

# Corporate Governance Report

## INTRODUCTION

DBS considers good corporate governance to be the cornerstone of a well-managed organisation. Good corporate governance goes beyond the output of transparent, timely and full financial disclosures to a gamut of decisions and structures manifested by board composition, decision-making powers, internal governance to instilling the right corporate culture across the organisation. DBS aspires to the highest standards of corporate governance, starting with the Board of Directors and continuing throughout the organisation. The promotion of corporate transparency, fairness and accountability is led by a highly qualified independent Board accountable to shareholders, aided by a seasoned and experienced management team.

The improvement of corporate governance practices is one important area of emphasis of the Group in strengthening the foundation of DBS' long-term economic performance and in contributing to a strengthened financial institution. Therefore, corporate governance has emerged as an important focus of the Board of Directors in improving and actively promoting the implementation of corporate governance practices across its subsidiaries at local and country levels.

DBS is guided in its corporate governance practices by the Code of Corporate Governance (the Code) issued by the Singapore Council on Corporate Disclosure and Governance and the Banking (Corporate Governance) Regulations issued by the Monetary Authority of Singapore (the MAS Regulations).

## BOARD GOVERNANCE

### Board responsibilities and accountability

Embedded in the principles of corporate governance is that the Board has a fiduciary role responsible for setting the strategic direction and long-term goals of the Group.

As elected representatives of the shareholders, the Board is expected to use its integrity and capability to vet corporate strategies, policies, plans and major decisions, and to oversee and monitor management in the interests of the shareholders and other stakeholders of the Group. Key to good governance in DBS is an informed and well functioning Board of Directors.

### Board Best Practice

The present Board comprises a total of 10 members, seven of which are independent non-executive members. This number is appropriate for the current scope of the Group's operations.

The Board meets no less than four times in any given financial year, with at least one meeting per quarter. A fifth meeting is added towards the end of the financial year to discuss and approve the budget for the Group for the coming year and period.

The Board sets its agenda for Board meetings well in advance with items proposed by the Chief Executive Officer and senior management, so that each member has time to be conversant with the issues by timely dissemination of meeting papers, presentations and reports. The Group Secretary attends all Board meetings and ensures that all relevant regulations and established procedures regarding the conduct of the Board are complied with.

The Board also delegates its authority and powers to specialised committees to undertake detailed monitoring, advisory and oversight of tasks, such as financial audit, risk management, credit controls and approvals, compensation and management development for leadership. These committees confer greater quality on the stewardship and fiduciary responsibilities of the Board.

In addition, the Board constantly places emphasis that not only the Board, but the Group and its employees operate with professionalism, integrity and ethics.

### Independence of Directors

A basic tenet that DBS espouses is its insistence to have a sufficient number of independent non-executive directors. In DBS, the Board comprises nine non-executive members, of which seven are considered totally independent. Such numbers of independent directors and non-executive directors exceed the requirements set out in the Code and MAS Regulations. As at the date of this report, seven directors – Mr Ang Kong Hua, Mr Andrew Buxton, Mr John Ross, Mr Christopher Cheng, Mr Wong Ngit Liong, Ms Euleen Goh and Dr Bart Broadman are considered independent by the Nominating Committee (NC).

The purpose of appointing independent non-executive directors is first to provide the Board with knowledge, objectivity, judgment and balance which may not be available if the Board consists only of full time executives; and secondly to ensure that the performance of the executive directors and the management of the Group are up to the standards required.

Independent directors of DBS bring their special expertise and knowledge to bear on the strategy and enterprise of the Group. They each bring an independent judgment on issues of conformance and performance.

Prior to appointment, the NC considers one of the attributes of an independent director which include that he should not be a former executive, a significant customer or supplier, not recommended or appointed on the bases of personal relationships, not a close relative of any executive director nor someone who represents the Bank's audit, law firm or be one of the consultants.

Mr Cheng, Mr Buxton, Mr Ross and Ms Goh are directors who are non-executive and totally independent as measured against the attributes. Mr Ang, Mr Wong, Ms Goh and Dr Broadman are on companies that have a banking relationship with DBS but the revenues arising from such relationships are insignificant and non material. Hence the NC has decided that the directors are nonetheless considered independent.

Mr Ang and Ms Goh are also directors of companies linked to Temasek Holdings, DBS' substantial shareholder. As their appointments are non-executive in nature and they are not involved in the day-to-day conduct of these companies' businesses, the NC has determined that they are nonetheless independent.

Mr Koh Boon Hwee and Mr Kwa Chong Seng are currently on the board of Temasek and are accordingly not independent of substantial shareholder of the Bank, though independent of management and business relationships.

To augment the independence assessment, the Board has put in place conflict avoidance procedures to provide guidance to directors and employees in situations where potential conflicts of interest could arise between a director's interest and the Group's interest. Such conflicts of interest could arise, for example, in lending relationships between the Group and a director's company, or where the Group provides products and services to a director's company. Appropriate tagging mechanism is put in place to monitor and control future occurrences of conflicts, which are then escalated for aggregation purposes.

#### **Term of appointment**

Directors usually serve three three-year terms, which the Board considers an appropriate length of time for Directors to immerse themselves fully in the Group's affairs and gain a sufficient understanding of the Group's operations so as to make an effective contribution as a Director.

Directors also submit themselves for re-nomination and re-election by shareholders at regular intervals of at least once every three years. The Articles of Association require one-third of the Board (being the longest in office) to retire from office every year at the annual general meeting. As required by law, Directors who reach the age of 70 years are also required to retire and stand for re-election every year at the annual general meeting.

#### **Separation of the role of Chairman and the Chief Executive Officer**

At DBS, a clear division of responsibilities between Chairman and CEO allows the Chairman to assume the formal role of an independent leader that chairs all Board meetings and lead the Board in its oversight of management. At annual general meetings and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management. Any questions from

shareholders are attended to and addressed at such shareholder meetings.

Mr Koh Boon Hwee assumed the position of interim CEO and relinquished this position following Mr Richard Stanley's appointment as Group Chief Executive Officer (CEO) on 1 May 2008. This is in line with the Group's policy of having Chairman and CEO positions held by separate individuals, with responsibilities of Chairman and CEO formalised by the Board.

The CEO heads the Group Management Committee, the highest management body of the Group. He oversees execution of the Group's corporate and business strategy and is responsible for managing its day-to-day operation.

#### **BOARD COMMITTEES**

DBS' governance practices require that specialised skills are best exercised through board level committees. In DBS, these are:

- Audit Committee (AC), supervises the Group's internal control procedures and interacts with the external auditor to ensure full compliance with the law and regulations governing accounting standards and financial reporting.
- Nominating Committee (NC), conducts a systematic search for candidates and review all nominations and assessment of independence.
- Board Risk Management Committee (BRMC), reviews and assesses a wide range of issues including capital adequacy, effectiveness of risk management and control activities and to ensure Basel Capital Accord requirements are met.
- Board Credit Committee (BCC), reviews and approves credit exposures of all tenors.
- Compensation and Management Development Committee (CMDC), oversees compensation policies and management development.

The Board Strategy and Planning Committee (BSPC) was dissolved on 31 October 2008 as it was felt that with the appointment of Mr Richard Stanley as the full-time CEO of the Group, the Board would now be in the position to discuss all major strategic matters and significant projects at the Board level there was therefore no further need to delegate these duties to the BSPC.

Terms of reference for each of the above Board committees are clearly defined. The terms of reference set forth the responsibilities of that committee, quorum and voting requirements as well as qualifications for committee membership, in line with the Code and MAS Regulations. Each committee has direct access to management staff and has the power to hire any independent advisors as it deem necessary.

# Corporate Governance Report

## Audit Committee

The Audit Committee comprises Mr Ang Kong Hua (Chairman), Mr Christopher Cheng Wai Chee, Mr Wong Ngit Liong and Ms Euleen Goh, all non-executive Directors.

In addition to the review of the Group Financial Statements, the Audit Committee reviews and evaluates with the internal auditors and external auditors, the adequacy and effectiveness of the Group's system of internal controls including financial, operational and compliance controls; and risk management policies and systems. It reviews the internal and external auditors' audit plans, the effectiveness of audit, and the independence and objectivity of the external auditors.

The Committee meets no less than four times a year with the internal auditors and external auditors. All Committee meetings are also attended by Group Legal, Compliance and Secretariat and the Committee has the discretion to invite any Director and executive officer to attend its meetings. Separate sessions with internal and external audit are also held without the presence of management, to consider any matters which might be raised privately. In addition, the Chairman of the Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Group's operations.

In respect of the 2008 financial year, the Audit Committee has reviewed the audited financial statements with management and the external auditors and is of the view that the Group's financial statements for 2008 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.

The Committee also performs an annual assessment of the effectiveness of the Group's Internal Audit function and ensures that Internal Audit has adequate resources to fulfil its mandate.

## Nominating Committee

The Nominating Committee comprises Mr Ross (Chairman), Mr Ang, Mr Koh, Ms Goh and Mr Wong.

The Committee reviews and recommends all director appointments to the Board for approval, the candidates' qualifications and experience are benchmarked against the criteria set out in the MAS Regulations and in DBS' Articles of Association to help the Committee make an assessment of the candidates' suitability and potential contribution to the Group. Any candidate considered by the Committee must have extensive experience and hold senior positions, whether in the public or private sector, and must have built a reputation that demonstrates the ability to contribute to discussions and to make decisions at board level. With the growing complexity of the financial services industry and the increasing importance placed on risk management within the industry, candidates should also be financially literate. At the same time, the

candidate must have demonstrated that he or she is committed to the highest ethical standards. The Committee also considers whether a candidate has the time and resources to make a meaningful contribution to the Group, given the candidate's other competing commitments, although no formal limit is imposed on the number of appointments which a Director may hold.

In addition to reviewing board appointments, the Committee also approves the appointments of business and support unit heads and senior positions in major subsidiaries.

## Board Risk Management Committee

The Board Risk Management Committee comprises Mr Buxton (Chairman), Mr Koh, Mr Ong, Mr Ross and Dr Broadman. Mr Ong stepped down as a member on 24 October 2008. On 17 December 2008, Dr Bart Broadman was added as a member.

The Committee is responsible for oversight of risk governance, risk framework and limits for the Group. It approves the overall risk governance framework as well as the framework for credit, market and operational risks, including the applicable limits. It is also responsible for approving certain policies in accordance with regulatory requirements. The Committee also monitors the Group's risk profile, including risk trends and concentrations.

During 2008, the Committee closely monitored the overall progress of DBS' implementation to meet Basel II requirements, receiving reports on progress and results of validation of Basel II models and approved the important aspects of the Basel II rating systems. The Committee also reviewed key risk issues arising from the financial crisis in 2008 and its impact and implications on DBS portfolio.

## Board Credit Committee

The Committee comprises Mr Koh (Chairman), Mr Kwa and Mr Stanley. All credit exposures exceeding the limit delegated by the Board to management are approved by this Committee.

## Compensation and Management Development Committee

The Compensation and Management Development Committee comprises Mr Kwa (Chairman), Mr Koh, Mr Wong, Mr Cheng and Dr Broadman.

The Committee reviews and approves the overall remuneration principles of the Bank including its performance driven compensation plans and the annual aggregate of performance-related cash bonuses and share grants for DBS employees. It also provides oversight on the remuneration of senior executives and determines the compensation of each executive director of the Bank. In addition, it focuses on the progress of management development and succession planning programs of the Bank, to ensure that there is a robust plan on the management of people risk within the Bank.

In 2008 (as in 2007), the Committee continued to focus on two broad areas:

- using the different levers of compensation to recognise, reward and retain the best performers, and to reduce attrition amongst the more junior levels;
- people development, aimed at building each employee's career and making sure there is a talent pipeline for the future.

Talent management and development continues to be a key focus for the Bank, and in addition to continued succession planning and high-potential development activities, a DBS-specific management development program was rolled out to all senior level managers across the Group in an effort to build a common leadership culture and managerial principles across every location and to instil the Bank's Values in every manager within the Group.

## REMUNERATION MATTERS

### Remuneration policy

The Group's remuneration policy is built on a system of meritocracy and is formulated to drive performance of its employees. The reward of an individual is closely linked to the performance of the Group, the Unit in which the employee works for as well as the individual performance. Performance is assessed based on a balanced scorecard of key performance indicators (KPIs) which include both financial and non-financial aspects ranging from people, customers, shareholders and compliance objectives. The remuneration policy is fundamental to achieving the Group's corporate goals.

### Employees' remuneration

Employees' remuneration is based on total compensation. An employee's total compensation is benchmarked to the market and consists of three components: fixed pay, cash bonuses and long-term incentives. Each component plays a distinct role and objective in the makeup of the total compensation package. The long-term incentives are in the form of share grants. This is to ensure alignment with shareholders' interest.

The Group's approach to rewarding employees not only helps to attract, retain and motivate talented employees but also fosters a performance-oriented culture across the organisation that will help attain the Group's financial objectives.

### Directors' remuneration

The remuneration for executive directors and fees for non-executive directors reflect the scope and extent of a director's responsibilities and obligations. They are measured against industry benchmarks and are competitive.

### Remuneration of Executive Directors

Certain principles are adopted by the Compensation and Management Development Committee in determining the remuneration for executive directors. Principally, the remuneration should motivate the executive directors to achieve the Group's annual and long-term goals to ensure that they are aligned with shareholders' interests. Performance-related elements therefore form a significant part of executive directors' total remuneration. Such performance elements focus on using a balanced scorecard covering shareholders, customer, employee and compliance objectives. The Board endorses the Compensation and Management Development Committee's recommendation for each executive director's remuneration.

Executive directors are appointed under standard employment terms which include provisions for basic salary and performance bonus. There is no special provision for early termination of services.

### Breakdown of Directors' remuneration

The following table shows the composition of directors' remuneration for 2008. Directors who were appointed or who resigned or retired during the year are included in the table.

The new Group CEO, Mr Richard Stanley joined the Bank on 1 May 2008. A special remuneration of SGD 2 million (partly in cash and in shares) is being proposed in recognition of Mr Koh's services relating to his active management oversight, pending the appointment of the CEO, from 1 January 2008 to 30 April 2008, which are outside the scope of the ordinary duties of a non-executive Director for the period prior to Mr Stanley's appointment. This is subject to shareholders' approval at the forthcoming annual general meeting.

# Corporate Governance Report

## BREAKDOWN OF DBSH DIRECTORS' REMUNERATION FOR PERFORMANCE YEAR 2008<sup>(1)</sup> (1 JAN 2008 – 31 DEC 2008)

Remuneration Bands	Salary Remuneration %	Cash Bonus <sup>(2)</sup> %	Share Plan <sup>(3)</sup> %	Directors' Fees <sup>(4)</sup> %	Others %	Total %
<b>\$4,750,000 – \$4,999,999</b> <sup>(5)</sup>						
Richard Stanley <sup>(6)</sup>	16	53	27	1 <sup>(7)</sup>	3	100
<b>\$4,250,000 – \$4,499,999</b>						
Frank Wong Kwong Shing <sup>(8)</sup>	15	78	–	2 <sup>(7)</sup>	5	100
<b>\$2,250,000 – \$2,499,999</b>						
Koh Boon Hwee <sup>(9)</sup>	–	44	44	11	1	100
<b>Below \$250,000</b>						
Ang Kong Hua	–	–	–	100	–	100
Andrew Robert Fowell Buxton	–	–	–	100	–	100
Bart Joseph Broadman <sup>(10)</sup>	–	–	–	100	–	100
Christopher Cheng Wai Chee <sup>(11)</sup>	–	–	–	100	–	100
Goh Geok Ling <sup>(12)</sup>	–	–	–	100	–	100
Euleen Goh Yiu Kiang <sup>(13)</sup>	–	–	–	100	–	100
Kwa Chong Seng	–	–	–	100	–	100
Narayana Murthy <sup>(14)</sup>	–	–	–	100	–	100
Peter Ong Boon Kwee <sup>(15)</sup>	–	–	–	100	–	100
John Alan Ross <sup>(16)</sup>	–	–	–	100	–	100
Wong Ngit Liong	–	–	–	100	–	100

(1) Refers to 2008 performance remuneration – includes fixed pay in 2008, cash bonus received in February 2009 and shares granted in 2009.

(2) Based on amount accrued in 2008 financial statements. Amount finalised, approved and paid in 2009.

(3) Refers to the estimated value of DBSH shares granted in 2009 – forms part of 2008 variable performance bonus

(4) Fees payable in 2009 for being an appointed Director in 2008. This is subject to shareholders' approval at annual general meeting on 8 April 2009

(5) This figure excludes the value of 239,510 DBSH shares comprised in an award granted to Mr Richard Stanley under the DBSH Share Plan as part of his sign-on terms with DBS Bank in order to compensate him for the loss suffered upon the lapsing of share incentives granted during his previous employment. Based on the closing price of the DBSH shares on the Singapore Exchange Securities Trading Limited on 31 December 2008 of SGD 8.42 per share, the 239,510 shares have a value of approx SGD 2.02 million

(6) Appointed on 1 May 2008 as CEO and a Member of BCC on 27 June 2008

(7) Fees not retained by Director

(8) Stepped down as Director and as Member of BCC on 31 August 2008

(9) Includes a special remuneration of SGD 2 million (partly in cash and in shares), subject to shareholders' approval at annual general meeting on 8 April 2009

(10) Appointed as Director and Member of BRMC and CMDC on 17 December 2008

(11) Appointed as Member of CMDC on 11 November 2008

(12) Stepped down as Director and as Member of AC, BCC and CMDC on 2 April 2008

(13) Appointed as Director and as Member of AC and NC on 1 December 2008

(14) Stepped down as Director and as Chairman of NC and Member of CMDC on 2 April 2008

(15) Stepped down as Director and as Member of BRMC on 24 October 2008

(16) Change of appointment from Member to Chairman of NC on 2 April 2008

### Key executives' remuneration

Although the Code recommends that at least the top five key executives' remuneration be disclosed within bands of SGD 250,000, the Board believes such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the banking industry where poaching of executives is commonplace.

### Long-term share incentives – DBSH Share Plan, Share Option Plan and Share Ownership Scheme

As the Group seeks to foster a culture that aligns the interests of

employees with those of shareholders, it has put in place share-based plans for employees. These plans allow employees to share in the Group's growth and success. There are three plans – the DBSH Share Plan (Share Plan, previously known as the DBSH Performance Share Plan), the DBSH Share Option Plan (SOP) and the DBSH Share Ownership Scheme (SOS).

Employees holding the corporate rank of Managing Director, Senior Vice President and Vice President are eligible to participate in the Share Plan and SOP.

Rewards made under the Share Plan and SOP form part of an employee's annual performance remuneration, which also includes cash bonuses. The portion of the performance remuneration paid in shares increases with the amount of the performance remuneration. The allocation of such awards will be linked to performance metrics designed to deliver shareholder value.

There are vesting periods for the Share Plan and SOP. Two types of awards can be made under the Share Plan. They are those where performance conditions are attached and those that are time-based. The number of shares eventually awarded upon vesting under the Share Plan where performance conditions are attached is based on DBS Group's performance for a three-year performance period as measured by the Group's return on equity. The time-vested Share Plan operates like restricted shares awards. It comprises two elements, namely, the main award and the "kicker" award. The shares comprised in the "kicker" award constitute 20% of the shares comprised in the main award. Fifty

percent of the shares comprised in the main award will vest two years after the date of grant. The remainder fifty percent of the shares comprised in the main award, together with the shares comprised in the "kicker" award, will vest three years after the date of grant. The aggregate total number of new DBSH ordinary shares that may be issued under the Share Plan and SOP at any time may not exceed 7.5% of the issued ordinary shares (excluding treasury shares) of DBSH.

Details of the Share Plan and SOP appear in pages 141 to 142 of the Directors' Report. Employees who are not eligible for the Share Plan or SOP are eligible to participate in the SOS. The SOS is a market purchase plan administered by DBS Trustee Ltd, a wholly-owned subsidiary of DBS Bank. Under the SOS, all confirmed employees with at least one year of service can subscribe up to 10% of their monthly base pay to buy units of DBSH ordinary shares, with DBS contributing an additional 50% of the amount the employee contributes.

## SHARE OPTIONS ISSUED

In compliance with listing requirements, the following participant in the SOP received the following number of options:

Name of participant*	Options granted during financial year under review	Aggregate options granted since commencement of Plan up to cessation of Directorship	Aggregate options exercised since commencement of Plan up to cessation of Directorship	Aggregate options outstanding as at cessation of Directorship
Frank Wong Kwong Shing (Director) <sup>(1)</sup>	0	448,050	0	448,050

\* DBSH has no controlling shareholders and no disclosure is made in this respect

(1) Stepped down as Director and as Member of BCC on 31 August 2008

No further share options were issued by the Group in 2008. The aggregate number of options granted to the directors and the employees of the DBS Group since the commencement of the SOP till the end of 2008 is 62,796,690.

## Board meetings and attendance

In the financial year just passed, there were a total of 11 Board meetings including the five scheduled Board meetings. At these meetings, the Board reviews the Group's financial performance, corporate strategy, business plans, potential strategic acquisitions or alliances, strategic or significant operational issues and significant matters attended to by Board committees. The Board also reviews the Group's long term corporate strategy and business plans and budget, including principal issues and challenges that the Group may face in the future in at least one of the Board meetings during the year. In addition to the scheduled meetings, ad hoc meetings were also held when necessary.

When exigencies prevent a Board member from attending meetings in person, he can participate by tele or video-conference. Board approval for less critical matters may be obtained through written resolutions approved by circulation.

Board directors attend the annual general meeting (to the extent practicable), Board meetings and meetings of the committees on which they serve, and they spend the time needed to properly discharge their responsibilities. Materials and information important to the understanding of the matters to be reviewed during the meetings are distributed to the directors in advance of the said meetings to provide sufficient time for the directors to prepare ahead for such meetings.

During the financial year, the Board and key management met in a two-day close door offsite meeting to deliberate on the strategy and action plans covering various aspects of the Group's overall strategy on future growth and businesses. The offsite session also enabled the Board members to interact more actively with management on general operational issues. It provided a healthy forum for board members and management to discuss matters informally.

The table below sets out the number of meetings held and the number of meetings attended by the Group's Directors, including meetings of the Board Committees during the financial year ended 31 December 2008.

# Corporate Governance Report

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name of Director	Board		Audit		Board Risk		Board		Board Strategy		Nominating		Compensation and	
	Meetings		Committee		Management		Credit		and Planning		Committee		Management	
	(Board)		(AC)		(BRMC)		(BCC)*		(BSPC)*		(NC)*		(CMDC)	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
	Held@		Held@		Held@		Held@		Held@		Held@		Held@	
Koh Boon Hwee	11	11	–	–	4	4	18	18	–	–	12	12	3	3
Richard Stanley <sup>(1)</sup>	7	7	–	–	–	–	14	14	–	–	–	–	–	–
Frank Wong														
Kwong Shing <sup>(2)</sup>	5	4	–	–	–	–	9	9	–	–	–	–	–	–
Ang Kong Hua	11	10	5	5	–	–	–	–	–	–	12	12	–	–
Bart Joseph Broadman <sup>(3)</sup>	1	1	–	–	–	–	–	–	–	–	–	–	–	–
Andrew Buxton	11	7	–	–	4	4	–	–	–	–	–	–	–	–
Christopher Cheng <sup>(4)</sup>	11	10	5	4	–	–	–	–	–	–	–	–	3	1
Goh Geok Ling <sup>(5)</sup>	4	4	2	2	–	–	3	3	–	–	–	–	1	1
Euleen Goh <sup>(6)</sup>	3	3	–	–	–	–	–	–	–	–	1	1	–	–
Kwa Chong Seng	11	10	–	–	–	–	18	18	–	–	–	–	3	3
Narayana Murthy <sup>(7)</sup>	4	1	–	–	–	–	–	–	–	–	3	3	1	1
Peter Ong Boon Kwee <sup>(8)</sup>	7	6	–	–	3	2	–	–	–	–	–	–	–	–
John Alan Ross <sup>(9)</sup>	11	9	–	–	4	4	–	–	–	–	12	12	–	–
Wong Ngit Liong	11	10	5	4	–	–	–	–	–	–	12	12	3	3

@ the number of meetings held during the period the director was a member of the Board and/or relevant Committee

\* In addition to the meetings, 54 other matters were deliberated and approved via circular resolutions, namely, 42 BCC resolutions and 12 NC resolutions.

+ The Board Strategy and Planning Committee (BSPC) was dissolved on 31 October 2008.

(1) Appointed on 1 May 2008 as CEO and a member of BCC on 27 June 2008

(2) Stepped down as Director and as Member of BCC on 31 August 2008

(3) Appointed as Director and Member of BRMC and CMDC on 17 December 2008

(4) Appointed as Member of CMDC on 11 November 2008

(5) Stepped down as Director and as Member of AC, BCC and CMDC on 2 April 2008

(6) Appointed as Director and as Member of AC and NC on 1 December 2008

(7) Stepped down as Director and as Chairman of NC and Member of CMDC on 2 April 2008

(8) Stepped down as Director and as Member of BRMC on 24 October 2008

(9) Change of appointment from Member to Chairman of NC on 2 April 2008

### Board Orientation & Training

A new appointee on the Board is given a full briefing on the duties and responsibilities under general laws as well as regulations that pertain to that of a licensed financial Institution. This briefing is organised and undertaken by the Group Secretariat. The new director is also given detailed briefings by all key business and support unit heads on the Group's operations and support functions. This series of briefings include a separate briefing by the CEO and usually undertaken over at least two sessions.

From time to time, Board members are alerted to appropriate training programmes offered by external trainers and directors are encouraged to attend at the Group's costs.

During meetings of the Board and Committees, directors are regularly updated and briefed on impending or new changes on aspects that touch on the Group's business, such as in the areas of tax, accounting and that which may relate to audit or SGX guidelines or listing rules. In the course of 2008, induction and orientation were provided to two members of the Board.

Directors have full access to all DBS employees. They also have the power to engage outside independent advisors on any issues they deem fit, at the expense of the Group.

#### Board Evaluation of its effectiveness

A process is in place to assess the performance and effectiveness of the Board as a whole on an annual basis.

Each director completes a Board evaluation questionnaire and returns the completed questionnaire to the Chairman of the Board and the Chairman of the Nominating Committee. The collective performance evaluation is then consolidated and presented to the Board for discussion.

The Board evaluation covers a spectrum of matters under review which include such matters as Board composition, the timeliness and quality of information provided to the Board, the Board process, Board accountability, and standard of conduct, rather than adhering to strict financial criteria such as return on equity or return on assets. The Board believes that having a strong and robust Board process and Board governance in place are critical to the performance of the Board and the success of the organisation. The Board considers the current collective assessment useful in evaluating its own effectiveness, as Directors are given the opportunity to debate Board workings and processes in the discussion on the collective assessment.

#### RELATED PARTY TRANSACTIONS

The Group has procedures in place to comply with existing regulations governing related party transactions for banks and listed companies. These regulations include the Banking Act, MAS directives and the guidelines on interested person transactions in the SGX Listing Manual. The relevant provisions in the Banking Act and the MAS directives impose prudential limits on credit exposures by the Group to certain Group-linked entities and persons, while the interested person transactions in the Listing Manual cover all types of related party transactions generally.

All new directors are briefed on the relevant provisions that they need to comply with. If necessary, existing credit facilities to related parties are adjusted prior to a director's appointment, and all credit facilities to related parties are monitored on an on-going basis. Checks are conducted prior to the Group entering into credit and non-credit-related transactions to determine whether the counterparty is a related party under applicable regulations and to take the appropriate action to comply with the regulations.

The Group has granted credit facilities to the following related parties in the ordinary course of business on normal terms and conditions. The outstanding amounts of these credit facilities and the estimated values of collaterals as at 31 December 2008 are as follows:

(In \$ millions)	Credit facilities granted to	Contingent credit facilities granted to	Estimated value of collaterals	Deposits received by DBSH Group
Granted to/received from:				
DBSH Directors and their related entities	34	–	93	–
Companies with DBSH Directors represented on their boards	696	231	25	–
Bank-related companies <sup>(1)</sup>				
– engaged in financial activities	2,528	32	1,157	2,367
– engaged in non-financial activities	280	1	872	54

Notes:

(1) Excludes transactions between subsidiary companies and their own subsidiary companies.



# Corporate Governance Report

As required under the SGX Listing Manual, the following are details of interested person transactions in 2008:

Name of Interested Person	Aggregate value of all Interested Person Transactions during 2008 (excluding transactions less than \$100,000)
<b>Alexandra Distripark Pte Ltd</b>	\$194,256
<b>Certis CISCO Security Management Pte Ltd</b> Branch cash delivery, collection and processing services Outsourcing of ATM cash replenishment/ collection, balancing and settlement, cash processing and security escort Static Armed Guard CCTV, Alarm and Door Access Systems installation and monitoring Renovation works	\$22,127,230
<b>CrimsonLogic Pte Ltd</b> Search engine services	\$109,151
<b>e-Cop (S) Pte Ltd</b> Subscription of internet services Security training and ethics services	\$450,656
<b>Media Research Consultants Pte Ltd</b> Corporate Research	\$501,374
<b>Media Corp Pte Ltd</b> Promotion or public relations	\$328,300
<b>NCS Communications Engineering Pte Ltd</b> Video conference equipment purchases and services	\$226,816
<b>NCS Pte Ltd</b> Software licenses and maintenance IT Professional services	\$612,716
<b>Singapore Airlines Limited</b> Air tickets	\$5,787,192
<b>Singapore Computers Systems Ltd</b> Maintenance of Central Registry & Procurement System Procurement Outsourcing Services Fees Document Imaging Purchase of software licenses	\$6,885,745
<b>Singapore Telecommunications Limited</b> Subscription of telecom services which is usage-based	\$13,978,119
<b>SMRT Taxis Pte Ltd</b> Transportation services, promotion or public relations	\$753,055
<b>SMRT Trains Ltd</b> New lease secured, branch lease renewal	\$951,984
<b>Wealth Management Institute Pt Ltd</b> Staff local training expenses	\$380,545

## INTERNAL AUDIT AND INTERNAL CONTROLS

### Internal Audit Function

Group Audit is an independent function that reports functionally to the Audit Committee and administratively to the DBS Group CEO. The functional reporting includes matters relating to Audit Charter, risk assessment and related audit plans, results of internal audit activities and other matters that the Head of Group Audit deems necessary. The Audit Committee approves the hiring of Head of Group Audit including appointment, removal, evaluation, annual compensation and salary adjustment. Administratively, DBS Group CEO facilitates the day-to-day operations of the internal audit function, including budgeting, management accounting and human resource administration. Group Audit has unfettered access to any and all of the DBS Group's documents, records, properties and personnel including the Chairman and Audit Committee of the Board of Directors.

Group Audit has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activity. Its internal audit activity conforms to the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing. External Quality Assessment Reviews are carried out at least once in every five years by qualified professionals from an external organisation. In the 2008 assessment, Group Audit has been rated with the highest level of conformance (Generally Conforms) to IIA standards.

The professional competence of the Group's internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations and banking products and services.

An annual audit plan is developed under a structured risk assessment approach that examines all of the Group's activities and entities, their level of inherent risk and control effectiveness against the various risk types. Audit projects are identified and scoped based on this approach and audit resources are focused on the activities deemed to carry higher risks.

The scope of Group Audit encompasses the examination and evaluation of the adequacy and effectiveness of DBS Group's system of internal controls, risk management procedures, governance processes and the quality of performance in carrying out assigned responsibilities. Group Audit may also conduct consulting services only at the request of management in accordance with Group Audit's Consulting Framework. Audit work is substantially paperless with the in-house developed computerised audit work paper and resource management system.

The progress of corrective actions on outstanding audit issues is monitored monthly through a centralised Group-wide issue management system. Information on outstanding issues is categorised according to severity and monthly reports are sent to the Audit Committee Chairman, the Chairman of the Board, senior management and all Group heads.

All audit reports which are rated as requiring attention are copied to the Audit Committee, the external auditors and senior management. The regulators are also apprised of all relevant audit matters and may request for further information on audit matters at any time.

Group Audit works closely with the external auditors and meets them regularly to discuss matters of mutual interest, to strengthen working relationships and to co-ordinate audit efforts. The external auditors review the effectiveness of the Group's internal controls and risk management during an annual statutory audit. Material non-compliance with established practices and procedures and regulations, as well as internal control weaknesses noted during the audit, together with recommendations, are reported to the Audit Committee, which ensures that high-risk outstanding issues are dealt with in a timely manner.

#### **Internal controls**

A sound system of internal controls requires a defined organisational and policy framework. The Group has a management framework that clearly defines the roles, responsibilities and reporting lines of business and support units. The delegation of authority, control processes and operational procedures are documented and disseminated to staff. The Group Audit, Group Risk and Group Legal & Compliance functions provide independent oversight over controls and risks within the Group.

The Audit Committee and the Board Risk Management Committee have reviewed the adequacy of DBS' control environment. The Board believes that the system of internal controls in place up to the date of this report is adequate for the current business scope and operations of the Group.

#### **DEALINGS IN SECURITIES**

DBS has adopted more stringent "black-out" policies than prescribed under the Best Practices Guide issued by the SGX. DBS employees are prohibited from trading in DBS shares and securities one month before the release of the half-year and full-year results and three weeks before the release of the first quarter and third quarter results. In addition, directors and employees are prohibited at all times from trading if they are in possession of material non-public information. Employees with access to price-sensitive information in the course of their duties must obtain prior approval to trade in any securities listed in

Singapore and Hong Kong. Such employees are also instructed to trade through the Group's stockbroking subsidiaries. In addition, business units and subsidiaries engaging in proprietary trading and discretionary trading of securities on behalf of customers are restricted from trading in DBS securities during the black-out period.

#### **DISSEMINATION OF INFORMATION**

The Group maintains an active dialogue with shareholders. It holds in-person briefing sessions or telephone conference calls with the media and analysts when quarterly results are released. All press statements and quarterly financial statements are published on the DBS and SGX websites. A dedicated investor relations team supports the Group CEO and Chief Financial Officer (CFO) in maintaining a close dialogue with institutional investors.

During the year, management met more than 530 local and foreign investors in more than 210 meetings. Management also participated in seven non-deal investor conferences and two road shows in the US and Canada.

The Group embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts.

#### **Shareholder meetings**

The Group views the annual general meeting as an opportune forum for retail investors to meet the Board and senior management. The CFO presents the Group's preceding year's financial performance to all shareholders present ahead of formal proceedings of the meeting. The Group's external auditors are also available to answer shareholders' queries.

In accordance with the recommendations of the Code of Corporate Governance, resolutions requiring shareholder approval are tabled separately for adoption at the AGM unless the matters for consideration are closely related and would more appropriately be considered together.

#### **RISK MANAGEMENT APPROACH AND RISK PROFILE**

The Group sees strong risk management capabilities as vital to the success of a well-managed bank. The Group Risk Management function is the central resource for driving such capabilities in DBS, and it complements the risk and control activities of other functions including Group Audit and Group Legal & Compliance.

More on risk management can be found in the following section.