

## **Corporate Governance Report**

Bank of Singapore Limited (the "Bank"), is incorporated in Singapore and is a wholly-owned private banking subsidiary of Oversea-Chinese Banking Corporation Limited ("OCBC Bank").

The Bank operates under a full bank license granted by the Monetary Authority of Singapore ("MAS").

As a Singapore incorporated entity, the Bank has complied with the following instruments related to corporate governance issued by the MAS, in addition to the requirements in the Companies Act (Cap 50).

- Banking (Corporate Governance) 2005 (the "Regulations"); and
- Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore (the "Guidelines").

These instruments provide rules and guidance on best practices that a locally-incorporated bank should strive to achieve in relation to its corporate governance. The Bank has complied with all the Regulations and has taken measures to observe the Guidelines, where applicable.

### **BOARD OF DIRECTORS**

#### **Board Composition and Independence**

The Board currently comprises 5 independent Directors, 1 non-executive and non-independent Director and 1 Executive Director.

Mr Ching Wei Hong, the Bank's Chairman (and also OCBC Bank's Deputy President and Head of Global Wealth Management and Consumer Banking) had served as a director of the Bank since January 2010. In accordance with the Regulations, he is non-independent having served on the Board for more than 9 years. While the Guidelines note that a Lead Independent Director (LID) should be appointed when its Chairman is non-independent, the Bank will not appoint a LID because OCBC Bank is the Bank's sole shareholder and the Board comprises a majority of directors who are independent from the Bank.

The 5 independent Directors, Mr Quah Wee Ghee, Ms Helen Wong, Mr Vincent Choo, Mr Kenneth Lai and Mr Lai Teck Poh meet the criteria for independence as prescribed under the Regulations. Ms Helen Wong is the Group Chief Executive Officer (CEO) of OCBC Bank and Mr Vincent Choo and Mr Kenneth Lai are members of OCBC Bank's senior management.

Mr Lai Teck Poh, Mr Kenneth Lai and Ms Helen Wong joined the Board on 1 January 2020, 9 November 2020 and 15 April 2021 respectively. The Board has also assessed and appointed Mr Noel Gerald DCruz, currently Head of Credit Risk Modelling in OCBC Bank, as Alternate Director to Mr Vincent Choo on 26 June 2020. Mr Lai Teck Poh, Mr Kenneth Lai, Ms Helen Wong and Mr Noel Gerald DCruz meet the criteria for independence as prescribed under the Regulations. Mr Lam Kun Kin and Mr Samuel Tsien resigned as Directors on 1 October 2020 and 15 April 2021, respectively, upon their retirement from OCBC Bank.

Executives of OCBC Bank are assessed to be independent from management and business relationships with the Bank but prima facie not independent from the sole (and thus substantial) shareholder as they are under the employment of OCBC Bank. Nevertheless, where the substantial shareholder is a bank incorporated in Singapore, the Regulations allow Directors of the Bank who are concurrently employees of the substantial shareholder to be treated as if they were independent from the substantial shareholder for the purpose of compliance with the Board composition provisions under the Regulations.

The Bank's sole Executive Director is Mr Bahren Bin Haji Sha'ari, who was appointed the Bank's Chief Executive Officer and Executive Director on 1 February 2015.

The roles of the Chairman and the CEO are separated, which is consistent with the principle of instituting an appropriate balance of power and authority. The Chairman is required to lead and ensure that the Board conducts its roles and responsibilities effectively through, for example, setting the Board meeting agenda, ensuring that Directors receive accurate, timely and clear information, encouraging constructive relations between the Board and Management and facilitating effective contribution from all directors whilst ensuring that high standards of corporate governance are maintained.

The Board reviews the nomination and reasons for resignations of key appointment holders, including Directors, CEO, Chief Financial Officer (CFO) and Chief Risk Officer (CRO). It will consider the candidate's profile and qualities for appointment. All such appointments are subject to MAS approval. In accordance with the Bank's Constitution, a new Director will hold office until the next AGM, and if eligible, the Director can stand for re-election.

Each member of the Board has extensive finance industry experience and thus, collectively, provides the required skills and competencies needed to effectively guide and direct the affairs of the Bank. Details of the Directors' professional qualifications and background are described on Annex 1.

As set out in the Bank's Constitution, all Directors are subject to re-nomination and re-election at least every three years. In addition, all appointments and re-appointments of Directors have to be approved by the MAS.

### **Board Conduct and Responsibilities**

As allowed under the Regulations, the Board will, in addition to its board responsibilities, also undertake the responsibilities normally carried out by the Nominating, Remuneration and Risk Management Committees. Broadly, the responsibilities of the Board include the following:

- review and approve the Bank's overall business strategy;
- review and approve the organisation structure, developed and recommended by management;
- review and approve the Bank's remuneration framework;
- deliberate and approve the annual and interim operating plans;
- approve the annual audited accounts;
- review the adequacy of the internal financial, operational and compliance controls and risk management policies and systems established within the Bank, in line with regulatory/supervisory guidelines;
- review and approve matters that may impact on the Bank's capital adequacy;
- review any transaction for the acquisition or disposal of assets that is material to the Bank; and
- review and approve matters that impact on the responsibilities of the Board towards the local regulatory/supervisory bodies and other relevant local authorities.

The Board and Audit Committee will hold a minimum of 2 meetings per year. Prior to each meeting, members will be provided with timely and complete information to enable them to fulfil their responsibilities. Information provided include background information on matters to be addressed by the Board or Audit Committee, such as corporate governance updates, financial statements and operating plans, risk management reports and reports from the external and internal auditors.

The Board will be updated on business strategy & performance, capital adequacy, internal procedures, compliance & operational matters by the Executive Director or a Management Committee member at Board meetings.

In addition to meetings, Board members have access to the Bank's Management Committee members and to the Company Secretary to obtain any information that they may require on the Bank.

Board members are free to seek independent professional advice, at the company's expense if necessary.

### **Board Development**

On a continuing basis, the Directors attend relevant courses to familiarize themselves with the duties and obligations of a director. Where applicable, Directors will also be updated on new developments such as regulatory developments and the impact on business, new products, corporate governance and risk management, among other subjects, which are provided by individuals from either within or outside the Bank who are well-versed on the subject matters. The Directors participate in external courses as and when needed.

For new Directors, introductory information, briefings by senior executives on their respective areas and participation in external courses will be provided, where relevant. This enables new Directors to be familiar with the Bank's business, governance practices and be acquainted with management. The Bank funds the training and development for existing and new Directors that it arranged.

### **Board Assessment**

The Board reviews on an annual basis to ensure that its Directors remain qualified for office as prescribed under the Regulations. In addition, Directors are expected to set aside adequate time for their oversight of matters relating to the Bank. Directors, who are executives of OCBC Bank, are required to commit, as part of their duties as executives of OCBC Bank, the time required to perform their duties as directors of OCBC Bank's subsidiary companies once nominated by OCBC Bank to that position. All other Directors of the Bank are subject to OCBC Bank's internal guidelines on outside commitment of directors, which ensures that directors set aside adequate time to oversee matters relating to the Group. Generally, a Director who has full-time employment in any organisation, shall have appointment in no more than 3 other listed company, while a Director who has no full-time employment, shall have appointments in no more than 6 other listed companies.

### **BOARD COMMITTEES**

The Bank is exempted under the Regulations from setting up a separate Nominating, Remuneration and Risk Management Committee. An Audit Committee has been set up, as described below.

## **Audit Committee**

On 29 May 2020, Mr Lai Teck Poh replaced Mr Vincent Choo as the Chairman of Audit Committee. Following the resignations of Mr Lam Kun Kin and Mr Samuel Tsien on 1 October 2020 and 15 April 2021 respectively and the appointment of Ms Helen Wong on 15 April 2021, the Audit Committee now comprises Mr Lai Teck Poh (Chairman), Mr Ching Wei Hong, Mr Vincent Choo, Mr Quah Wee Ghee and Ms Helen Wong. All are independent from management and business relationships and a majority of the Committee are independent Directors.

The Audit Committee performs the functions specified in the Companies Act, Regulations and Guidelines.

The Board approves the terms of reference of the Audit Committee. The Committee may meet at any time but no less than 2 times a year with the internal and external auditors. It has full access to, and co-operation from, management and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the audited Financial Statements, the Audit Committee reviews and evaluates with the external and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external and internal auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The aggregate amount of fees paid to the external auditor for financial year 2020 and breakdown of total fees paid for audit and non-audit services, respectively, are shown in the Financial Statements. The Audit Committee also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance. The Bank has in place a whistleblowing policy and the Audit Committee reviews the policy as well as the arrangements by which staff or any other persons may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed up. Formal internal audit reports are sent to the Audit Committee. The Board is also updated on these reports. Relevant matters which might affect the parent Bank and Group will be brought up to the attention of OCBC Bank's Audit Committee.

In respect of the 2020 financial year, the Audit Committee

- (a) has reviewed the audited financial statements with management, including discussions of the quality of the accounting principles applied and significant judgments affecting the financial statements;
- (b) has discussed with the external auditor the quality of the above principles and judgments;
- (c) believes that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects, based on its review and discussions with management and the external auditor.

### Internal Audit Function

The Bank's internal audit function is carried out by OCBC's Group Audit, which reports functionally to OCBC Bank's Audit Committee.

OCBC Bank's Audit Committee approves the Internal Audit Charter of Group Audit and reviews the adequacy and effectiveness of the internal audit function, at least annually. In line with leading practice, Group Audit's mission statement and charter requires it to provide independent and reasonable, but not absolute, assurance that the Bank's governance, risk management and internal control processes – as designed and implemented by senior management – are adequate and effective. Group Audit reports on the adequacy and effectiveness of the system of internal controls to the Bank's and OCBC Bank's Audit Committee and management, but does not form any part of the system of internal controls. Group Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of current and emerging risks, including financial, operational, technology, cyber, compliance and strategic risks. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Bank's governance, risk management and internal control processes in meeting its strategic objectives and operating within the risk appetite established. In addition, Group Audit provides an independent assessment of the Bank's credit portfolio quality and credit risk management process. Without assuming management responsibility, Group Audit may provide consultative services to line management on certain business initiatives as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls.

The Bank's internal audit reports are tabled at both the Bank's and OCBC Bank's Audit Committees. The Audit Committees are responsible for ensuring that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored.

#### Risk Management and Internal Controls

The Board approves the appointment, resignation or dismissal of the Chief Risk Officer or its equivalent.

The Board has received assurance from the CEO and CFO on the effectiveness of the Bank's risk management and internal control system and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on the internal controls established and maintained by the Bank, work performed by the internal and external auditors, and reviews performed by management and Audit Committee, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate as at 31 December 2020, to address the risks which the Bank considers relevant and material to its operations.

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

#### **DIRECTORS' ATTENDANCE AT MEETINGS**

The Board held 4 meetings and the Audit Committee held 2 meetings in 2020. Directors attended all meetings.

## **REMUNERATION POLICY**

### **Directors' Remuneration**

The Board recommends the remuneration for non-executive and independent Directors of the Bank, where applicable. Any such remuneration is subject to shareholders approval at the Annual General Meeting.

### **Employees' Remuneration**

The Bank adopts a total compensation philosophy in rewarding employees. The level of total compensation is designed to be appropriate to attract, retain and motivate employees to contribute their best. In determining the total compensation of employees, the Bank takes into account the role and its responsibilities, the individuals' and teams' performance, and the Bank's performance, as well as market factors.

Factors such as profitability, compliance and risk, and achievement of key performance indicators are taken into consideration in determining the bonus pool for the Bank and its business units. Individual bonus allocation takes performance ratings and performance against various set of objectives into consideration.

The total compensation package for employees comprises a fixed and variable component. Fixed pay comprises base salary and any recurring, regular allowances payable in the specific location. Variable pay comprises cash performance bonuses and deferred share awards for eligible employees. All deferred awards are subject to a 3-year vesting schedule and predefined vesting conditions according to the OCBC Deferred Share Plan rules. OCBC Bank, at its absolute discretion, may cancel all or part of the unvested variable remuneration as well as clawback all or part of vested variable remuneration, that has been granted to the employee if the employee is found to have any misconduct and/or violation of any internal control policy.

The performance of risk and other control functions are measured independently of the businesses they oversee to avoid conflict of interest. Employees in these functions are assessed based on the achievement related to their respective performance measures. Annual reviews of their compensation are compared with market levels to ensure that their compensation is competitive.

In ensuring that pay levels are market-competitive, the Bank conducts annual pay benchmarking exercises against comparable financial institutions through the use of external surveys conducted by independent consultants.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. Material risk takers are identified by the Bank and approved by the OCBC Remuneration Committee (RC). These include senior management employees and other employees whose roles have significant impact on the long-term performance of the Bank. The OCBC RC approves the compensation for material risk takers and all direct reports of the Bank's CEO. The Bank's CEO approves the compensation for all other employees.

Compensation information on the remuneration and pay mix for material risk takers will be included as part of the corporate governance disclosures in the OCBC Annual Report.

Whilst the Bank has put in place a remuneration framework that is largely aligned with the principles and implementation standards on sound compensation practices developed by the Financial Stability Board, it will continue to review its compensation practices on an ongoing basis to comply with the required standards, where applicable.

The Bank does not provide any termination, retirement and post-employment benefits to its top five key management personnel.

### **Remuneration of Directors, CEO and Top 5 Key Management Personnel in 2020**

Since the Bank is a wholly-owned subsidiary of OCBC Bank, and OCBC Bank is the sole shareholder, there is limited added value to provide disclosures on the remuneration of Directors, CEO and key management personnel other than what has already been disclosed in the financial statements.

### **Remuneration of Directors' or CEO's Immediate Family**

None of the Directors and CEO have immediate family members who are employees of the Bank and whose personal annual remuneration exceeded S\$50,000.

### **RELATED PARTY TRANSACTIONS**

The Bank has established policies and procedures on related party transactions. The Audit Committee reviews material related party transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that terms and conditions of related party lendings are not more favourable than those granted to non-related obligors under similar circumstances.

**MR CHING WEI HONG, CHAIRMAN**

Mr Ching was first appointed to the Board on 29 January 2010 and last re-elected as a Director on 22 May 2018. He was appointed Chairman of the Board on 15 April 2012. He is currently the Deputy President of OCBC Bank, the Chairman of OCBC Securities Pte Ltd, Network for Electronic Transfers (S) Pte Ltd as well as Deputy Chairman of Lion Global Investors Ltd. He was appointed Deputy President of OCBC Bank on 9 January 2020 and was previously the Chief Operating Officer from April 2012. In his capacity as Deputy President of OCBC Bank, he is responsible for the Global Wealth Management and Consumer Banking Division, focusing on building the OCBC Group's consumer banking franchise, wealth management, and private banking business in its key markets in Asia. Mr Ching also oversees the Bank's Group Customer Experience Division covering data analytics, market research & experience design to deliver positive customer experiences and capabilities across its touchpoints. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 38 years of experience in regional finance, corporate banking and cash management. Before joining OCBC, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. Age 61.

**MR BAHREN BIN HAJI SHA'ARI, DIRECTOR**

Mr Sha'ari was appointed to the Board on 1 February 2015 and last re-elected as a Director on 18 May 2020. He was appointed Chief Executive Officer of Bank of Singapore on 1 February 2015. Prior to this appointment, he was the Senior Managing Director and Global Market Head of South East Asia. He has more than 30 years of banking experience. Bahren has been a non-executive and independent director of Singapore Press Holdings Ltd since April 2012. He also serves as a board member of the Institute of Systems Science at the National University of Singapore. Bahren is a member of the Council of Presidential Advisers. He was conferred the Public Service Star Medal in 2018, and the Public Service Medal in 2008. Bahren is an IBF Distinguished Fellow and holds an accountancy degree from the National University of Singapore. Age 58.

**MR VINCENT CHOO, DIRECTOR**

Mr Choo was appointed to the Board on 5 November 2014 and last re-elected as a Director on 18 May 2020. Mr Choo is currently Chief Risk Officer and Head of Group Risk Management in OCBC Bank. As the Chief Risk Officer, he covers the full spectrum of risk, including credit, technology and information security, liquidity, market and operational risk management. He reports jointly to both Group CEO and the Board Risk Management Committee of OCBC Bank. Mr Choo joined OCBC Bank from Deutsche Bank AG where his last appointment was Managing Director and Chief Risk Officer for Asia Pacific. In his 20 years at Deutsche Bank AG, he served in a number of senior roles including Head of Market Risk Management for Asia Pacific, with additional responsibilities for Traded Credit Products and Head of New Product Approval for Asia. He is a member of Management Board of NUS Risk Management Institute. He holds a Master of Arts in Economics from the University of Akron, United States. Age 59.

**MR KENNETH LAI, DIRECTOR**

Mr Kenneth Lai was appointed to the Board on 9 November 2020. He is currently Head of Global Treasury in OCBC Bank and has global responsibility for OCBC Bank's financial market businesses and asset liability management in Singapore, Malaysia, Indonesia, Hong Kong, China and seven other overseas centres. He has over 31 years of experience in different functions across trading, sales and asset liability management and across different countries in Asia. Mr Lai is also a Director of Clearing and Payment Services Pte Ltd and OCBC Securities Pte Ltd and serves on Great Eastern Group's Asset/Liability Committee and Investment Committee. He is a member of the Singapore Foreign Exchange Market Committee, and member of the Institute of Banking and Finance Singapore's Financial

Markets Regulatory Practices Examination Board. Before joining OCBC Bank, he was the Head of Financial Markets at Ta Chong Bank in Taiwan and has held several key appointments with ABN AMRO bank. He started his career at Bankers Trust Company. Mr Lai holds a Bachelor of Science in Finance from Virginia Polytechnic Institute and State University. He is also a Fellow Member of the Institute of Banking & Finance Singapore. Age 53.

#### **MR LAI TECK POH, DIRECTOR**

Mr Lai was appointed to the Board on 1 January 2020 and elected as a Director on 18 May 2020. He is currently a Director of AV Jennings Ltd and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai has extensive banking experience and knowledge, having served more than 20 years in OCBC Bank in several senior capacities, including Head of Corporate Banking, Head of Information Technology & Central Operations, Head of Risk Management, Head of Internal Audit, and as a Director from June 2010 to December 2019. Before joining OCBC, he was Managing Director of Citicorp Investment Bank Singapore Ltd and had been with Citigroup for about 20 years, including serving stints with Citibank N.A. in Jakarta, New York and London. Mr Lai holds a Bachelor of Arts (Honours) from the National University of Singapore. Age 76.

#### **MR QUAH WEE GHEE, DIRECTOR**

Mr Quah was appointed to the Board on 1 January 2014 and last re-elected as a Director on 22 May 2019. He began his career at IBM and in 1987, joined the Government of Singapore Investment Corporation, where he last held the position of President of Public Markets. He is a Founding Partner and the Chief Investment Officer of Avanda Investment Management Pte Ltd, Director of The Great Eastern Life Assurance Co Ltd and Great Eastern General Insurance Ltd, and an advisor to Wah Hin & Company (Pte) Ltd's Investment Committee. He was a Director of OCBC Bank from January 2012 to December 2020. He holds a Bachelor of Engineering (Civil Engineering) from the National University of Singapore and is a Chartered Financial Analyst and Alumni Member of the Stanford Graduate Business School. Age 59.

#### **MS HELEN WONG PIK KUEN, DIRECTOR**

Ms Wong was appointed to the Board on 15 April 2021. She is currently the Group Chief Executive Officer of OCBC Bank and a Director of Great Eastern Holdings Limited, OCBC Bank (Malaysia) Berhad, OCBC Overseas Investments Pte Ltd and Dr Goh Keng Swee Scholarship Fund. She is also a council member of the Association of Banks in Singapore. Ms Wong joined OCBC Bank in February 2020 as Deputy President and Head of Global Wholesale Banking, with global responsibility for all banking relationships with corporates and financial institutions; as well as transaction banking and investment banking businesses. She started her career in banking with OCBC Bank in 1984 and was OCBC Bank's first China Desk Manager. She moved on to other banks in Hong Kong before joining HSBC in 1992. Her last position in HSBC was Chief Executive, Greater China with responsibilities over the business in Mainland China, Hong Kong SAR, Macau SAR and Taiwan. Ms Wong holds a Bachelor of Social Sciences from the University of Hong Kong. Age 59.

#### **MR NOEL GERALD DCRUZ, ALTERNATE DIRECTOR TO MR VINCENT CHOO**

Mr Noel Gerald DCruz was appointed to the Board on 26 June 2020 as Alternate Director to Mr Vincent Choo. He is concurrently the Head of Group Risk Portfolio Management and the Head of Group Data Management at OCBC Bank. His responsibilities include the development and implementation of credit risk models and methodologies used in credit underwriting, assessments of capital adequacy and portfolio allowances, development of risk appetite frameworks and credit risk dashboards, and establishment of enterprise-wide stress testing programs. He also oversees the development and implementation of OCBC's data governance and management framework so as to enable data to be used more effectively and meet the imperative for more effective risk data aggregation and reporting. Noel is a member of the OCBC Bank's Credit Risk Management Committee, Risk Capital Committee, and Group Data Management Committee. He currently chairs the ABS Standing

Committee on Data Management. Prior to joining OCBC Bank, he was an Assistant Director in Monetary Authority of Singapore. Noel graduated from the London School of Economics, majoring in Accounting and Finance, and was a Chartered Financial Analyst. He has also completed the Asian Financial Leaders Programme with Singapore Management University in 2019. Age 61.