

# Corporate governance

## Pushing ahead in our corporate governance journey

We believe in strong and effective governance to help create value for our stakeholders.



### Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards 2015

- Corporate Governance Award
- Board Diversity Award
- Most Transparent Company
  - Finance category
  - Golden Circle Award
- Internal Audit Excellence
  - Hall of Fame

### Singapore Corporate Awards 2015

- Best Investor Relations
  - Gold Award

### Asean Corporate Governance Awards 2015

- Top 5 Asean Companies

*Note: Please refer to our website for a summary disclosure on our compliance with the Asean Corporate Governance Scorecard*

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**“The Board owes a duty to shareholders to provide oversight and to guide management in developing strategies of the business and the implementation of the strategy. Board members must be encouraged to fully express their views and opinions. The Board and management must always have mutual respect for each other. The Board should always be reminded to allow management to manage, but it should always be there to support and guide.”**

### **Chairman, Peter Seah**

*shares his thoughts on corporate governance, and the principles and values which carry the most importance in his role in leading the Board*

## Compliance and approval

For the financial year ended 31 December 2015, we have complied with the Banking (Corporate Governance) Regulations 2005 (Banking Regulations), and complied in all material aspects with the principles laid down by the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers,

Reinsurers and Captive Insurers which are incorporated in Singapore issued on 3 April 2013, which comprises the Code of Corporate Governance 2012 (Code) and supplementary guidelines and policies added by the Monetary Authority of Singapore (MAS) (Guidelines) to cater to the diverse and complex risks undertaken by financial

institutions. We provide a summary disclosure on our compliance with the Guidelines on pages 74 to 77 of this Annual Report.

The disclosures in this report have been approved by the Board.

## Governance highlights

### Governance framework

We have a clearly defined governance framework that promotes transparency, fairness and accountability.

The Board believes that corporate governance principles should be embedded in our corporate culture. Our corporate culture is anchored on (a) competent leadership, (b) effective internal controls and (c) a set of common values. Our internal controls cover financial, operational,

compliance, technology controls, as well as risk management policies and systems.

We work closely with our regulators to ensure that our internal governance standards meet their increasing expectations. We are committed to the highest standards of corporate governance, and have been recognised for it. We have won SIAS' Corporate Governance Award in the Big Cap category three years in a row (2013 to 2015).



### Key features of our Board

- Separation of the role of Chairman and Chief Executive Officer (CEO)
- Other than the CEO, none of the other Directors is a former or current employee of the Company or its subsidiaries (collectively, the Group)
- Chairpersons of the Board and all Board committees are Independent Directors

- Remuneration of Non-Executive Directors (including the Chairman) does not include any variable component
- To stimulate fresh thinking, external experts are regularly invited to the annual Board strategy offsite and to conduct Directors' training sessions



### Where to find key information on each Director?

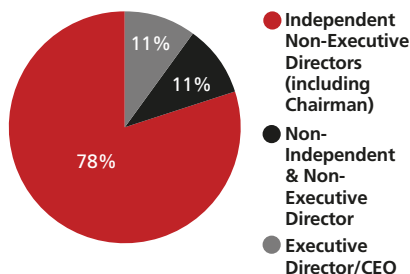
In this Annual Report:

- Pages 61 to 62 – Directors' independence status, appointment dates, meeting attendance and remuneration details
- Pages 180 to 184 – Director's length of directorship, academic and professional qualifications and present and past directorships

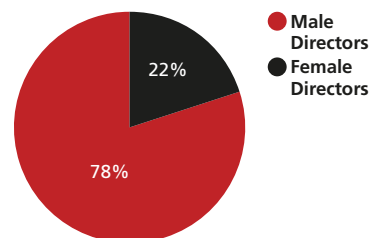
At our website ([www.dbs.com](http://www.dbs.com)):

- Director's biodata

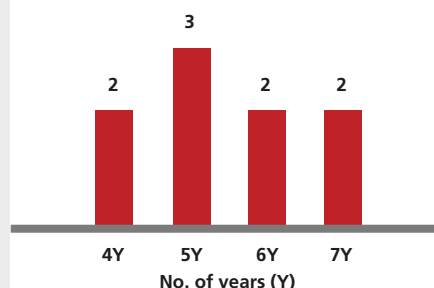
#### Independence



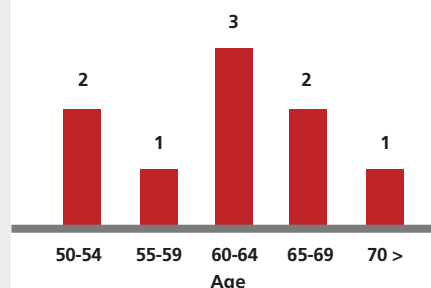
#### Gender diversity



#### Director's length of service



#### Age group of our Directors



# Leadership

## Board structure and processes

### Board composition

Our Board members have a broad range of experience and deep industry expertise. The Board's solid bench strength is one of the key drivers of DBS' high performance in recent years.

The tenure of our Directors demonstrates a good balance between continuity and fresh

perspectives. The size and composition of the Board is appropriate given the current size and geographic footprint of the Group's operations. The proportion of Independent Non-Executive Directors on the Board (seven out of nine) is high.

The make-up of our Board reflects diversity of gender, nationality, skills and knowledge. Our commitment to diversity has garnered recognition. DBS won the Board Diversity

Award at the SIAS Investors' Choice Awards in 2014 and 2015.

*Please refer to pages 54 to 55 of this Annual Report on the 'Annual Review of Directors' Independence' for more details on how each individual Director's independence is assessed.*



## Who are on our Board

**1 Non-Executive and Independent Chairman**  
Mr Peter Seah Lim Huat

**6 Non-Executive and Independent Directors**  
Dr Bart Joseph Broadman  
Ms Euleen Goh Yiu Kiang  
Mr Ho Tian Yee  
Mr Nihal Vijaya Devadas Kaviratne CBE  
Mr Andre Sekulic  
Mr Danny Teoh Leong Kay

**1 Non-Executive and Non-Independent Director**  
Mrs Ow Foong Pheng

*Note: Although Mrs Ow is considered a Non-Independent Director by virtue of substantial shareholder relationship, she does not have any business or management relationship with DBS*

**1 Executive Director/ CEO**  
Mr Piyush Gupta



## Board's key areas of focus

- Review Group's strategic and business plans
- Monitor the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of the Group's activities
- Establish a framework for risks to be assessed and managed
- Review management performance
- Determine the Group's values and standards (including ethical standards) and ensuring that obligations to its stakeholders are understood and met
- Develop succession plans for the Board and CEO
- Consider sustainability issues (including environmental and social factors) as part of the Group's strategy

**Role of the Chairman and the CEO**

The working dynamics between our Chairman (Mr Peter Seah) and CEO (Mr Piyush Gupta) are very positive and constructive. The Group’s leadership model clearly delineates their respective responsibilities. This ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making. The CEO heads the Group Executive Committee and the Group Management Committee. He oversees the execution of the Group’s strategy and is responsible for managing the day-to-day operations.

The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Group’s standards

of corporate governance. The Chairman provides clear leadership to the Board with respect to the Group’s long-term growth and strategy. The Board members are of the view that the strong leadership of Mr Peter Seah is a key contributing factor to the effectiveness of the Board.

As the Chairman sits on all the Board committees, he plays an important role in managing the business of the Board and participating in the activities of the Board committees. The Chairman ensures that the Board operates effectively as a team and in its decision making processes.

The Chairman oversees, guides and advises the CEO and senior management.

The Chairman maintains open lines of communication with senior management, and acts as a sounding board on strategic and operational matters.

**Time commitment of the Chairman’s role**

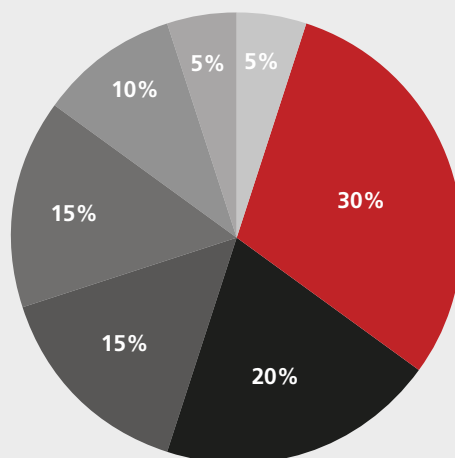
The role of the Chairman of DBSH requires significant time commitment. Mr Peter Seah performs a key role as an ambassador for the Group in our dealings with various stakeholders as well as ensuring effective communication with our shareholders. Mr Peter Seah regularly represents DBS in official external engagements, and he also sets aside time to attend the Group’s internal events upon the invitation of management.

**Mr Peter Seah’s role in our board committees**

<b>Lead</b>	<b>Board Executive Committee Chairman</b>	<ul style="list-style-type: none"> <li>• There are separate chairpersons for the Board committees, which oversee the internal controls and risk management functions, namely the AC (Mr Danny Teoh) and the BRMC (Ms Euleen Goh) respectively</li> <li>• Chairpersons of the AC and BRMC are Non-Executive and Independent Directors</li> </ul>
	<b>Compensation and Management Development Committee Chairman</b>	
	<b>Nominating Committee Chairman</b>	
<b>Participate</b>	<b>Audit Committee (AC) member</b>	
	<b>Board Risk Management Committee (BRMC) member</b>	

## Board meetings and activities

We have a highly engaged Board with diverse perspectives. Board and Board committee meetings are held regularly to discuss key topics such as strategic, governance and operational issues.



## How the Board spent its time in 2015

- Strategy
- Feedback from the Board committees
- Governance
- Business and operations updates, market and competitive landscape review
- Financial performance and significant financial updates
- Directors' training
- Board networking and engagement

### Before meeting

- To facilitate meaningful participation, all Board and Board committee meetings are planned and scheduled well in advance in consultation with the Directors
- Chairman oversees the setting of the agenda of Board meetings in consultation with the CEO to ensure that there is sufficient information and time to address all agenda items
- The agenda of the Board meetings is carefully thought out and well-managed. At the same time, the agenda allows for flexibility when it is needed
- Directors are provided with complete information related to agenda items in a timely manner. For example, management provides Board members with detailed reports on the Group's financial and franchise performance prior to the Board meeting
- All materials for Board and Board committee meetings are uploaded onto a secure portal which can be readily accessed on tablet devices provided to the Board members
- When exigencies prevent a Director from attending a Board or Board committee meeting in person, that Director can participate by telephone or video-conference
- Directors have the discretion to engage external advisers

### At every meeting

- The Chairman promotes open and frank debates by all Directors at Board meetings
- The Board members come well prepared and engage in robust discussions on key matters pertaining to the Group
- If there are any situations where there is a conflict of interest, the Director in question will recuse him or herself from the discussions and abstain from participating in any Board decision
- Chairperson of each Board committee provides a thorough update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting
- The CEO gives a complete and comprehensive update on the Group's business and operations as well as a macro perspective on industry trends and developments
- The Chief Financial Officer (CFO) presents the financial performance and significant financial highlights
- Certain business heads provide an update on their areas of business
- As members of the Group Executive Committee are present at all Board meetings, Directors have the opportunity to discuss specific areas with them and give constructive challenge to ideas
- In compliance with the Banking Act, exposures of DBS Bank Ltd to the individual Directors and their respective related concerns are tabled
- The Board holds a private session for Directors
- External professionals or in-house subject matter experts are also invited to present key topics identified by the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on the Group's affairs

### Frequent & effective engagement with the Board

- The Board is regularly updated on the performance and prospects of the Group
- Outside of Board meetings, Board approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions
- Ad-hoc meetings are held when necessary. There was no ad-hoc Board meeting held in 2015
- The CFO provides the Board with detailed financial performance reports on a monthly basis
- Directors have direct access to senior management and may request from management any additional information to make informed and timely decisions
- Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (for instance at Board hosted dinners)
- Directors have ongoing interactions across various levels, functions and countries within the Group. These interactions equip Directors with a better understanding of the business and operations of DBS. In addition, some Directors also sit on the Boards of the overseas subsidiaries in the Group; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries
- Directors have separate and independent access to the Group Secretary at all times. The Group Secretary attends all Board meetings, and generally assists Directors in the discharge of their duties and facilitates communication between the Board, its committees and management as well as the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board

## Board committees

### Delegation by the Board to the Board committees

To discharge its stewardship and fiduciary obligations more effectively, the Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on clearly defined terms of reference. Any change to the terms of reference for any Board committee requires Board approval.

<b>5 Board committees</b>	<ul style="list-style-type: none"> <li>• Constituted in accordance with Banking Regulations</li> <li>• Comprises Directors only</li> </ul>	
	<b>Terms of reference</b> Sets out the:	<ul style="list-style-type: none"> <li>• Responsibilities of the Board committee</li> <li>• Conduct of meetings including quorum</li> </ul>

- Voting requirements
- Qualifications for Board committee membership

Board committee	Composition	Members
<b>Nominating Committee (NC)</b>	<ul style="list-style-type: none"> <li>• Five members: All Non-Executive Directors (NED)</li> <li>• Four out of five members including NC Chairperson are Non-Executive and Independent Directors (INED)</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Peter Seah (Chairperson)</li> <li>• Ms Euleen Goh</li> <li>• Mr Ho Tian Yee</li> <li>• Mrs Ow Foong Pheng</li> <li>• Mr Danny Teoh</li> </ul>
<b>Board Executive Committee (EXCO)</b>	<ul style="list-style-type: none"> <li>• Three members</li> <li>• Two out of three members including EXCO Chairperson are INEDs</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Peter Seah (Chairperson)</li> <li>• Mr Piyush Gupta</li> <li>• Ms Euleen Goh</li> </ul>
<b>Audit Committee (AC)</b>	<ul style="list-style-type: none"> <li>• Five members: All NEDs</li> <li>• Four out of five members including AC Chairperson are INEDs</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Danny Teoh (Chairperson)</li> <li>• Mr Peter Seah</li> <li>• Mr Nihal Kaviratne</li> <li>• Mrs Ow Foong Pheng</li> <li>• Mr Andre Sekulic</li> </ul>
<b>Board Risk Management Committee (BRMC)</b>	<ul style="list-style-type: none"> <li>• Six members: All INEDs including BRMC Chairperson</li> </ul>	<ul style="list-style-type: none"> <li>• Ms Euleen Goh (Chairperson)</li> <li>• Mr Peter Seah</li> <li>• Dr Bart Broadman</li> <li>• Mr Ho Tian Yee</li> <li>• Mr Nihal Kaviratne</li> <li>• Mr Danny Teoh</li> </ul>
<b>Compensation &amp; Management Development Committee (CMDC)</b>	<ul style="list-style-type: none"> <li>• Four members: All INEDs including CMDC Chairperson</li> </ul>	<ul style="list-style-type: none"> <li>• Mr Peter Seah (Chairperson)</li> <li>• Dr Bart Broadman</li> <li>• Ms Euleen Goh</li> <li>• Mr Andre Sekulic</li> </ul>

## Nominating Committee (NC)

The NC is chaired by Mr Peter Seah and comprises Ms Euleen Goh, Mr Ho Tian Yee, Mrs Ow Foong Pheng and Mr Danny Teoh.

All NC members are subject to an annual independence assessment as prescribed by the Guidelines and the Banking Regulations. The assessment takes into account the NC members' business relationships with the Group, relationships with members of management, relationships with the Company's substantial shareholder as well as the NC members' length of service.

### Key responsibilities of the NC

- Review regularly the composition of the Board and Board committees
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board
- Conduct an evaluation of the performance of the Board, the Board committees and the Directors on an annual basis
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director
- Exercise oversight of the induction programme and continuous development programme for Board members
- Review and recommend to the Board the re-appointment of any Non-Executive Director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skill-set
- Make an annual assessment of whether each Director has sufficient time to discharge his or her responsibilities,

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED).

- The only NC member who is not an INED is Mrs Ow Foong Pheng, who is a Non-Executive Director. Mrs Ow is considered non-independent by virtue of a substantial shareholder relationship, but she does not have any business or management relationship with DBS.

taking into consideration multiple board representations and other principal commitments

- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO
- Review key staff appointments including the CFO and the Chief Risk Officer

Highlights of the NC's activities are as follows:

### Selection criteria and nomination process for Directors

The NC leads and has put in place a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC recognises the importance of having an appropriate balance of industry knowledge, skills, background, experience, professional qualifications, gender and nationalities in building an effective and cohesive Board.

The NC oversees a rigorous process for the appointment of Directors. Directors are selected not just for their experience and competencies but also for their fit with the Group. The NC regularly reviews the composition of the Board and Board

committees. The NC utilises a skills matrix, which takes into account each Director's skills and experience, to identify the staffing needs of each Board committee.

Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to:

(i) review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper in accordance with the MAS' fit and proper guidelines; and

(ii) ascertain whether the candidate is independent from any substantial shareholder of the Group and/or from management and business relationships with the Group.

The NC then interviews the short listed candidates and makes its recommendations to the Board. Upon the appointment of a new Director, the NC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the Director's skill-set to the needs of each Board committee.

## Board performance

The NC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identifies steps for improvement.

### Board evaluation process

The NC uses a Board evaluation framework to track and analyse Board performance, which includes an annual evaluation of Board performance and appraisal of Directors. The Board evaluation process helps improve Board effectiveness and identifies areas for improvement. A well conducted Board evaluation is vital in helping the Board, Board committees and each individual Director to perform to their maximum capability.

The Board engages an independent external evaluator to facilitate the Board evaluation approximately once every three years. The Board believes that an independent external

evaluator aids the Board by providing an independent perspective on the Board's performance. It also helps benchmark the Board's performance against peer boards and shares best practices.

### Annual Board evaluation in 2015

The NC considered the results and action items from the 2014 Board evaluation and decided to use the same evaluation questionnaire for 2015.

Each Director was asked to complete the questionnaire and submit it directly to the Group Secretary who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

Each Director participated actively, giving honest feedback on issues such as Board composition, succession planning and the quality of information provided to the Board.

The Board discussed the findings of the evaluation and agreed to follow-up on certain items.

### Annual review of Directors' independence

The NC conducts a review and determines annually whether each Director is independent. Independence is assessed in compliance with the stringent standards required of financial institutions prescribed under the Banking Regulations.

In making its determination, the NC considers whether a Director is:

- independent from management and business relationships;
- independent from any substantial shareholder; and
- independent based on length of service

The Independent Directors are Dr Bart Broadman, Ms Euleen Goh, Mr Ho Tian Yee,



Mr Nihal Kaviratne, Mr Peter Seah, Mr Andre Sekulic and Mr Danny Teoh.

Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Peter Seah and Mr Danny Teoh are on the boards of companies that have a banking relationship with DBS, and are also directors of companies in which the Company's substantial shareholder, Temasek Holdings (Private) Limited (Temasek) has investments (collectively, Temasek portfolio companies). The NC considers these Directors (i) independent of business

relationships as the revenues arising from such relationships are not material; and (ii) independent of Temasek as their appointments on the boards of Temasek portfolio companies are non-executive in nature and they are not involved in the day-to-day conduct of the businesses of the Temasek portfolio companies. In addition, none of these Directors sits on any of the boards of the Temasek portfolio companies as a representative of Temasek and they do not take instructions from Temasek in acting as director.

Mrs Ow Foong Pheng, who is a Permanent Secretary for the Ministry of Trade and Industry, Singapore, is considered not independent of Temasek as the Singapore government is its ultimate owner. However, Mrs Ow Foong Pheng is considered independent of management and business relationships with the Company.

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### **Directors' training**

The NC exercises oversight on the training of Directors including induction for new Directors and continuous development programme for all Directors.

#### **Induction for new Directors**

Upon appointment, a new Director receives a letter of appointment and a guidebook on Director's duties, responsibilities, and disclosure obligations as a Director of a financial institution. The new Director goes through a comprehensive induction programme. The new Director is introduced to the Group's senior management and briefed on the Group's activities (business, operations and governance practices, among others). The new Director also receives briefings on his/her key disclosure duties and statutory obligations. The Group encourages first-time Directors to attend the Singapore Institute of Directors' 'Listed Companies Directorships' programme.

#### **Continuous development programme for all Directors**

The NC oversees the continuous development programme. It monitors the frequency and quality of the training sessions, which are conducted either by external professionals or management. The NC selects topics which are relevant to the Group's activities. Board members also contribute by highlighting areas of interests and possible topics. In 2015, there were 3 training sessions: (i) a briefing on changes to the Companies Act, (ii) a talk on disruption and the impact to organisations (including Fintechs and the financial industry), and (iii) a training session on risk benchmarking. In addition, Directors received key updates on relevant SGX Listing Manual Amendments which came into effect in 2015.

### **Terms of appointment of Directors**

The NC reviews and recommends to the Board the tenure of each Non-Executive Director.

The Group has a standing policy that a Non-Executive Director may serve up to a maximum of three 3-year terms. The Group considers this tenure to be appropriate for members to gain an understanding of the Group and contribute effectively to the Board. Prior to the end of each three-year term, the NC considers whether to re-appoint the Non-Executive Director for an additional term. Each member of the NC recuses him/herself from deliberations on his/her re-appointment.

### **Rotation and re-election of Directors**

The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM.

One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, each Director is required to submit himself or herself for re-election by shareholders at least once every three years.

Where an incumbent Director is required to retire from office, the NC reviews the composition of the Board and decides whether to recommend that Director for re-election taking into account factors such as the Director's attendance, participation, contribution and competing time commitments. Ms Euleen Goh, Mr Piyush Gupta and Mr Danny Teoh will be retiring by rotation at the AGM to be held on 28 April 2016 (2016 AGM). At the recommendation of the NC and as approved by the Board,

they will be seeking re-election as Director at the 2016 AGM.

Mr Nihal Kaviratne is above 70 years of age and is required under Section 153 of the Companies Act (which was then in force) to step down at the 2016 AGM. At the recommendation of the NC and as approved by the Board, Mr Kaviratne will be seeking re-appointment as a Director at the 2016 AGM.

### **Directors' time commitment**

The NC conducts a review of the time commitment of each Director on an ongoing basis.

The NC has implemented guidelines and a process to assess each Director's ability to commit time to the Group's affairs. The guidelines consider the number of other board and committee memberships a Director holds, as well as size and complexity of the companies in which s/he is a board member. Additionally, each Director is required to complete a self-assessment of his/her time commitments on annual basis. While the Board has not set a maximum number of listed company board representations a Director may hold, all Directors appreciate the high level of commitment required as a Director of DBSH. All Directors have met the requirements under the NC's guidelines. The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

The meetings attendance records of all Directors as well as their list of directorships are fully disclosed in our Annual Report.



## Board Executive Committee (EXCO)

The EXCO is chaired by Mr Peter Seah and comprises Ms Euleen Goh and Mr Piyush Gupta.

### Key responsibilities of the EXCO

- Review and provide recommendations on matters that would require Board approval, including:
  - strategic matters such as country and business strategies
  - business plans, annual budget, capital structure and dividend policy
  - strategic investments or divestments
  - delegation of authority stipulated by the Group Approving Authority
  - weak credit cases
- Approve certain matters specifically delegated by the Board such as non-strategic investments and divestments,

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (two out of three members of the EXCO including the EXCO Chairperson) are Non-Executive and Independent Directors.

credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO

Highlights of the EXCO's activities are as follows:

### Key matters reviewed by EXCO in 2015

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of the Group. The EXCO meets frequently (16 meetings in 2015) and is able to offer greater responsiveness in the decision-making process of the Group.

In 2015, the EXCO reviewed proposed divestments and investments, and matters related to capital planning and expenditure as well as corporate actions. It also reviewed weak credit cases every quarter. In 2015, this included the winding down of the Islamic Bank of Asia, the joint venture with the Postal Savings Bank of China (PSBC) and 5 other Chinese corporates to set up a consumer finance company in China, the 15-year regional life bancassurance partnership with Manulife and the acquisition of a 30% stake in DBS China Square.

## Audit Committee (AC)

The AC is chaired by Mr Danny Teoh and comprises Mr Nihal Kaviratne, Mr Peter Seah, Mrs Ow Foong Pheng and Mr Andre Sekulic.

Mr Teoh possesses an accounting qualification and was formerly the managing partner of KPMG, Singapore. All members of the AC are Non-Executive Directors, and have recent and relevant accounting or related financial management expertise or experience.

### Key responsibilities of the AC

#### Financial reporting

- Monitor the financial reporting process and ensuring the integrity of the Group's consolidated financial statements
- Review the Group's consolidated financial statements and any announcements relating to the Group's financial performance prior to submission to the Board
- Review the significant financial reporting issues and judgements so as to ensure the integrity of the consolidated financial statements of the Group
- Ensure that the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards

#### Internal controls

- Review the adequacy and effectiveness of internal controls, such as financial, operational, compliance and information technology controls, as well as accounting policies and systems
- Review the policy and arrangements by which DBS staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of five members of the AC including the AC Chairperson) are Non-Executive and Independent Directors (INED).

- The only AC member who is not an INED is Mrs Ow Foong Pheng, who is a Non-Executive Director. Mrs Ow is considered non-independent by virtue of a substantial shareholder relationship, but she does not have any business or management relationship with DBS.

to ensure that arrangements are also in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken

- Approve changes to the Group Disclosure Policy

#### Internal audit

- Review the adequacy and effectiveness of the Group's internal audit function (Group Audit) and processes, as well as ensuring that Group Audit is adequately resourced and set up to carry out its functions, including approving its budget
- Oversee Group Audit
- Review Group Audit's plans, the scope and results of audits, and effectiveness of Group Audit
- Approve the hiring, removal, resignation, evaluation and compensation of Head of Group Audit

#### External auditor

- Determine the criteria for selecting, monitoring and assessing the external auditor. Making recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor of DBS and approving the remuneration and terms of engagement of the external auditor
- Review the scope and results of the external audits and the independence and

objectivity of the external auditor, and ensuring that the external auditor promptly communicates to the AC any information regarding internal control weaknesses or deficiencies, and that significant findings and observations regarding weaknesses are promptly rectified

- Review the assistance given by management to the external auditor

#### Related party transactions

- Review all material related party transactions (including interested person transactions) and keeping the Board informed of such transactions, and the findings and conclusions from its review

Highlights of the AC's activities are as follows:

#### Oversight of financial reporting and other key matters

The AC performed quarterly reviews of consolidated financial statements and made recommendations to the Board for approval. The CEO and CFO provided the AC and the external auditor with a letter of representation attesting to the integrity of the quarterly financial statements.

The AC reviewed the Group's audited consolidated financial statements with management and the external auditor.

The AC is of the view that the Group's consolidated financial statements for 2015 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects.

The AC reviewed the annual audit plan and the legal and compliance plans, and approved necessary changes.

The AC performed quarterly reviews of reports from Group Audit, Group Legal and Compliance. Key risks concerning legal or compliance matters, and actions taken (including policy and training), are tabled to the AC, which updates the Board as necessary.

The AC reviewed the Group's progress on the implementation of the Fair Dealing Outcomes across the Group, in line with the principles issued by MAS.

The AC has the authority to investigate any matter within its terms of reference, and has full access to and cooperation by management.

#### Oversight of Group Audit

The AC has direct oversight of Group Audit. Please refer to the section on 'Internal Controls' for details on Group Audit's key responsibilities and processes.

The AC assessed the effectiveness of Group Audit in compliance with Paragraph 12.4(c) of the Code. The 2015 annual assessment of Group Audit was facilitated by an independent assessor, KPMG Services Pte Ltd, Risk Consulting. The AC is of the view that Group Audit has performed well. It understands the risks that the Group faces and has aligned its work to review these risks.

There is at least one scheduled private session annually for the Head of Group Audit to meet the AC. The chair of the AC meets the Head of Group Audit regularly to discuss its plan, current work, key findings and other significant matters.

#### Reviewing independence and objectivity of external auditor

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. Upon Board approval, the re-appointment of the external auditor is subject to shareholder approval at the AGM.

The AC has unfettered access to the external auditor. During the financial year, separate sessions were held for the AC to meet with the external auditor without the presence of management at each AC meeting to discuss matters that might have to be raised privately.

The Group has complied with Rule 712 and Rule 715 of the SGX Listing Rules in relation to its external auditor. The total

fees due to the Group's external auditor, PricewaterhouseCoopers LLP (PwC), for the financial year ended 31 December 2015, and the breakdown of the fees for audit and non-audit services respectively are set out as follows:

#### Fees relating to PWC services for 2015

SGD million

For Audit and Audit-Related Services	7.7
For Non-Audit Services	2.2
<b>Total</b>	<b>9.9</b>

The AC reviewed the non-audit services provided by the external auditor during the financial year and the associated fees. The AC is satisfied that the independence and objectivity of the external auditor has not been impaired by the provision of those services. The external auditor has provided

a confirmation of their independence to the AC. At the recommendation of the AC and as approved by the Board, the re-appointment of the external auditor is subject to the shareholders' approval at the 2016 AGM.

#### Keeping updated on relevant information

The AC members are regularly kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings with Group Finance, Group Audit, and internal audit bulletins.

#### Board Risk Management Committee (BRMC)

The BRMC is chaired by Ms Euleen Goh and comprises Dr Bart Broadman, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Peter Seah and Mr Danny Teoh.

All BRMC members are appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or businesses.

#### Key responsibilities of the BRMC

- Guide the development of and recommend for Board approval the risk appetite for various types of risk and exercise oversight on how this is operationalised into individual risk appetite limits

- All BRMC members (including the BRMC Chairperson) are Non-Executive and Independent Directors (INED). The number of INEDs exceeds the requirements of the Guidelines and Banking Regulations.

- Monitor risk exposures and profile against risk limits and risk strategy in accordance with approved risk appetite and/or guidelines
- Review the risk dashboard to keep track of major risk positions and risk developments
- Monitor the quarterly portfolio reviews of total exposures as well as large exposures and asset quality
- Discuss large risk events and subsequent remedial action plans

- Monitor market developments, such as macro-economic, credit, industry, country risk and stress tests related to these developments
- Approve the Group's overall and specific risk governance frameworks
- Have direct oversight of the Chief Risk Officer
- Review (in parallel with the AC) the adequacy and effectiveness of the Group's internal control framework

- Approve risk models which are used for capital computation and monitoring the performance of previously approved models
- Oversee an independent Group-wide risk management system and adequacy of resources to monitor risks
- Exercise oversight of the Internal Capital Adequacy Assessment Process (ICAAP) including approval of stress scenarios and commensurate results for capital, risk-weighted assets, profit and loss and liquidity
- Approve the Business Continuity Management attestation and Group-wide Recovery Plan

Highlights of the BRMC's activities are as follows:

#### Reviewing the risk landscape

The risk dashboard (introduced in 2011) informs DBS of all major risk positions and risk development. During discussions, the BRMC monitored the global economic environment and, in particular, paid close attention to developments which could have material consequences for the key Asian countries where DBS operates. The BRMC

also provided guidance, where appropriate, to management. The BRMC considered vulnerabilities such as the global economic outlook, political landscape, liquidity tightening, risk of rising interest rates and currency volatility as well as the outlook on commodity prices, all of which could impact DBS' strategy and portfolios in these countries.

Through the course of 2015, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors such as the downward adjustment in global growth and in particular, China; possibility of US interest rate hike and the contagion effect on emerging markets, the impact of government policy changes and increase of interest rates in Singapore and their effect on sectors such as property and small and medium size enterprises (SME) sectors. The BRMC also reviewed management's assessment of the impact of sustained low oil and other commodity prices on the Group's portfolios across the key countries. It was kept informed of the utilisation of market risk limits for the commercial banking as well as the trading

books and the liquidity risk profile of the Group. In its review of key operational risk profiles and among other updates, the BRMC was advised on the bank's approach in dealing with various sanctions regimes as well as the conduct of business associated with the treasury activities.

The scenario analyses are in addition to the review of various stress testing results required by the regulators and under ICAAP. The BRMC also approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation. It spent some time during 2015 to deliberate on the calibration of economic capital allocation to the various units and across the different types of risk. The BRMC was apprised of regulatory feedback and developments such as approaches for risk models and capital computation, Basel III and papers from the Financial Stability Board (FSB).

*Please refer to the section on 'Risk Management' in this Annual Report for more information on the BRMC's activities.*

## Compensation and Management Development Committee (CMDC)

The CMDC is chaired by Mr Peter Seah and comprises Dr Bart Broadman, Ms Euleen Goh and Mr Andre Sekulic.

The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role. Dr Bart Broadman, Ms Euleen Goh and Mr Peter Seah are also members of the BRMC while Mr Peter Seah and Mr Andre Sekulic are members of the AC. As a result of their membership in other Board committees, the members of the CMDC are able to make strategic remuneration decisions in an informed and holistic manner.

#### Key responsibilities of the CMDC

- Oversee the governance of the Group's remuneration policy (including design, implementation and ongoing review) and the annual bonus pool (Board endorsement also required) in accordance with the corporate governance practices as stipulated under the Guidelines and the Banking Regulations
- Oversee the remuneration of senior executives, including reviewing and approving the remuneration of the Executive Director/CEO
- Oversee the Group's principles and framework of compensation to ensure alignment with prudent risk-taking principles (deferral mechanism is adequate as a risk management process) in order to build a sustainable business in the long term

**• All CMDC members (including the CMDC Chairperson) are Non-Executive and Independent Directors (INED). The number of INEDs exceeds the requirements of the Guidelines and Banking Regulations.**

- Ensure alignment between reward and the Group Talent Management initiatives with particular focus on attraction and retention of talent including current and future leaders of the Group
- Oversee management development and succession planning for management
- Oversee plans to deepen core competencies, bench strength and leadership capabilities of management
- Oversee talent development and talent pipeline

Highlights of the CMDC's activities are as follows:

#### Group remuneration policy and annual variable pay pool

*Please refer to the section on 'Remuneration Report' for details on remuneration of the CEO and on the DBS Group remuneration strategy.*

The CMDC reviews and approves the Group's remuneration policy and the annual variable pay pool which are also endorsed at the Board level.

The CMDC provides oversight of the remuneration of the CEO, senior executives

and control functions in line with the FSB's guidelines. The CMDC also reviews cases where total remuneration exceeds a pre-defined threshold, or where a deferral mechanism is implemented as a risk control process.

#### Remuneration of Non-Executive Directors

*Please refer to pages 61 to 62 of this Annual Report for details of remuneration of each Non-Executive Director (including the Chairman) for 2015.*

The CMDC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman.

The remuneration of Non-Executive Directors, including the Chairman, has been benchmarked against global and local financial institutions. Non-Executive Directors will receive 70% of their fees in cash and the remaining 30% in share awards. The share awards are not subject to a vesting period, but are subject to a selling moratorium whereby each Non-Executive Director is required to hold the equivalent of one year's basic retainer fees

for his or her tenure as a Director and for one year after the date he or she steps down. The fair value of share grants to the Non-Executive Directors shall be based on the volume-weighted average price of the ordinary shares of the Company over the 10 trading days immediately following the AGM. The actual number of ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance

will be paid in cash. Other than these share awards, the Non-Executive Directors did not receive and are not entitled to receive any other share incentives or securities pursuant to any of the Company's share plans during the financial year.

There is no change to the annual fee structure for the Board for 2015 from the fee structure in 2014. As per previous years,

remuneration of Non-Executive Directors does not include any variable component. The table below sets out the proposed annual fee structure for the Non-Executive Directors for 2015. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2016 AGM.

<b>Annual fee structure for 2015</b>	<b>SGD</b>
<b>Basic annual retainer fees</b>	
Board	80,000
<b>Additional Chairman fees for:</b>	
Board	1,350,000
Audit Committee	75,000
Board Risk Management Committee	75,000
Compensation and Management Development Committee	65,000
Executive Committee	75,000
Nominating Committee	35,000
<b>Additional committee member fees for:</b>	
Audit Committee	45,000
Board Risk Management Committee	45,000
Compensation and Management Development Committee	35,000
Executive Committee	45,000
Nominating Committee	20,000

In 2015 there was one employee of DBS Bank Ltd, Ms Lesley Teoh, who is an immediate family member (daughter) of a Director, Mr Danny Teoh. Ms Lesley Teoh's remuneration for 2015 falls within the band of SGD 50,000 to 100,000. Mr Teoh is not involved in the determination of his family member's remuneration. Apart from Ms Lesley Teoh, none of the Group's employees was an immediate family member of a Director in 2015.

## Group Approving Authority

An integral part of our corporate governance framework is the Group Approving Authority (GAA) which clearly sets out the delegations of authority by the Board to Board committees, the Chairman and the CEO, as well as the specific matters that have been reserved for the Board's approval.

The Board's responsibilities are well defined in the GAA. The Board is the decision-making body for matters with significant impact to the Group as a whole; these include matters with strategic, financial or reputational implications or consequences.

The Board approves the GAA and any change to it. The GAA ensures that appropriate controls and decision-making are consistently applied throughout the Group. The GAA covers internal authority only, and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH Articles of Association. It is applied Group-wide.

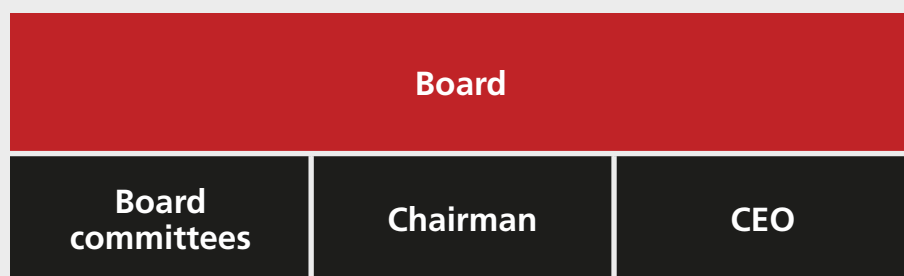
The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of the Group's business and operations.



## Specific matters that require Board approval under the GAA include:

- Group's annual and interim financial statements
- Strategic investments and divestments
- Group's annual budget
- Capital expenditures and expenses exceeding certain material limits
- Capital-related matters including capital adequacy objectives, capital structure, capital issuance and redemption
- Dividend policy
- Risk strategy and risk appetite

## Scope of delegation of authority in the GAA



## Annual Board strategy offsite

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets. This year, the Board strategy offsite was held in London.

### Main objectives of our 2015 annual Board strategy offsite

- Opportunity for the Board to focus on the Group's long-term strategy apart from the regular agenda at the quarterly Board meetings
- Dynamic and in-depth strategic discussion to promote deeper understanding of our business environment and our operations, and refine our strategy
- Engagements with our stakeholders in host country
  - Regulators, customers and media
  - CEOs and CFOs of over 80 corporate and high net worth customers from Europe
  - Staff in local franchise

### Strategic discussions

- Long-term strategy including progress review, refinements based on external developments and competitive analysis, as well as validation against risk appetite and capital availability
- Digitalisation of the bank
- Strategy for our SME business, particularly with respect to the 2.0 strategies in India, China and Indonesia
- Strategy for our institutional investor business and review of the progress we have made on this front
- Strategy for our London and United States offices and how these are helping us in the western MNC space
- Outlook and insights on Europe, including political and economic developments

## Key information on each Director

Director <i>independence status</i>	Meetings attendance record (1 January to 31 December 2015)							Total Directors' remuneration for 2015 (SGD)			
	BOD <sup>(1)</sup>	NC <sup>(2)</sup>	EXCO <sup>(3)</sup>	AC <sup>(4)</sup>	BRMC <sup>(5)</sup>	CMDC <sup>(6)</sup>	AGM	EGM	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2015										
	5	4	16	5	4	4	1	1			
<b>Mr Peter Seah, 69</b> <i>Non-Executive and Independent Chairman</i>								<b>Total: 1,870,263</b>			
<ul style="list-style-type: none"> <li>Chairman since 1 May 10</li> <li>Board member since 16 Nov 09</li> <li>Last re-elected on 23 Apr 15</li> </ul>	5	4	16	5	4	4	1	1	1,272,600	545,400	52,263
<b>Dr Bart Broadman, 54</b> <i>Non-Executive and Independent Director</i>								<b>Total: 219,000</b>			
<ul style="list-style-type: none"> <li>Board member since 17 Dec 08</li> <li>Last re-elected on 28 Apr 14</li> </ul>	5	–	–	–	3	3	1	1	153,300	65,700	–
<b>Ms Euleen Goh, 60</b> <i>Non-Executive and Independent Director</i>								<b>Total: 366,278</b>			
<ul style="list-style-type: none"> <li>Board member since 01 Dec 08</li> <li>Last re-elected on 29 Apr 13</li> </ul>	5	4	16	–	4	4	1	1	252,350	108,150	5,778
<b>Mr Ho Tian Yee, 63</b> <i>Non-Executive and Independent Director</i>								<b>Total: 208,500</b>			
<ul style="list-style-type: none"> <li>Board member since 29 Apr 11</li> <li>Last re-elected on 28 Apr 14</li> </ul>	5	4	–	–	4	–	1	1	145,950	62,550	–
<b>Mr Nihal Kaviratne, 71</b> <i>Non-Executive and Independent Director</i>								<b>Total: 250,500</b>			
<ul style="list-style-type: none"> <li>Board member since 29 Apr 11</li> <li>Last re-appointment on 23 Apr 15</li> </ul>	5	–	–	5	4	–	1	1	175,350	75,150	–
<b>Mr Andre Sekulic, 65</b> <i>Non-Executive and Independent Director</i>								<b>Total: 265,000</b>			
<ul style="list-style-type: none"> <li>Board member since 26 Apr 12</li> <li>Last re-elected on 23 Apr 15</li> </ul>	5	–	–	5	–	3	1	1	185,500	79,500	–
<b>Mr Danny Teoh, 60</b> <i>Non-Executive and Independent Director</i>								<b>Total: 295,500</b>			
<ul style="list-style-type: none"> <li>Board member since 1 Oct 10</li> <li>Last re-elected on 29 Apr 13</li> </ul>	5	4	–	5	4	–	1	1	206,850	88,650	–

Director independence status	Meetings attendance record (1 January to 31 December 2015)								Total Directors' remuneration for 2015 (SGD)		
	BOD <sup>(1)</sup>	NC <sup>(2)</sup>	EXCO <sup>(3)</sup>	AC <sup>(4)</sup>	BRMC <sup>(5)</sup>	CMDC <sup>(6)</sup>	AGM	EGM	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2015										
	5	4	16	5	4	4	1	1			

#### Mrs Ow Foong Pheng, 52

Non-Executive and  
Non-Independent Director

- Board member since 26 Apr 12
- Last re-elected on 23 Apr 15

Total: 213,500<sup>(d)</sup>

5	4	–	5	–	–	1	1			
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213,500 <sup>(d)</sup>	–	–
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#### Mr Piyush Gupta, 56

Executive Director/CEO

- Board member since 9 Nov 09
- Last re-elected on 28 Apr 14

5	1 <sup>#</sup>	16	5 <sup>#</sup>	4 <sup>#</sup>	4 <sup>#</sup>	1	1			
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Please refer to the Remuneration Report on page 73 of this Annual Report for details on the CEO's compensation

- Appointment Dates
- # Mr Gupta attended these meetings at the invitation of the respective committees

(1) Board of Directors (BOD)

(2) Nominating Committee (NC)

(3) Board Executive Committee (EXCO)

(4) Audit Committee (AC)

(5) Board Risk Management Committee (BRMC)

(6) Compensation and Management Development Committee (CMDC)

(a) Fees payable in cash, in 2016, for being a Director in 2015. This is 70% of each Director's total remuneration and is subject to shareholder approval at the 2016 AGM

(b) This is 30% of each Director's total remuneration and shall be granted in the form of the Company's ordinary shares. The actual number of the Company's ordinary shares to be awarded will be rounded down to the nearest share, and any residual balance will be paid in cash. This is subject to shareholder approval at the 2016 AGM

(c) Represents non-cash component and comprises (i) for Mr Peter Seah: car and driver, and (ii) for Ms Euleen Goh: carpark charges

(d) Director's remuneration payable to Mrs Ow Foong Pheng will be paid fully in cash to a government agency, the Directorship & Consultancy Appointments Council

(Note: Directors are also paid attendance fees for Board and Board committee meetings, as well as for attending the AGM and the annual Board offsite)



## Controls

### Board's commentary on adequacy and effectiveness of internal controls

The Board has received assurance from the CEO and CFO that, as at 31 December 2015:

(a) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems were adequate and effective to address financial, operational,

compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and various Board committees and assurances received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2015 to address financial, operational,

compliance and information technology risks which the Group considers relevant and material to its operations.

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

### Internal controls framework

Our internal controls framework covers financial, operational, compliance and information technology controls, as well as

risk management policies and systems. The Board, supported by the AC and BRMC, oversees the Group's system of internal controls and risk management.

DBS has three lines of defence when it comes to risk taking where each line of defence has a clear responsibility.

	Responsibility	Function	Key activities
<b>Board</b> <b>CEO</b> <b>Senior Management</b> Provides oversight of the 3 lines of defence	<b>First line of defence</b> Strategy, performance and risk management	Business units, countries and support units	Identification and management of risk in the businesses
	<b>Second line of defence</b> Policy and monitoring	Corporate oversight and control functions	Framework, risk oversight and reporting
	<b>Third line of defence</b> Independent assurance	Group audit	Independent challenge and review of adequacy and effectiveness of processes and controls

Working closely with the support units, our business units are our first line of defence for risk. This includes identification and management of risks inherent in their businesses/countries and ensuring that we remain within approved boundaries of our risk appetite and policies.

Corporate oversight and control functions such as Risk Management Group (RMG), Group Compliance, Group Legal and Group Technology & Operations form the second line of defence, and are responsible for design and maintenance of the internal control frameworks covering financial, operational, compliance and information technology controls as well as risk management policies and systems. In addition, RMG is responsible for identifying individual and portfolio risk, approving

transactions and trades and ensuring that they are within approved limits, and monitoring and reporting on the portfolio. These are done in view of current and future potential developments, and evaluated through stress testing.

Group Audit forms the third line of defence. It provides an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes.

### Assessing the effectiveness of internal controls

The Group has a risk management process that requires all units to perform a half-yearly Control Self Assessment (CSA) to assess the effectiveness of their internal

controls. In addition, all units of the Group are required to submit quarterly attestations on their controls relating to the financial reporting process, and annual attestations on their compliance with the overall internal controls framework. Based on the CSA and the quarterly and annual attestations, the CEO and CFO provide an annual attestation to the AC relating to adequacy and effectiveness of the Group's risk management and internal control systems. Group Audit performs regular independent reviews to provide assurance on the adequacy and effectiveness of the Group's internal controls on risk management, control and governance processes. The overall adequacy and effectiveness of the Group's internal controls framework is reviewed by the AC and BRMC.

## Group audit

### Key responsibilities and processes

Group Audit is independent of the activities it audits. Its objectives, scope of authority and responsibilities are defined in the Audit Charter, which is approved by the AC. Group Audit reports functionally to the Chairman of the AC and administratively to the CEO.

Group Audit's responsibilities include:

- (i) Evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- (ii) Providing an objective and independent assessment of the Group's credit portfolio quality, the execution of approved credit portfolio strategies and control standards relating to credit management processes;
- (iii) Reviewing whether the Group complies with laws and regulations and adheres to established policies; and
- (iv) Reviewing whether management is taking appropriate steps to address control deficiencies

Group Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in the Group is assessed. The assessment also covers risks arising from new lines of business or new

products. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

Group Audit has unfettered access to the AC, the Board and management, as well as the right to seek information and explanation. Group Audit has an organisational and strategic alignment to the Group. The head of Group Audit has a seat in the Group Management Committee, and attends all the business reviews and strategic planning forums. In each of the five key locations outside Singapore, the country head of audit also sits in the country management team.

Group Audit adheres to the Code of Conduct and the Code of Ethics established by the Institute of Internal Auditors (IIA). It is also guided by the Mission Statement in the Audit Charter and has aligned its practices with the latest International Professional Practices Framework released in July 2015 by IIA. Group Audit's effectiveness is measured with reference to the IIA's new set of Ten Core Principles for the professional practice of internal auditing.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. Progress of the corrective action plans is monitored and past due action plans are included in regular reports to the senior management and the AC.

Group Audit appraises the regulators and external auditors of all relevant audit matters. It works closely with the external auditor to coordinate audit efforts.

### Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. As part of our QAIP programme, external quality assessment reviews (QAR) are carried out at least once every five years by qualified professionals from an external organisation. The most recent assessment was conducted in 2013 by KPMG. KPMG also conducts Group Audit's quarterly internal QARs in 2014 and 2015.

In 2015, Group Audit achieved several milestones: (a) Group Audit was inducted into the SIAS Hall of Fame for Internal Audit Excellence. This reflects the recognition by the industry for exemplary corporate governance and transparency. (b) Group Audit won the "IES Prestigious Engineering Achievement Award 2015 – Technology Innovation" for a predictive auditing project on Branch Risk Profiling – in collaboration with A\*Star Institute of Infocomm Research (I2R). The Award from the Institute of Engineering Singapore (IES) is the first ever to be won by a financial institution.

Group Audit continues to leverage on technology and automation in providing greater insights and timely warnings on emerging risks. Besides industrialising the use of computer-assisted auditing techniques for Continuous Auditing, Group Audit collaborates with A\*Star (I2R) in developing predictive models to anticipate emerging risks.

### Significant incident protocol and Code of Conduct

The Group has a significant incident protocol that sets out processes and procedures for incidents according to the level of severity. In this way, appropriate levels of management are made aware of such incidents and can take action accordingly. There are also well-defined procedures for the escalation, investigation and follow up of any reported wrong-doing by a DBS employee, customer, vendor or third party.

All employees of the Group are required to read and acknowledge the Code of Conduct on an annual basis. Members of the public may access the Code of Conduct on the Group's website, as well as write in via an electronic feedback form on the website.

The Code of Conduct encourages employees of the Group to report their concerns to the Group's dedicated, independent investigation team within Group Compliance which handles whistle-blowing cases according to a well defined protocol. Alternatively, in case of actual or potential conflict of interest or fear of retribution, employees of the Group may write in confidence to Human Resources, Group Audit, or even the CEO or Chairman. In addition, employees of the Group have the option of using the 'DBS Speak Up' service.

*Please refer to 'Whistle-blowing policy' on page 66 of this Annual Report.*



### The DBS Code of Conduct ("Code of Conduct"):

- Sets out the principles and standards of behaviour that are expected of employees of the Group (including part-time and temporary employees) when dealing with customers, business associates, regulators and colleagues. The principles covered in the Code of Conduct include professional integrity, confidentiality, conflicts of interests, fair dealings with customers and whistle-blowing
- Defines the procedures for employees of the Group to report incidents and provides protection for those staff for these disclosures

### Related party transactions

The Group has embedded procedures to comply with all regulations governing related party transactions, including those in the Banking Act, MAS directives and the SGX Listing Rules. The Banking Act and MAS directives impose limits on credit exposures by the Group to certain related entities and persons, while the SGX Listing Rules cover interested person transactions in general.

All new Directors are briefed on all relevant provisions that affect them. If necessary, existing credit facilities to related parties are adjusted prior to a Director's appointment, and all credit facilities to related parties are

continually monitored. The Group has robust procedures to manage potential conflict of interest between a Director and the Group. Checks are conducted before the Group enters into credit or other transactions with related parties to ensure compliance with regulations.

As required under the SGX Listing Rules, the following are details of interested person transactions in 2015. These interested person transactions are for the purpose of carrying out day-to-day operations such as leasing of premises, telecommunication/ data services, IT systems and related services, logistics as well as security services.

### Aggregate value of all interested person transactions in 2015 (excluding transactions less than SGD 100,000)

#### Name of interested person

Aetos Holdings Pte Ltd Group	2,384,586
Ascendas-Singbridge Pte Ltd Group	12,087,343
CapitalLand Limited Group	155,941,049
Certis CISCO Security Pte Ltd Group	30,198,620
Mapletree Investments Pte Ltd Group	3,362,857
MediaCorp Pte Ltd Group	5,040,000
SATS Ltd Group	387,000
Singapore Power Limited Group	4,858,260
Singapore Technologies Telemedia Pte Ltd Group	164,000
Singapore Telecommunications Limited Group	57,517,128
SMRT Corporation Ltd Group	1,558,656
StarHub Ltd Group	7,910,938
<b>Total Interested Person Transactions (SGD)</b>	<b>281,410,437</b>

### Material contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of the Group has been entered into by the Group or any of its subsidiary companies, and no such contract subsisted as at 31 December 2015, save as disclosed via SGXNET.

### Dealings in securities

In conformance with the "black-out" policies prescribed under SGX Listing Rules, the Group's Directors and employees are prohibited from trading in the Group's securities one month before the release of the full-year results and two weeks before the release of the first, second and third

quarter results. In addition, business units and subsidiaries engaging in proprietary trading are restricted from trading in the Group's securities during the black-out period. Group Secretariat informs all Directors and employees of each black-out period ahead of time.

In addition, Group Management Committee members are only allowed to trade in the Group's securities within specific window periods (15 market days immediately following the expiry of each black-out period) subject to pre-clearance. Group Management Committee members are also required to obtain pre-approval from the CEO before any sale of the Group's securities. Similarly, the CEO is required to seek pre-approval from the Chairman before any sale of the Group's securities. As part of our commitment to good governance and

the principles of share ownership by senior management, the CEO is expected to build up and hold at least the equivalent of three times his annual base salary as shareholding over time. Directors and officers are prohibited at all times from trading in the Group's securities if they are in possession of material non-public information. The Group has put in place a personal investment policy which prohibits employees with access to price-sensitive information in the course of their duties from trading in securities in which they possess such price-

sensitive information. Such employees are also required to seek pre-clearance before making any personal trades in securities, and may only trade through the Group's stockbroking subsidiaries and bank channels for securities listed in Singapore and Hong Kong. The personal investment policy discourages employees from engaging in short-term speculative trading, and states that investment decisions should be geared towards long-term investment.

## Culture

We believe that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. In DBS, other than relying on published codes of conduct, we also advocate the following organisational safeguards to maintain a strong risk and governance culture.

- **Tone from the top:** The tone set by the Board and senior management is vital; it is equivalent to the moral compass of the organisation. In addition to having in place comprehensive policies, we conduct a robust self-assessment on the Group's risk culture
- **Aligning strategies and incentives via balanced scorecard:** Please refer to the section "Our 2015 Priorities" on page 27 of this Annual Report for more information
- **Respecting voice of control functions:** We believe that respect for the voice of the control functions is a key safeguard. We ensure that control functions are well integrated into our organisational structure so that they can properly discharge their responsibilities
- **Risk ownership:** Please refer to page 63 of this Annual Report for details on our three lines of defence
- **Having established escalation protocols:** We designed a notification protocol that makes it mandatory for staff to report significant incidents. This means that the organisation is prepared to receive bad news and take necessary remedial actions without shooting the messengers
- **Encouraging constructive challenges at all levels:** More fundamentally, we inculcate a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making. We also operate a culture where we actively engage the Board for their views early
- **Reinforcing cultural alignment:** Finally, we conscientiously reinforce our cultural norms by rewarding right behaviours and censuring wrong ones

## Whistle-blowing policy



### DBS Speak Up service

DBS Speak Up is a hotline service run by an independent external party that gives employees of the Group the opportunity to speak up on misconduct and/or wrong-doing by a DBS employee, customer, vendor or third party.

DBS Speak Up service includes:

- A dedicated hotline number, website, email address, fax number and postal address for reporting of suspected incidents of misconduct and wrongdoing
- Specialist call centre operators with knowledge of individual organisations
- Expert forensic investigators to analyse reports
- Timely reporting of incidents to dedicated representatives within an organisation
- Recommendations on corrective action

## Focus on our shareholders

### Shareholder rights

The Group's robust corporate governance culture and awareness promote fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and the Company's Articles of Association. All shareholders are treated fairly and equitably.

These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings. Ordinary shareholders are entitled to attend and vote at the AGM by person or proxy. Pursuant to the introduction of the new multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold DBSH shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts.

## Communication with shareholders

The Board provides shareholders with quarterly and annual financial reports. In presenting these statements, the Board aims to give shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Group's investor relations activities promote regular, effective and fair communication with shareholders. Briefing sessions for the media and analysts are conducted when quarterly results are released. All press statements and quarterly financial statements are published on our website and the SGX website. A dedicated investor relations team supports the CEO

and the CFO in maintaining a close and active dialogue with institutional investors. The Group's website provides contact details for investors to submit their feedback and raise any questions.

During the year, management met investors at more than 350 one-on-one and group meetings. Management participated in nine local and foreign investor conferences and non-deal road shows. These meetings provide a forum for management to explain the Group's strategy and financial performance. Management also uses meetings with investors and analysts to solicit their perceptions of the Group.

The Group has a disclosure policy to ensure that all disclosures of material information are timely, complete and accurate. The policy sets out how material information should be managed to prevent selective disclosure. Our Group Disclosure Committee (GDC) assists the CEO and CFO

in implementing the Group's disclosure policy. The GDC's objectives are to: (a) periodically review the Group's disclosure policy and update it as needed, (b) ensure that all material disclosures are appropriate, complete and accurate, and (c) ensure selective or inadvertent disclosure of material information is avoided.

At the IR Magazine Awards and Conference South East Asia 2015, the Group won for the second consecutive year both the Grand Prix for Best Overall Investor Relations (large cap) and the Best Investor Relations by a Singaporean company. The Group also won the Best Sustainability Practice award and, for the fifth consecutive year, the Best Investor Relations in the Financial (excluding Real Estate) Sector. The Group's efforts to improve disclosure continued to be recognised at the 2015 SIAS Investors' Choice Awards, where it won the Golden Circle Award for the Most Transparent Company.

## Conduct of shareholder meetings

The AGM provides shareholders with the opportunity to share their views and to meet the Board, including the chairpersons of the Board committees and certain members of senior management. The Group's external auditor is available to answer shareholders' queries.

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

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board members and management. The Group encourages and values shareholder participation at its general meetings.

In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

**Starting from 2015, the minutes of our AGM and EGM may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2015 AGM and EGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.**



## Electronic poll voting process

To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage.

The Group appoints an independent external party as scrutineers for the electronic poll voting process. Prior to the commencement of the AGM/EGM, the scrutineers would review the proxies and the proxy process. The Group also has a proxy verification process which has been agreed upon with the scrutineers.

At the DBS AGM/EGM, mobile devices are used for poll voting.

When shareholders register their attendance at the meeting, they are handed the mobile device with details of their shareholding registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device.

When the Chairman opens the poll on a resolution, the shareholder presses the relevant voting button on the device. Upon vote submission, the shareholder will receive a vote response acknowledgment on the device.

The results of the electronic poll voting are announced immediately after each resolution has been put to a vote, and the number of votes cast for and against and the respective percentage are displayed in real-time at the AGM/EGM. The Group maintains an audit trail of all votes cast at the AGM/EGM. The outcome of the AGM/EGM (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET after the meetings, on the same day of the AGM/EGM.