

Corporate governance

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Compliance and approval

For the financial year ended 31 December 2016, we have complied:

- with the Banking (Corporate Governance) Regulations 2005 (Banking Regulations), and
- in all material aspects with the principles laid down by the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued on 3 April 2013, which comprises the Code of Corporate Governance 2012 (Code) and supplementary guidelines and policies added by the Monetary Authority of Singapore (MAS) (collectively referred to as the Guidelines) to cater to the diverse and complex risks undertaken by financial institutions.

We provide a summary disclosure on our compliance with the Guidelines on pages 70 to 73 of this Annual Report.

Where to find key information on each Director?

In this Annual Report:

- Pages 58 to 59 – Directors' independence status, appointment dates, meeting attendance and remuneration details
- Pages 194 to 198 – Directors' length of directorship, academic and professional qualifications and present and past directorships

At our website (www.dbs.com): Directors' biodata

Governance framework

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

The Board believes that corporate governance principles should be embedded in our corporate culture. Our corporate culture is anchored on (a) competent leadership, (b) effective internal controls, (c) a strong risk culture and (d) accountability to shareholders. Our internal controls cover financial, operational, compliance and technology, as well as risk management policies and systems.

We work closely with our regulators to ensure that our internal governance standards meet their increasing expectations. We are committed to the highest standards of corporate governance, and have been recognised for it. We have won SIAS' Corporate Governance Award in the Big Cap category four years in a row (2013 to 2016). We are ranked first runner-up in the Singapore Governance and Transparency Index (SGTI) 2016, moving up two spots from the year before. The SGTI 2016 has been updated based on guidelines from the Code and G20/OECD Principles of Corporate Governance.

DBS corporate governance framework

Competent leadership

Effective internal controls

Strong risk culture

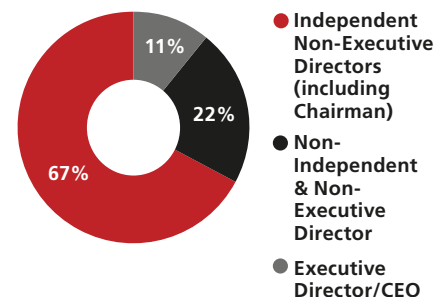
Accountability to shareholders

Key features of our Board

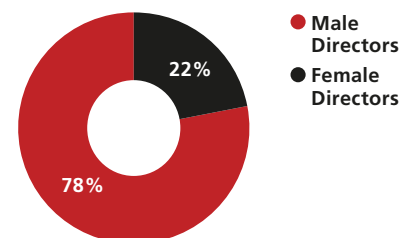
- Separation of the role of Chairman and Chief Executive Officer (CEO)
- Other than the CEO, none of the other Directors is a former or current employee of DBSH or its subsidiaries
- Chairpersons of the Board and all Board committees are Independent Directors
- Remuneration of Non-Executive Directors (including the Chairman) does not include any variable component

- To stimulate fresh thinking, external experts are regularly invited to the annual Board strategy offsite and to conduct Directors' training sessions

Independence

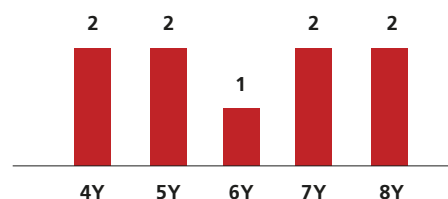


Gender diversity

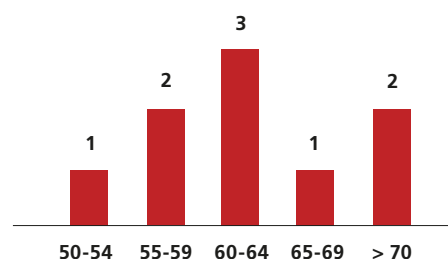


Director's length of service

No. of years (Y)



Age group of our Directors



1 Leadership

Board composition

The Board has adopted a diversity policy, which recognises the importance of having an appropriate balance of industry knowledge, skills, experience, professional qualifications, gender and nationalities to build an effective and cohesive board. In particular, the Board has set an objective of having female representation.

Board members have a broad range of experience and deep industry expertise. We have a good balance between continuity and fresh perspectives on the Board. We have a high proportion of Independent Non-Executive Directors (six out of nine directors). The size and composition of the Board is appropriate given the current size and geographic footprint of DBS' operations.

Role of the Chairman and the CEO

There is a very positive and constructive working relationship between our Chairman (Mr Peter Seah) and CEO (Mr Piyush Gupta). Our leadership model ensures an appropriate

balance of power, accountability and independence in decision-making.

The CEO heads the Group Executive Committee and the Group Management Committee. He oversees the execution of DBS' strategy and is responsible for managing the day-to-day operations. The Chairman is responsible for leading the Board and maintaining our corporate governance standards. The Chairman provides clear leadership with respect to DBS' long-term growth and strategy. He guides the Board through its decision-making process and also ensures that the Board operates effectively as a team.

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

Time commitment of the Chairman's role

The role of the Chairman of DBSH requires significant time commitment. Mr Peter Seah

sits on all Board committees. He 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. Mr Peter Seah regularly represents DBS in official external engagements, and he also sets aside time to attend DBS' internal events upon the invitation of management.

The Nominating Committee held an ad-hoc meeting to discuss Mr Peter Seah's ability to commit time to the Board and to DBS generally prior to his appointment as chairman of Singapore Airlines Limited. Before he took on the role as deputy chairman of Singapore Airlines Limited, Mr Peter Seah had stepped down from the boards of CapitaLand Limited and STATS ChipPAC Ltd. He has since also stepped down from the board of StarHub Ltd. The Nominating Committee (other than Mr Peter Seah who recused himself from the decision) agreed that he has sufficient time and bandwidth to discharge his obligations to DBS. The Board (other than Mr Peter Seah who recused himself from the decision) considered the matter and agreed with the Nominating Committee's view.



Role of the Board

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



Mr Peter Seah's role in our board committees

Chairman

- Board Executive Committee
- Compensation and Management Development Committee
- Nominating Committee

Member

- Audit Committee (AC)
- Board Risk Management Committee (BRMC)
- *There are separate chairpersons for the Board committees, which oversee the internal controls and risk management functions, namely the AC (Mr Danny Teoh) and the BRMC (Ms Eileen Goh) respectively*
- *Chairpersons of the AC and BRMC are Non-Executive and Independent Directors*



Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards 2016

- Corporate Governance Award
- Board Diversity Award (Merit)
- Most Transparent Company
 - Financials category
 - Golden Circle Award

Singapore Governance and Transparency Index 2016

- First runner-up

Singapore Corporate Awards 2016

- Best Annual Report (Silver)

Corporate Governance Asia – Asian Excellence Awards 2016

- Best Corporate Social Responsibility (CSR)
- Best Environmental Responsibility
- Best Investor Relations, Singapore

Board's key areas of focus

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

Board meetings and activities

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

Before meeting

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

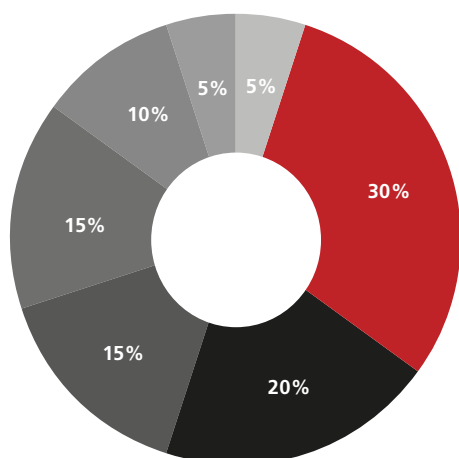
At every meeting

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

Frequent and effective engagement with the Board

- The Board is regularly updated on the performance and prospects of DBS
- Outside of Board meetings, Board approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions
- Ad-hoc meetings are held when necessary. There was no ad-hoc Board meeting held in 2016
- The CFO provides the Board with detailed financial performance reports on a monthly basis
- Directors have direct access to senior management and may request from management any additional information to make informed and timely decisions
- Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (for instance at Board hosted dinners)
- Directors have ongoing interactions across various levels, functions and countries within DBS. This allows Directors to have a better understanding of the business and operations of DBS. In addition, some Directors also sit on the Boards of the overseas subsidiaries in the Group; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries
- Directors have separate and independent access to the Group Secretary at all times. The Group Secretary attends all Board meetings and generally assists Directors in the discharge of their duties. The Group Secretary facilitates communication between the Board, its committees and management. The Group Secretary helps with the induction of new Directors. The appointment and removal of the Group Secretary require the approval of the Board

How the board spent its time in 2016



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

Board committees

Delegation by the Board to the Board committees

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

5 Board committees

- Constituted in accordance with Banking Regulations
- Comprises Directors only

Terms of reference

Sets out the:

- Responsibilities of the Board committee
- Conduct of meetings including quorum
- Voting requirements
- Qualifications for Board committee membership

Nominating Committee (NC)

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

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

Key responsibilities of the NC

- Review regularly the composition of the Board and Board committees
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board
- Conduct an evaluation of the performance of the Board, the Board committees and the Directors on an annual basis
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director
- Exercise oversight of the induction programme and continuous development programme for Board members
- Review and recommend to the Board the re-appointment of any Non-Executive Director having regard to their performance, commitment and ability to contribute to the Board as well as his or her skillset
- Make an annual assessment of whether each Director has sufficient time to discharge his or her responsibilities, taking into consideration multiple board representations and other principal commitments
- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO
- Review key staff appointments including the CFO and the Chief Risk Officer

- In accordance with the requirements of the Guidelines and Banking Regulations, a majority (three out of five members of the NC including the NC Chairperson) are Non-Executive and Independent Directors (INED).
- The NC members who are not INEDs are Mr Ho Tian Yee and Mrs Ow Foong Pheng, who are non-executive directors. Mr Ho and Mrs Ow are considered non-independent by virtue of a substantial shareholder relationship. Mr Ho and Mrs Ow do not have any business or management relationship with DBS.

Highlights of the NC's activities are as follows:

Selection criteria and nomination process for Directors

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

The NC oversees a rigorous process for the appointment of Directors. Directors are selected not just for their experience and competencies but also for their fit with DBS. The NC regularly reviews the composition of the Board and Board committees. The NC utilises a skills matrix, which takes into account each Director's skills and experience, to identify the staffing needs of each Board committee.

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

- (i) review the candidate (including qualifications, attributes, capabilities, skills, age, past experience) to determine whether the candidate is fit and proper in accordance with the MAS' fit and proper guidelines; and
- (ii) ascertain whether the candidate is independent from 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. Upon the appointment of a new Director, the NC will recommend to the Board his or her appointment to the appropriate Board committee(s) after matching the Director's skillset to the needs of each Board committee.

Board performance

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

Board evaluation process

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

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