STANDARD CHARTERED BANK (SINGAPORE) LIMITED

Company Registration Number: 201224747C
(Incorporated in the Republic of Singapore)

2016 CORPORATE GOVERNANCE REPORT

This report sets out the required governance and regulatory assurances and disclosures. As in previous years, we have sought to give an insight and a genuine understanding of the importance good governance plays across Standard Chartered Bank (Singapore) Limited (the "Company"), as well as demonstrate how it supports decisions and guides behaviours within the Company.

ABOUT US

The Company was incorporated on 8 October 2012, and is licensed by the Monetary Authority of Singapore (the "MAS") as a bank with qualifying full bank ("QFB") privileges to engage in banking business in Singapore with effect from 7 October 2013. The Company is an indirect wholly-owned subsidiary of Standard Chartered Bank ("SCB") and its ultimate parent is Standard Chartered PLC ("SC PLC"). Standard Chartered ("SC") has a history of more than 150 years in Singapore, opening its first branch in 1859. In October 1999, SCB was among the first international banks to receive a QFB licence, an endorsement of the SC Group's (the "Group") long-standing commitment to its businesses in Singapore, to build a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity.

The SCB Singapore Branch transferred its Retail Client and Medium Enterprise clients in Singapore to the Company on 7 October 2013. As a financial institution in Singapore, the Company is guided in its corporate governance practices by the principles and guidelines listed in the Banking (Corporate Governance) Regulations 2005 (the "CG Regulations") and the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore (the "CG Guidelines").

OUR APPROACH TO CORPORATE GOVERNANCE DISCLOSURES

The Company applies and complies with the spirit and intent of the provisions of the CG Guidelines to the fullest extent possible and in areas where the Company deviates, the rationale is explained in this Corporate Governance Report.

OUR BOARD OF DIRECTORS

A number of Directorship changes occurred during 2016 and early 2017. Mr. Lim Cheng Teck stepped down as Director and Chairman on 12 August 2016 and was succeeded by Mr. Ajay Kanwal, who was appointed as Director and Chairman on 17 August 2016. However, Mr. Ajay Kanwal left the Standard Chartered Group in December 2016 and as a result stepped down from the Board on 28 November 2016. The Company further appointed Ms. Anna Marrs as Director and Chairman on 20 March 2017.

Following these changes, the Board comprises of six directors. Ms Judy Hsu, Chief Executive Officer, is the sole executive director. Three directors are non-executive non-independent and there are two independent non-executive directors.

AS AT 31 MARCH 2017

Name of Director	Board Membership	Date of Appointment
Ms. Anna Marrs	Non-Executive Director and Chairman	20 Mar-17
Mr. Alan Nisbet	Independent Non-Executive Director	30 Sep-13
Mr. Alex Chan	Independent Non-Executive Director	30 Sep-13
Mr. Viswanathan Ramachandran	Non-Executive Director	20 Jan-15
Ms. Judy Hsu	Executive Director and Chief Executive Officer	1 Oct-15
Mr. Sebastian Arcuri	Non-Executive Director	12 Oct-15

Information on the directors:

Ms. Anna Marrs
Non-Executive Director and Chairman

Ms. Marrs was appointed to the Board on 20 March 2017. She has held the position of CEO, Commercial & Private Banking for SCB since 1 October 2015, and took on the additional role of Regional CEO, ASEAN & South Asia in November 2016.

Ms. Marrs joined SCB as Group Head of Strategy and Corporate Development in January 2012.

Prior to this she was a partner at McKinsey & Company. Before McKinsey she ran a financial information and technology company, having started her career with a hedge fund in New York.

- Academic and Professional Qualifications

  Bachelor of Arts
  Northwestern University of Illinois, USA

  MBA in Strategy, Finance and Marketing
  London Business School, United Kingdom.

- Directorship
  - **Present**
    - Standard Chartered Bank (Hong Kong) Limited — Non-Executive Director
  - **Preceding 3 Years in other Companies**
    - Nil

Mr. Alan Nisbet
Independent Non-Executive Director

Mr. Nisbet was appointed to the Board on 30 September 2013 and is also Chairman of the Audit Committee.

He has his own consultancy firm, Kanni Advisory, specialising in financial and business advisory services. Mr. Nisbet was previously with Deloitte, where he had a career spanning 38 years, retiring eventually as the leader of Audit and Assurance Services for Deloitte, South East Asia.

- Academic and Professional Qualifications

  Diploma in Business Studies, Accounting
  Caulfield Institute of Technology, Australia.

  Member
  Institute of Singapore Chartered Accountants

- Directorship
  - **Present**

• Kanni Advisory	Owner
• Accounting and Corporate Regulatory Authority Singapore	Director
• Halcyon Agri Corporation	Director
• KrisEnergy Limited	Director
• Ascendas Property Fund Trustee Pte Ltd	Director

  - **Preceding 3 Years in other Companies**

• Ascendas Pte Ltd	Director

Mr. Alex Chan
Independent Non-Executive Director

Mr. Chan was appointed to the Board on 30 September 2013 and is also a member of the Audit Committee. He is the Executive Vice-Chairman of Jebsen & Jessen (SEA) Pte Ltd and a director of many of the member companies in the Jebsen & Jessen Group in Singapore, Malaysia, Thailand and Vietnam.

- Academic and Professional Qualifications

  Bachelor of Electrical Engineering (First Class Honours)
  University of Singapore

  Master of Business Administration (Beta Gamma Sigma Honours)
  University of California, Los Angeles.

- Directorship
  - **Present**

• Jebsen & Jessen (South East Asia) Pte Ltd	Director
• Jebsen & Jessen Business Services (M) Sdn Bhd	Director
• Jebsen & Jessen Business Services (S) Pte Ltd	Director
• Jebsen & Jessen Business Services (T) Ltd	Director
• Jebsen & Jessen Chemicals (T) Ltd	Director
• Jebsen & Jessen Ingredients (M) Sdn Bhd	Director
• Jebsen & Jessen Ingredients (T) Ltd	Director
• Jebsen & Jessen Ingredients Holding Pte Ltd	Director
• Jebsen & Jessen Ingredients(S) Pte Ltd	Director
• Jebsen & Jessen Offshore Pte Ltd	Director
• Jebsen & Jessen Packaging (S) Pte Ltd	Director
• Jebsen & Jessen Vietnam Co Ltd	Chairman of Member's Council
• JJ-Lapp Cable (P) Inc	Director
• JJ-Lapp Cable (S) Pte Ltd	Director
• JJ-Lurgi Engineering Sdn Bhd	Director
• JJ-Pun (S) Pte Ltd	Director
• PT Jebsen & Jessen Communications	President Director
• Spindex Industries Limited	Director
• Triton Textile Pte Ltd	Director

  - **Preceding 3 Years in other Companies**

• Electra (S) Pte Ltd	Director
• Harrican Integrated Pte Ltd	Director
• Insulpack-Styrotek Pte Ltd	Director

• Jack Tat Corporation Pte Ltd	Director
• Jebsen & Jessen Chemicals (M) Sdn Bhd	Director
• Jebsen & Jessen Chemicals (S) Pte Ltd	Director
• Jebsen & Jessen Chemicals Holding Pte Ltd.	Director
• MHE-Demag (S) Pte Ltd	Director
• Superior Marine & Offshore Engineering Pte Ltd	Director

Mr. Viswanathan Ramachandran
Non-Executive Director

Mr. Ramachandran was appointed to the Board on 20 January 2015, and has been a member of the Audit Committee since April 2015. He is currently the Group Chief Risk Officer, Retail Banking of SCB based in Singapore, a position to which he was appointed in April 2014. Mr. Ramachandran joined SCB in 1987 in India and held senior positions in the Consumer Bank, including Global Product Head for Secured Lending, Chief Operating Officer, Chief Financial Officer, Regional Head of India, Middle East, Pakistan and Africa.

- Academic and Professional Qualifications

  Bachelor's degree in Economics & Statistics
  Bombay University

  Chartered Accountant
  Institute of Chartered Accountant, India.

- Directorship
  - **Present**
    - Nil
  - **Preceding 3 Years in other companies**
    - Nil

Mr. Sebastian Arcuri
Non-Executive Director

Mr. Arcuri was appointed to the Board on 12 October 2015. He is currently the Regional Head, Retail Banking, ASEAN & South Asia for SCB. He oversees the Bank's retail business in ten markets; Singapore, India, Malaysia, Thailand, Bangladesh, Indonesia, Vietnam, Brunei, Nepal and Sri Lanka. He joined SCB in July 2014 from HSBC Brazil where he was Executive Director and Head of Retail Banking and Wealth Management, and President of HSBC Insurance in the country.

Over the course of his 20 year international banking career, Mr. Arcuri has spent more than a decade building various businesses in Asia. Prior to moving to Brazil, he was based in Singapore where he managed the Consumer Banking business for HSBC, and was responsible for regional offshore business in South East Asia.

- Academic and Professional Qualifications
  - **Bachelors Degree in Human Resources**
    University of Buenos Aires, Argentina.
  - **MBA**
    Instituto para el Desarrollo Empresarial Argentino, Argentina
- Directorship
  - **Present**

• PT Bank Permata Tbk	Commissioner

• Maispe LLC	Owner / Manager
• Maispe 1207 LLC	Owner / Manager

- **Preceding 3 Years in other companies**
  - Nil

Ms. Judy Hsu
Executive Director and Chief Executive Officer

Ms. Hsu was appointed to the Board on 1 October 2015. She is the Chief Executive Officer and is responsible for business performance and franchise development as well as execution of the Company's strategy. She was previously the Global Head of Wealth Management and led the strategic development and management of wealth management products, investment strategy and advisory for the Bank.

Prior to joining Standard Chartered in December 2009, Ms. Hsu spent 18 years in Citibank in various leadership positions in wealth management, relationship management and segment strategy. Her last role in Citibank was the Head of Retail Bank & Citigold Asia Pacific and Country Business Manager, International Personal Banking.

- Academic and Professional Qualifications
  - **Bachelor in Science Microbiology**
    University of British Columbia
  - **MBA in Finance**
    University of British Columbia, Canada

- Directorship
  - **Present**

• Hype Records Pte Ltd	Director
• Standard Chartered Holdings (Singapore) Pte Ltd	Director

- **Preceding 3 Years in other companies**
  - Nil

BOARD MATTERS

The Board's Conduct of Affairs

The Board is primarily accountable to the shareholders and has the overall responsibility for the operation and management of the Company and for the proper conduct of the business of the Company. It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides leadership through oversight and review, and by providing guidance while setting the strategic direction for the Company. The Board also has overall responsibility for putting in place a framework of good corporate governance, including the processes for financial reporting and compliance. As allowed under the CG Regulations, the Board, in addition to its board responsibilities, undertakes the responsibilities of the Nominating and Risk Management Committees. The Board also performs the duty of the Remuneration Committee under an exemption received from the MAS.

Board Responsibility

The Board is collectively responsible for the long-term success of the Company and works closely with management to achieve this objective. All Board members bring their independent judgement, diverse knowledge and experience to opine on strategy, performance, resourcing and capacity planning, values and conduct. The following matters are specifically reserved for the Board:

- review and approve the Company’s long term strategy and objectives, including the fair dealing strategy;
- approve the Company’s annual operating plan and capital expenditure budget;
- oversee the management of the business and affairs of the Company in line with local regulatory/supervisory bodies and other relevant local authorities;
- review the performance of the Company in the light of its strategy, objectives, plans and budgets;
- review risk profile, risk tolerance and risk strategy;
- approve any extension of the Company’s activities into new business or geographic areas or any decision to cease to operate all or any material part of the Company’s business;
- approve related party transactions and the write-off of related party exposures;
- review and approve matters that may impact the capital and liquidity positions of the Company;
- approve the annual audited accounts;
- maintain a sound system of internal control and risk management including reviewing the effectiveness of the Company’s risk and control processes to support its strategy and objectives, as well as corporate governance reports;
- approve material acquisitions and disposals of business, assets or shares which are outside the ordinary course of business of the Company and significant in terms of the business of the Company;
- review the structure, size and composition of the Board from time to time and make any changes deemed necessary;
- review and approve the Company’s remuneration framework including the remuneration of the Independent Non-Executive Directors (“INEDs”);
- approve the appointment and removal of designated senior officers of the Company;
- approve delegated authorities for expenditure, lending and other risk exposures;
- review and approve the membership and terms of reference of Board committees;
- review succession planning of the Board and develop a continuous training & development plan for directors to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board or Board committees effectively;
- implement a formal annual effectiveness review of its own performance, its Board committees and directors to increase the overall effectiveness of the Board;
- determine the independence of non-executive directors;
- set the Company’s values and standards to ensure a high level of professional conduct of the business with respect to internal and external dealings.

As a wholly-owned subsidiary of SCB, the Company’s management structure is designed to leverage off the benefits of a global network whilst maximising the Group’s franchise value locally. It delivers local focus on clients and customers and financial performance, whilst capturing the products, expertise and scale advantages of the Group’s global business and functions.

The Board reviews and approves the appointment of the CEO, CFO, CRO, CIO and the Head of Asset Liability Management. The Board also reviews the resignation and removal of these key appointment holders.

Delegated Authority

The Board established a framework of delegated authorities to set out a clear structure for the sources of authority flowing from the Board to the management committees and respective business and functions throughout the organisation. It covers specific authority and powers to the Audit Committee and Executive Committee (“EXCO”) to enable the Board to carry out its responsibilities in an effective manner. The framework covers the Group Delegated Authority Policy, its related Group Delegated Authority Manual (“GDAM”), the Powers of Attorney (“PoA”) Policy, the Group Authorised Signatory Book (“GASB”) and the Risk Authority Framework.

The GDAM provides a comprehensive system of delegated authority to ensure that operating, business, capital and project related expenditure is approved by committees and employees with the requisite authority. It also gives the Board and the Company's senior management the delegated authorities required to carry out their day-to-day responsibilities.

The PoA Policy sets out the controls and requirements for the approval, issuance, revocation and record keeping of all PoAs issued by the Company. This is to ensure that that there is a robust and effective system for the management of PoAs within the Company.

To broaden the authority structure of the Company, the GASB serves as a guide for managing the scope of an individual's authority and issuing, publishing and distributing signatures and related information to banks worldwide, including banks in the Group.

The Risk Authority Framework sets out the delegation of authority for risk limits and risk exposures in line with the related committee governance structure that ensures risk taking authority and risk management policies are cascaded from the Board through the appropriate committees.

Our Governance Framework

		Composition	Key Objectives
Board	**Board**	**6 Directors** 2 Independent non-executive 3 non-executive 1 executive	Long-term success of the Company and for ensuring leadership within a framework of effective controls
Board	**Audit Committee**	**3 Directors** 2 Independent non-executive 1 non-executive	Oversight of the management of the Company's internal controls and financial reporting
Management Committees	**Executive Committee**		Day to day management, operation and control of the Business
Management Committees	**Asset & Liability Committee**		Managing the tactical and structural integrity of the balance sheet in accordance with policy and regulatory requirements
Management Committees	**Executive Risk Committee**		Ensures the effective management of risk in support of business strategy.
Management Committees	**Fair Dealing Governance Committee**		Delivery of fair dealing outcomes

Board Meetings and Attendance

The Board is scheduled to meet at least five times a year to review the Company's performance, budget, corporate strategy, business plans, and significant operational matters.

During 2016, there were five Board meetings. At the Board meetings, the Chairman of Audit Committee ("AC") provides an update on key matters that were discussed and considered at the AC meeting. In addition, the Board receives the minutes of the AC and the EXCO, including business performance, governance and management updates, including compliance with regulatory requirements which are covered in standing reports from the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO").

The Articles of Association allow the directors to participate in a Board meeting by telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to communicate as a group without requiring the directors' physical presence at the meeting. The Articles also allow written resolutions that are signed by all members to be as effective as if they were passed at physical meetings.

Details of the number of Board and AC meetings held during 2016, including the attendance of each Board member at those meetings are as follows:

	Board	Audit Committee
Name of Director	Number of meetings scheduled / attended	
Mr. Lim Cheng Teck	2 / 2	-
Mr. Ajay Kanwal	2 / 2	-
Mr. Alan Nisbet	5 / 5	4 / 4
Mr. Alex Chan	5 / 5	4 / 4
Mr. Viswanathan Ramachandran	5 / 5 (1)	4 / 4 (2)
Mr. Sebastian Arcuri	5 / 5	-
Ms. Judy Hsu	5 / 5	4 / 4

via conference call
by invitation

At a separate session in November 2016, the Board discussed and approved the Company's five year forward looking business strategy. The Board will continue to keep the Company's strategy under review to ensure it is sustainable and fit for growth.

BOARD COMPOSITION AND GUIDANCE

Board Composition

The Board members collectively bring a wide range and depth of experiences and industry expertise to the table, representing diversity of age, nationality, skills and knowledge. It includes experiences in the areas of strategic planning, accounting and finance, sales and marketing, and business management in the industries that are relevant to the Company.

The Board is of the view that its present size is appropriate, taking into account the current operations and requirements of the business, resourcing level for the committees, as well as the consideration of being a wholly-owned subsidiary of SCB.

The Board keeps its composition under review to ensure that it is sufficiently independent from management and business relationships and the substantial shareholder as well as having sufficient independence to challenge management and an appropriate balance of skills, knowledge, diversity of perceptions and experience relevant to the nature of Company's business.

The Company endeavours to maintain a strong and independent mindset within the Board. The independent directors make up one-third of the Board and should not serve longer than nine years.

The Board has assessed each of the Company's independent directors to be independent, after assessing whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Each director is required to disclose to the Board of any such relationships or circumstances as and when it arises.

Independence of Directors

Mr. Alan Nisbet and Mr. Alex Chan are considered independent directors. They are both unaffiliated to SCB as they are not employed by any SCB companies, they have no personal banking relationship with SCB nor do they have any connection with a substantial shareholder within the Group. None of their direct family members are employed by or have a personal banking relationship with the Company.

Ms. Marrs is not independent from the substantial shareholder as she is employed by SCB, which is regarded as a substantial shareholder of the Company. While Ms. Marrs has oversight of the Company's business as part of her regional responsibilities, she is not involved with the day-to-day business and operations of the Company and has no approval or delegated authority to make decisions in the management of the Company. None of her immediate family members are employed by the Company and she is not obliged to act in accordance with the directions and instructions of the management of the Company. In the circumstances, the Company considers that she is independent from management. Ms. Marrs does not have any involvement in a company that enters into contractual services with the Company whereby such company receives payments from or makes payments to the Company. Further, she does not have any direct control over the Company's payments or any borrowing/lending activities. She is therefore deemed to be independent from business relations with the Company.

Mr. Ramachandran is the Group Chief Risk Officer, Retail Clients for SCB. Although he has overall risk governance responsibility across the Group's Retail Clients business, he does not get involved with the day-to-day operations or partake in the Company's credit decision making process. Whilst he may be asked from time to time to give support and advice, the formal decision making of the Company's credit reviews is made by the designated credit officer employed by the Company or a relevant committee under the Executive Risk Committee, or ultimately the Board if warranted. Mr. Ramachandran is not a director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or sole proprietor, where such corporation, firm, limited liability partnership or sole proprietor carries on business for purpose of profit to which the Company or any of its subsidiaries received, payments. Therefore, he is considered independent from business relationships. Furthermore, Mr. Ramachandran is deemed to be independent from management given that he and his immediate family members are not employed by the Company or any of its subsidiaries at any time of the preceding three financial years nor is he accustomed to any obligation to act in accordance with the direction or wishes of the management of the Company or any of its subsidiaries.

Mr. Arcuri is the Regional Head, Retail Banking, ASA and has oversight of the Company's Retail Clients business as part of his regional responsibilities. He is not involved with the day-to-day business and operations of the Company and has no approval or delegated authority to make decisions in the management of the Retail Client business. He is well positioned to bring independent thinking and oversight as well as constructive challenge to the deliberations of the Board. As an employee of the Group, Mr. Arcuri is deemed not to be independent from the substantial shareholder of the Company. He does not receive compensation other than that as an employee of the Group. He does not have any involvement in a company that enters into contractual services with the Company whereby such company receives payments from or makes payments to the Company. Further, he does not have any direct control over the Company's payments or any borrowing/lending activities. He is therefore deemed to be independent from business relations with the Company. None of his immediate family members are employed by the Company or any of its subsidiaries and he is not obliged to act in accordance with the directions and instructions of the management of the Company. In the circumstances, the Company considers that he is also independent from management. However, technically under the CG Regulations, as Mr. Arcuri has been in the direct employment of the Company during the last three years he is not deemed to be independent from management. Hence, the Company cannot count him as being independent from management and business relationships.

Ms. Judy Hsu, currently the CEO of the Company and Singapore, is an executive director and has day-to-day responsibilities for the management of the Company's business. She is not independent from management and business relationships. Ms. Hsu is deemed not to be independent from the substantial shareholder as she is employed by SCB.

The Company satisfies the requirement under the CG Regulations where a majority of directors are required to be independent from management and business relationships and one-third of directors must be independent in the case where a substantial holder holds 50 percent or more of the share capital or voting power in a bank incorporated in Singapore.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Separation of the Role of Chairman and Chief Executive Officer

There is clear division of responsibilities between the Chairman and the CEO, which ensures proper balance of power and authority in the Company.

The positions of the Chairman and the CEO are kept separate. The Chairman leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman's duties and responsibilities include overseeing the strategy and direction of the Company, effectively communicating with all stakeholders and ensuring that the Company operates to the highest standards of corporate governance.

The CEO is responsible for the day-to-day operations of the Company and ensures there is quality flow of information from management to the Board. The CEO provides leadership through developing strategy, delivering an integrated plan across the businesses and functions and balancing strategy, people and talent, risk management, governance and stakeholder management. The CEO reviews the Board papers and ensures that Board members are provided with accurate, timely and clear information. Management staff who prepare board papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the board meetings.

The Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromise to accountability and independent decision-making.

Lead Independent Director

The Company has not satisfied the requirement under the CG Guidelines where the Company should appoint an independent director to be the lead independent director where the Chairman is not an independent director. The Board is of view that a lead independent director is not required because the Company is a wholly-owned subsidiary and the current Chairman is a non-executive director who is considered to be independent from management and business relationships. The independent directors have unfettered access to the Chairman to raise relevant queries to ensure that there is a check and balance between the Board and senior management. In addition, the independent directors may occasionally meet separately with the Group Chairman in the absence of the other SCB appointed directors when the opportunity arises. The last formal meeting was in October 2016 in Singapore and they joined a global call hosted by the Group Chairman in December 2016.

BOARD MEMBERSHIP

As the Company is a subsidiary of another bank, it has been permitted by the MAS to dispense with the requirement to constitute a Nominating Committee as the Board accepts all responsibilities to perform the functions of the Nominating Committee. The Board has in its matters reserved the purview to select and appoint directors and key senior management.

Board Selection and Appointment Principles

Further, pursuant to the CG Guidelines, the Board has developed a framework for the selection and appointment of new directors based on a set of broad principles:

- The Board should have sufficient independence of mindset to challenge the executive as well as an appropriate balance of skills, knowledge, diversity (this includes diversity of gender and perceptions) and experience relevant to the nature of the banking subsidiary's business.
- At least one third of the Board members must be comprised of independent directors.

- Independent directors will be interviewed by the Chairman, who will assess their suitability and whether their values and behaviours are aligned to the Company's culture and values.
- Independent directors should not serve longer than nine years. Where the Board considers the value and experience of an independent director, who is serving his/ her ninth year, outweighs the nine year term requirement, reasons for an extended term must be clearly documented with a formal annual review prior to any further extended term.
- In accordance with Company policy, due diligence/screening checks must be completed prior to the appointment of any independent director to ensure there is no undue risk posed to the Group in relation to integrity, financial soundness, conflicts of interest, related party relationships with respect to the Hong Kong and London listing or local connected lending requirements.
- Candidates must not have political appointments.
- All directors should have the capacity to devote sufficient time and commitment to attend all Board, Board committee meetings, as well as engage in other Company events.
- The Chairman, in conjunction with the CEO and independent directors, will have periodic discussions to ensure the Company maintains a diverse pool of talented leaders as prospective directors from both within the Group and externally as independent directors.
- A key consideration for an appointment from within the Group for SCB appointed non-executive directors will be the candidate's ability to bring broad knowledge of the Group to the Board's deliberations and provide context, so that the independent directors fully understand the Group's strategic direction and key priorities.
- Where practical, all prospective directors (including executive and the SCB non-executive directors) should meet the current Board directors prior to appointment.
- Robust succession plans must be maintained by the Company Secretary to ensure sound planning so as to avoid "bottlenecks" and ensure a balance of knowledge and skills as well as appropriate continuity. Exceeding the regulatory required number of independent directors during a period of transition is acceptable or where we have identified a strong candidate prior to the expiry of the tenure of an outgoing director.
- A list of prospective independent directors should be maintained by the Company Secretary and reviewed at least annually by the Chairman and CEO.
- All directors must receive a tailor-made induction on joining the Board or any Board committee and should regularly update and refresh their skills and knowledge.

When considering a candidate, the Board evaluates each recommended candidate in line with the MAS Guidelines on Fit and Proper Criteria (Guideline No: FSG-G01). In particular, the Board considers the results of litigation, bankruptcy and credit bureau searches, reviews academic professional qualifications, employment history, probity, existing directorships and the results of the fit and proper checks.

The Board also assesses whether or not a director is able to and has been adequately carrying out his duties as a director, particularly when there is multiple board representations, in order to consider the devotion of time to the Company. The Board has not set the maximum number of listed company board representations each director may hold but rather, reviews member's contributions and commitment in carrying out their board / director duties in the annual Board Effectiveness Review. The Board is satisfied that the directors have devoted sufficient time and attention to the affairs of the Company during 2016.

The CG Guidelines suggest that the Company should determine the maximum number of listed company board representations which directors may hold. The Company is of the view that setting a limit would be too arbitrary and unnecessarily prescriptive. Such a limitation would not take account of the fact that directorships invariably differ depending on the nature of a company, its size and complexity and that different directors may have varying levels of organisation skills, energy levels and capabilities. Therefore, it is considered impractical to prescribe a "one-size-fits-all" limit. It is far more important for directors to demonstrate that they can devote sufficient time to prepare and attend board meetings, undertake ongoing training and promote the best interests of the Company on an ongoing basis. It is recommended that the Company does not restrict the number of directorships as a general rule, but fully endorse the principle that each director must be able to give enough time and attention to the affairs of the Company.

Tenure of Directors

The directors' appointments are for a two-year term. As required under the CG Guidelines, all directors should submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years. The Company has procedures in place to ensure this criterion is being met before the term expires. The Articles of Association of the Company does not mandate the retirement of directors by rotation as one of the routine business to be transacted at the Annual General Meeting of the Company.

Directors Induction and Continuous Training & Development Plan

We have an extensive, robust and tailor-made induction and ongoing development programme in place for our Board members, which is kept under regular review. The programme typically consists of a mixture of briefings on specialist topics and attendance at key management meetings.

Induction Programme

Upon appointment, a new director is issued with a directors' handbook setting out a director's duties, responsibilities and disclosure obligations as a director of a financial institution. The director is also briefed on key disclosure duties and statutory obligations. The intention of the induction programme is to enable new directors to gain thorough understanding of the Company's management, business and governance practices through a series of detailed briefings by members of the senior management on the various aspects of the businesses and support functions.

First-time directors are also encouraged to enrol in the Singapore Institute of Directors' Directorships programme.

Continuous Training and Development Plan

The Board believes that knowledge, regular training and development are essential to enhance the Board's effectiveness. Directors are encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities. The Company sets aside training budget for directors to attend relevant external courses to ensure that on a continuing basis, the directors update themselves on legal, regulatory, economic and business matters relevant to the business and operations of the Company. In addition, the Company Secretary arranges for in-house sessions to brief the Board on key business and industry changes, new growth areas and from time to time when new laws or regulations affecting the Company are introduced.

In 2016, the directors attended training sessions conducted by subject matter experts for updates on regulatory changes, budgeting, auditing, financial crime, cyber security, technology risk, enterprise risk, asset liability management, fair dealing, resolution planning and directorship programs.

BOARD PERFORMANCE

Board Effectiveness

The Board has adopted an annual process for evaluating the effectiveness of both the Board and Audit Ccommittee. The evaluation was based on an online questionnaire developed specifically for the Board and Audit Committee respectively to meet a set of objectives agreed by the Board. The Company Secretary facilitated the process and proposed an action plan according to the results and comments received from each individual director. The CEO and Chairman acted on the results of the evaluation and instructed that the action plan be closely monitored to ensure successful follow through, enabling the Board to enhance its overall effectiveness.

ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfil its responsibilities, directors have unrestricted access to information and management. They are provided with timely information and comprehensive reports on material operational, risk management and financial matters of the Company to facilitate informed discussions during meetings.

Directors also have independent access to the Company Secretary, who assists them in the discharge of their duties. The Company Secretary's responsibilities include advising the Board on best practices in corporate governance and ensuring that board procedures and applicable regulations are complied with. The Company Secretary facilitates communications between the Board and management and organises the induction of new directors as well as ongoing training for existing directors.

All directors receive a set of board papers prior to the Board meeting. This is generally circulated at least seven working days prior to the meeting to give sufficient time for directors to obtain further explanations where necessary, so that they are fully prepared for the meeting. The Board papers include, among others, the following documents and details:

- background or explanation on matters brought before the Board for decision or information, including issues being dealt with by management, relevant forecasts and projections;
- minutes of the previous Board meeting; and
- minutes of meetings of the Audit Committee and the EXCO held since the previous meeting of the Board.

In addition, the members of the Board have, at all times, independent and unrestricted access to the external auditors on all matters whenever they deem necessary.

The Company Secretary attends all Board, Audit Committee and EXCO meetings and ensures that procedures for these meetings (including those stipulated in the Company's Articles of Association) are adhered to and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) are complied with.

The Board supports the taking of any independent professional advice by a director, at the Company's expense, if necessary, in order for the director to effectively discharge his duties and responsibilities.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Company has an exemption from the MAS on the requirement to set up a Remuneration Committee pursuant to Regulation 39, Part IV of the CG Regulations on the basis that the remuneration of the directors and executive officer of the Company will be subject to the remuneration framework and processes of the Group. The MAS has imposed several conditions, compliance of which is being managed by the Human Resources function in conjunction with the Company Secretary. The Board undertakes the duties of the Remuneration Committee as specified in the Matters Reserved for the Board under the Board's Responsibility section above.

The Company adopts the remuneration framework of the Group. The Group's Remuneration Committee ("RC") is comprised of independent non-executive directors. The RC reviews, and is responsible for, the principles, parameters and governance framework of the Group and its subsidiaries, as well as specifically managing executive compensation. The RC has oversight of reward policies for all employees of the Group. The terms of reference for the RC can be found on the Group's website in http://investors.sc.com/en/committees.cfm. Further information on the activities of the RC can be found in the Group's Annual Report in http://investors.sc.com/en/annual-reports.cfm.

The Board annually reviews the alignment of the remuneration framework and processes of the Company with the remuneration principles and best practices promulgated under the Corporate Governance regulations and guidelines by the MAS.

Remuneration Framework

Remuneration principles

The Group's remuneration approach is consistent with effective risk management and delivery of the Group's strategy and values. The Group's approach is underpinned by:

- A competitive remuneration opportunity that enables us to attract, motivate and retain employees;
- A clearly defined performance management framework that ensures employees have clear objectives and receive ongoing feedback;
- Remuneration outcomes that relate to the performance of the individual, the business they work in, and the Group. The Group aims to ensure that everyone is aligned to deliver long-term sustainable growth in the interests of shareholders;
- Variable remuneration that recognises the achievement, conduct, behaviours and values of each individual, ensuring reward is aligned to the Group's performance. Both what is achieved and how it is achieved is taken into account;
- An appropriate mix of fixed and variable remuneration, with the level of fixed remuneration based on an individual's role and the business' risk profile;
- Remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process globally; and
- A core level of benefits that protects all employees and reflects the Group's commitment to employee wellbeing.

Fixed and variable remuneration elements

Employees typically receive salary, pension and other benefits and are eligible to be considered for variable remuneration (determined based on both business and individual performance). Material Risk Takers ("MRTs") are subject to the 2:1 maximum ratio of variable to fixed remuneration.

	Element	Operation
Fixed remuneration	Salary	• Salaries reflect individuals' skills and experience and are reviewed annually against market information and in the context of the annual performance assessment and affordability. • Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness.
	Pension & benefits	• Benefits are provided, with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled. • Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group. • Sharesave is an all employee plan where participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the RC). An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues).

<table>
<tr><td></td><td></td><td>The Group does not award discretionary pension benefits.</td></tr>
<tr><td>Variable remuneration</td><td>Variable remuneration</td><td>
Variable remuneration rewards and incentivises the achievement of business and individual objectives as well as adherence to the Group’s values.
The proportion of variable to fixed remuneration paid to employees is carefully monitored.
Guaranteed variable remuneration is only paid exceptionally, and is limited to the first year of employment.
For MRTs, at least 40 per cent of variable remuneration must be deferred. This increases to 60 per cent if variable remuneration is at least GBP 500,000.
For other employees, annual variable remuneration over a defined threshold is subject to a graduated level of deferral, as below:

<table>
<tr><th>Variable remuneration value (USD)</th><th>Deferral percentage</th></tr>
<tr><td>≤100,000</td><td>0%</td></tr>
<tr><td>100,000 to 750,000</td><td>40%</td></tr>
<tr><td>>750,000</td><td>60% (flat rate applies to entire value)</td></tr>
</table>

Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.
Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy (previously known as Group Claw-Back policy), which enables the Group to suspend payment of awards, suspend vesting of awards, apply in-year adjustments, and apply malus and claw-back to unvested and vested variable remuneration, in specified circumstances.
</td></tr>
</table>

The Group’s variable remuneration is subject to approval by the RC, based on a recommendation by management. When considering the Group’s variable remuneration and its allocation between businesses and functions, the RC considers performance and risk factors including (but not limited to):

- The Group’s performance and capital position;
- Shareholder returns and position in the market;
- Regulatory expectations; and
- The risk and control environment and adjustments for material events/issues in the Group and/or specific business lines.

At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the values and behaviours they have demonstrated. This assessment feeds into decision-making in relation to individual variable remuneration.

Independence of remuneration decisions for control function employees

Performance and remuneration decisions for control function roles (including Risk and Compliance) are assessed independently from the Group’s revenue-generating businesses.

Management oversight of the alignment of remuneration and risk

The Group Chief Risk Officer (“GCRO”) attends key RC meetings to inform the RC of risk related matters across the Group as context to their deliberations.

A committee comprising of senior management exists to support the RC with ensuring that the Group’s remuneration policies, practices and procedures are consistent with and promote sound and effective risk management, do not encourage risk-taking that exceeds the level of tolerated risk of the Group and is in line with the Group's strategy, objectives, values and long-term interests.

Another committee, also comprising of senior management, exists to support the RC with ensuring that the ex-post risk adjustment of remuneration is designed and operated as an effective risk management mechanism where appropriate. Its key responsibilities are to review risk and control events to ensure that appropriate outcomes have been made in respect of variable remuneration (e.g. the application of in-year adjustments, malus and/or claw-back, as appropriate).

Risk, control and conduct matters and variable remuneration

Each year the Group considers whether any remuneration risk adjustments are required based on risks and issues. Adjustments can be made in relation to risks that are inherent in the Group's business activities (ex-ante) or in relation to events and issues that have crystallised (ex-post). The process includes consideration of the adjustments which are automatic and those which are discretionary. The adjustments can apply at an aggregate or individual level.

The Group's approach to aligning remuneration to sound and effective risk management is supported by:

- *Balanced performance measures:* Variable remuneration, including both annual incentive awards and the long term incentive plan ("LTIP"), are comprised of a balance of financial and strategic measures. This ensures employees are incentivised to deliver the strategy both in the short-term and over the longer term, and ensures an appropriate focus on the execution of the strategy, prudent risk-taking and investor interests.
- *Risk adjusted metrics:* The Group uses appropriate risk-adjusted metrics as a measure of performance for both the LTIP and annual scorecards. This incentivises improvements in shareholder returns whilst ensuring that returns are not generated by excessive risk taking.
- *Governance processes:* Additional governance processes provide further safeguards against inappropriate outcomes. The RC ensures that the design of measures and the subsequent remuneration outcomes are appropriate. Members of the RC serve on other Board Committees, including the Audit, Board Financial Crime Risk, Board Risk and Brand Values and Conduct Committees. This overlap of membership brings a deeper understanding to the RC of core business objectives and issues.

<u>Ex-ante and ex-post adjustments – collective level</u>

Automatic ex-ante and ex-post risk adjustments are applied at an aggregate level (i.e. Group-wide and/or at a business/function/region level) in relation to risks, events and issues that impact the financials of the Group and therefore have a direct impact on the Group's incentive funding. The Group's incentive risk adjustment framework takes into account and records the risk factors that have impacted performance in any given performance year. Risk factors include, but are not limited to, provisions, impairments and fines and losses arising out of risk events.

The Group may also apply incremental discretionary ex-ante and ex-post risk adjustments at an aggregate level where deemed necessary. In reviewing and approving the Group's variable remuneration, the RC considers what adjustments should be made for the risk and control environment and any specific risk events. The approach for determining the level of discretionary adjustment is considered on a case by case basis, taking into account the nature and actual or potential severity of the material event or risk. In applying this discretion, the RC considers a range of input including feedback from the Group Chief Financial Officer ("GCFO") and the GCRO.

At a collective level, the Group considers the application of prior year ex-post risk adjustment, following material events or issues, in the following circumstances:

- Significant failure in risk management at Group or business unit level;
- Material re-statement of Group financials;
- Material breach of regulatory guidelines (e.g. in relation to capital holdings or liquidity);
- The discovery of endemic problems in financial reporting or where, as a result of financial losses, the exercise of regulatory or government action to recapitalise the Group following material financial losses;

- As part of a recovery and resolution (or similar) activity to recapitalise the Group following material financial losses; and
- Any other circumstances deemed appropriate including those required by local regulatory obligations.

Ex-post adjustments – individual level

The majority of individual ex-post risk adjustments are made by managers at year-end. There are a number of risk, control and conduct processes that could result in in-year adjustments and prior-year adjustments being made. These include:

- *Accountability Reviews and Event Reviews:* The Accountability Review and Event Review processes assist with the determination of i) how individuals have discharged their responsibilities; and ii) whether there should be any remuneration impact in relation to specific material events.
- *Behavioural feedback:* Behavioural feedback is obtained for specific individuals to assess the risk, control and conduct behaviours that have been demonstrated during the performance year. The population includes MRTs and CEOs. Line managers must take the behavioural feedback results into consideration when making performance rating and variable remuneration proposals.
- *Manager Conduct Affirmation:* As part of the performance management process, line managers must self-declare whether any of their employees have had a risk, control or conduct breach during the performance year. Line managers must take any breaches into consideration when making performance rating and variable remuneration proposals.

Decisions on the application of ex-post risk adjustments are made in line with the Group Ex-Post Risk Adjustment of Remuneration Policy. Ex-post risk adjustment to groups of employees or at an individual level can be in the form of the application of malus and/or clawback.

In considering the application of ex-post risk adjustment on an individual basis, following material events or issues, the Group determines whether the individual:

- Caused, in full or in part, a material loss in a business unit or for the Group as a whole, as a result of reckless, negligent or wilful actions;
- Caused, in full or in part, a material error, or was involved in misconduct that would justify termination for cause;
- Failed to meet appropriate standards of fitness and propriety;
- Exhibited inappropriate values, behaviour or applied a lack of appropriate supervision; or
- Any other circumstances deemed appropriate including those required by local regulatory obligations.

Malus and clawback

Decisions on the application of malus and clawback are made in line with the Group Ex-Post Risk Adjustment of Remuneration Policy. The Group may, at its discretion, apply malus and/or clawback to variable remuneration awards for a period of up to 7 years from the date of award. Variable remuneration awards for employees who perform a Senior Manager role in relation to the PRA's Senior Manager Regime, may be subject to an extension of the clawback period to ten years from the date of award.

Identification of Material Risk Takers

The Group's Identification of MRTs for Remuneration Purposes Policy was introduced in 2014 to comply with expanded rules for identifying key risk taking staff in accordance with the European Banking Authority's ("EBA") Regulatory Technical Standards and the remuneration rules set out by the PRA and the FCA.

In line with PRA and FCA regulation, the Group applies specific rules to variable remuneration for MRTs:

- Variable remuneration is capped at two times fixed remuneration;
- A minimum of 40 per cent of variable remuneration is deferred over a period of 7 years for Senior Managers with no vesting prior to year 3, 5 years for Risk Managers and 3 years for

Other MRTs with no vesting prior to year 1, increasing to 60% when variable remuneration is greater than GBP 500,000;
- At least 50 per cent of any variable remuneration (both deferred and non-deferred) is delivered in shares; and
- Shares are subject to a minimum 6 month post-vest retention period.

The identification of MRTs is based on qualitative and quantitative criteria.

Qualitative criteria

- The qualitative criteria are based on role-based indicators such as:
  - Group executive and non-executive directors;
  - Members of the Group Management Team;
  - Senior employees within the Audit, Compliance, Legal and Risk functions;
  - Staff with authority over new products, processes or systems (including committees);
  - Senior employees within material business units ("MBU");
  - Employees who are able to initiate or approve market or credit risk exposures above a certain level and/or sign off on trading book transactions above certain threshold; and
  - Staff with managerial responsibility who report directly to a MBU head or Control Function Head and/or is the line manager for an employee who meets the qualitative criteria.
- The Group additionally assesses and, as applicable, identifies any employees that take or authorise material risk and are not already identified by the qualitative criteria e.g. all Band 1 and Band 2 employees regardless of whether they meet the qualitative or quantitative criteria.

Quantitative criteria

- The quantitative criteria captures employees who, in the preceding financial year, have been awarded total remuneration of EUR 500,000 or more, or earned more than the lowest paid MRT or MRTs who are among the highest paid 0.3% of staff on a global basis.
- It is only possible to "exclude" employees under the following conditions:
  (a) The employee only carries out professional activities in a business unit not regarded as "material" (business, country and/or regional units are defined by the Group as material based on percentage of risk weighted assets); or
  (b) The employee has no material impact on the risk profile of a material business
- The level of regulatory approval for exclusion of those earning in excess of EUR 500,000 is dependent on the remuneration level of the employee, as detailed below:

Total remuneration earned in preceding year	Required approval level for exclusion
EUR 500,000 - 750,000	Self-declaration of exclusion methodology to lead regulation authorities, which are the PRA and FCA for the Group.
EUR 750,000 - 1,000,000	Approval on an individual employee basis from the PRA and FCA.
EUR 1,000,000 and above	Approval on an individual employee basis from the PRA and FCA and their notification of the request to the EBA.

- The Group typically excludes a limited number of employees where their roles do not contain the ability to take or authorise material risk.
- The Group cannot exclude any employees who have met the qualitative criteria, regardless of remuneration level.

De Minimis Provision

MRTs that meet both of the following de minimis criteria are not subject to the minimum deferral and equity retention conditions, and are instead subject to the Group's deferral mechanism:

- The MRT's variable remuneration award is no more than 33 per cent of total remuneration; and
- Their total remuneration is no more than GBP 500,000.

In line with regulatory guidance, the fixed pay element in the calculation of total remuneration is the actual paid amount, not an annualised value.

Subsidiary MRTs

The Group's MRT identification is applied globally, in line with the PRA and FCA regulations and Group policy. In specific subsidiaries, the Group may additionally identify employees where they meet criteria as defined by the local regulator and to whom specific local rules on their variable remuneration may apply. This is in addition to, and not instead of, the Group MRT policy and procedures.

Independent Non-Executive Directors' Remuneration

The Board recommends the remuneration for the independent directors of the Company. Any such remuneration is subject to shareholders' approval at the Annual General Meeting. Table below shows the annual fees paid in 2016 for the INEDs:

Existing Fees	Director	AC Chairman	AC Member	Total
Mr. Alan Nisbet	SGD85,000	SGD50,000		SGD135,000
Mr. Alex Chan	SGD85,000		SGD25,000	SGD110,000

The remuneration for the executive directors and non-executive directors drawn from the Group is decided in accordance with the Group Remuneration Policy. None of the executive directors and non-executive directors receive additional fees from their membership on the Board.

Directors' and Top Five Key Executives Remuneration

The Group discloses remuneration information on its Executive Directors, senior management and Material Risk Takers in its Annual Report. This is on a global Group-wide basis, inclusive of the Company as a wholly owned subsidiary of the Group.

Since the Company is a wholly owned subsidiary of the Group, there is limited added value to provide disclosures on the remuneration of directors and senior management staff other than what has already been disclosed in the financial statements. The Board is also of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the top five key executives is not in the best interests of the Company. Such disclosure would disadvantage the Company in relation to its competitors and may adversely impact the cohesion and spirit of teamwork prevailing amongst the employees of the Company.

Remuneration of Directors' Immediate Family

None of the Directors have immediate family members who are employed by the Company.

Share Schemes

Employees of the Company participate in a number of share schemes plans operated by the Group. Details of the various schemes are disclosed in the notes of the Company's financial statements.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

The management of risk lies at the heart of the Company's business. One of the main risks it incurs arises from extending credit to customers through its lending operations. Beyond credit risk, the Company is also exposed to a range of other risk types such as cross-border, market, liquidity, operational, reputational and other risks that are inherent to its strategy and product range.

In reviewing the appropriateness and effectiveness of the Company's risk management systems and controls, the Board and the Audit Committee consider the implications of material regulatory change proposals.

Risk Function

The Board appoints a Chief Risk Officer ("CRO") to be responsible for the Company's risk management function. The risk function is separate from the origination, trading and sales functions of the businesses to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. The role of the CRO is to:

- maintain the Risk Management Framework, ensuring it remains appropriate to the Company's activities, is effectively communicated and implemented across the Company and for administering related governance and reporting processes;
- uphold the overall integrity of the Company's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Risk Management Principles, Risk Appetite and Risk Tolerance boundaries and other Company standards
- exercise direct Risk Control Ownership for Credit, Market, Country Cross-Border and Operational risk types.

The CRO attends all the board meetings to report risk matters on an entity-wide basis and has direct access to the Board as well as access to information necessary for the CRO to oversee the risk management function.

Risk Management Framework

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Company. The Company has established the Risk Management Framework ("RMF") which sets out its approach to risk management and the control framework within which risks are managed and risk-return tradeoffs are made. As part of this framework, the Company uses a set of principles that describe the risk management culture it wishes to sustain:

- Balancing risk and return: The Company manages risks to build a sustainable franchise, in the interests of all its stakeholders. The Company only takes risk within its risk tolerances and risk appetite, and where consistent with its approved strategy. The Company manages its risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of its investors.
- Conduct of business: The Company demonstrates that it is Here for good through its conduct, and is mindful of the reputational consequences of inappropriate conduct. It seeks to achieve good outcomes for clients, investors and the markets in which it operates, while abiding by the spirit and letter of laws and regulations. It treats its colleagues fairly and with respect.
- Responsibility and Accountability: There is individual responsibility to ensure risk taking is disciplined and focused particularly within one's area of authority. The Company makes sure risk taking is transparent, controlled and reported in line with the risk management framework, within risk appetite and risk tolerance boundaries and only where there is appropriate infrastructure and resource.
- Anticipation: The Company seeks to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of all known risks.

- Competitive advantage: The Company seeks to achieve competitive advantage through efficient and effective risk management and control.

Risk Governance

Ultimate responsibility for setting the Company's Risk Appetite Statement and for overseeing the governance of risk lies with the Board. The Board ensures that senior management maintains a sound system of risk management and internal controls to safeguard stakeholders' interests and the Company's assets.

The Board is responsible for overseeing the governance of risk and setting risk tolerance within the Bank. The Board has delegated executive responsibility to the Executive Committee ("EXCO") for the day-to-day management of risk and to maintain a sound system of risk management and internal control.

The EXCO delegates authority for the management of certain risks to the Executive Risk Committee ("ERC") and the Asset and Liability Committee ("ALCO") while the management of risk associated with the Bank's strategy remains directly with the EXCO. This governance structure ensures that risk taking authority and risk management policies and procedures are cascaded down from the Board through to the appropriate committees.

The primary responsibility of ALCO is the management of liquidity and capital risks and maintaining a strong balance sheet to support business objectives and comply with the Bank's policies and regulatory requirements.

The ERC is responsible for the effective management of risk (excluding liquidity and capital risks) in support of the Bank's strategy, including defining the Banks' overall risk management framework which sets out its approach to risk management and the control framework within which risk is managed. The ERC is also responsible for the establishment and adoption of, and compliance with, policies relating to credit risk, market risk, operational risk and reputational risk.

The ERC has appointed three sub committees to reflect the balance of risks faced by the Bank, namely Operational Risk Committee ("ORC"), Approval Committee and Credit Issues Committee ("CIC"). The Bank does not have a separate Board Risk Committee and the Risk Management Framework is approved and overseen by the Board.

Three Lines of Defence

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Company within Risk Tolerance boundaries, the Company maintains three 'lines of defence'. Each 'line of defence' describes a specific set of responsibilities for risk management and control.

- The First Line of Defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. The First Line of defence therefore follows the Company's organisational structure, incorporating business, functional and geographic dimensions. In combination, these different organisation levels provide a holistic approach to risk management. They build on and inform each other.
- The Second Line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the residual risks within the scope of their responsibilities remain within Risk Appetite. The Second Line is independent of the origination and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions. This is particularly important given that revenues are recognised immediately while losses arising from risk positions only manifest themselves over time. The Second Line has the authority (within the scope of their control responsibilities) to challenge and stop First Line activities where risks are not aligned with control requirements or RiskAppetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes which relate to that Risk Type. These responsibilities

cut across the Company and are not constrained by functional, business and geographic dimensions.

- The Third Line comprises the independent assurance provided by the Internal Audit function ("IA"), whose role is defined and overseen by the Audit Committee. IA, which has no management responsibilities for any of the activities it examines, provides independent assurance of the effectiveness of the First Line and of the Second Line. As a result, IA provides assurance that the overall system of control effectiveness is working as required within the RMF.

Risk Appetite

Risk Appetite is the boundary approved by the Board that determines the maximum amount and type of risk the Company is willing to take in pursuit of its strategy, in accordance with its Risk Principles. Risk appetite is the amount of risk that the Company regards as optimal in order to generate returns, taking account of current and reasonably foreseeable external market conditions.

Risk Appetite must constrain risk to the levels where the potential for any financial or reputational damage is consistent with the sustained pursuit of strategy and in line with the reasonable expectations of stakeholders. Changes to Risk Appetite would ordinarily only be considered if they are no longer consistent with approved strategy or if they would conflict with a more constrained Risk Capacity.

Risk Appetite must not exceed Risk Capacity, but given the extremely exacting standards of many regulators and law enforcement agencies, it may not be possible to set them tighter than Risk Capacity for many operational risk types. In these areas, Risk Appetite should be set with reference to our best understanding of the expectations of regulators and law enforcement agencies having regard to industry best practice.

Risk Tolerances are outer constraints for each risk type via Risk Appetite metrics and thresholds.

Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies are used to keep exposures within Risk Appetite.

Risk Profile is the Company's overall exposure to risk, at a given point in time, covering all applicable risk types.

The Board has on 20 March 2017 approved a Risk Appetite Statement for the Company, which is underpinned by a set of financial control parameters, known as risk tolerances thresholds. These risk tolerance thresholds directly constrain the aggregate risk exposures that can be taken across the Company. The EXCO, ERC and ALCO are responsible for ensuring that the Company's risk profile is managed in compliance with these applicable risk tolerance thresholds.

Stress Testing

Stress testing and scenario analysis are used to assess the financial and management capability of the Company to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, regulatory, legal, political, environmental and social factors. The Company adheres to the Internal Capital Adequacy Assessment Process ("ICAAP") to assess the level of capital required to support its activities. The ICAAP is reviewed annually to ensure that the Company remains well capitalised after considering all material risks.

INTERNAL CONTROLS

The Company's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage various risk types. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The effectiveness of the Company's internal control system is reviewed by the Board, the Audit Committee and the senior management team. The oversight of internal controls by Internal Audit, Finance, Compliance is discussed and reviewed at the Audit Committee, while the internal controls from a risk management perspective are dealt with at Board level.

Based on the 2016 Board Effectiveness Review, the Board, with the concurrence of the Audit Committee is of the view that the Company's system of internal controls, including financial, operational, compliance and information technology and risk management systems were adequate and effective for its operations as at 31 December 2016.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises the two Independent Directors and one Non-Executive Director:

Name of Director	Board Membership	Audit Committee
Mr. Alan Nisbet	Independent Non-Executive Director	Chairman
Mr. Alex Chan	Independent Non-Executive Director	Member
Mr. Viswanathan Ramachandran	Non-Executive Director	Member

The primary responsibility of the AC is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The AC has full access to all management personnel and has full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the AC.

The AC in exercising the authority delegated to it by the Board is responsible for the following:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- reviewing the effectiveness of the Company's Internal Audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing reports from the Head of Legal and Compliance on the arrangements established by management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations; and
- reviewing all material related party transactions and keeping the Board informed of such transactions, and the findings and conclusions from the review.

In addition to the review of the Company's financial statements, the AC reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, 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 auditors.

When the external auditors provide non-audit services to the Company, the AC 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 AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. The AC also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The AC held four meetings for the financial year ended 31 December 2016 and is scheduled to have four meetings in each financial year. The CEO, CFO, Head of Internal Audit, Head of Compliance and external auditors are invited to attend all meetings. At the AC meetings, the AC reviews reports from Internal Audit, External Auditor, CFO and Head of Compliance, giving the opinion of the state of internal controls within each of its purview. These items are discussed at the quarterly AC meetings as suggested in the rolling agenda of the AC. The AC Chairman makes a report to the Board on significant matters discussed at the AC meeting and escalates issues as necessary for the Board's attention. Separate sessions with internal and external auditors are also held at least once a year without the presence of management to consider any matters which might be better raised privately. In addition, the Chairman of the AC meets the Head of Internal Audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Company's operations.

The AC approved the approach for evaluating the effectiveness of the Internal Audit function following the recommendations of the Guidebook for Audit Committees in Singapore and benchmarking against the External Quality Assessment by the Chartered Institute of Internal Auditors in consultation with the external auditors. In the last assessment conducted in 2016, the AC assessed that internal audit had carried out its responsibilities in an effective and adequate manner.

The CEO and the CFO also provided assurance on the adequacy and effectiveness of financial policies and internal accounting controls for the preparation of true and fair profit and loss accounts and balance sheets and the accountability of the assets .

External Auditor

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditors and approves the remuneration and terms of engagement. For the financial year ended 31 December 2016, the external auditors were paid SGD791,200 of statutory audit fees and SGD60,000 for non-audit services.

INTERNAL AUDIT

The Company's Internal Audit function is part of the Group's GIA function, as permitted under the CG Guidelines for the Internal Audit function to be performed by the parent company with internal audit staff. GIA has a dedicated internal audit team in Singapore responsible for driving the internal audit activities of the Company, which is led by the Head of Internal Audit. A Service Level Agreement is in place between the Group and the Company for the audit support provided by GIA. The Head of Internal Audit has primary reporting line to the AC Chairman and reports functionally to the Regional Head of Audit, ASEAN and South Asia.

The AC has approved the internal audit charter which sets out the objectives, role, responsibility and authority of the Internal Audit function for the company, including the audit methodology. The Internal Audit function evaluates and improves the effectiveness of risk management, control, and governance processes of the business and functions, and adopts the structured risk-based audit methodology approach, which is in accordance with the industry best practice.

The Internal Audit function has its primary objective to provide independent assurance to management, the AC and the Board, that management have identified the significant risks in its business, that appropriately designed controls have been put in place to manage these risks and that these are working effectively. This includes providing an independent judgement on the assurance to be drawn from the control frameworks and systems. In the course of undertaking its audit work, the internal audit team has a secondary objective to work with functional and business management to support improvements in the control environment of the Company.

The Internal Audit function operates as the Third Line of defence in providing independent assurance of the effectiveness of management's control of its own business activities (the First Line) and of the processes maintained by the Risk Control Functions (the Second Line). As a result, the function provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Based on its assessment of the materiality of risks, the Internal Audit function formulates an annual plan of audit and review activity sufficient to enable it to form an opinion on the overall control environment, with focus on significant weaknesses where these are identified and a remedial plan to address them. The internal audit plan is amended on an ongoing basis to address additional management requests for assurance, developing risks, and regulatory requirements and/or interventions. The internal audit annual plan, including resourcing is reviewed and approved by the AC. The AC is satisfied that the Internal Audit function has the adequate size, structure and staff experience to meets its established objectives.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

The Company is a wholly owned indirect subsidiary of SC PLC, which is kept fully apprised of the Company's operations in Singapore.

Conduct of Shareholder Meetings

The notices of general meetings setting out the agenda are despatched to shareholder or its appointed corporate representative with the annual reports, explanatory notes and if necessary, letters to shareholders on the items of special business, at least 14 days before the general meetings called to pass ordinary resolutions or 21 days before general meetings called to pass special resolutions.

The Company ensures separate resolutions are proposed at general meetings on each distinct issue.

The external auditors are invited to be present at general meetings to respond, if necessary, to operational questions from shareholder.

RELATED PARTY TRANSACTIONS

The Company has procedures in place to ensure that related party transactions are undertaken on an arm's length basis. The procedures cover related party transactions on credit and non-credit exposures to directors group as well as transactions with substantial shareholders group.

The Board approves related party transactions above the thresholds determined under the specific related party transactions procedures while the Audit Committee reviews material related party transactions and keeps the Board informed of the reviews, in line with the Principle 17 of the CG Guidelines. Measures are taken to ensure that the terms and conditions of related party transactions comply with internal group policies which guard granting of a more favourable term to related parties under similar circumstances.

During the year ended 31 December 2016, there were no related party transactions above the threshold requiring for approval by the Board.

If the Company does enter into a related party transaction, leading to a potential conflict of interest with any directors concerned, the director(s) will be abstained from any discussions and refrain from voting or exercising any influence over other members of the Board.

ETHICAL STANDARDS

The Company has a Speaking Up Programme which allows our employees to raise, in confidence, any concerns that they may have about possible improprieties in matters of financial reporting or other areas. The programme helps build and maintain a strong ethical culture, with integrity and transparency to protect the Company from misconduct and reputational risk. In March 2017, Speaking Up Advocates have been appointed to assist our employees in feeling confident to use the Speaking Up Programme and raise awareness of Speaking Up. The Audit Committee is advised on significant business referrals and Speaking Up cases. The information enables the Committee to consider whether there are any trends across the Company in terms of the type and nature of Speaking Up incidences together with the resolution and consequences.

The Company adopted the Group's Conduct Management Framework which states that good Conduct of Business is underpinned by ensuring that we create the right internal and people outcomes in order to achieve fair outcomes for clients, effective operation of financial markets, prevention of financial crime and stakeholder confidence. Our employees are bound by the Group's Code of Conduct (the "Code") which sets the minimum standards and expected behaviours, including rules on 'doing the right thing'. The Code continues to receive sustained focus and remains a key priority for the Company.