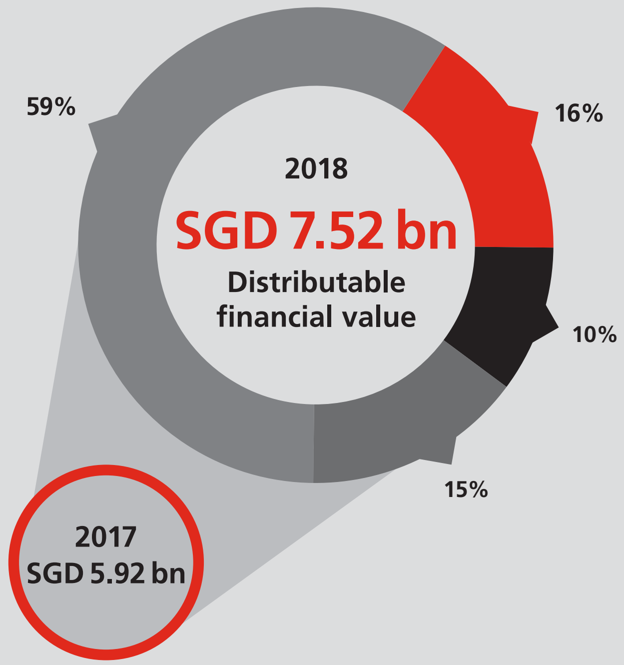
How we distribute value created

Distributable financial value

59%
Shareholders
Dividends paid to ordinary and preference shareholders and holders of perpetual capital securities

16%
Retained earnings
Retained for business growth



15%
Society
Contributions to society through direct and indirect taxes, and community investments including donations, in-kind contributions and associated management costs

10%
Employees
Discretionary bonus paid to employees through variable cash bonus and long-term incentives

We distribute value to our stakeholders in several ways. Some manifest themselves in financial value while others bring about intangible benefits.

We define distributable financial value as net profit before discretionary bonus, taxes (direct and indirect) and community investments. In 2018, the distributable financial value amounted to SGD 7.52 billion (2017: SGD 5.92 billion).

In addition, we distribute non-financial value to our stakeholders in the following ways.

Customers

Delivering suitable products in an innovative, easily accessible and responsible way.

Read more about this on pages 36 to 41.

Employees

Training, enhanced learning experiences as well as health and other benefits for our employees.

Read more about "Talent management and retention" in the sustainability report.

Society

Supporting social enterprises, promoting financial inclusion, investing in and implementing environmentally-friendly practices.

Read more about "Social entrepreneurship" in the sustainability report.

Regulators

Active engagement with local and global regulators and policy makers on reforms and new initiatives that help to maintain the integrity of the banking industry.

Read more about this on page 71.

Material matters

Identify

We identify matters that may impact the execution of our strategy. This is a group-wide effort taking into account input from all business and support units and incorporating feedback from stakeholders.

Read more about our stakeholder engagement on pages 70 to 71.

Prioritise

From the list of identified matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.

Integrate

Those matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people.

Read more about our balanced scorecard on page 26.

Material matters have the most impact on our ability to create long-term value. These matters influence how the Board and senior management steer the bank.

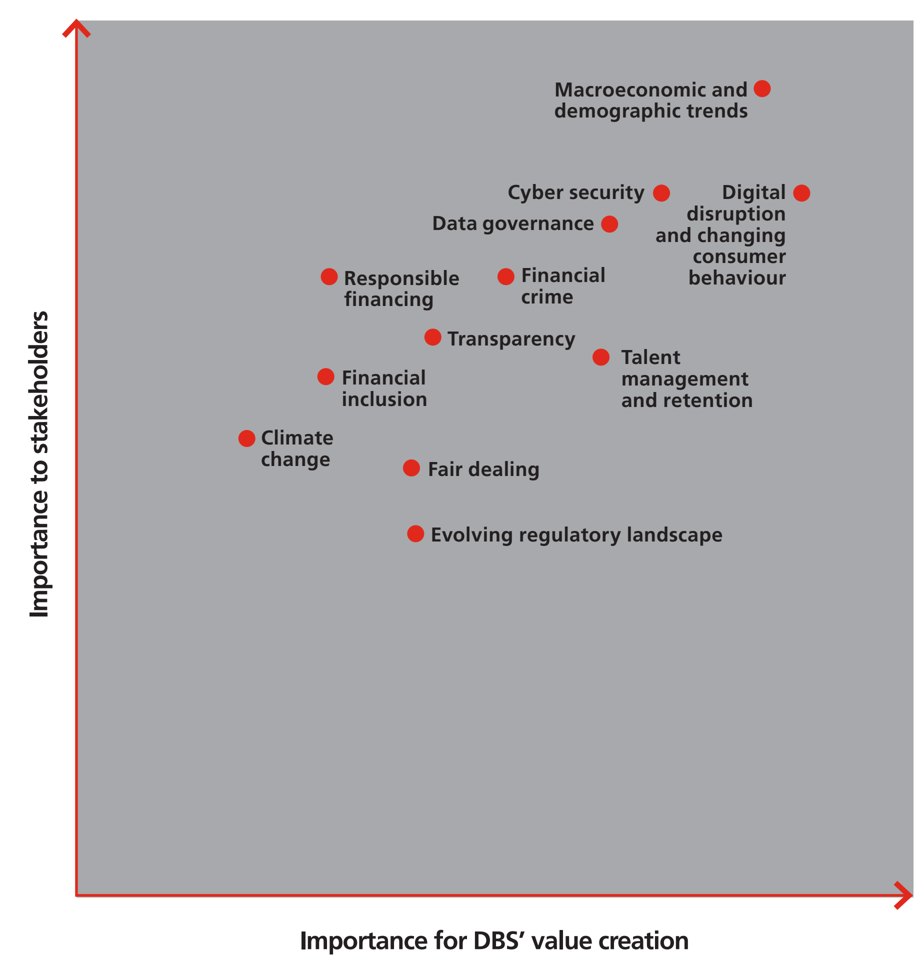
We review our material matters annually for relevance and prioritisation. Our material matters reflect external factors that can influence our business.

In 2018, "Data governance" and "Transparency" have been included. They have always been important but were subsumed in other material matters in previous years.

"Climate change" and "Talent management and retention" have been elevated in materiality.

Read more about material ESG matters in the sustainability report.

Materiality matrix



Balanced scorecard indicator	Material matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
Shareholders	Macroeconomic, geopolitical and demographic trends	The region's economic prospects are affected by US-China tensions over trade, intellectual property and leadership in technology, the effects of China's deleveraging and reforms, and slowing economic momentum in the US and Europe.	Asia's long-term fundamentals – growing affluence, urbanisation, consumption and infrastructure investments and generally favourable demographics – present opportunities for banks.	Our multiple business lines, nimble execution and strong balance sheet will enable us to continue mitigating the risks and capture opportunities across the region. *Read more about "CEO reflections" on page 18.*
Employees	Talent management and retention	Failure to attract and retain talent impedes succession planning and expansion into new areas. Employees face the risk of obsolescence if they are not well-equipped with changing skillsets required in this new digital age.	We see the opportunity to transform our workforce into an innovative, digitally-savvy and data-driven 26,000-person startup. This will enable us to be nimble and agile in responding to changes in our operating environment.	*Read more about "Talent management and retention" in the sustainability report.*
Digital transformation	Digital transformation and changing consumer behaviour	Technology and mobility are increasingly shaping consumer behaviour. The ability to upgrade our infrastructure and technology prevents us from losing relevance to platform companies and fintechs.	A successful digital transformation will allow us to respond and innovate quickly to deliver simple, fast and contextual banking to our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.	*Read more about "Making banking invisible" on page 14, "Institutional Banking" on page 36 and "Consumer Banking/ Wealth Management" on page 38.*
Regulators	Evolving regulatory and reporting landscape	The evolving regulatory and reporting landscape – including Basel reforms, overhaul of accounting standards, financial crime risks (encompassing money laundering and sanction risks), emerging privacy, cyber security and conduct legislation – may affect banks' existing business models and give rise to compliance risks.	With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning. As a leading bank in our markets, we are well placed to provide appropriate responses to regulators and policy makers on regulatory requirements.	*Read more about "CFO statement" on page 20, "CRO statement" on page 32, "Capital management and planning" on page 91 and "Regulators and policy makers" on page 71.*
Enablers	Cyber security	The prevalent threat of cyber attacks on financial institutions remains one of our top concerns.	A cyber security strategy that is defined and executed well gives confidence to customers and can differentiate us.	*Read more about "CRO statement" on page 32 and "Cyber security" in the sustainability report.*
	Data governance	The increasing use of data for processing and decision-making has led to concerns on how it is being used.	As we delve deeper into analytics, a framework ensures that we use data responsibly and appropriately.	*Read more about "Data governance" in the sustainability report.*
	Fair dealing	Banks are expected to deal honestly, transparently and fairly with customers, concepts which are articulated more explicitly in fair dealing standards. Failure to observe such standards gives rise to compliance and reputational risks and erodes the trust of stakeholders.	Customers are more likely to do business with us if they trust that we are fair and transparent.	*Read more about "Fair dealing" in the sustainability report.*
	Financial crime	Financial crime risks, including money laundering, breaching sanctions and corruption, give rise to compliance and reputational risks.	A reputation for being trustworthy can help to attract and retain customers and investors.	*Read more about "CRO statement" on page 32 and "Preventing financial crime" in the sustainability report.*
Society	Climate change	Climate change poses increasingly serious threats to the global economy. Transition to a low carbon economy may entail extensive policy, legal, technology and market changes which can give rise to credit, operational and reputational risks.	Banks can play an influential role in shaping the transition to a low carbon economy. Opportunities include areas such as energy efficiency, adoption of low-emission energy sources, building resilience along supply chain and others.	Climate change is a wide topic addressed in various parts of our business. *Read more about "Climate change", "Green and social finance", "Managing our environmental footprint", "Responsible financing" and "Sustainable procurement" in the sustainability report.*
	Financial inclusion	While Asia's rapid economic growth and development have led to an improvement in living standards across the region, certain marginalised segments remain underserved in financial services. Developing niche products for such segments may come at relatively high operating and credit costs for banks and erode shareholder value.	With technological advancements and targeted partnerships, we see opportunities to reduce operating costs and develop a more inclusive financial system. This aligns with our digital agenda.	*Read more about "Digital enablers of sustainability", "Financial inclusion" and "Green and social finance" in the sustainability report.*
	Responsible financing	The public demands that banks lend only for appropriate corporate activities. Failure to do so may give rise to credit and reputational risks.	We mitigate environmental, social and governance (ESG) risks through our lending practices. Investors applying negative screening are increasingly avoiding companies with poor ESG records, in favour of those with sustainable practices.	*Read more about "Responsible financing" in the sustainability report.*
	Transparency	Calls for more transparency in disclosure have been made to promote good governance and decision-making.	We embrace best practices on the Code of Corporate Governance 2018 issued by Monetary Authority of Singapore and recommendations by TCFD, which will set us apart from our peers.	*Read more about "Corporate governance" on page 42 and "Climate change" in the sustainability report.*