

# Corporate governance

## Governance framework

Our governance framework is anchored on (i) competent leadership, (ii) effective internal controls, (iii) a strong risk culture and (iv) accountability to shareholders.

We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectations. Our leadership model ensures an appropriate balance of power, accountability and independence in decision-making.

We provide a summary disclosure on our compliance with the Guidelines\* on pages 108 to 111.

\* defined on page 108

## Board highlights - 2017

Board renewal was a key issue for us in 2017. We believe that it is important to appoint new Directors to supplement the collective skillsets of the Directors and replace skillsets of Directors who step down from the Board. New Directors also bring different perspectives to the Board.

The Nominating Committee (NC) began the Board renewal process in 2017. It considered candidates recommended by Board members. It also appointed a global search firm to recommend candidates. The NC shortlisted potential candidates and began the process of interviewing them. Diversity is one of the key considerations in the board renewal process to ensure that the Board is appropriately balanced to support the long-term success of DBS.

The NC looks for candidates who meet regulatory requirements and possess the qualities required of a DBS Director. We use a skills matrix to assess if the skills and experiences of a candidate complements those of the existing Board members. The NC also considers whether a candidate would fit in with our Board culture and chemistry. We inform potential candidates of the level of contribution and commitment expected of a DBS Director. Separately, the NC makes its own assessment whether a candidate would be able to commit sufficient time to fulfil the duties of a Director.

All our Directors go through our induction programme. The programme covers the duties and obligations of a Director. It also covers the responsibilities of and work carried out by the Board committees. We provide a Director's pack, which acts as an aide memoire for the information covered by the induction programme. We have briefing sessions for Directors given by members of senior management on the various businesses of DBS and its supporting functions.

We shall be introducing new Directors gradually so that the Board and Board Committees have a smooth transition period.

We appointed Mr Olivier Lim Tse Ghow as a Director of DBS Group Holdings Ltd (DBSH) and DBS Bank Ltd (DBS Bank) on 7 November 2017. Mr Olivier Lim is a former banker with credit risk and investment banking experiences. He has prior experience as a Director of listed entities. The Board, with the recommendation of the NC, considered his qualifications, track record, experiences and capabilities and considered him suitable to act as a Director. Mr Olivier Lim serves on the Board Risk Management Committee (BRMC) and the Compensation and Management Development Committee (CMDC).

Having served as an Independent Director for more than nine years, Ms Euleen Goh and Dr Bart Broadman are deemed non-independent under the Banking (Corporate Governance) Regulations 2005 (Banking Regulations) with effect from 1 December and 17 December 2017 respectively. Dr Bart Broadman has decided to step down as a Director of DBSH and DBS Bank after the DBSH Annual General Meeting, which is scheduled to be held on 25 April 2018 (2018 AGM). The Board and Management of DBS thank Dr Broadman for his invaluable contributions to the Board and the DBS Group.

The Board, upon the recommendation of the NC, reviews the composition of the Board committees on a regular basis to ensure that staffing needs and regulatory requirements are met.

In view of the risk landscape and challenging credit environment, it was agreed that Ms Euleen Goh, who is a former banker with strong credit risk expertise and experience,

## Contents

### 48 Governance framework

- Board matters
- Controls
- Culture
- Accountability to shareholders

### 62 Remuneration report

**“Over the last few years, with strategic clarity provided by the leadership, our 24,000 people have been able to pull behind common goals, delivering sound financial performance and transforming the organisation to become the World’s Best Digital Bank last year. We’ve also strengthened our sustainability agenda and continued to be a force for good in the communities we operate in.”**

*Chairman, Peter Seah, when asked what helped DBS pull off winning the most prestigious gold prize for Best Managed Board of a listed company with at least SGD 1 billion in market capitalisation at the Singapore Corporate Awards (SCA) 2017. DBS also picked up the gold award for Best Annual Report, and has won top awards in all categories since the inception of the SCA in 2005.*

should continue to serve as a Non-Executive Director and as Chairperson of the BRMC.

On 1 November 2017, Mr Ho Tian Yee, who has market and liquidity risk expertise and experience, was appointed as a Board Executive Committee (EXCO) member and Mr Piyush Gupta stepped down as an EXCO member. These changes were made so that the EXCO continues to comprise a majority of Independent Directors. Mr Gupta will continue to attend the EXCO meetings by invitation of the EXCO.

## Key Information on our Directors

Remuneration of Non-Executive Directors (including the Chairman does not include any variable component)

Director independence status	Meetings attendance record (1 January to 31 December 2017)							Total Directors' remuneration for 2017 (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	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2017									
	5	4	10	4	4	4	1			
<b>Mr Peter Seah, 71</b> Non-Executive and Independent Chairman • Chairman since 1 May 10 • Board member since 16 Nov 09 • Last re-elected on 23 Apr 15	5	4	10	4	4	4	1	Total: 1,839,793		
								1,255,100	537,900	46,793
<b>Dr Bart Broadman, 56</b> Non-Executive and Non-Independent Director • Board member since 17 Dec 08 • Last re-elected on 27 Apr 17	5	-	-	-	4	4	1	Total: 207,500 <sup>(d)</sup>		
								207,500	-	-
<b>Ms Euleen Goh, 62</b> Non-Executive and Non-Independent Director • Board member since 1 Dec 08 • Last re-elected on 28 Apr 16	5	4	10	-	4	4	1	Total: 351,278		
								241,850	103,650	5,778
<b>Mr Ho Tian Yee, 65</b> Non-Executive and Independent Director • Board member since 29 Apr 11 • Last re-elected on 27 Apr 17	5	4	1 <sup>(e)</sup>	-	4	-	1	Total: 215,521		
								150,865	64,656	-
<b>Mr Nihal Kaviratne, 73</b> Non-Executive and Independent Director • Board member since 29 Apr 11 • Last re-appointment on 28 Apr 16	5	-	-	4	4	-	1	Total: 240,000		
								168,000	72,000	-
<b>Mr Olivier Lim Tse Ghow, 53</b> Non-Executive and Independent Director • Board member since 7 Nov 17	1	-	-	-	-	1	-	Total: 29,110		
								20,377	8,733	-
<b>Mr Andre Sekulic, 67</b> Non-Executive and Independent Director • Board member since 26 Apr 12 • Last re-elected on 23 Apr 15	5	-	-	4	-	4	1	Total: 251,000		
								175,700	75,300	-
<b>Mr Danny Teoh, 62</b> Non-Executive and Independent Director • Board member since 1 Oct 10 • Last re-elected on 28 Apr 16	5	4	-	4	4	-	1	Total: 290,500		
								203,350	87,150	-
<b>Mrs Ow Foong Pheng, 54</b> Non-Executive and Non-Independent Director • Board member since 26 Apr 12 • Last re-elected on 27 Apr 17	5	4	-	4	-	-	1	Total: 213,000 <sup>(f)</sup>		
								213,000	-	-

Director independence status	Meetings attendance record (1 January to 31 December 2017)							Total Directors' remuneration for 2017 (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	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2017									
	5	4	10	4	4	4	1			
<b>Mr Piyush Gupta, 58</b> Executive Director/ CEO • Board member since 9 Nov 09 • Last re-elected on 28 Apr 16	5	4 <sup>#</sup>	10 <sup>^</sup>	4 <sup>#</sup>	4 <sup>#</sup>	4 <sup>#</sup>	1	Please refer to the Remuneration Report on page 67 for details on the CEO's compensation		

• **Appointment Dates**

# Mr Gupta attended these meetings at the invitation of the respective committees.

^ Mr Gupta stepped down as member of EXCO on 1 November 2017. Thereafter, he attended EXCO meetings at the invitation of the said committee.

(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 2018, for being a Director in 2017. This is 70% of each Director's total remuneration and is subject to shareholder approval at the 2018 AGM.

(b) This is 30% of each Director's total remuneration and shall be granted in the form of DBS's ordinary shares. The actual number of DBS'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 2018 AGM.

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

(d) As Dr Broadman will be retiring after the 2018 AGM, his Director's remuneration will be paid fully in cash.

(e) Mr Ho was appointed as member of EXCO on 1 November 2017.

(f) Director's remuneration payable to Mrs Ow Foong Pheng will be paid fully in cash to a government agency, the Directorship and 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)

## Our Board

We have 10 Board members (including two female directors) with a broad range of experience and deep industry expertise. The make-up of our Board reflects diversity of gender, nationality, skills and knowledge. A majority of the Directors, including the Chairman, are Non-Executive and Independent Directors, and there are no alternate Directors on our Board. We have adopted a diversity policy which requires female representation on our Board. We recognised that diversity is not merely limited to gender or any other personal attributes. We believe that having Directors with an independent mindset is important for a Board to be effective.

Our Chairman, Mr Peter Seah, sits on all Board committees and he also chairs the EXCO, CMDC and NC. There are separate chairpersons for the Board committees, which oversee the internal controls and risk management functions. Mr Danny Teoh chairs the AC and Ms Euleen Goh chairs the BRMC. Mr Peter Seah performs a key role as an ambassador for DBS in our dealings with various stakeholders as well as in ensuring effective communication with our shareholders. The Chairman guides the Board

through its decision-making process and ensures that the Board operates effectively as a team. There is a very positive and constructive working relationship between our Chairman and CEO, Mr Piyush Gupta. Mr Gupta oversees the execution of DBS' strategy and is responsible for managing the day-to-day operations. Other than the CEO, none of the other Directors is a former or current employee of DBS or its subsidiaries.

### Board's key areas of focus

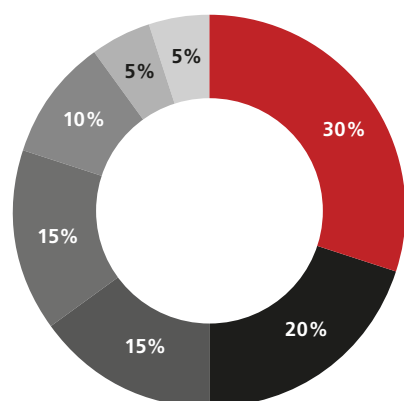
- Review DBS' strategic and business plans.
- Monitor the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of DBS' activities.
- Establish a framework for risks to be assessed and managed.
- Review management performance.
- Determine DBS' values and standards (including ethical standards) and ensure 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 DBS' strategy.



### Role of the Board

- **Directs DBS in conduct of its affairs**
  - Ensures that corporate responsibility and ethical standards underpin the conduct of DBS' business
- **Provides sound leadership to CEO and management**
  - Sets the strategic vision, direction and long-term goals of DBS
  - Ensures that adequate resources are available to meet these objectives
- **Bears ultimate responsibility for DBS:**
  - Governance
  - Strategy
  - Risk management
  - Financial performance
  - Sustainability

## How the Board spent its time in 2017



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

## Board meetings and activities

### Before meeting

- The 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 well-managed and 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 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.
- If there are any situations where there is a conflict of interest, the Director in question will recuse himself or herself from the discussions and abstain from participating in any Board decision.
- The Chairperson of each Board committee provides an update on significant matters discussed at the Board committee meetings which are typically scheduled before the quarterly Board meeting.
- The CEO gives a comprehensive update on the Group's business and operations as well as a macro perspective on industry trends and developments.
- The CFO presents the financial performance and significant financial highlights.
- Certain business heads provide an update on their areas of business and members of the Group Executive Committee are present at all Board meetings.
- 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 DBS' affairs.

### Frequent and effective engagement with the Board

- The Board is regularly updated on the performance and prospects of DBS.
- 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 2017.
- The CFO provides the Board with detailed financial performance reports monthly.
- Directors have direct access to senior management.
- Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (GMC) (for instance at Board hosted dinners).
- Directors have ongoing interactions across various levels, functions and countries within DBS. In addition, some Directors also sit on the Boards of our overseas subsidiaries; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries.
- Directors have independent access to the Group Secretary. The Group Secretary attends all Board meetings and generally assists Directors in the discharge of their duties. The Group Secretary facilitates communication between the Board, its committees and management. The Group Secretary helps with the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board.

### Delegation by the Board to the Board committees

The Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on their terms of reference. The Board committees are constituted in accordance with the Banking Regulations. The terms of reference of the Board committees set out the responsibilities of the Board committee, conduct of meetings including quorum, voting requirements and qualifications for Board committee membership. The composition of all our Board committees comprises Non-Executive Directors only. Any change to the terms of reference for any Board committee requires Board approval.

Board committee Members	Composition requirements	Other key requirements
<b>Nominating Committee (NC)</b> <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>	In accordance with the requirements of the Guidelines* and Banking Regulations, a majority (three out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED).	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 DBS's substantial shareholder as well as the NC members' length of service.
<b>Board Executive Committee (EXCO)</b> <ul style="list-style-type: none"> <li>Mr Peter Seah (Chairperson)</li> <li>Ms Euleen Goh</li> <li>Mr Ho Tian Yee</li> </ul>	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 INEDs.	

\* as defined on page 108

Board committee Members	Composition requirements	Other key requirements
<b>Audit Committee (AC)</b> <ul style="list-style-type: none"> <li>Mr Danny Teoh (<i>Chairperson</i>)</li> <li>Mr Peter Seah</li> <li>Mr Nihal Kaviratne</li> <li>Mrs Ow Foong Pheng</li> <li>Mr Andre Sekulic</li> </ul>	In accordance with the requirements of the Guidelines and Banking Regulations, a majority (four out of the five members of the AC including the AC Chairperson) are INEDs.	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.
<b>Board Risk Management Committee (BRMC)</b> <ul style="list-style-type: none"> <li>Ms Euleen Goh (<i>Chairperson</i>)</li> <li>Mr Peter Seah</li> <li>Dr Bart Broadman</li> <li>Mr Ho Tian Yee</li> <li>Mr Nihal Kaviratne</li> <li>Mr Olivier Lim</li> <li>Mr Danny Teoh</li> </ul>	<ul style="list-style-type: none"> <li>Five out of seven members are INEDs.</li> <li>The number of INEDs exceeds the requirements of the Guidelines and the Banking Regulations.</li> </ul>	All BRMC members are appropriately qualified to discharge their responsibilities, and have the relevant technical financial expertise in risk disciplines or businesses.
<b>Compensation and Management Development Committee (CMDC)</b> <ul style="list-style-type: none"> <li>Mr Peter Seah (<i>Chairperson</i>)</li> <li>Dr Bart Broadman</li> <li>Ms Euleen Goh</li> <li>Mr Andre Sekulic</li> <li>Mr Olivier Lim</li> </ul>	In accordance with the requirements of the Guidelines and Banking Regulations, a majority (three out of the five members of the CMDC including the CMDC Chairperson) are INEDs.	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, Mr Olivier Lim 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.

## Nominating Committee (NC)

### 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 skillset.
- Make an annual assessment of whether each Director has sufficient time to discharge his or her responsibilities, taking into consideration multiple board representations and other principal commitments.

- Review the Board's succession plans for Directors and senior management, including the Chairman and the CEO.
- Review key staff appointments including the CFO and the Chief Risk Officer (CRO).

### Key matters reviewed by NC in 2017

Highlights of the NC's activities are as follows:

#### Board renewal process

Please refer to page 48.

#### Selection criteria and nomination process for Directors

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

- review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper in accordance with the fit and proper guidelines issued by the Monetary Authority of Singapore (MAS); and
- ascertain whether the candidate is independent from DBS's substantial shareholder and/or from management and business relationships with DBS.

The NC then interviews the short-listed candidates and makes its recommendations to the Board. All Board appointments are

based on merit, taking into account the contributions the candidates can bring to the Board to enhance its effectiveness. 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 skillset to the needs of each Board committee.

#### Board performance and evaluation

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. The NC uses a Board evaluation framework to track and analyse Board performance, which includes an appraisal of Directors. The Board evaluation process promotes Board effectiveness by identifying areas for improvement. In view of the changes to the Board composition in 2017 and 2018, the Board, upon the recommendation of the NC, agreed that it will be beneficial for the Group to engage an independent external evaluator to facilitate the Board evaluation for the year ending 31 December 2018. We believe that it is important to obtain an independent perspective on the Board's performance, and to gain insights on the Board's performance against peer boards and best practices.



### Annual Board evaluation in 2017

The NC considered the results and action items from the 2016 Board evaluation and decided to use the same evaluation questionnaire for 2017 for benchmarking purposes. 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 reviews and determines annually whether each Director is independent. Independence is assessed to comply 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.

Ms Euleen Goh and Dr Bart Broadman are deemed non-independent under the Banking Regulations based on length of service. Ms Goh and Dr Broadman are considered independent from (i) management relationships, (ii) business relationships and (iii) DBSH's substantial shareholder, Temasek Holdings (Private) Limited (Temasek).

The Independent Directors are Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, Mr Peter Seah, Mr Andre Sekulic and Mr Danny Teoh.

Ms Euleen Goh, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, 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 Temasek has investments (collectively, Temasek portfolio companies). The NC also noted that Ms Euleen Goh is a member of the Board of Trustees of Temasek Trust. 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 the Permanent Secretary for the Ministry of National Development, Singapore, is considered not independent of Temasek as the Singapore government is its ultimate owner. However, Mrs Ow is considered independent of management and business relationships with the Company.

### Directors' training

The NC oversees the onboarding of new Director(s). Information on our induction programme can be found on page 48.

### Continuous development programme for all Directors

The NC monitors the frequency and quality of the Board 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 2017, there were three training sessions on: (i) Commodity Trading and Risk Management, (ii) Outlook on China and (iii) Anti-Money Laundering and Terrorism.

### Terms of appointment of Directors

The NC reviews and recommends to the Board the tenure of each Non-Executive Director. Each Non-Executive Director is appointed for a three-year term. 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 himself/herself from deliberations on his/her re-appointment.

Mr Peter Seah, Mr Piyush Gupta and Mr Andre Sekulic will be retiring by rotation at the 2018 AGM.

In addition, as Mr Olivier Lim was appointed as a Director on 7 November 2017, he is required under the constitution of DBSH to retire at the first AGM following his appointment.

At the recommendation of the NC and as approved by the Board, they will be seeking re-election as Director at the 2018 AGM.

### 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.

### Directors' time commitment

The meeting attendance records of all Directors as well as their list of directorships are fully disclosed in our Annual Report. The NC has implemented guidelines and a process to assess each Director's ability to commit time to DBS' 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 he/she 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 of a Director. All Directors have met the requirements under the NC's guidelines. The Board is satisfied that each Director has committed sufficient time to DBS and has contributed meaningfully to DBS.

## Board Executive Committee (EXCO)

### Key responsibilities of the EXCO

- Review and provide recommendations on matters that will require Board approval, including:
  - acquisitions and divestments exceeding certain material limits;
  - delegation of authority stipulated by the Group Approving Authority; and
  - weak credit cases.
- Approve certain matters specifically delegated by the Board such as acquisitions and divestments up to a certain material limit, credit transactions, investments, capital expenditure and expenses that exceed the limits that can be authorised by the CEO.

### Key matters reviewed by EXCO in 2017

Highlights of the EXCO's activities are as follows:

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of DBS. The EXCO meets frequently (10 meetings in 2017) and is able to offer greater responsiveness in the decision-making process of DBS. In 2017, the EXCO reviewed proposed divestments and investments, and matters related to capital planning and expenditure as well as corporate actions. The EXCO reviewed the proposals on our regional data centres

contract and migration, and provided its recommendations to the Board. The EXCO also had in-depth discussions on the challenges faced in the oil and gas support services industry as well as the impact on DBS' oil and gas portfolio. It also reviewed weak credit cases every quarter.

## Audit Committee (AC)

### Key responsibilities of the AC

#### Financial reporting

- Monitor the financial reporting process and ensure 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 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 (FRS).

#### 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 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 ensure 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, its effectiveness and the scope and results of audits.
- 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. Make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor and approve 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

ensure 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 keep the Board informed of such transactions, and the findings and conclusions from its review.

### Key matters reviewed by AC in 2017

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 with a letter of representation attesting to the integrity of the quarterly financial statements. The AC reviewed the Group's audited consolidated financial statements and discussed with management and the external auditor the significant matters which involved management judgement.

*Please refer to the table on page 54 for further information on these significant matters. These matters are also discussed in the independent auditor's report on pages 195 to 197.*

Significant matters	How the AC reviewed these matters
<b>Allowances for loans and advances</b>	The AC reviewed the significant non-performing and weak credit exposures periodically and considered management's judgments, assumptions and methodologies used in the determination of the level of specific and general allowances required, with particular focus on the developing asset quality situation in the oil and gas and commodity sectors.
<b>Singapore FRS (International) 9 Financial Instruments (SFRS(I) 9)</b>	The AC reviewed the periodic reports that it received on the Group's SFRS(I) 9 implementation plan, which includes workstreams covering financial reporting, systems solutions, internal controls processes and constituent engagement.  In particular, for Phase 2 on Expected Credit Loss (ECL), the AC received regular updates on key technical decisions adopted by management, including credit risk modelling techniques and the staging criteria that would be used to determine the ECL requirements. The AC was also apprised of the regulatory allowance that MAS would require as part of the revised MAS Notice 612.
<b>Goodwill impairment assessment</b>	The AC reviewed the methodology and key assumptions, including the macroeconomic outlook and other key drivers of cash flow projections, used in the determination of the value-in-use of cash generating units. It also assessed the sensitivities of the forecasts to reasonably possible changes in the valuation parameters.
<b>Valuation matters</b>	The AC reviewed the quarterly movements in valuation reserves and the fair value of level 3 financial instruments for reasonableness and considered the continued appropriateness of the Group's valuation methodology in light of industry developments.
<b>Acquisition of the wealth management and retail banking businesses of Australia and New Zealand Banking Group Limited's business (ANZ business)</b>	The AC reviewed the accounting treatment of the acquisition of the ANZ business, including the key assumptions and methodologies used by an independent audit firm appointed to verify the closing assets and liabilities balances of the ANZ business, as well as the determination of goodwill.  The AC was apprised of the ANZ business integration plan, progress and associated expenses across the Group during the financial year.

The AC is of the view that the Group's consolidated financial statements for 2017 are fairly presented in conformity with relevant Singapore FRS in all material aspects. The Board has also received communication from the external auditor that it has nothing to report with reference to any financial or non-financial information in the Annual Report as defined in Singapore Standard of Auditing 720.

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

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. As part of the quarterly reports from Group Legal and Compliance, the AC received in-depth updates on various Financial Crime and Security Services (FCSS) initiatives and developments. Where required, the AC will be furnished with additional information to provide more meaningful insights. For example, in 2017, the quarterly Compliance reports to the AC included a new section on anti-money laundering (AML) metrics to provide sharper insights as to where our AML risks are.

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 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.

\* as defined on page 108

### Reviewing performance, objectivity and independence of the external auditor

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 AC monitors the performance, objectivity and independence of the external auditor. For this purpose, the AC takes into account the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority (ACRA); the guidance provided in section 6 of the Guidebook for Audit Committees in Singapore issued by ACRA, MAS and the Singapore Exchange (SGX); as well as the principles outlined by the Basel Committee on Banking Supervision in its document "The External Audits of Banks".

The total fees due to the Group's external auditor, PricewaterhouseCoopers LLP (PwC), for the financial year ended 31 December 2017 and the breakdown of the fees for audit and non-audit services are set out in the table on page 55. 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.

Fees relating to PwC services for 2017	SGD (million)
For audit and audit-related services	9.3
For non-audit services	2.6
<b>Total</b>	<b>11.9</b>

The AC considered the following matters in its review of the external auditor's performance and when formulating its recommendation on the re-appointment of the external auditor:

- the performance of the external auditor against industry and regulatory standards;
- the scope of the audit plan and areas of audit focus as agreed with the external auditor;
- the quality of audit services rendered, and reports and findings presented by, the external auditor during the year;
- feedback received from various functions/geographical locations, through an annual structured internal survey, on the adequacy and quality of the audit team's resources, the level of independence and scepticism exercised in carrying out their work, and its overall efficiency and effectiveness;
- the Audit Quality Indicators data of the external auditor; and
- the external auditor's self-assessment, including the confirmation of its independence to the AC.

In accordance with SGX Listing Rule 713, the current lead engagement partner will rotate out in 2018, having held the role for five years. As part of the evaluation process on the change in lead audit partner for the 2018 audit team, the AC considered the experience and expertise of the proposed partner, the quality of the supporting audit teams across locations as well as the support from the external auditor's global network.

Based on these considerations, the AC has recommended, and the Board has endorsed, the re-appointment of PwC for shareholders' approval at the 2018 AGM.

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

### 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)

### Key responsibilities of the BRMC

- Support the Board and management in setting the tone from the top so as to embed and maintain appropriate risk culture.
- 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.
- Monitor risk exposures and profile against risk limits and risk strategy in accordance with approved risk appetite and/or guidelines.
- Discuss risk reporting requirements and 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 CRO (jointly with the CEO).
- Review (in parallel with the AC) the adequacy and effectiveness of the Group's internal controls framework.
- Approve risk models which are used for capital computation and monitor 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.
- Exercise oversight of regulatory requirements relating to risk management.



## Key matters reviewed by BRMC in 2017

Highlights of the BRMC's activities are as follows:

### Reviewing the risk landscape

The risk dashboard informs DBS of all major risk positions and risk developments. 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 markets 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 market volatility, all of which could impact DBS' strategy and portfolios in these markets.

Through the course of 2017, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors. For example:

- the global economic growth outlook and the effect of Brexit;
- China hard landing and economic reforms development;
- impact of US interest rate hike and effect of "America first" agenda;
- possible fluctuations of the US Dollar and its effect on our key clients' and economies;
- headwind faced in real estate such as retail malls and residential properties in Singapore and Greater China; and
- weak demand in the shipping sector and challenges faced by the Singapore power sector.

The scenario analyses are in addition to the review of various regulatory and internal stress testing exercises.

The BRMC also reviewed management's assessment of the risk of a prolonged period of low commodity prices on our commodity customers and portfolios which included the oil and gas support services segment. It was kept informed of the utilisation of market risk limits for banking as well as trading books and the liquidity risk profile and limit utilisation in all major currencies and legal entities of the Group. In its review of key operational risk profiles and among other updates, the BRMC was advised on the progress of the ANZ integration as well as on the financial crime and cyber security environment and efforts made to address these risks. The BRMC also approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation. The BRMC was apprised of regulatory feedback and developments such as approaches for risk models and capital computation, Basel requirements and Qualitative Impact Studies results. In addition, the BRMC was informed of the

internal group-wide risk culture survey that for the first time was held for all staff of the bank. 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)

### Key responsibilities of the CMDC

- Oversee the governance of DBS' 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 DBS' 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.
- 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 DBS.
- 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.

## Key matters reviewed by CMDC in 2017

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 DBS' remuneration strategy.*

The CMDC reviews and approves DBS' 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 Financial Stability Board'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.

In 2017, CMDC also reviewed the definition of Material Risk Takers (MRTs), aligning it to market benchmark. Due to changes in

regulatory landscape, the deferral mechanism for MRTs in China and Indonesia was changed to apply from first dollar of variable pay.

### Talent Review and Succession Planning

The CMDC reviews the state of the talent and the strength of the human capital in DBS in support of its overall strategy. This includes a review of the talent bench strength, "team in the field", succession plans for the CEO and the GMC members and talent development plans for high potentials.

The CMDC reviewed the succession plans of CEO and the GMC members based on a DBS proprietary "Key Success Factors" framework which comprises four dimensions of a DBS senior leader success profile. The four dimensions are domain knowledge, critical experiences, leadership competencies and traits. Potential successors for GMC were evaluated against these four dimensions to assess their readiness and development plans to address their leadership gaps were put in place, to prepare them for succession.

The Bank has a robust talent identification process based on the "3P framework" namely (i) Performance, (ii) PRIDE! and Potential. To develop our talents, DBS has a "triple E development framework" which focuses on providing actionable development activities around education (conferences and leadership programs), exposure (mentoring, coaching and networking) and experience (new or stretched roles, cross country and cross function assignments) to accelerate the growth of our talents. The CMDC also reviews and provides recommendations on the overall talent development plan for DBS.

In 2017, DBS achieved a talent mobility of 45%, well above our target of 30%. Talent mobility measures the percentage of talents who have taken on an enhanced or changed role in the last twelve months. Talent Attrition was healthy at 6%, within our target of less than 10%.

### Remuneration of Non-Executive Directors

*Please refer to pages 49 to 50 for details of remuneration of each Non-Executive Director (including the Chairman) for 2017.*

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 are based on the volume-weighted average price of the ordinary shares of DBSH over the 10 trading days immediately prior to the AGM. The actual number of ordinary shares to be awarded are 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 DBSH's share plans during the financial year. There is no change to the annual fee structure for the Board for 2017 from the fee structure in 2016.

In previous years, the fair value of share grants to the Non-Executive Directors was based on the volume-weighted average price of the ordinary shares of DBSH over the 10 trading days immediately after the AGM. Upon recommendation of the CMDC, the Board agreed that with effect from the financial year ended 31 December 2017, the fair value of such share grants shall be calculated using the volume-weighted average price of DBSH shares over the 10 trading days immediately prior to the AGM (excluding AGM date) to reduce the time difference between the receipt of the cash portion of the Non-Executive Director fees and the grant of the Non-Executive Director Share Awards. This approach also provides greater transparency as shareholders approving Non-Executive Director fees at the AGM would be able to calculate the fair value at which such shares are granted.

The table at page 57 sets out the proposed annual fee structure for the Non-Executive Directors for 2017. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2018 AGM.

In 2017 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 2017 falls within the band of SGD 100,000 to 150,000. 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 2017.

## Annual Board strategy offsite

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets. In 2017, the Board strategy offsite was held in Sydney.

## Key objectives of our annual Board strategy offsite

- Tap opportunity for the Board to focus on

## Annual fee structure for 2017

Basic annual retainer fees	SGD
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

DBS' long-term strategy apart from the regular agenda at the quarterly Board meetings

- Engage in dynamic and in-depth strategic discussion to promote deeper understanding of our business environment and our operations, and refine our strategy.
- Engage with our stakeholders in the host country:
  - Regulators
  - Media
  - Customers, including CEOs and CFOs of our corporate clients
  - 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
- Our digital transformation agenda and progress review as we digitalise the bank across the business units, support units and technology, including the value created
- Strategy for our China and India businesses
- Outlook and insights on China, including political and economic developments

## Group Approving Authority

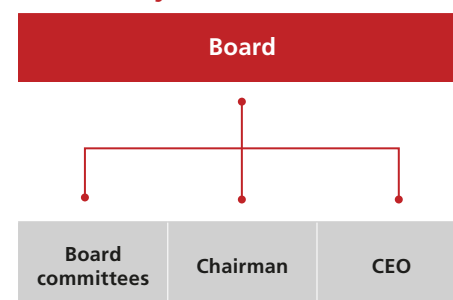
An integral part of our corporate governance framework is the Group Approving Authority (GAA).

The Board's responsibilities are well defined in the GAA. The Board is the decision-making

body for matters with significant impact to DBS as a whole; these include matters with strategic, financial or reputational implications or consequences. The specific matters that require board approval under the GAA includes:

- Group's annual and interim financial statements
- Acquisitions and divestments exceeding certain material limits
- 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



The Board approves the GAA and any change to it. The GAA ensures that appropriate controls and decision-making are consistently applied throughout DBS. The GAA covers internal authority only, and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH Constitution. It is applied group-wide. The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of DBS' business and operations.

## 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 2017:

- the Group's financial records have been properly maintained, and the financial statements give a true and fair view of DBS Group's operations and finances; and
- 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 internal and external auditors, reviews performed by management and various Board Committees as well as the said CEO and CFO assurance, 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 2017 to address financial, operational, compliance risks 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.

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

Corporate oversight and control functions such as Risk Management Group (RMG), Group Legal and Compliance and parts of Group Technology and Group Finance form the second line of defence. They are responsible for the design and maintenance of the internal controls framework 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 carried out with a 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

DBS has a risk management process that requires all units to perform a half-yearly risk and control self-assessment (RCSA) 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 RCSA and the quarterly and annual attestations, the CEO and CFO provide an annual attestation to the AC relating to adequacy and effectiveness of DBS' risk management and internal control systems. Group Audit performs regular independent reviews to provide assurance on the adequacy and effectiveness of DBS' internal controls on risk management, control and governance processes. The overall adequacy and effectiveness of DBS' 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 Chairperson of the AC and administratively to the CEO.

Group Audit's responsibilities include:

- evaluating the reliability, adequacy and effectiveness of the Group's risk management and internal controls systems, including whether there is control and accurate recording of transactions and proper safeguarding of assets;
- 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;
- reviewing whether DBS complies with laws and regulations and adheres to established policies; and
- reviewing whether management is taking appropriate steps to address control deficiencies.

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

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 DBS 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 GMC, and attends all the business reviews and strategic planning forums. In each of the five key locations outside Singapore, the head of audit also sits in the 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, as well as the International Standards for the Professional Practice of Internal Auditing revised in January 2017. Group Audit's effectiveness is measured with reference to the IIA's 10 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 apprises 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 are carried out at least once every five years by qualified professionals from an external organisation. Internal quality assurance reviews were conducted quarterly by independent assessor KPMG since 2014.

Group Audit has leveraged extensively on the use of data, technology and automation to provide greater insights and timely

warnings on emerging risks. In 2017, Group Audit operationalised its Future of Auditing roadmap through the industrialisation of computer-assisted auditing techniques and the continuous auditing (CA) approach – the application of automated audit test scripts to perform control and risk assessments automatically on a frequent basis. To date, Group Audit has amassed a significant number of CA test scripts to be used across functional and location audits. These automated test scripts have been made available to key business and support units for them to conduct self-assessments – as part of a group-wide effort to integrate risk and control governance across the three lines of defence.

### Significant incident protocol

DBS has a significant incident protocol that sets out processes and procedures for the escalation of 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.

### Dealings in securities

In conformance with the “black-out” policies prescribed under SGX Listing Rules, the Directors and employees are prohibited from trading in DBS' 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 DBS' securities during the black-out period. Group Secretariat informs all Directors and employees of each black-out period ahead of time.

In addition, GMC members are only allowed to trade in DBS' securities within specific window periods (15 market days immediately following the expiry of each black-out period) subject to pre-clearance. GMC members are also required to obtain pre-approval from the CEO before any sale of DBS' securities. Similarly, the CEO is required to seek pre-approval from the Chairman before any sale of DBS' 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 DBS' securities if they are in possession of material non-public information. DBS 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.

### Related party transactions

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

As required under the SGX Listing Rules, please refer to the table on page 60 for details of interested person transactions in 2017. 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.

### Material contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of DBS has been entered into by DBS or any of its subsidiary companies, and no such contract subsisted as at 31 December 2017, save as disclosed via SGXNET.



Name of interested person	Aggregate value of all interested person transactions in 2017 (excluding transactions less than SGD 100,000)
Certis CISCO Security Pte Ltd Group	5,021,946
Mapletree Investments Pte Ltd Group	129,480
Mediacorp Pte Ltd Group	799,560
SATS Ltd Group	7,713,234
Sembcorp Industries Ltd Group	3,631,909
Singapore Telecommunications Limited Group	30,164,704
SMRT Corporation Ltd Group	5,905,633
StarHub Ltd Group	14,867,938
Surbana Jurong Private Limited Group	7,760,400
Temasek Management Services Pte Ltd Group	127,500
<b>Total Interested Person Transactions (SGD)</b>	<b>76,122,304</b>

## 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 the balanced scorecard: Please refer to page 38 for more information.
- **Respecting the 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 58 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: 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.

### 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 DBS to report incidents and provides protection for those staff for these disclosures.

All employees of DBS 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 DBS’ website, as well as write in via an electronic feedback form on the website. The Code of Conduct encourages employees of DBS to report their concerns to DBS’ 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 DBS may write in confidence to

Human Resources, Group Audit, or even the CEO or the Chairman. In addition, employees of DBS have the option of using the DBS Speak Up service.

### Whistle-blowing policy

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; and
- recommendations on corrective action.

## Accountability to our shareholders

### Shareholder rights

DBS promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies’ Act and the Company’s Constitution.

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 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.

DBS 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

Our 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 investors. The DBS website provides contact details for investors to submit their feedback and raise any questions.

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.

During the year, we held 340 debt and equity investor meetings. We participated in 12 local and overseas investor conferences and non-deal road shows. These meetings provide a forum for management to explain our strategy and financial performance, and solicit analysts' and investors' perceptions of DBS. We also held an investor day in November 2017 to showcase our digitalisation efforts. The event was well received by the 80 analysts and fund managers that attended.

We have 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 the CFO in implementing the disclosure policy. The GDC's objectives are to: (a) periodically review DBS' 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.

Our efforts to improve disclosure continued to be recognised at the 2017 Securities Investors Association (Singapore) Investors' Choice Awards where we won the award for sustainability and were the runner-up among large-cap companies for corporate governance.

### 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. Our external auditor is available to answer shareholders' queries.

At the AGM, DBS' 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. DBS 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.

The minutes of our AGM and Extraordinary General Meeting (EGM) may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2017 AGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.

## Electronic poll voting process

To enhance shareholder participation, DBS puts all resolutions at general meetings to a vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentages. DBS 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. DBS 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 shareholdings 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 percentages are displayed in real-time at the AGM/EGM. DBS 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.