

# Corporate governance

## Governance framework

Our governance framework is anchored on competent leadership, effective internal controls, a strong risk culture and accountability to stakeholders. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectations, and our leadership model ensures an appropriate balance of power, accountability and independence in decision-making across our various functional and geographic units.

Our corporate governance practices comply with the Banking (Corporate Governance) Regulations 2005 (Banking CG Regulations). We also comply, in all material aspects, with the following corporate governance best practice guidelines issued by the Monetary Authority of Singapore (MAS):

- (i) the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers issued on 3 April 2013, which comprises:
  - the Code of Corporate Governance 2012 (2012 Code); and
  - supplementary guidelines and policies added by the MAS to cater to the diverse and complex risks undertaken by financial institutions (Supplementary Guidelines).
- (ii) the Code of Corporate Governance 2018 issued on 6 August 2018 (2018 Code).

*We have described our corporate governance practices for our financial year ended 31 December 2019 with specific reference to the 2018 Code and the Supplementary Guidelines. A summary disclosure of our compliance with the express disclosure requirements in the 2018 Code and the Supplementary Guidelines, have been provided on pages 102 to 104.*

## Board highlights – 2019

### Streamlining Board oversight over conduct and culture

The Board reviewed the risk-related responsibilities of the Board committees in 2019 with a view to streamlining and enhancing Board's oversight over conduct and culture within DBS. The Board was fully cognisant that a failure to deal honestly,

transparently and fairly with customers could lead to serious reputational risks and erode the trust of our stakeholders.

The Board discussed and agreed that the responsibility to oversee conduct and ethics should rest with one Board committee, instead of separate Board committees; by doing so, we can ensure that the said Board committee receives all necessary data that it would need to discharge its responsibilities.

The Board deliberated and agreed to delegate the responsibility to oversee risk culture, conduct and ethics to the Board Risk Management Committee (BRMC). Accordingly, oversight over legal and regulatory risks, including financial crime risks, were moved from the Audit Committee (AC) to the BRMC. Correspondingly, the BRMC will also receive quarterly reports from the Fair Dealing and Conduct Committee, which would include updates on the delivery of fair dealing outcomes, conduct and culture metrics as well as initiatives that serve to influence conduct and culture standards across the Group.

### Board renewal

Board renewal continued to be a key focus for us in 2019. Although no new Directors were appointed in 2019 (after 3 new Directors were appointed between November 2017 to September 2018), the Nominating Committee (NC) continued its search for potential candidates who could be lined up for appointment as Directors of DBS Group Holdings Ltd (DBSH) and DBS Bank Ltd (DBS Bank) over the next few years. New Directors will be introduced gradually so that the Board and Board committees have a smooth transition period.

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. Other key considerations include (i) whether the skillsets of the candidates would replace skillsets of long-serving Directors, and/or would supplement the collective skillsets of the Directors and bring different perspectives to the Board; (ii) whether the candidate would fit in with our Board's culture and diversity; (iii) the independence status of the candidate;

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and (iv) whether the candidate would be able to commit sufficient time to fulfil the duties of a Director. A skills matrix is used to assess if the skills and experience of a candidate complement those of the existing Board members. Potential candidates are informed of the level of contribution and commitment expected of a DBS Director.

As part of the Board renewal process, Mr Danny Teoh and Mr Nihal Kaviratne will be stepping down from the Board after the conclusion of our forthcoming Annual General Meeting (AGM), having served on the Board for nine years or more. They have also served diligently on the Board of DBS Foundation since it was established in 2014 and guided DBS Foundation in its efforts to nurture social enterprises across the region and to enhance their social impact. The Board and Management of DBS would like to express their gratitude to Mr Teoh and Mr Kaviratne for their invaluable contributions to the DBS Group and DBS Foundation over the years.

The Board has also approved the appointment of two new Independent Directors. We are in the process of obtaining regulatory approvals for these appointments to take effect in April 2020, and will make the appropriate announcements on the appointments of the new Directors after all required approvals have been obtained.

As Mr Ho Tian Yee will be re-designated as a non-independent Director with effect from 29 April 2020 (having served as a Director for more than nine years by then), the Board has appointed Mr Olivier Lim to take over from Mr Ho as the Lead Independent Director with effect from 29 April 2020. Mr Ho will also step down from the NC and the Board Executive Committee (EXCO), while Mr Lim will be appointed as a member of the NC and will step down from the Compensation and Management Development Committee (CMDC). In addition, the Board (upon the recommendation of the NC) will be making various other changes to the composition of the EXCO, CMDC and NC (including the appointment of a new NC chairperson) to ensure that the independence requirements under the Banking CG Regulations continue to be met. These changes to the composition

## Where to find key information on each Director?

In this Annual Report:

- Pages 46 to 47 – Directors' independence status, appointment dates, meeting attendance and remuneration details
- Pages 190 to 195 – Length of directorship, academic and professional qualifications and present and past directorships
- Pages 214 to 217 – Additional Information on Directors seeking re-election at the Annual General Meeting to be held on 31 March 2020

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

## Awards won in 2019

We received several accolades for our corporate governance, investor relations and disclosure:

- At the Singapore Corporate Awards (SCA), we were given the Special Recognition Award for a second consecutive year. In 2018, this award was conferred to DBS for its "all round excellence in corporate governance". In 2019, this award was conferred to DBS for its "all round excellence in human capital".
- We were the winner in the Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards for corporate governance in the large-cap companies category.
- We were also the winner for shareholder communications excellence and the runner-up for sustainability in the large-cap companies category at the SIAS Investors' Choice Awards.
- We were ranked 2<sup>nd</sup> place for the second consecutive year in the Singapore Governance and Transparency Index.

of these Board committees will take effect on or after the appointment of the two new Independent Directors in April 2020 (but no later than 29 April 2020).

### Enhancing stakeholder engagement

In 2019, the Board approved the payment of dividends on a quarterly basis instead of semi-annually to provide shareholders with a more regular income stream. The Board also agreed to bring forward the forthcoming AGM from end-April to end-March. This will not only enable us to pay out the final dividend (if approved by shareholders at the AGM) earlier in April instead of May, it would also improve investor participation at our AGM by avoiding the peak season for AGMs in the last two weeks of April.

## Competent leadership

### Our board

The Board directs DBS in the conduct of its affairs and provides sound leadership to management. We have 11 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, age, skills and knowledge. A majority of the Directors are Independent Directors, and there are no alternate Directors on our Board.

Our Chairman, Mr Peter Seah, sits on all Board committees and he also chairs the EXCO. Mr 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. He 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 DBSH or its subsidiaries.

### Lead independent director

The Lead Independent Director, Mr Ho Tian Yee, had regular private sessions with the other independent Directors in the course of the year and provided feedback to the Chairman where necessary. He has also actively led the process to identify suitable Board candidates for appointment as independent Directors of DBSH and DBS Bank.

### Board's key areas of focus

- Sets the strategic direction and long-term goals of DBS, and ensures that adequate resources are available to meet these objectives.
- Monitors the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of DBS' activities.
- Establishes a framework for risks to be assessed and managed.
- Reviews management performance.
- Determines DBS' values and standards (including ethical standards) and ensures that obligations to its stakeholders are understood and met.
- Ensures that corporate responsibility and ethical standards underpin the conduct of DBS' business.
- Develops succession plans for the Board and CEO.
- Considers sustainability issues (including environmental and social factors) as part of DBS' strategy.

**Key Information on our Directors**

The table below sets out key information on our Directors, the number of meetings which our Directors attended during 2019 as well as the remuneration of each Director for 2019. The 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 2019)								Total Directors' remuneration for 2019 (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	Offsite <sup>(7)</sup>	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2019										
	5	5	12	5	5	4	1	1			
<b>Mr Peter Seah, 73</b> Non-Executive and Non-Independent Chairman  <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 25 Apr 18</li> </ul>									Total: \$1,973,552		
	5	5	12	5	5	4	1	1	\$1,332,800	\$571,200	\$69,552
<b>Dr Bonghan Cho, 55</b> Non-Executive and Independent Director  <ul style="list-style-type: none"> <li>Board member since 26 Apr 18</li> <li>Last re-elected on 25 Apr 19</li> </ul>									Total: \$261,500		
	5	5	-	5	-	-	1	1	\$183,050	\$78,450	-
<b>Ms Euleen Goh, 64</b> Non-Executive and Non-Independent Director  <ul style="list-style-type: none"> <li>Board member since 1 Dec 08</li> <li>Last re-elected on 25 Apr 19</li> </ul>									Total: \$289,778		
	5	-	-	-	5	4	1	1	\$198,800	\$85,200	\$5,778
<b>Mr Ho Tian Yee, 67</b> Non-Executive and Lead Independent Director  <ul style="list-style-type: none"> <li>Board member since 29 Apr 11</li> <li>Last re-elected on 27 Apr 17</li> <li>Lead Independent Director since 16 Nov 18</li> </ul>									Total: \$418,000		
	5	5	12	-	5	-	1	1	\$292,600	\$125,400	-
<b>Mr Nihal Kaviratne, 75</b> Non-Executive and Independent Director  <ul style="list-style-type: none"> <li>Board member since 29 Apr 11</li> <li>Last re-elected on 25 Apr 19</li> </ul>									Total: \$268,000 <sup>(d)</sup>		
	5	-	-	-	5	4	1	1	\$268,000	-	-
<b>Mr Olivier Lim, 55</b> Non-Executive and Independent Director  <ul style="list-style-type: none"> <li>Board member since 7 Nov 17</li> <li>Last re-elected on 25 Apr 18</li> </ul>									Total: \$342,500		
	5	-	12	-	5	4	1	1	\$239,750	\$102,750	-
<b>Mr Andre Sekulic, 69</b> Non-Executive and Independent Director  <ul style="list-style-type: none"> <li>Board member since 26 Apr 12</li> <li>Last re-elected on 25 Apr 18</li> </ul>									Total: \$312,500		
	5	-	-	5	-	4	1	-	\$218,750	\$93,750	-

Director independence status	Meetings attendance record (1 January to 31 December 2019)								Total Directors' remuneration for 2019 (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	Offsite <sup>(7)</sup>	Directors' fees <sup>(a)</sup> (SGD)	Share-based remuneration <sup>(b)</sup> (SGD)	Others <sup>(c)</sup> (SGD)
	No. of meetings held in 2019										
	5	5	12	5	5	4	1	1			
<b>Mr Danny Teoh, 64</b> Non-Executive and Non-Independent Director  <ul style="list-style-type: none"> <li>Board member since 1 Oct 10</li> <li>Last re-elected on 25 Apr 19</li> </ul>	5	3 <sup>(e)</sup>	-	4 <sup>(e)</sup>	5	-	1	1	Total: \$308,753 <sup>(d)</sup>		
									\$308,753	-	-
<b>Mrs Ow Foong Pheng, 56</b> Non-Executive and Non-Independent Director  <ul style="list-style-type: none"> <li>Board member since 26 Apr 12</li> <li>Last re-elected on 27 Apr 17</li> </ul>	5	5	-	5	-	-	1	1	Total: \$246,000 <sup>(f)</sup>		
									\$246,000	-	-
<b>Mr Tham Sai Choy, 60</b> Non-Executive and Independent Director  <ul style="list-style-type: none"> <li>Board member since 3 Sept 18</li> <li>Last re-elected on 25 Apr 19</li> </ul>	5	2 <sup>(g)</sup>	-	5 <sup>(g)</sup>	5	-	1	1	Total: \$299,124		
									\$209,387	\$89,737	-
<b>Mr Piyush Gupta, 60</b> Executive Director/ CEO  <ul style="list-style-type: none"> <li>Board member since 9 Nov 09</li> <li>Last re-elected on 25 Apr 18</li> </ul>	5	5 <sup>#</sup>	12 <sup>#</sup>	5 <sup>#</sup>	5 <sup>#</sup>	4 <sup>#</sup>	1	1	Please refer to the Remuneration Report on page 65 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)
- (7) This is our annual four-day board strategy offsite
- (a) Fees payable in cash, in 2020, for being a Director in 2019. This is 70% of each Director's total remuneration and is subject to shareholders' approval at the 2020 AGM.
- (b) This is 30% of each Director's total remuneration and shall be granted in the form of DBSH's ordinary shares. The actual number of DBSH'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 shareholders' approval at the 2020 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 Mr Teoh and Mr Kaviratne will step down at the conclusion of the 2020 AGM, their Directors' remuneration for the year 2019 will be paid fully in cash.
- (e) Mr Teoh stepped down from the AC and NC on 1 October 2019.
- (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.
- (g) Mr Tham was appointed as chairman of AC and member of NC on 1 October 2019.

(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.)

### Board meetings and activities

There are five scheduled Board meetings each year. Ad-hoc meetings are also held when necessary. There was no ad-hoc Board meeting held in 2019.

Before each Board 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 also allows for flexibility when needed. Directors are provided with complete information related to agenda items in a timely manner. All materials for Board and Board committee meetings are

uploaded onto a secure portal which can be accessed on tablet devices provided to the Directors.

During every quarterly Board meeting:

- 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 CFO presents the financial performance for that quarter and significant financial highlights;
- the CEO gives an update on certain aspects of the Group's business and operations and/ or a macro perspective on industry trends and developments;
- the Board holds a private session for Directors; and
- the Lead Independent Director holds a private session with the other independent directors.

In addition to the quarterly Board meetings, a Board meeting is typically scheduled in December each year where the CEO gives the Board an update on DBS' performance against the balanced scorecard for that financial year. In addition, the CEO and CFO will present the Group's budget for the next financial year to the Board for approval.

The Chairman promotes open and frank debates by all Directors at every Board meeting. If 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. When exigencies prevent a Director from attending a Board or Board committee meeting in person, that Director can participate by telephone or video-conference.

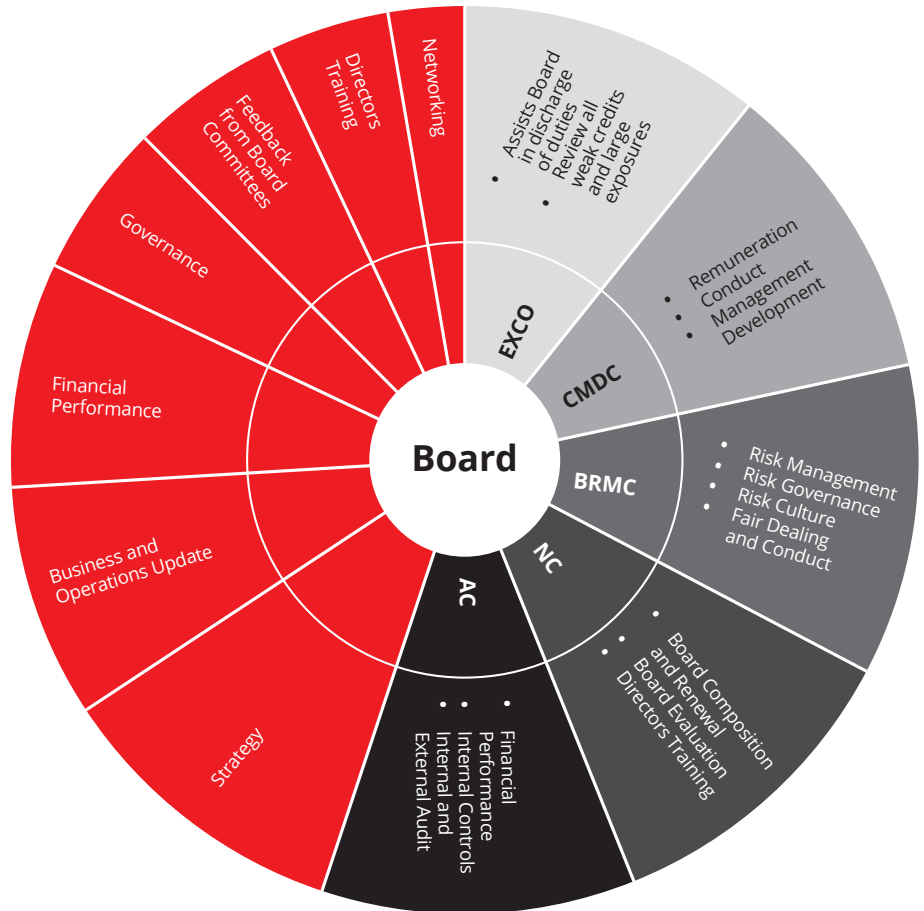
Directors have the discretion to engage external advisers. External professionals or in-house subject matter experts may also be invited to present key topics to the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on DBS' affairs.

Directors have independent access to the Group Secretary. The Group Secretary attends all Board meetings and minutes are prepared to record key deliberations and decisions taken during the meetings. The Group Secretary facilitates communication between the Board, its committees and management, and generally assists Directors in the discharge of their duties. The Group Secretary helps with the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board.

**Frequent and effective engagement**

Directors have ongoing interactions across various levels, functions and countries within DBS. In addition, some Directors also sit

**Matters discussed by the Board and Board Committees in 2019**



*Note: Further details of the activities of the Board and Board committees in 2019 can be found on pages 47 to 55.*

on the boards of our overseas subsidiaries; this arrangement gives the Board access to first-hand insight on the activities of these subsidiaries. The CFO provides the Board with detailed financial performance reports monthly.

Throughout the year, the Directors have various opportunities to interact with members of the Group Management Committee (GMC) (for instance, at quarterly Board-hosted dinners and during the annual board strategy offsite).

**Annual Board strategy offsite**

Each year, the Board and our senior executives attend a four-day strategy offsite held in one of our markets, which allows them to:

- focus on 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; and
- engage with our stakeholders in the host country (such as regulators, media,

customers including CEOs and CFOs of our corporate clients and staff in the local franchise).

At the 2019 Board strategy offsite (held during the last week of September), the Board had in-depth discussions with senior executives on the strategies for accelerating growth in Singapore, Hong Kong, Greater Bay Area and Vietnam. The Board also explored various inorganic growth opportunities.

**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 terms of reference of each Board committee set out the responsibilities of the Board committee, conduct of meetings including quorum, voting requirements and qualifications for Board committee membership. All our Board committees comprise Non-Executive Directors only. Any change to the terms of reference for any Board committee requires

Board committee members	Composition requirements	Other key requirements
<b>Nominating Committee (NC)</b> <ul style="list-style-type: none"> <li>Mr Ho Tian Yee (<i>Chairperson and Lead Independent Director</i>)</li> <li>Mr Peter Seah</li> <li>Dr Bonghan Cho</li> <li>Mrs Ow Foong Pheng</li> <li>Mr Tham Sai Choy</li> </ul>	In accordance with the requirements of the Banking CG Regulations, a majority (three out of five members of the NC including the NC Chairperson) are Non-executive and Independent Directors (INED). The lead independent director is a member of the NC.	All NC members are required to be re-appointed by the Board annually. Under the Banking CG Regulations, every NC member shall hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment. The appointment and re-appointment of NC members require the prior approval of MAS.
<b>Board Executive Committee (EXCO)</b> <ul style="list-style-type: none"> <li>Mr Peter Seah (<i>Chairperson</i>)</li> <li>Mr Ho Tian Yee</li> <li>Mr Olivier Lim</li> </ul>	In accordance with the requirements of the Banking CG Regulations, a majority (two out of three members of the EXCO) are INEDs.	
<b>Audit Committee (AC)</b> <ul style="list-style-type: none"> <li>Mr Tham Sai Choy (<i>Chairperson</i>)</li> <li>Mr Peter Seah</li> <li>Dr Bonghan Cho</li> <li>Mrs Ow Foong Pheng</li> <li>Mr Andre Sekulic</li> </ul>	In accordance with the requirements of the Banking CG Regulations, a majority (three out of the five members of the AC including the AC Chairperson) are INEDs.	Mr Tham possesses an accounting qualification and was formerly the managing partner and Head of Audit 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>Mr Ho Tian Yee</li> <li>Mr Nihal Kaviratne</li> <li>Mr Olivier Lim</li> <li>Mr Danny Teoh</li> <li>Mr Tham Sai Choy</li> </ul>	All BRMC members are non-executive Directors, which exceeds the requirements of the Banking CG Regulations.	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 Andre Sekulic (<i>Chairperson</i>)</li> <li>Mr Peter Seah</li> <li>Ms Euleen Goh</li> <li>Mr Olivier Lim</li> <li>Mr Nihal Kaviratne</li> </ul>	In accordance with the requirements of the Banking CG Regulations, a majority (three out of the five members of the CMDC including the CMDC Chairperson) are INEDs.	<p>The CMDC has direct access to senior management and works closely with the BRMC and the AC when performing its role.</p> <p>Ms Euleen Goh, Mr Olivier Lim, Mr Peter Seah and Mr Nihal Kaviratne 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.</p>

Board approval. The minutes of Board Committee meetings, which records the key deliberations and decisions taken during these meetings, are circulated to all Board members for their information.

### Nominating Committee (NC)

#### Key responsibilities of the NC

- Regularly reviews the composition of the Board and Board committees, and independence of Directors;
- Identifies, reviews and recommends Board appointments for approval by the

Board, taking into account the experience, expertise, knowledge, age and skills of the candidate and the needs of the Board;

- Conducts an annual evaluation of the performance of the Board, the Board committees and the Directors;
- Implements the Board Diversity Policy and reviews its effectiveness;
- Exercises oversight of the induction programme and continuous development programme for Directors, and ensures that first-time directors with no prior experience as a director of a listed

company in Singapore undergo relevant training;

- Reviews and recommends to the Board the re-appointment of each Director having regard to his/ her performance, commitment and ability to contribute to the Board as well as his/ her age and skillset;
- Assesses annually whether each Director has sufficient time to discharge his/ her responsibilities; and
- Reviews the Board's succession plans for Directors.

### Selection criteria and nomination process for Directors

Before a new Director is appointed, suitable candidates are identified from various sources. 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 MAS; and
- ascertain whether the candidate is independent from DBSH'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.

### Induction and Training for new Directors

The NC oversees the onboarding of new Directors. All new Directors go through our induction programme, which covers the duties and obligations of a Director and 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. The NC is also responsible for ensuring that new Directors with no prior experience as a director of a listed company undergo training in the roles and responsibilities of a director of a listed company in Singapore.

### Highlights of NC's activities in 2019

#### Board renewal process

*Please refer to the Board Highlights – 2019 section on page 44.*

#### Annual review of Directors' independence

The NC reviews and determines annually whether each Director is independent in accordance with the stringent standards required of financial institutions prescribed under the Banking CG Regulations. Under

the Banking CG Regulations, an "independent director" is defined to mean a Director who is:

- independent from any management and business relationship with DBS;
- independent from any substantial shareholder of DBS; and
- has not served on the Board of DBS for a continuous period of nine years or longer.

The NC assessed and concluded that (i) all Directors are considered to be independent from business relationships with DBS; (ii) with the exception of Mr Piyush Gupta, all Directors are considered to be independent from management relationships with DBS; (iii) with the exception of Mrs Ow Foong Pheng, all Directors are considered to be independent from DBSH's substantial shareholder, Temasek Holdings (Private) Limited (Temasek). Mrs Ow, 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; and (iv) Mr Peter Seah, Ms Euleen Goh and Mr Danny Teoh are Non-Independent directors as they have served on the Board for more than nine years.

Based on the NC's assessment, the Independent Directors are Dr Bonghan Cho, Mr Ho Tian Yee, Mr Nihal Kaviratne, Mr Olivier Lim, Mr Andre Sekulic, and Mr Tham Sai Choy.

Although Ms Goh, Mr Ho, Mr Kaviratne, Mr Lim, Mr Seah, Mr Teoh and Mr Tham are on the boards of companies that have a banking relationship with DBS, and are also directors of companies in which Temasek has investments (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 sit 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 Directors.

#### 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 identify steps for improvement.

The NC believes that it is important to obtain an independent perspective on the Board's performance once every three to four years, and to gain insights on the Board's performance against peer boards and best practices. An external evaluator was last engaged to conduct the Board performance evaluation for the financial year ended 2018.

In 2019, the NC considered the results and key action items from the 2018 Board evaluation and decided to use substantially the same evaluation questionnaire for 2019 for benchmarking purposes. The questionnaire included questions on Board composition, Board processes and culture, quality of information provided to the Board, succession planning, risk management and effectiveness of Board committees. 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. The Board discussed the findings of the evaluation and agreed to follow-up on certain items.

In addition to the annual Board evaluation exercise, the NC also conducts an annual review of each Director to determine whether each Director remains qualified for office. In making its determination, the NC will take into account (i) the Director's age, track record, experience, skills and capabilities; (ii) whether each Director is able to and has been adequately carrying out his/ her duties as a Director, including the contributions and performance of each Director; and (iii) whether each Director has committed sufficient time to his/ her duties as a director of DBS. The Board is satisfied that each Director has diligently discharged his or her duties as a Director of DBS and has contributed meaningfully to DBS.

#### Directors' time commitment

The meeting attendance records of all Directors as well as a list of their directorships are fully disclosed in our Annual Report. The NC assesses each Director's ability to commit time to DBS' affairs in accordance with internal guidelines which take into account the number of other board and committee memberships a Director holds, as well as the 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 an 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.

### Directors' tenure

The NC believes that it is in the interest of DBS for the Board to comprise of Directors with longer tenures who have a deep understanding of the banking industry, as well as Directors with shorter tenures who can bring fresh ideas and perspectives.

Although there are currently six Directors (including Mr Piyush Gupta) who have served for more than eight years, this is balanced by the progressive refreshing of the Board where three new independent Directors were appointed since November 2017, and two more new independent Directors will be appointed by the end of April 2020. In addition, two long-serving Directors (i.e. Mr Danny Teoh and Mr Nihal Kaviratne) will be stepping down from the Board after the conclusion of the 2020 AGM.

The NC specifically considered the skillsets and contributions of the remaining four long-serving Directors (being Mr Peter Seah, Ms Euleen Goh, Mr Ho Tian Yee and Mr Piyush Gupta). The NC deliberated and agreed that it is in DBS' interests for these Directors to continue serving on the Board of DBS for the following reasons:

- (i) it is important for Mr Peter Seah to continue serving as the Board Chairman to provide leadership and continuity. Mr Seah is a veteran former banker with wide industry experience, and he has been instrumental in the growth and transformation of DBS over the past 10 years. From a strategic perspective, the next few years are critical as DBS continues to execute on its digital transformation and growth strategies and enhance its franchise in the Greater Bay Area, China, India, Indonesia and Vietnam;
- (ii) Ms Euleen Goh's extensive knowledge and experience in the risk environment for banks is instrumental in helping DBS navigate the complex and challenging risk landscape in view of the global economic slowdown, low/negative interest rate climate and on-going geopolitical issues (such as the US-China trade war and social unrest in Hong Kong);
- (iii) it is in DBS' interests for Mr Ho Tian Yee to remain on the Board as he is currently the only Director with both banking experience as well as expertise in market risk and trading; and

(iv) as Group CEO, Mr Piyush Gupta should remain as a Director to provide the Board with insights into the business.

### Re-election of Directors

Under the Constitution of DBSH, one-third of Directors who are longest-serving since their last re-election are required to retire from office and, if eligible, stand for re-election at each 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. In addition, new Directors (who are appointed in between AGMs) are required under DBSH's Constitution to stand for re-election at the first AGM after their appointment. The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM.

Prior to each AGM, Group Secretariat informs the NC which Directors are required to retire at that AGM. The NC will then review the composition of the Board and decide whether to recommend to the Board the re-election of these Directors, after taking into account factors such as their attendance, participation, contribution, expertise and competing time commitments.

At the 2020 AGM, Mr Ho Tian Yee, Mr Olivier Lim, Mrs Ow Foong Pheng and Mr Peter Seah will be retiring by rotation. At the recommendation of the NC and as approved by the Board, they will be seeking re-election as Directors at the 2020 AGM.

### Review of composition of Board Committees

The NC regularly reviewed the size and composition of the Board committees in 2019 to ensure that all independence requirements continue to be met, and that the Board committees are of an appropriate size and comprise the appropriate balance of skills, knowledge and experience, as well as diversity of nationality, age and gender.

With effect from 1 October 2019, Mr Danny Teoh (who had served for more than 9 years by then) stepped down from the AC and the NC after he was re-designated as a non-independent and non-executive Director under the Banking CG Regulations. Mr Tham Sai Choy was appointed as the AC Chairman and as a member of the NC with effect from 1 October 2019.

### 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 2019, there were sessions on (i) Disruptive trends in technology; (ii) Analytics-Based Lending - Modeling Approach, Risks and Lessons Learnt; (iii) Sustainable Development Goals and impact on the banking industry; and (iv) Open Banking and Financial Planning Digital Service.

### Board diversity

We recognise that diversity is not merely limited to gender or any other personal attributes. We adopted a Board Diversity Policy which recognises the importance of having an effective and diverse Board, and states that the NC is responsible for setting the relevant objectives to promote and achieve diversity on the Board. In discharging its duties, the NC shall give due regard to the benefits of all aspects of diversity and strive to ensure that the Board is appropriately balanced to support the long-term success of DBS. The main objective of the Board Diversity Policy is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of DBS. The Board Diversity Policy also requires female representation. The NC ensured that female candidates are included for consideration when identifying candidates to be appointed as new Directors. The NC was satisfied that the objectives of the Board Diversity Policy continue to be met.

### Board Executive Committee (EXCO)

#### Key responsibilities of the EXCO

- Approves 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;
- Reviews weak credit cases on a quarterly basis;
- Oversees the governance of strategic risks such as sustainability (including review of the annual Sustainability Report), technology, artificial intelligence and data (including data privacy and appropriate use of data); and
- Reviews and provides recommendations on matters that will require Board approval, including acquisitions and divestments exceeding certain material limits.



### Highlights of EXCO's activities in 2019

The EXCO assists the Board to enhance the business strategies and strengthen core competencies of DBS. The EXCO meets frequently (12 meetings in 2019) and is able to offer greater responsiveness in the decision-making process of DBS.

In addition to its quarterly review of weak credit cases, matters discussed at the EXCO meetings in 2019 include (i) the key considerations and implications of transitioning to quarterly dividends and bringing forward our AGM; (ii) our first standalone Sustainability Report 2018, and our approach to coal financing; (iii) implications of macro-economic issues on our franchise; (iv) our regional data centre strategy; (v) renewal of the credit programmes in Singapore and Hong Kong for SMEs; and (vi) various acquisition and investment opportunities.

### Audit Committee (AC)

#### Key responsibilities of the AC

#### Financial reporting and disclosure matters

- Monitors the financial reporting process, significant financial reporting issues and judgements to ensure the integrity of the Group's consolidated financial statements;
- Reviews the Group's consolidated financial statements, other financial disclosures (including Basel Pillar 3 disclosures) and any announcements relating to the Group's financial performance prior to submission to the Board; and
- Provides oversight of external disclosure governance.

#### Internal controls

- Reviews (in parallel with the Board Risk Management Committee) the adequacy and effectiveness of internal controls, such as financial, operational, compliance and information technology controls, as well as risk management systems;
- Receives updates on significant incidents of non-compliance with laws and regulations, and reviews management's investigations of such incidents;
- Reviews and monitors remedial action plans to address significant internal control deficiencies identified by management, Group Audit, the external auditor and/ or regulators;
- Ensures that there are policies and arrangements in place 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 ensures that arrangements are also in place for such concerns to be

independently investigated and for appropriate follow-up action to be taken;

- Reviews the significant matters raised through the whistle-blowing channel; and
- Reviews all material related party transactions (including interested person transactions) and keeps the Board informed of such transactions, and the findings and conclusions from its review.

#### Internal audit

- Reviews at least annually, the independence, adequacy and effectiveness of the Group's internal audit function (Group Audit) and processes, and ensures that Group Audit is adequately resourced and set up to carry out its functions, including approving its budget;
- Reviews Group Audit's audit plans, the proposed areas of audit focus, and results of audits;
- Ensures that an internal quality assurance review (QAR) of Group Audit is conducted annually, and that an independent QAR is conducted at least once every five years; and
- Approves the hiring, removal, resignation, evaluation and compensation of the Head of Group Audit.

#### External auditor

- Determines the criteria for selecting, monitoring and assessing the external auditor, and makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- Approves the remuneration and terms of engagement of the external auditor;
- Reviews and discusses the key audit matters (identified by the external auditor pursuant to auditing standards) with the external auditor and management, and ascertains if these matters are presented appropriately;
- Reviews the scope and results of the external audits and the independence, adequacy and objectivity of the external auditor;
- Ensures 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; and
- Reviews the assistance given by management to the external auditor.

### Highlights of AC's activities in 2019

#### Oversight of financial reporting and internal controls

The AC reviewed quarterly 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. The AC also reviewed significant accounting matters, which included the review of the implementation of new accounting standards.

*Please refer to the table on page 53 for further information on these significant matters. These matters are also discussed in the independent auditor's report on pages 112 to 114.*

The AC is of the view that the Group's consolidated financial statements for 2019 are fairly presented in conformity with the relevant Singapore Financial Reporting Standards (International) (SFRS(I)) in all material aspects. The Board has been notified that the Group's external auditor, PricewaterhouseCoopers LLP (PwC), has read and considered the other information (i.e. other than the financial statements and auditor's report thereon) in the annual report, whether financial or non-financial, in accordance with the Singapore Standard of Auditing 720. For the financial year ended 31 December 2019: (i) no material inconsistencies between the other information, the financial statements and PwC's knowledge obtained in the audit; and (ii) no material misstatements of the other information, have been reported.

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

#### Oversight of Group Audit

The AC has direct oversight of Group Audit and receives quarterly reports from Group Audit. Please refer to pages 56 and 57 for details on Group Audit's key responsibilities and processes.

The AC assessed the adequacy, effectiveness and independence of Group Audit, and is of

the view that Group Audit is independent, effective and adequately resourced. Group Audit 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 the audit plans, current work, key findings and other significant matters.

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

The AC has unfettered access to the external auditor. Separate sessions were held during each of the four quarterly AC meetings in 2019 for the AC to meet with the external auditor without the presence of management 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 Practice Guidance 10 of the 2018 Code, 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 PwC, for the financial year ended 31 December 2019 and the breakdown of the fees for audit and non-audit services, are set out in the table below. 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 2019	SGD (million)
For audit and audit-related services	8.4
For non-audit services	1.6
<b>Total</b>	<b>10.0</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 its 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.

Based on these considerations, the AC has recommended, and the Board has endorsed, the re-appointment of PwC for shareholders’ approval at the 2020 AGM. The Group has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to its external auditor.

### External Auditor Re-tender exercise

In response to MAS’ requirement for banks headquartered in Singapore to undertake a mandatory re-tender for their external

### AC commentary on key audit matters

Significant matters	How the AC reviewed these matters
<b>Specific allowances for loans and advances</b>	The AC reviewed the significant non-performing credit exposures periodically and considered management’s judgments, assumptions and methodologies used in the determination of the level of specific allowances required. The AC noted that major weak credits would have been reviewed by the EXCO quarterly. The AC was also apprised of PwC’s assessment following its credit review, which included a sampling across performing, watch-list and non-performing portfolios to assess the appropriateness of the loan ratings and classification, as well as the adequacy of specific allowances where applicable. The AC is of the view that the specific allowances that have been set aside for non-performing credit exposures are appropriate.
<b>General Allowances</b>	The AC reviewed the governance arrangements as well as the key drivers of the quarterly movements in Stage 1 and Stage 2 Expected Credit Loss (General Allowances), including changes in portfolio asset quality, adjustments made to reflect prevailing economic and geopolitical conditions and thematic overlays. The AC was also apprised of PwC’s observations from their audit of the General Allowances methodology, processes and controls, and took note of the regulatory allowance that has been set aside as part of the revised MAS Notice 612, as well as the overall portfolio allowance coverage. The AC considers the General Allowances to be within a reasonable range.
<b>Goodwill impairment assessment</b>	The AC reviewed the methodology and key assumptions, including the macroeconomic outlook, developments such as the social unrest situation in Hong Kong and other key drivers of cash flow projections, that are 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. The AC was also apprised of PwC’s observations from its review of management’s goodwill impairment assessment. The AC concurs with management’s assessment that goodwill is not impaired as at 31 December 2019.
<b>Valuation matters</b>	The AC reviewed the fair value hierarchy of financial instruments held at fair value, the quarterly movements in valuation reserves, the appropriateness of the Group’s valuation methodology in light of industry developments, and the overall adequacy of valuation reserves. The AC was also apprised of PwC’s observations from its assessment of the Group’s controls over the valuation process, as well as its independent estimates of fair value. The AC considers the valuation process, policies and estimates as adopted and disclosed in the financial statements to be appropriate.

auditors if their incumbent auditor has been appointed for a period of 10 or more consecutive years (MAS Notice 615), the AC conducted a re-tender exercise in 2019. The selected external auditor will be responsible for the audit of the Group from financial year 2021.

As part of the re-tender process, four international audit firms were invited to submit their proposals. The submitted proposals were reviewed by an evaluation committee comprising the AC Chairman, Group Chairman, CEO and key control/support heads. Three firms (including PwC) were shortlisted to present their proposals to the AC. The AC assessed and deliberated on the proposals presented by each shortlisted firm, taking into consideration factors such as (i) the competencies and commitment of the proposed lead partner and audit team, (ii) the technology capabilities and other value-added services/differentiating factors, (iii) the audit approach; and (iv) the reputation, audit quality and audit service quality, of each shortlisted audit firm. The AC also considered management feedback on each shortlisted audit firm. The AC concluded that of the three shortlisted firms, PwC has the most appropriate level of expertise, experience, resources, infrastructure and geographic coverage to provide effective audit service to DBS.

Based on the results of the re-tender exercise, the AC has recommended, and the Board has endorsed, PwC to continue as the Group's external auditor.

## Board Risk Management Committee (BRMC)

### Key responsibilities of the BRMC

- Supports the Board and management in setting the tone from the top so as to embed and maintain appropriate risk culture;
- Guides the development of and recommends for Board approval the risk appetite for various types of risk and exercises oversight on how this is operationalised into individual risk appetite limits;
- Approves the Group's overall and specific risk governance frameworks;
- Has direct oversight of the CRO (jointly with the CEO);
- Oversees the risk assessment framework established to manage the Group's financial crime, cyber-security, fair dealing and regulatory risks;
- Oversees an independent group-wide risk management system and adequacy of

- resources to identify and evaluate risks;
- Reviews (in parallel with the Audit Committee) the adequacy and effectiveness of the Group's internal controls framework;
- Monitors market developments, such as macro-economic, credit, industry, country risk and stress tests related to these developments;
- Monitors risk exposures and profile against relevant risk thresholds, and risk strategy in accordance with approved risk appetite and/or guidelines;
- Discusses risk reporting requirements and reviews the risk dashboard to keep track of major risk positions and risk developments;
- Monitors the quarterly portfolio reviews of total exposures as well as large exposures and asset quality;
- Discusses large risk events and subsequent remedial action plans;
- Approves risk models which are used for capital computation and monitors the performance of previously approved models;
- Exercises 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;
- Approves the Business Continuity Management attestation and Group-wide Recovery Plan; and
- Exercises oversight of regulatory requirements relating to risk management.

### Highlights of BRMC's activities in 2019

The BRMC was kept informed of major risk positions and risk developments through the risk dashboard. 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 we operate. The BRMC also provided guidance, where appropriate, to management. The BRMC considered vulnerabilities such as the global economic outlook, political landscape, liquidity tightening, interest rates shifts and market volatility, all of which could impact our strategy and portfolios in these markets.

In 2019, the BRMC discussed the findings and the impact arising from scenario analyses and portfolio reviews conducted on certain countries and specific sectors, including:

- the global economic growth outlook, the effect of on-going geopolitical tensions and, trade and technology protectionism;

- China's liquidity situation and economic slowdown;
- US interest rate cuts;
- the decline in shipping rates as well as the effects of the International Maritime Organisation 2020 regulation on our shipping and ports portfolio; and
- geopolitical tensions impact on our Hong Kong and China portfolios.

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 impact of US-imposed tariffs and Chinese companies put on the US entity list, on our China portfolio and supply-chain borrowers. It was kept informed of the utilisation of market risk limits (for both banking and trading books), the liquidity risk profile and limit utilisation (in all major currencies and legal entities), and the key operational risk profiles of the Group. The BRMC was also advised on the continued focus on global trends on fair dealing and conduct risks, financial crime and cybersecurity environment and efforts made to address these risks. The BRMC approved and monitored the performance of various risk models. The BRMC received regular updates on risk appetite and economic capital utilisation, and was apprised of regulatory feedback and developments (such as approaches for risk models and capital computation) and Basel requirements. In addition, the BRMC was updated on the action plans following the internal group-wide risk and control culture survey conducted in 2018. We also conducted self-assessments of our risk and control culture against industry benchmarks.

*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

- Exercises supervisory oversight of the overall principles, parameters and governance of DBS' remuneration policy and ensures the alignment of compensation with prudent risk taking to build a long-term sustainable business;
- Oversees the remuneration of senior executives and directors, including making recommendations to the Board on the remuneration of executive directors; and
- Exercises oversight on management development and succession planning of the Group and ensures that robust plans are in place to deepen core

competencies and bench strength as well as strengthen leadership capabilities and talent pipeline for the continued success of the Group.

### Highlights of CMDC's activities in 2019

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

*Please refer to the Remuneration Report on pages 61 to 65 for details on the remuneration of the CEO and DBS' remuneration strategy.*

The CMDC reviews and approves DBS' remuneration policy and the annual variable pay pool, which are also endorsed by the Board. The CMDC provides oversight of the remuneration principles of the CEO, senior executives and control functions to ensure that they are 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.

During the year, the CMDC reviewed DBS' refreshed and simplified PRIDE! behaviours to sharpen the focus on culture. To reinforce the PRIDE! behaviours, DBS also introduced a dual rating system to emphasise the importance of both the 'What' and 'How', and to send the signal that the demonstration of these behaviours is as critical as goal achievement in evaluating our people. The dual rating system will help our managers to: (i) sharpen the development and coaching conversations, (ii) have better differentiation for compensation and promotions; and (iii) identify employees with high potential (HIPOs).

We have a robust disciplinary framework linked to individual compensation. The CMDC was apprised of the impact of disciplinary actions on individuals' compensation when approving the annual variable compensation pool and noted that (i) the Group's risk management and internal control systems are adequate and effective, and (ii) the 2019 Risk & Culture score from the Aon Hewitt My Voice survey remains stable at 88%.

#### 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, as well as development plans of our HIPOs.

The CMDC reviewed the succession plans of CEO and the GMC members based on our

### Annual directors' fee structure for 2019

Basic annual retainer fees	SGD
Board	100,000
Lead Independent Director	75,000
<b>Additional Chairman fees for:</b>	
Board	1,450,000
Audit Committee	90,000
Board Risk Management Committee	90,000
Compensation and Management Development Committee	65,000
Executive Committee	75,000
Nominating Committee	45,000
<b>Additional committee member fees for:</b> <i>(Note: Board committee chairpersons do not get these fees)</i>	
Audit Committee	60,000
Board Risk Management Committee	60,000
Compensation and Management Development Committee	35,000
Executive Committee	60,000
Nominating Committee	30,000

proprietary "Key Success Factors" framework, which comprises the following four dimensions of a DBS senior leader success profile: (i) domain knowledge, (ii) critical experiences, (iii) leadership competencies and (iv) leadership 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 CMDC also reviewed the development plans for the emerging young HIPOs with potential for GMC roles. We have a robust HIPO identification process based on the "3P framework" namely Performance, PRIDE! and Potential. We assess potential based on Ability, Aspiration and Engagement. To develop our HIPOs, we have a "triple-E development framework" (EEE) which focuses on 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 HIPOs.

In 2019, 43% of our HIPOs took on an enhanced or changed role, well above our target of 30%. HIPO attrition was healthy at 8%, within our target of below 10%.

#### Remuneration of Non-Executive Directors

*Please refer to pages 46 to 47 for details of remuneration of each Non-Executive Director (including the Chairman) for 2019.*

The CMDC reviews and recommends a framework to the Board for determining the remuneration of all Non-Executive Directors. The remuneration of Non-Executive Directors, including the Chairman, has been benchmarked against global and local financial institutions. Unless otherwise determined by the Board, Non-Executive Directors 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 (and excluding) the date of the AGM. The actual number of ordinary shares to be awarded are rounded down to the nearest share, and any residual balance is paid in cash. Other than these share awards, the Non-Executive Directors do not receive any

other share incentives or securities under the DBSH Share Plan.

The table on page 55 sets out the proposed annual fee structure for the Non-Executive Directors for 2019. There is no change to the annual fee structure from 2018. Shareholders are entitled to vote on the remuneration of Non-Executive Directors at the 2020 AGM.

None of the Group's employees was an immediate family member of a Director with remuneration exceeding SGD 100,000 in 2019. Although Mr Danny Teoh's daughter, Ms Lesley Teoh, was an employee of DBS Bank until early May 2019, her remuneration for 2019 did not exceed SGD 100,000. Mr Teoh was not involved in the determination of his family member's remuneration.

## Effective controls

### Group Approving Authority

The Group Approving Authority (GAA) is an integral part of our corporate governance framework.

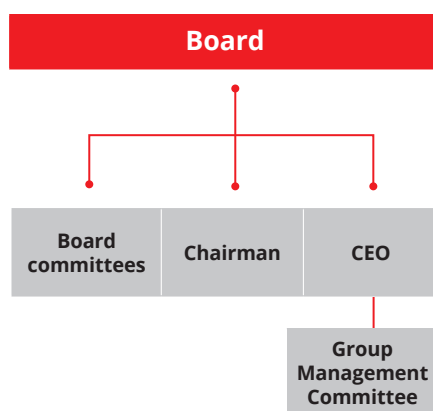
The Board's responsibilities are well defined in the GAA. The Board is the decision-making body for matters with significant impact to DBS as a whole; these include matters with strategic, financial or reputational implications or consequences. The specific matters that require board approval under the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

- 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 statement

The GAA ensures that appropriate controls and decision-making are consistently applied throughout DBS. Under the GAA,

the Board has delegated to the CEO the responsibility to ensure that the Group's businesses and operations are operated in accordance with Board-approved strategies and standards, which include responsibilities for the internal control framework within DBS. On matters where authority has been delegated to him, the CEO may further delegate his responsibilities and authorities to any GMC member or members and may empower them to, in turn, delegate their responsibilities and authorities to other executives and committees of the Group.

### Scope of delegation of authority in the GAA



The GAA covers internal authority only and does not override any specific provisions arising from statutory, regulatory, exchange listing requirements, or the DBSH's Constitution. The GAA is regularly reviewed and updated to accommodate changes in the scope and activities of DBS' business and operations. The Board approves the GAA and any change to it.

### 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.

### First line of defence

Our business and support units are our first line of defence. Their responsibilities include the identification and management of risks arising from and relating to their respective areas of responsibilities, and ensuring that our operations remain within approved boundaries of our risk appetite and policies.

DBS has an established incident notification protocol that sets out processes 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.

### Second line of defence

Risk Management Group, Group Legal and Compliance and parts of Group Technology & Operations and Group Finance form the second line of defence. They are responsible for the development and maintenance of risk management policies and processes and they provide objective review and challenge on the activities undertaken by business and support units.

### Third line of defence

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, governance framework and processes.

### 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 system of internal controls, risk management, governance framework and processes;

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
Role	Own and manage risks in respective areas of responsibility	Provide independent risk oversight, monitoring and reporting	Provide independent assurance
Unit	Business and support units	Risk Management, Legal and Compliance	Internal Audit

- 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.

Group Audit adheres to the DBS Code of Conduct and is guided by the Mission Statement in the Audit Charter. It adopted the Code of Ethics and aligned its practices with the International Professional Practices Framework established by the Institute of Internal Auditors (IIA). In addition, it has embedded IIA's 10 Core Principles for the Professional Practice of Internal Auditing into its activities.

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. The respective heads of audit in each of the five key locations outside Singapore are part of that location's management team.

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. This risk assessment methodology and approach is aligned with that of Group, including the risk taxonomy.

The assessment also covers risks arising from new lines of business, new products and emerging risks from DBS' operating environment. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators.

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. In all routine audits, Group Audit evaluates the control environment and management's control awareness which incorporates risk culture as guided by the

Financial Stability Board's Guidance on Sound Risk Culture.

Group Audit apprises regulators and external auditors of all relevant audit matters. It works closely with external auditors 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 the QAIP, internal quality assessment reviews (QAR) are conducted quarterly and external QAR are carried out at least once every five years by qualified professionals from an external organisation. In 2019, the internal QAR has been contracted to an independent assessor, Protiviti.

Group Audit leveraged on the use of data, technology and automation to provide greater insights and to enhance DBS' audit assurance. Since 2017, Group Audit has operationalised its Future of Auditing roadmap with the use of digital tools, rule-based and predictive analytics, coupled with the continuous monitoring approach to perform risk assessments and controls testing to provide better risk management insights.

### Dealings in securities

In conformance with the "black-out" policies prescribed under the SGX Listing Rules, 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. Directors and employees are prohibited at all times from trading in DBS' securities if they are in possession of material non-public information.

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.

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.

### Related Party Transactions

DBS has embedded procedures to comply with 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 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 any 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, the details of interested person transactions in 2019 are set out in the table on page 58. 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, redemption of KrisFlyer miles by DBS/ POSB credit card holders, 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

Name of interested person	Nature of Relationship	Aggregate contract value of all interested person transactions in 2019 (excluding transactions less than SGD 100,000)
CapitaLand Limited Group	Each interested person is an associate of DBSH's controlling shareholder, Temasek Holdings (Private) Limited	426,298
Certis CISCO Security Pte Ltd Group		6,668,890
Mapletree Investments Pte Ltd Group		195,726
Mediacorp Pte Ltd Group		350,001
SATS Ltd Group		964,203
Singapore Airlines Limited Group		183,160,655
Singapore Telecommunications Limited Group		22,427,855
SMRT Corporation Ltd Group		9,530,930
StarHub Ltd Group		7,116,588
Surbana Jurong Private Limited Group		15,019,590
<b>Total Interested Person Transactions (SGD)</b>		

of its subsidiary companies, and no such contract subsisted as at 31 December 2019, save as disclosed via SGXNET.

### 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 the key management personnel responsible for risk management and internal control systems provide an annual attestation to the AC relating to the 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.

### 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 2019, 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.

The Board has also received assurance from the CEO and the key management personnel responsible for risk management and internal control systems that, as at 31 December 2019, 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 assurances received, 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 2019 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.

## Strong culture

### Effective safeguards

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. Please refer to the risk culture section on page 59 for more information.
- **Aligning strategies and incentives via the balanced scorecard:** Please refer to the section on "Our 2019 priorities" on pages 26 to 33 for more information.
- **Respecting the voice of control functions:** We believe that respect for the voice of 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 56 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.

## Risk Culture

Risk Culture is closely intertwined with our corporate values and it encompasses the general awareness, attitudes and behaviour of our employees towards risks. We enhanced our Risk Culture and Conduct Survey in 2019 taking guidance from industry benchmarks to provide additional insights. The results indicated a satisfactory risk culture bank-wide, which was consistent with 2018.

In 2019, we continued to align ourselves with the industry's best practices and lessons learnt to constantly drive improvements in this area. On the governance front, the Board streamlined the responsibilities of the Board committees, and delegated the oversight of conduct and risk culture matters to the BRMC. Please refer to the Board Highlights – 2019 section on page 44 for more information. Creating awareness was the key focus as we further embedded a strong culture of risk and control across all levels within the organisation. We refreshed the “Tone from the Top” to ensure that a consistent message is cascaded throughout the organisation. In addition, we enhanced our employee onboarding training and digital communication channels to share culture-related content and to aid managers in strengthening the “Tone from the Middle”. We continue to place emphasis on conduct as part of our compensation evaluation process.

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

The 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. It also 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 wrongdoing 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 stakeholders

### Shareholder rights

DBS promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies' Act and DBSH'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. 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.

The Board provides shareholders with regular financial reports, which aim 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.

## Engagement with shareholders

Our investor relations activities promote regular, effective and fair communication with shareholders. Separate briefing sessions were conducted for the media and analysts when quarterly results were released. All press statements and quarterly financial statements have been 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.

During the year, we met with more than 600 debt and equity investors. We participated in 26 local and overseas investor conferences and 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 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.

## 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. Resolutions requiring shareholders' approval are tabled separately for adoption

at general meetings unless they are closely related and are more appropriately tabled together.

The minutes of our general meetings may be accessed via our website. We have disclosed the names of the Directors and senior executives who attended the 2019 AGM as well as detailed records of the proceedings including the questions raised by the meeting attendees.

To encourage greater investor participation, the Board has decided to bring forward and hold the 2020 AGM at the end of March 2020 instead of late April 2020. This will avoid the AGM peak season in the last 2 weeks of April.

### **Managing Stakeholder Relationships**

Please refer to the section on "What our stakeholders are telling us" on pages 74 and 75 for more information on how we manage our stakeholder relationships.

### **Electronic poll voting process**

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 general meeting, 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 general meeting, 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 general meeting. DBS maintains an audit trail of all votes cast at the general meeting. The outcome of the general meeting (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET within the same day after the conclusion of that meeting.