Bank since 2006.

In line with good corporate governance practice, the Audit Committee is of the view that a change of external auditor is in the best interests of the Bank and its shareholders. Taking into consideration the requirements of the revised MAS Notice 615 to Banks and the SGX Listing Manual, the Audit Committee initiated an audit tender exercise.

Four international audit firms were invited to tender and all four firms submitted proposals. Management meetings were organised for each firm, allowing them equal access to senior management across our key locations before they submitted their written proposals. Presentations by each firm were made to a selection panel comprising members of the Group Audit Committee and the Audit Committee Chairmen of our key subsidiaries. The selection panel reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration the audit quality indicators introduced by the Accounting and Corporate Regulatory Authority and the criteria for the evaluation and selection of the external auditor contained in the Guidebook for Audit Committees in Singapore, including factors such as the adequacy of the resources and experience of the auditing firm and the proposed audit engagement partner, the audit firm's other engagements, and the number and experience of supervisory and professional staff to be assigned. Management feedback was also sought and presented as part of the deliberations by the panel. An independent and objective approach was observed throughout the process.

After due consideration, the selection panel recommended through the Audit Committee, PricewaterhouseCoopers LLP for nomination as external auditor commencing the financial year ending 31 December 2020. The Board has taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and is satisfied that PricewaterhouseCoopers LLP will be able to meet the audit requirements of the Bank.

The proposed change of external auditor would also provide the Bank with fresh perspectives and views of another professional audit firm and thus, could further enhance the value of the audit. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 AGM.

The scope of audit services to be provided by PricewaterhouseCoopers LLP will be comparable to those currently provided by KPMG LLP.

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 the external auditor 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 2018 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 audit differences (or review differences in the case of a half-yearly or a quarterly review) 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.

In the review of the 2018 financial statements, the Audit Committee discussed with management 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 reviewed. The following key audit matters highlighted in the Independent

Auditors' Report on pages 140 to 146 of the Annual Report were discussed with management and the external auditor:

- **Impairment of loans and bills receivable**

The Audit Committee reviewed management's assessment and justification of allowances for impaired loans and non-impaired loans, including the appropriateness of forward-looking assumptions and scenarios adopted, in accordance with Singapore Financial Reporting Standards (International) 9 Financial Instruments and approved framework. The adequacy of allowances for impaired loans set aside for key loan accounts was also discussed with the external auditor. Additionally, the Audit Committee also 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 held at fair value**

The Audit Committee with the input of the Risk Management Committee, reviewed management's valuation of 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 assessment of the controls over valuation which included independent verification of price and validation of valuation models.

- **Valuation of insurance contract liabilities**

The Audit Committee reviewed 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 considered the external auditor's assessment of the valuation methodology and assumptions adopted by Great Eastern and its subsidiaries.

- **Impairment of goodwill**

The Audit Committee reviewed management's goodwill impairment

testing methodology and results, including the appropriateness of the cash flow forecasts and discount rates used. The Committee also considered the external auditor's assessment of the methodology and testing results.

The Audit Committee believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards (International) in all material aspects, based on its review and discussions with management and the external auditor.

Internal Audit

The Audit Committee approves the terms of reference of internal audit (Group Audit) and reviews the adequacy and effectiveness of the internal audit function, at least annually. 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 and effectiveness 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.

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,

Corporate Governance

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 and independence of the internal audit function, its resources, and its standing and effectiveness. 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 310. The division is organised into departments that are aligned with the structure of the Group. The Audit Committee approves the appointment, resignation, removal and remuneration of the Head of Group Audit.

Shareholder Rights and Engagement

Principle 11: Shareholder Rights and Conduct of General Meetings

At the AGM, the Group's financial performance for the preceding year is presented to shareholders.

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 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 (CPF) 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.

All the Directors attended the 2018 AGM together with the external auditor and senior management to address any relevant queries raised by shareholders. Independent scrutineers are also present at the AGM to review the voting process and address shareholders' queries on the voting procedures.

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.

Principle 12: Engagement with Shareholders

The Bank has a shareholders communication policy approved by the Board. 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 Investor Relations and Group Brand and Communications 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 investment community and media. Live webcasts of the Bank's half-year and full-year financial results presentation are available for viewing on the Bank's corporate website. The Bank's dividend policy is also disclosed in the Capital Management section on page 101 of this Annual Report. In 2018, OCBC Bank hosted more than 500 meetings and conference calls with the investment community. 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.

Investors can submit feedback and queries to the Bank's Investor Relations Unit through the contact details provided on the corporate website.

Managing Stakeholders Relationships

Principle 13: Engagement with Stakeholders

OCBC Bank recognises the importance in maintaining positive stakeholder relationships, and adopts an inclusive approach in the management and engagement of its stakeholders – namely customers, investors, communities, regulators and employees. The Sustainability Report on pages 60 and 61 of this Annual Report sets out the Bank's approach to stakeholder engagement including key areas of focus and how it responds to stakeholder concerns.

The Bank maintains a corporate website – OCBC.com – to communicate and engage with its stakeholders.

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 governing 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 Rules 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 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 blackout 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.

Corporate Governance

Summary of Disclosures

Express disclosure requirements in the Code of Corporate Governance issued by the Monetary Authority of Singapore (MAS) on 6 August 2018.

Provisions	Page Reference in OCBC Annual Report 2018
Provision 1.2 The induction, training and development provided to new and existing directors.	Pages 85 and 86
Provision 1.3 Matters that require Board approval.	Pages 82 and 83
Provision 1.4 Names of the Board Committee members, the terms of reference, delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	Pages 83 and 84
Provision 1.5 The number of Board and Board Committee meetings and the directors' attendance at such meetings.	Page 85
Provision 2.1 (a) The Board should identify in the Company's Annual Report each director it considers to be independent (b) Where the Board considers a 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.	Pages 24 to 27 and 86 Not applicable
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	Page 86
Provision 3.1 Relationship between the Chairman and the CEO if they are immediate family members.	Not applicable
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.	Pages 86 and 87
Provision 4.4 If the Board determines that a director is independent notwithstanding the existence of a relationship with the Company, its related corporations, its substantial shareholders or its officers, which may affect his/her independence, the relationships and the Board's reasons for considering him/her as independent should be disclosed.	Page 86
Provision 4.5 (a) Listed company directorships and principal commitments of each director should be disclosed (b) If a director holds significant number of directorships and principal commitments, the Nominating Committee and Board should disclose reasoned assessment of the director's ability to diligently discharge his/her duties.	Pages 24 to 27 and 87
Provision 5.2 The Board should state in the Company's Annual Report how the assessments of the Board, its Board Committees and each director have been conducted, including the identity of any external facilitator and its connection (if any) with the Company or any of its directors.	Page 87
Provision 6.4 The Company should disclose the engagement of any remuneration consultants and their independence in the Annual Report.	Page 87
Provision 8.1 Disclose the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) Each individual director and the CEO (b) At least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.	For CEO and Management: Pages 88 to 92 For the Company's Directors: Pages 88 and 91

Provisions	Page Reference in OCBC Annual Report 2018
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The Company should also state clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Page 91
Provision 8.3 Disclose all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. The Company should also disclose details of employee share schemes.	Pages 89 to 92
Provision 9.2 The Board should disclose that it has received assurance from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	Page 93
Provision 10.1 The Company should publicly disclose, and clearly communicate to employees, the existence of a whistle-blowing policy and procedures for raising concerns.	Page 93
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year.	Pages 85 and 96
Provision 12.1 The steps the Board has taken to solicit and understand the views of shareholders.	Pages 96 and 97
Provision 13.2 Disclose the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 97

Express disclosure requirements in the supplementary guidelines prescribed by the MAS under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore issued on 3 April 2013.

Supplementary Guidelines	Page Reference in OCBC Annual Report 2018
Guideline 1.16 An assessment of how the induction, orientation and training provided to new and existing directors 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.	Pages 85, 86 and 93
Guideline 2.13 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.	Page 83
Guideline 4.13 Resignation or dismissal of key appointment holders.	Not applicable
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	Not applicable
Guideline 11.14 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.	Page 84
Guideline 17.4 Material related party transactions.	Page 97

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)
	2018 S\$'000	2018 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	859	-

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 2018.

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.