

STANDARD CHARTERED BANK (SINGAPORE) LIMITED

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

**CORPORATE GOVERNANCE REPORT
2019**

27 May 2020

INTRODUCTION

Standard Chartered Bank (Singapore) Limited (the “**Bank**”) was incorporated on 8 October 2012 and is licensed by the Monetary Authority of Singapore (“**MAS**”) as a bank with qualifying full bank privileges to engage in banking business in Singapore. It is an indirect wholly-owned subsidiary of Standard Chartered Bank (“**SCB**”), which in turn is wholly-owned by Standard Chartered PLC (“**SC PLC**”) as the ultimate holding company.

The SCB Singapore Branch transferred its Retail Client and Medium Enterprise clients in Singapore to the Bank on 7 October 2013. On 13 May 2019, the SCB Singapore Branch further transferred its remaining Commercial Banking, Private Banking and Corporate & Institutional Banking businesses to the Bank. With this transfer, the Bank became the first foreign Bank in Singapore to combine all banking businesses into one entity. Following transfer of the remaining SCB Singapore Branch businesses, the Bank remains well-capitalised, having secured a substantial increase to its capital base in connection with the transfer. As a result of the consolidation of businesses into the Bank, the Standard Chartered Group’s commitment and confidence in the Singapore franchise was further reinforced.

As a regulated financial institution in Singapore, the Bank is guided in its corporate governance practices by the principles and guidelines listed in the Banking (Corporate Governance) Regulations 2005 (the “**CG Regulations**”) and all material aspects of the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore (the “**CG Guidelines**”).

This report sets out the required governance and regulatory assurances and disclosures. As in previous years, the Bank has sought to give an insight into and a genuine understanding of the importance good governance plays across, and to demonstrate how it supports decisions and guides behaviours within the Bank.

OUR APPROACH TO CORPORATE GOVERNANCE DISCLOSURES

The board of directors (“**Board**”) is committed to observing good corporate governance and works with senior management (“**Management**”) to deliver sustainable value to stakeholders. The Bank applies and complies with the spirit and intent of the provisions of the CG Guidelines to the fullest extent possible. Where the Bank’s practices differ from the CG Guidelines with express disclosure requirements, the rationale is explained in this Corporate Governance Report.

BOARD MATTERS

(Principles 1 to 6, CG Guidelines)

Board of Directors

The Board currently comprises eight (8) members, seven of whom are non-executive directors. Amongst the non-executive directors, four (4) are independent. The current members of the Board are as follows:

Name of Directors	Board Membership	Date of Appointment
Judy Hsu	Non-Executive Director and Chairperson	22 November 2018
Patrick Lee	Executive Director and Chief Executive Officer	25 September 2018
Viswanathan Ramachandran	Non-Executive Director	20 January 2015
Daniel Koh	Non-Executive Director	17 November 2017
Alan Nisbet	Independent Non-Executive Director	30 September 2013
Alex Chan	Independent Non-Executive Director	30 September 2013
Roger Gu	Independent Non-Executive Director	24 July 2019
Lily Low	Independent Non-Executive Director	15 January 2020

Ms Judy Hsu, the Regional Chief Executive Officer of the SC Group, is also the Chairperson of the Board. Mr Patrick Lee, the Chief Executive Officer, Singapore and assumes the role as the sole Executive Director of the Bank. Mr Viswanathan Ramachandran and Mr Daniel Koh are members of the Bank's senior Management. Following the consolidation of the Group's business into the Bank in 2019, Mr Roger Gu and Ms Lily Low were invited to join the Board as Independent Non-Executive Directors on 24 July 2019 and 15 January 2020 respectively. Mr Roger Gu has over 20 years of experience in retail financial services in the US, Europe (Capital One), Hong Kong (Standard Chartered Bank) and China. He brings with him strong expertise in the areas of business analytics, risk management and entrepreneurship in fintech. Ms Lily Low brings with her over 30 years of experience in information technology, clean energy and financial advisory services, engaging extensively with global and Chinese companies. She has a strong track records of implementing strategies for profitable growth and working with channel partners, leading their business and finance transformation. The Board considered both of their qualifications, track records, experiences, capabilities, and considered both suitable to act as independent Directors for the Bank. Together with Mr Alan Nisbet and Mr Alex Chan, the Bank has four independent directors as of 15 January 2020.

Profiles of Board of Directors:



Ms Judy Hsu

*Regional Chief Executive Officer, ASEAN & South Asia
Chairperson and Non-Executive Director*

Judy Hsu was appointed CEO Singapore in October 2015 and was appointed CEO Singapore and ASEAN Markets (Malaysia, Vietnam, Thailand and Rep Offices) in October 2017. She assumed the role of Regional CEO, ASEAN & South Asia in June 2018.

Judy joined Standard Chartered in December 2009 as the Global Head of Wealth Management and led the strategic advancement of the Bank's Wealth Management business. Prior to this, Judy spent 18 years at Citibank where she held various leadership roles in its Consumer Banking Business in Asia. Her last role in Citibank was Regional Head of Retail Bank for Asia Pacific and Country Business Manager for International Personal Banking in Singapore.

Judy is a member of The Institute of Banking and Finance Council and sits on the Statutory Board of Workforce Singapore.

Academic and Professional Development

- Bachelor in Science Microbiology, University of British Columbia, Canada
- MBA in Finance, University of British Columbia, Canada

Current directorship

- Hype Records Pte Ltd
- Standard Chartered Holdings (Singapore) Pte Ltd

Other principal commitment

- Institute of Banking and Finance
- Workforce Singapore
- Urban Redevelopment Authority

Past directorship in listed companies over the preceding three years

Nil



Mr Patrick Lee

*Chief Executive Officer, Singapore
Executive Director*

Patrick Lee was appointed Chief Executive Officer (CEO), Singapore at Standard Chartered Bank, in July 2018. As CEO Singapore, Patrick is responsible for steering and executing business development strategy for the Bank in Singapore.

Before assuming this role, Patrick was the Managing Director and Head of Global Banking, Singapore, where he was responsible for the Bank's corporate and institutional client businesses in Singapore.

Before joining Standard Chartered in 2012, Patrick was Managing Director, Head of Southeast Asia Investment Banking at Nomura. Prior to that, he was Head of Singapore/Malaysia Investment Banking at UBS and Executive Director, Investment Banking at Morgan Stanley. He has 25 years of experience in the banking industry, including corporate and investment banking, product and sector coverage, and has worked in Singapore, Hong Kong and London.

Patrick is also a Co-Founder and Board Director of Leap Philanthropy Ltd, a Singapore-based charity active in Cambodia and Myanmar, and a Board Director of Clifford Capital, a specialist provider of structured finance solutions established with support from the Government of Singapore.

Academic and Professional Development

- BA/ MA degree (with First Class Honours) in English, Trinity College, Cambridge

Current directorship

- Software International Corporation (M) Sdn. Bhd, non-executive director
- Leap Philanthropy Ltd, non-executive director
- Clifford Capital Pte. Ltd, non-executive director

Other principal commitment

- The Association of Banks in Singapore Council, Member
- Singapore Business Federation Digitalisation Issues Committee, Member
- Payments Council, Member
- Financial Sector Tripartite Committee, Member, Committee Member
- Future Economy Committee (FEC) Modern Services Sub-Committee, Member
- Passion Capital II LP, Partner (Limited)
- STRIPE 55 Investor Ltd, Partner (Limited)
- Passion Capital III LP, Partner (Limited)
- MAS FCAP Green Finance Working Group-Steering Committee, Member

Past directorship in listed companies over the preceding three years

Nil



Mr Viswanathan Ramachandran

Group Head, Retail Banking

Non-Executive Director, Board Risk Committee Chairman and Audit Committee Member

Viswanathan (Vishu) Ramachandran, was appointed as Group Head, Retail Banking in 2018. He is an experienced banking professional with over thirty years' experience, having started his career with Standard Chartered India since 1987. He was previously the Chief Risk Officer for Retail Banking prior to his current role.

Prior to his Chief Risk Officer appointment, Vishu was the Chief Operating Officer, Consumer Banking (now Retail Banking). In this role, he oversaw Risk, Finance, Human Resources, Legal, Compliance, Business Development, Strategy, Service Quality & Reengineering, Technology and Operations within Consumer Banking.

From 2007-2012, Vishu was the Regional Head of Consumer Banking (CB) West responsible for CB's businesses in the Middle East, Pakistan, Africa, and South Asia.

Vishu established the India Consumer Banking business in 1994 and was Global Product Head for Secured Lending businesses from 1999 to 2002. He was appointed Regional CB Head of the India region between 2002 and 2004 following the Grindlays acquisition. Other senior CB roles included Chief Operating Officer from 2005 to 2007 and Chief Financial Officer in 2005.

Vishu holds a Bachelor's degree in Economics & Statistics and is a qualified Chartered Accountant from the Institute of Chartered Accountant, India.

During his leisure time, Vishu likes to read and play tennis.

Academic and Professional Development

- Bachelor's degree in Economics & Statistics, Bombay University
- Associate of Chartered Accountant, Institute of Chartered Accountants, India

Current directorship

Nil

Other principal commitment

Nil

Past directorship in listed companies over the preceding three years

Nil



Mr Daniel Koh

*Managing Director, Global Head, Treasury Markets
Non-Executive Director, Board Risk Committee Member*

Daniel Koh brings with him a broad range of experience, capabilities and skills relevant to the business in strategy and trading in all asset classes of financial markets globally. He started his career with Standard Chartered in 1995 in Singapore, as Senior Trader in Bonds, Interest Rate Derivatives, Foreign Exchange, Forwards and Non-Deliverable Forwards with lengthy stints in New York, London and Hong Kong.

Daniel has been assuming his role as Managing Director, Global Head, Treasury Markets of Standard Chartered Bank since September 2011. He was appointed to the Board of Standard Chartered Bank Singapore Limited as a Non-Executive Director since 17 November 2017 and is also a member of Board Risk Committee.

Prior to this, Daniel was the Managing Director, Head of Global Markets, South & South-East Asia, a position to which he was appointed in November 2008. In this role, he was tasked to be responsible for the management and development of the Global Markets business for South Asia and South-East Asia.

Daniel obtained his Master's degree from Oxford University at United Kingdom after he has graduated from the same university with his Bachelor's Degree (second class honours) in Politics, Philosophy and Economics from the same university.

Academic and Professional Development

- Master's Degree, Oxford University, United Kingdom
- Bachelor's Degree in Politics, Philosophy and Economics, Oxford University, United Kingdom
- Diploma in Computer Studies, Comsertrac School of Computer Training, Singapore

Current directorship

- Institute of South East Asian Studies – Yusof Ishak Institute, non-executive director

Other principal commitment

- Singapore Foreign Exchange Market Committee, Committee Member
- SFEMC Foreign Exchange (FX) Markets, Sub-Committee Chairman
- Association of Banks in Singapore (ABS) Standing Committee on Financial Markets, Committee Member
- Association of Banks in Singapore (ABS) Steering Committee for SOR Transition to SORA (SC-STs), Committee Member
- Association of Banks in Singapore (ABS) Steering Committee for SOR Transition to SORA (SC-STs) – Sub group 1: Derivatives, sub-group Chairperson

Past directorship in listed companies over the preceding three years

Nil



Mr Alan Nisbet

Independent Non-Executive Director, Audit Committee Chairman

Alan Nisbet was appointed to the Board of Standard Chartered Bank Singapore Limited as an Independent Non-Executive Director and Audit Committee Chairman on 30 September 2013.

He currently runs his consulting business, Kanni Advisory specialising in Financial and Business Advisory services. Prior to this, Alan retired from Deloitte after 38 years with the firm, covering across Australia, US and Asia Pacific (“APAC”) regions and was the APAC Regional Technical Director.

He currently holds a number of directorships with Halcyon Agri Corporation, Kris Energy and Ascendas Property Fund.

He is an associate member of the Institute of Chartered Accountants of Australia and an associate member of the Institute of Singapore Chartered Accountants.

Academic and Professional Development

- Diploma in Business Studies, Accounting, Caulfield Institute of Technology, Australia
- Member, Institute of Singapore Chartered Accountants

Current directorship

- Halcyon Agri Corporation
- KrisEnergy Limited
- Ascendas Property Fund Trustee Pte Ltd
- Keppel REIT Management Limited
- RF Brussels Pte. Limited
- RF Capital (Credit) Pte. Limited
- RF Capital Pte. Limited
- RF Holdings Pte. Limited
- Roberts Constructions Pte. Limited
- Roberts Investments Holdings Pte. Limited
- Roberts Investments Pte. Limited
- RF Renewables Pte Limited

Other principal commitment

- Kanni Advisory, Owner

Past directorship in listed companies over the preceding three years

Nil



Mr Alex Chan

Independent Non-Executive Director, Audit Committee Member and Board Risk Committee Member

Alex Chan was appointed to the Board of Standard Chartered Bank Singapore Limited as an Independent Non-Executive Director and Audit Committee member on 30 September 2013. He was subsequently appointed as Board Risk Committee member on 25 September 2018.

He was the Executive Vice-Chairman of Jebsen and Jessen Pte. Ltd (“JJ”) and was a director on many of the members’ companies in the Jebsen and Jessen Group in Singapore, Malaysia, Thailand Vietnam. He held numerous senior leadership and management positions within the ASA region.

Prior to his role with JJ, Alex worked in MMI Holdings Limited and Far East Organisation as Executive Director. Prior to this, he was the Managing Director and CEO of Yeo Hiap Seng (“YHS”) Limited. Before YHS, Alex was with Hewlett Packard (“HP”) for 19 years where his last role was Managing Director.

Alex acquired his first-class bachelor honours from University of Singapore and holds an MBA with University of California.

Academic and Professional Development

- Bachelor of Electrical Engineering (First Class Honours), University of Singapore
- Master of Business Administration (Beta Gamma Sigma Honours), University of California, Los Angeles

Current directorship

- Jebsen & Jessen Pte Ltd
- Spindex Industries Limited

Other principal commitment

Nil

Past directorship in listed companies over the preceding three years

Nil



Mr Roger Gu

Independent Non-Executive Director

Roger Gu is the Co-founder and President of Wacai, one of the largest independent mobile wealth management platforms in China, raising over USD300 million from world-class private equity firms including IDG Capital, China Development Bank Capital and Warburg Pincus.

Roger has over 20 years of experience in retail financial services in the US, Europe (Capital One), Hong Kong (Standard Chartered Bank) and China.

He brings with him strong expertise in the areas of Business Analytics, Risk Management and entrepreneurship in Fintech.

Academic and Professional Development

- M.S. in Electronic Engineering, B.S. in Applied Mathematics, B.S. in Business Administration, Shanghai Jiao Tong University, Shanghai, China
- Ph. D. Candidate, M.S. in Computer Science, Univ. of North Carolina at Chapel Hill, NC, USA

Current directorship

- Wacai Holdings Limited
- Tongbao HongKong Limited
- Chongqing Xinxi Micro-credit Lending Co. Ltd
- Hangzhou Lanxin Commercial Consulting Co. Ltd Shanghai Branch
- Caimi Technology Holdings Limited
- Hangzhou Wacai Internet Financial Service Co., Ltd
- Mantianxing Holdings Limited

Other principal commitment

Nil

Past directorship in listed companies over the preceding three years

Nil



Ms Lily Low

Independent Non-Executive Director

Lily Low is the Vice President and Group Chief Financial Officer of Envision Energy, a leading global provider for smart energy technologies and services. Envision Energy is ranked Top 2 in the wind renewable energy industry in China.

Lily brings with her over 30 years of experience in Information Technology, Clean Energy and Financial Advisory Services, engaging extensively with Global and Chinese companies.

She has a strong track record of implementing strategies for profitable growth and working with channel partners, leading their business and finance transformation.

Academic and Professional Development

- Bachelor of Accountancy (2nd Class Hons), Master of Business Administration (Asia Pacific Executive Program), National University of Singapore

Current directorship

- Envision Wind Power Technologies India Private Limited
- Opera Wind Private Limited
- EDI Development India Private Limited
- Envision Wind Power Services India Private Limited
- Envision Wind Farm Capital Pte. Ltd.
- Vingreen Power Investment Pte. Ltd.
- Envision Energy Singapore Pte. Ltd
- Envision Digital International Pte. Ltd.
- Envision Energy Mexico S.A. de C.V.
- Envision Energy UK COE Ltd.
- Envision Energy Patagonia B.V.

Other principal commitment

Nil

Past directorship in listed companies over the preceding three years

Nil

THE BOARD'S CONDUCT OF AFFAIRS

The Board is primarily accountable to the shareholders to create value and ensure the long-term success of the Group by focusing on the development of the right strategy, business model, risk appetite, management, succession plan and compensation framework. It has the overall responsibility for the operation and management of the Bank and proper conduct of its business. The Board 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 Bank. The Board also has overall responsibility for putting in place a framework of good corporate governance, including the processes for financial reporting and compliance.

Pursuant to the CG Regulations and an exemption granted by the MAS, the Board undertakes the responsibilities of Nominating Committee and Remuneration Committee.

Board Responsibility

The Board is collectively responsible for the long-term success of the Bank 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 key responsibilities include:

- providing entrepreneurial leadership within a prudent framework and effective controls in which possible risks is enabled to be assessed and managed;
- setting strategic objectives and risk appetite;
- overseeing risk governance;
- reviewing and monitoring Management's performance toward achieving the Bank's targets;
- considering sustainability issues in formulating strategies; and
- set the Bank's values and standards to ensure a high level of professional conduct of the business with respect to internal and external dealings.

In addition to the above responsibilities, the following matters are specifically requiring approval of the Board:

- review and approve the Bank's long-term strategy and objectives, including the fair dealing strategy;
- approve the Bank's annual operating plan and capital expenditure budget;
- oversee management of the business and affairs of the Bank in line with local regulatory/supervisory bodies and other relevant local authorities;
- review the performance of the Bank in the light of its strategy, objectives, plans and budgets;
- review risk profile, risk appetite and risk strategy;
- approve any extension of the Bank's activities into new business or geographic areas or any decision to cease to operate all or any material part of the Bank'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 Bank;
- approve the annual audited accounts;
- review a sound system of internal control and risk management including reviewing the effectiveness of the Bank'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 Bank and significant in terms of the business of the Bank;
- review the structure, size and composition of the Board from time to time and make any changes deemed necessary;
- review and approve the Bank's remuneration framework including the remuneration of the Independent Non-Executive Directors ("INEDs");
- approve the appointment and removal of designated senior officers of the Bank;
- 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 effectively perform their roles on the Board or Board committees;
- implement a formal annual effectiveness review of its own performance, its Board committees and directors to increase the overall effectiveness of the Board; and
- determine the independence of non-executive directors.

The Board reviews and approves the appointment of the Directors, Company Secretary, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Chief Risk Officer (“CRO”), Chief Information Officer (“CIO”) and the Head of Treasury. The Board also reviews the resignation and removal of these key appointment holders, when applicable.

As a wholly-owned subsidiary of SC Group, the Bank’s management structure is designed to leverage off the benefits of a global network, while 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.

All Directors must act objectively in discharging their duties and responsibilities at all times and act in the interests of the Bank. The Board exercises due diligence and independent judgment in dealing with the business affairs of the Bank and works with the Management to take objective decisions in the interest of the Bank. Where a Director has a personal interest in a matter that may conflict with the Director’s duties to the Bank, the Director is required to disclose the conflict, recuse himself/herself from the discussion of the matter and abstain from voting on the matter.

Delegation by the Board

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 (“AC”), Board Risk Committee (“BRC”) and Executive Committee (“EXCO”) to enable the Board to carry out its responsibilities in an effective manner. The framework comprises the Group Delegated Authority Policy and 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, restructuring, acquisition and project related expenditure is approved by committees and employees with the requisite authority. It also gives the Board and the Bank’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 Bank. This is to ensure that there is a robust and effective system for the management of PoAs within the Bank.

To broaden the authority structure of the Bank, 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 to the appropriate committees.

Board Meetings and Attendance

The dates of Board and Board Committees meetings as well as the annual general meeting (“AGM”) will be scheduled in advance. To assist Directors in planning their attendance, the Company Secretary will first consult every director before fixing the date of these meetings. The Board and each Board Committee have scheduled to meet at least four times a year to review the Bank’s performance, budget, corporate strategy, business plans, and significant operational matters. Additional meeting(s) may be warranted as and when required to deliberate on urgent substantive matters.

The Bank's Constitution allows 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 can communicate as a group without requiring Directors' physical presence. The Constitution also allows written resolutions that are signed by all directors to be as effective as if they were passed at physical meetings. To enable members of the Board and its Board Committees to prepare for the meetings, agendas were circulated at least two weeks in advance and all materials dispatched ahead of the meetings.

During 2019, there were four Board meetings held with full attendance. During Board meetings, the AC and BRC Chairman would provide update on key matters that were discussed and considered at each of its meetings. In addition, the Board receives the minutes of the AC, BRC and EXCO. This allows the Board to develop a good understanding of the Bank's businesses.

The details of meetings held for Board, AC and BRC during the financial year ended 31 December 2019 ("FY2019"), and the attendance of each Board member at those meetings are disclosed as follows:

Name of Directors	Meetings of					
	Board of Directors		Audit Committee		Board Risk Committee	
	@ Held	Attendance	@ Held	Attendance	@ Held	Attendance
Judy Hsu	4	4	-	-	-	-
Patrick Lee	4	4	-	-	-	-
Alan Nisbet	4	4	4	4	5	5
Alex Chan	4	4	4	4	5	5
Viswanathan Ramachandran	4	4	4	4	5	5
Daniel Koh	4	4	-	-	-	-
¹ Roger Gu	4	2	-	-	-	-

@ The number of meetings held during the period the director was a member of the Board and/or relevant Committees.

¹ Appointed as an Independent Non-Executive Director with effect from 24 July 2019.

Directors Induction and Continuous Training & Development Plan

The Bank has an extensive, robust and tailor-made induction and ongoing development programme in place for the Board members, which is kept under regular review. The programme typically consists of a mixture of briefings on specialist topics by internal staff or external vendors and external training provided by training institutes.

Directors should act in good faith and in the best interests of the Bank. All new Directors appointed to the Board are briefed on the Bank's business routine activities, short-to-medium term strategic direction and policies, key business risks, regulatory and compliance environment in which the Group operates, as well as their statutory and other duties and responsibilities as Directors. In line with the best practices in CG Guidelines, new Directors also sign a letter of appointment from the Bank stating clearly the role of the Director and the time commitment that the Director would be expected to allocate, and other related matters.

Induction Programme

Upon appointment, a new director would be scheduled to attend a Director's induction programme. The director is also briefed on key disclosure duties and statutory obligations. The intention of the induction programme is to enable a new director to gain a thorough understanding of the Bank'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 Directorships programme conducted by Singapore Institute of Directors.

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 Bank 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 Bank. 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 Bank are introduced.

During FY2019, Directors attended training sessions conducted by subject matter experts for updates on regulatory changes, modelling, derivatives, conduct, risk management, technology and cyber security risks and directorship programs.

All the Directors are also given updates on key policies on an annual basis. On each quarterly Board and Board Committees meetings, Directors are briefed on matters relating to risk management including financial crime risk and regulatory compliance risk, the Bank's culture and behavioural standards.

The Board is satisfied that the regular updates and training as set out above met the objective of equipping them with the appropriate knowledge to perform their duties.

Conduct

Good conduct remains a key priority for the Bank.

The Bank adopts the Group Conduct Risk Type Framework which sets out the overall risk management approach for conduct risk. The framework articulates the Group Conduct Management Principles where we aim to 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 improve stakeholder confidence.

The Group Code of Conduct (the "**Code**") remains the central tool through which we set our conduct expectations for all employees. The Code supports a culture where employees are encouraged to demonstrate good judgement, integrity, and a strong sense of personal accountability when they make decisions; leaders are empowered to recruit and recognise employees based on good conduct; and performance objectives and reward mechanisms are linked to our valued behaviours. All employees are required to recommit to the Code annually.

Speaking Up is our confidential and anonymous whistleblowing programme. It includes independent and secure channels for anyone, including employees, contractors, suppliers and members of the public, to raise concerns. The programme helps build and maintain a strong ethical culture, with integrity and transparency to protect the Bank from misconduct and reputational risk. The Bank appoints Speaking Up Advocates to improve our employees' confidence in the programme and raise awareness of Speaking Up.

The Board is advised on significant Speaking Up cases and conduct related issues. The information enables the Board to consider whether there are any trends across the Bank in terms of the type and nature of Speaking Up and misconduct incidences together with the resolution and consequences.

BOARD COMPOSITION AND GUIDANCE

Board Composition

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

The Board is of the view that its present size of eight members is appropriate, taking into account the expanded operations and requirements of the business, resourcing levels for the committees, and noting that the Bank is a wholly-owned subsidiary of the SC Group.

The Board keeps its composition under review to ensure that: (i) it is sufficiently independent from management and business relationships (and the substantial shareholder); (ii) it has sufficient independence to challenge management; and (iii) it has an appropriate balance of skills, knowledge, diversity of perceptions and experience relevant to the nature of the Bank's business; and (iv) takes into account broader diversity considerations such as gender, age and nationality/ethnicity. Any potential conflicts of interest are taken into consideration.

The Bank endeavours to maintain a strong and independent mindset within the Board. As of to-date, the independent directors have made up half of the Board and have not serving more than nine years.

The Board determines the independence of a director based on the criteria set out in the CG Guidelines to identify whether any indicator of independence and objectivity would be impaired. On an annual basis, the Board assesses the independence of each director, including his or her character and judgment; 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 they arise. The Board is satisfied that the Independent Non-Executive Directors can act with independent judgement.

Independence of Directors

The Board noted that each of Mr Alan Nisbet, Mr Alex Chan, Mr Roger Gu and Ms Lily Low are considered independent directors. Neither of them has any management or business relationships with the Bank nor any connection with a substantial shareholder within the Group. None of their direct family members are employed by or have business relationships with the Bank. There are no independent non-executive directors who has served on the Board for nine years or beyond.

Ms Judy Hsu is currently the Regional CEO, ASEAN and South Asia of the Bank. She is not involved in the day-to-day operations of the Bank nor has a management relationship with the Bank which could reasonably be regarded as interfering with the exercise of her independent business judgement. Considering her previous role acting as CEO of the Bank during the preceding three financial years prior to 2018 in which she had management relationship with the Bank, she is still be considered as non-independent from management of the Bank. Ms Hsu is independent from the business relationships with the Bank, having no outside business interests that would impede her independent business judgement or ability to act in the interest of the Bank. However, she is employed by SCB and thus is not independent from the substantial shareholders of the Bank.

Mr Patrick Lee is currently the CEO of the Bank and therefore he is not independent from management and business relationships as well as the substantial shareholders of the Bank.

Mr Ramachandran is currently the Group Head, Retail Banking of the SC Group. Although he has management and governance responsibility across the SC Group's Retail Banking business, he is not involved in the day-to-day operations of Retail Banking. None of the direct family member of Mr Ramachandran is employed by or has business relationships with the Bank. Mr Ramachandran is independent from business relationships with the Bank, having no outside business interests that would impede his independent business judgement or ability to act in the interest of the Bank. Therefore, Mr Ramachandran is independent from 'management and business relationships' of the Bank. However, he is employed by SCB and thus is not independent from the substantial shareholders of the Bank.

Mr Daniel Koh is currently the Managing Director, Global Head, Treasury Markets of the SC Group. He oversees the Bank's Treasury Market business as part of his global responsibilities. Mr Koh does not get involved in the day-to-day operations of the Bank's businesses. None of the direct family member of Mr Koh is employed by or has business relationships with the Bank. Mr Koh is independent from business relationships with the Bank, having no outside business interests that would impede his independent business judgement or ability to act in the interest of the Bank. Therefore, Mr Koh is independent from 'management and business relationships' of the Bank. However, he is employed by SCB and thus is not independent from the substantial shareholders of the Bank.

A substantial shareholder holds 50% or more of the share capital or voting power of the Bank. Therefore, the Bank satisfies the requirement under the CG Regulations that: (i) a majority of directors are required to be independent from management and business relationships; and (ii) one-third of the Board are required to be “independent directors”, including independence from the Bank’s substantial shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Separation of the Role of Chair and Chief Executive Officer

The role of the Board Chair and CEO are separated with the role of the Board Chair being a non-executive appointment. The Board Chair and the CEO are unrelated individuals. There is clear division of responsibilities between these positions, which ensures proper balance of power and authority in the Bank.

The Board Chair leads the Board to ensure its effectiveness and approves the agenda for each Board meeting in consultation with the CEO and the Company Secretary. The Board Chair’s duties and responsibilities include overseeing the strategy and direction of the Bank, effectively communicating with all stakeholders and ensuring that the Bank operates to the highest standards of corporate governance.

The CEO is responsible for the day-to-day operations of the Bank 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 attend and present papers at the relevant time during meetings.

The Board is of the view that the separation of the role of Board Chair and CEO ensure power is not unduly concentrated in the hands of one individual nor is there any compromise to accountability and/or independent decision-making.

Lead Independent Director

The Bank has not satisfied the requirement under the CG Guidelines to appoint an independent director to be the lead independent director where the Chair is not an independent director. The Board is of view that a lead independent director is not required because the Bank is a wholly-owned subsidiary and the current Chair is a non-executive director. The independent directors have unfettered access to the Board Chair to raise relevant queries to ensure that there is a check and balance between the Board and senior management. In addition, the independent directors have direct access to the Group Chairman and are invited to annual calls hosted by the Group Chairman and the independent directors of SC PLC in the absence of the other internal SCB-appointed directors of the Bank.

BOARD MEMBERSHIP

As the Bank is an indirect wholly-owned subsidiary of SCB, it has been granted an exemption by MAS to dispense with the requirement to constitute a Nominating Committee in which 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

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 executives 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 Board Chair, who will assess their suitability and whether their values and behaviours are aligned with the Bank'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 the Bank's 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 Group's Hong Kong and London listings or local requirements in relation to related party transactions.
- 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 Bank's events.
- The Board Chair, in conjunction with the CEO and independent directors, will have periodic discussions to ensure the Bank 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 SC Group 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 SC Group 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 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 Board Chair and CEO.
- All directors must receive a tailor-made induction upon 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). 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 a director can and has been adequately carrying out his duties as a director, particularly when there are multiple board representations, to consider the devotion of time to the Bank.

The CG Guidelines suggest that the Bank should determine the maximum number of listed company board representations which directors may hold. The Bank 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 Bank, 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. 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.

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 Bank on an ongoing basis. It is recommended that the Bank 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 Bank. The Board is satisfied that the directors have devoted sufficient time and attention to the affairs of the Bank during 2019.

Tenure of Directors

The directors' appointments are for a two or three-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 Bank has procedures in place to ensure this criterion is being met before the term expires. The Constitution of the Bank 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 Bank.

BOARD PERFORMANCE

Board Effectiveness

The Board has adopted an annual process for evaluating the effectiveness of both the Board and its Committees. The 2019 evaluation was based on online questionnaire developed specifically for the Board, BRC and AC 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 Chair 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

To ensure that the Board can 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 Bank 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 assists the Board in implementing and strengthening corporate governance policies and processes. She also ensures that the board procedures and applicable regulations are complied with. The Company Secretary also facilitates communications between the Board and management as well as organises the induction for new director(s) and ongoing training for existing directors.

Prior to each Board meeting, the Company Secretary provides the Board with information relevant to matters on the agenda for the meeting. In general, such information is provided a week in advance of the Board meeting. In line with the Bank's commitment to the conservation of the environment and towards paperless technology advancement, the Bank has taken away the practice of printing hard copy of board papers. All the Directors are instead provided with tablet devices to enable them to access and read the relevant papers of Board and Board Committees prior to and at meetings. Queries and answers, where necessary, could be provided prior to meetings.

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 AC, BRC and the EXCO held since the previous meeting of the Board.

The Board has independent and unrestricted access to the Senior Management, external auditors and the Company Secretary at all times. Procedures are in place for Directors and Board Committees, where necessary, to seek independent professional advice at the cost borne by the Bank, for the Directors to effectively discharge their duties and responsibilities.

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

REMUNERATION MATTERS

(Principles 7 to 9, CG Guidelines)

Procedures for Developing Remuneration Policies

The Bank has been granted with 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 officers of the Bank will be subject to the remuneration framework and processes of the Group. The MAS has imposed several conditions, compliance with 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 Board adopts the remuneration framework of the Group which is overseen by the Group's Remuneration Committee ("RC") comprised of independent non-executive directors. The Group's RC reviews and is responsible for the principles, parameters and governance framework of the Group and its subsidiaries, including the management of executive compensation. The Group RC oversees the reward policies for all colleagues of the Group. The terms of reference for the Group RC can be found on the Group's website at <https://www.sc.com/en/investors/committees/>. Further information on the activities of the Group RC can be found in the Group's Annual Report, accessible at <https://www.sc.com/en/investors/financial-results/#FullYear>.

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

Remuneration Framework

The remuneration approach for the Bank is consistent with the approach of Standard Chartered PLC and the Group.

Our remuneration approach is aligned to remuneration regulations in the UK where we are headquartered. Additional requirements may apply in subsidiaries where country regulations are different. Oversight of our remuneration approach is provided by the Group RC and supported by policies, processes and practices that are regularly reviewed.

Our remuneration approach is designed to:

- reward colleagues for the progress made on the execution of our strategy and appropriately incentivise colleagues to deliver strong performance over the long-term whilst avoiding excessive and unnecessary risk-taking, and
- promote sound and effective risk management through our remuneration structures

Fair Pay Charter

Attracting, retaining and motivating a diverse, future-ready workforce is essential to delivering on our purpose, long-term strategy and shareholder returns. In support of this, the Group RC developed our Fair Pay Charter which sets out the principles used to determine and deliver pay for all staff globally, including senior management and executive directors.

Our Fair Pay Charter sets out the principles used to make remuneration decisions that are fair, transparent and competitive in order to support us in embedding a performance-oriented, inclusive and innovative culture and in delivering a differentiated employee experience. Our approach to remuneration promotes long-term focus and alignment with shareholder interests and reflects the achievement of financial and strategic results as well as the demonstration of our valued behaviours in pay decisions. We seek to keep remuneration as simple as possible, ensure we meet all regulatory requirements and incorporate evolving best practice.

The Fair Pay Charter principles are set out below:

1. We commit to pay a living wage in all our markets by 2020 and seek to go beyond compliance with minimum wage requirements;
2. We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing;
3. We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them;
4. Pay is well administered with colleagues paid accurately, on time and in a way that is convenient;
5. We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience;
6. The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions;
7. We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Code;
8. We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual;
9. We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback; and
10. We provide clear communication of pay and performance decisions and seek feedback and input from colleagues on our pay structures and outcomes.

Key elements of remuneration

Employees typically receive salary, pension and other benefits and are eligible to be considered for variable remuneration (determined based on Group, business area and individual performance). Further information on the remuneration approach for different employees is set out in the Standard Chartered PLC's 2019 Annual Report. There may be some country variations based on statutory requirements and market practice.

Areas of focus in 2020

In 2020, specific focus in addition to our usual annual activities include:

- Monitor broader market environment to ensure the Group's remuneration remains competitive and sustainable, in the context of broader economic environment and improving performance and productivity;
- Review our approach to performance management and reward and assess its alignment with the delivery of the strategy and our desired performance-oriented, innovative, inclusive culture underpinned by conduct and sustainability;

- Prepare to comply with the European Capital Requirements Directive V which is scheduled to take effect in December 2020; and
- Continue to review the implementation of the Fair Pay Charter and the alignment of workforce policies and practices with its principles.

Governance and Oversight

The Group RC is responsible for overseeing the remuneration of all colleagues. This includes setting the governance framework for remuneration decisions.

All members of the Group RC are independent non-executive directors. Members of the Group RC also serve on other Board Committees, including the Audit, Board Financial Crime Risk, Board Risk, and Brand Values & Conduct Committees. This overlap of membership brings a deeper understanding to the Group RC of core business objectives and issues.

The Group RC is involved in a wide range of remuneration related activities which help ensure that the Group's remuneration approach is consistent with effective risk management and complies with the prevailing regulatory requirements. These include:

- Determining with the Group Board the remuneration framework and policies for the Group Chairman, Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO") and other designated senior executives;
- Approving the remuneration proposals for the Group Chief Risk Officer ("CRO"), Group Head of Conduct, Financial Crime & Compliance ("CFCC") and Group Head of Audit as the senior officers in the control functions, and any proposal to award a high remuneration package to new recruits;
- Overseeing the remuneration of Group Material Risk Takers ("MRT"s);
- Approving the Fair Pay Charter principles which guide reward decisions for all colleagues;
- Approving Group remuneration policies; the Group annual incentive scorecard measures, weightings, targets and outcome; the incentive funding and risk-adjustment approach; risk adjustments at a collective level; specific risk adjustments at an individual level; and the Directors' Remuneration Report;
- Reviewing trends in all employee remuneration outcomes, including incentive outcomes, fixed pay increases and market positioning; and reviewing its terms of reference to ensure they remain suitable and that it has appropriate oversight of the remuneration approach;
- Managing any conflicts of interest when receiving views from executive directors or senior management on executive remuneration proposals and ensuring that no individual is involved in deciding his or her own remuneration; and
- Overseeing a central and independent review of the implementation of the remuneration policy for compliance with policies and standards for remuneration.

Involvement of the control functions

To ensure that variable remuneration decisions take in to account current and future risks and the cost and quantity of capital and liquidity:

- The CRO and CFO provide the Group RC with updates on risk and finance matters at each meeting;
- The Group Reward Plan Committee ("GRPC"), which includes senior representatives in Finance, Human Resources and Risk, provide a recommendation to the Group RC for discretionary incentives that includes the consideration of current and future risks;
- The Remuneration Adjustment Committee ("RAC") consider material events and issues, which includes input from Group Internal Audit, CFCC, Legal and Risk.

Determining discretionary incentives

The Group RC considers the following factors when determining discretionary incentives:

- the Group's performance measured using a balanced scorecard;
- that the Group's remuneration policies, practices and standards do not encourage risk-taking that exceeds the Group's Risk Appetite;
- shareholder returns;
- regulatory expectations; and
- the risk, control and conduct environment and specific risk, control and conduct events.

Advice to the Group RC

The Group RC is assisted in its considerations by PricewaterhouseCoopers LLP ("PwC"). This includes advice to the Group RC relating to executive directors' remuneration and regulatory matters.

PwC were formally re-appointed by the SC PLC Remuneration Committee as its remuneration advisor in 2017 following a review of potential advisors and the quality of advice received. It is the Group RC's practice to undertake a detailed review of potential advisors every three to four years and the next review will take place in the summer of 2021.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services to the Group in the ordinary course of business including assurance, advisory, tax advice and certain services relating to Human Resources. The Group RC considered PwC's role as an advisor to the Group and determined that there was no conflict or potential conflict arising. The Group RC is satisfied that the advice the Group RC receives is objective and independent.

Alignment to conduct, risk management, and remuneration regulations

Our remuneration approach is designed to promote sound risk management by aligning employee incentives with the longer-term interests of the Group, taking into account the timeframe over which financial risks crystallise. Good conduct and the demonstration of appropriate behaviours are rewarded.

The table below provides examples of how our remuneration policies, practices and governance framework comply with the 2019 regulatory requirements.

Overview of remuneration regulations		Examples of how we are aligned
Effective governance of remuneration		
Governance	The Group's management body in its supervisory function has appropriate oversight of, and periodically reviews, the general principles of the remuneration policy	<ul style="list-style-type: none">• The Group RC is comprised of independent non-executive directors. The effectiveness of the Group RC and the quality of the information it receives is reviewed on an annual basis.• The Group RC is responsible for setting and reviewing the principles, parameters and governance framework of our remuneration approach and overseeing its implementation.

Overview of remuneration regulations

Examples of how we are aligned

Remuneration policies

Our remuneration policies, practices and standards are aligned with the long-term interests of the Group, promote sound and effective risk management and include measures to avoid conflicts of interest

- The quantum of aggregate variable remuneration is subject to the Group RC's approval, which takes into account risk, control and conduct matters and the Group's performance and capital position.
- The CRO and the CFO regularly attend Committee meetings to provide insight on emerging risk and financial matters for the Group RC to consider in remuneration decisions.
- Our remuneration policies align variable remuneration with risk in the following ways:
 - identification of colleagues whose professional activities could have a material impact on the risk profile of the Group (i.e. Group MRTs)
 - alignment with long-term performance through the Group's deferral mechanism;
 - ensuring that Group MRTs meet the UK Prudential Regulation Authority and Financial Conduct Authority requirements in respect of the variable to fixed remuneration ratio, deferral, shares, retention and vesting periods; and
 - provisions to enable the application of risk adjustments
- No colleague is involved in the determination of their own remuneration

Pension policy

Our pension policy is aligned with the long-term interests of the Group

- Our pension policy is regularly reviewed to ensure it is in line with the Group's business strategy and long-term interests.
- Updates are provided to the Group Risk Committee to provide assurance that pension risk is being monitored and managed effectively.

Effective alignment of remuneration with prudent risk-taking

Control Functions

Colleagues engaged in financial and risk control are independent, have appropriate authority, and are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role

- The methodology for determining individual variable remuneration awards ensures that colleagues in Control Functions (including Audit, CFCC and Risk) are not incentivised to drive the performance of the business areas they control.
- The remuneration of colleagues in Control Functions is in line with market practice to attract and retain talent.

Overview of remuneration regulations

Examples of how we are aligned

Risk alignment	Remuneration pay-out schedules are sensitive to the time horizon of risks	<ul style="list-style-type: none">• Under the deferral mechanism, colleagues with awards above a specific threshold are required to defer part of any variable remuneration award into deferred shares, rather than the award being paid entirely in cash.• The deferral mechanism applies to variable compensation awards made to all colleagues globally, unless superseded by more onerous regulatory requirements.• The thresholds of the deferral mechanism are reviewed periodically by senior management to ensure appropriate alignment to market and regulatory best practice.
Risk management	Remuneration is adjusted for all types of risk. Remuneration outcomes are aligned to risk outcomes	<ul style="list-style-type: none">• The Group RC approves aggregate variable remuneration, taking into consideration financial performance, capital strength, long-term performance, and strategic factors.• The CRO is a regular attendee of Committee meetings, providing a standing risk update.• Ex-ante risk adjustments, which adjust remuneration for intrinsic risks that are inherent in our business activities, can be made in the form of collective adjustments to aggregate incentives.• Ex-post risk adjustments, which adjust remuneration for crystallisation of specific risk events, can be made in the form of collective adjustments to aggregate incentives, individual in-year adjustments, malus and/or clawback.
Remuneration and capital	Total remuneration does not limit our ability to strengthen our capital base	<ul style="list-style-type: none">• The Group RC takes into account capital strength and related information in its review and approval of aggregate variable remuneration.• The CFO provides an update to the Group RC on the Group's financial position at each meeting.

Personal investment strategies

Colleagues are made aware that personal hedging strategies should not undermine the risk alignment effects embedded in their remuneration arrangements

- Our Personal Account Dealing procedure prohibits hedging in Group shares. All colleagues are required to attest that they have read, understood and have complied and will continue to comply with the Personal Account Dealing procedure.
- It is formally communicated to colleagues that they should not use personal hedging strategies to undermine the risk alignment effects embedded in their variable remuneration through employment contracts, MRT letters and remuneration statements.

Effective alignment of remuneration with prudent risk-taking: structure of individual remuneration
Group MRTs

Group MRTs are identified and made aware of the impact of their Group MRT status on their remuneration

- Group MRTs are subject to the following remuneration requirements:
 - Variable remuneration is restricted to a maximum of two times fixed remuneration.
 - At least 40 per cent of variable remuneration is deferred. This increases to 60 per cent if variable remuneration is at least GBP500,000.
 - At least 50 per cent of variable remuneration (upfront and deferred) is paid in shares.
 - Senior Managers are subject to a seven-year deferral period, with no vesting prior to year three; Risk Managers are subject to a five-year deferral period, with no vesting prior to year one; Other MRTs are subject to a three-year deferral period, with no vesting prior to year one.
 - Upfront shares are subject to a minimum 12-month post-vest retention period.
 - Deferred shares are subject to a minimum 12-month post-vest retention period for Senior Managers and Other MRTs, and a minimum six-month post-vest retention period for Risk Managers.

Group MRTs

- Group MRTs are informed of their Group MRT status and the impact this has on their remuneration. They must acknowledge their Group MRT status.

Overview of remuneration regulations

Examples of how we are aligned

Pay mix

The mix of cash, equity and other forms of remuneration is consistent with risk alignment

- The Group-wide deferral mechanism for variable remuneration sets out that at least fifty per cent of deferred awards must be paid in deferred shares.
- Group MRTs are subject to a maximum 1:2 fixed to variable remuneration ratio.
- We retain the flexibility to pay zero variable remuneration.

Remuneration structures

Remuneration is structured to be consistent with and promote effective risk management

The structure of remuneration, including the remuneration of Group MRTs is aligned to regulatory requirements

- The Group's performance is assessed against a scorecard which is disclosed in the Annual Report.
- Individual variable remuneration is determined on the basis of Group, business area and individual performance. Individual performance is determined by considering what was achieved and how this was achieved in the context of the Group's valued behaviours.
- Guaranteed variable remuneration is only provided in exceptional cases and in respect of new hires, in line with regulatory guidance.
- Variable remuneration for Group MRTs is subject to a maximum 1:2 fixed to variable remuneration ratio and requirements related to the proportion deferred, delivery in shares, retention and vesting periods.
- Non-executive directors are not awarded variable remuneration.

Buy-outs

We comply with specific requirements when buying-out the deferred variable remuneration award of an individual who was a Group MRT in their previous firm

- We apply appropriate retention, deferral and performance arrangements to buy-outs to ensure that buy-outs are aligned with the Group's long-term interests. The arrangements are no shorter than the conditions applied by the previous firm.
- Our remuneration policies include provisions relating to the treatment of buy-outs for Group MRTs, so that buy-outs do not limit the ability to apply malus and clawback.

Independent Non-Executive Directors' Remuneration

The Board recommends the remuneration for the independent non-executive directors of the Bank and such remuneration has been approved by the shareholder at the Annual General Meeting held on 17 June 2019. The table below illustrated the annual fees paid in 2019 to the independent non-executive directors of the Bank:

Name of Directors	Basic Fee	AC Chairman	AC and Board Risk Member	Total
Alan Nisbet	SGD85,000	SGD60,000	-	SGD145,000
Alex Chan	SGD85,000	-	SGD49,584*	SGD134,584
Roger Gu	SGD85,000 [#]	-	-	SGD37,265

* Mr Alex Chan has renewed the term of office with effect from 1 June 2019 and committee fee payable to him has also increased to SGD60,000 per annum (pro-rated in 2019) in conjunction with increased in his role in Board Risk Committee.

[#]Mr Roger Gu was appointed as Independent Non-Executive Director with effect from 24 July 2019 and the Director's Fee has been pro-rated for 2019.

Executive Directors' and Non-Executive Directors' Remuneration

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

Remuneration of Directors and Top Five Key Executives

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

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

Remuneration of Directors' Immediate Family

There are no employees employed by the Bank who are immediate family members of a director or the CEO.

Employee Share Plan

The Group operates a number of share-based arrangements for its executive directors and employees.

The 2011 Standard Chartered Share Plan is the Group's main share plan and is used to deliver various types of share awards including Long Term Incentive Plan awards with vesting subject to performance measures, deferred awards used for the delivery of the deferred portion of variable remuneration, and restricted share awards granted as replacement buy-out awards to new joiners.

The 2013 Sharesave Plan is an all employee sharesave plan under which employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 (or local currency equivalent) per month over three years to purchase ordinary shares in the Standard Chartered PLC at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance measures attached to options granted under the plan.

Further details of the awards made under the 2011 Standard Chartered Share Plan and the 2013 Sharesave Plan are provided on page 345 to 349 of the Annual Report 2019 for the Standard Chartered PLC, which is can be accessed at <https://www.sc.com/en/investors/financial-results/#FullYear>.

No disclosure is made on directors' interest in Standard Chartered PLC shares as there are no public shareholders of the Bank whose interests need to be protected through the disclosure of the director's interests. The Board is of the view that the Bank's executive and non-executive directors' interests in Standard Chartered PLC shares, including discretionary awards of shares granted to them as part of their remuneration package, is of sensitive and confidential nature and its disclosure would put the Bank at a disadvantage in relation to its competitors.

ACCOUNTABILITY AND AUDIT

(Principle 10, CG Guideline)

In discharging its responsibility, the Board ensures that the Bank's financial results provide a balanced and understandable assessment of the Bank's performance, position and prospects and the results are released to shareholder in a timely manner. The Board reviews the risk, legal, operational and regulatory compliance reports from Management to ensure compliance with all the SC Group's operational practices and procedures and relevant regulatory requirements. Board members receive financial statements, operational and other reports from Management containing analysis and explanations of variances against budget to understand the Bank's financial and operational performance and prospects. The financial performance of the Bank is presented at each quarterly AC and Board meetings. The AC is responsible for reviewing the adequacy of the external and internal audit functions of the Bank, including reviewing the scope and results of audits carried out in respect of the operations of the Bank and the independence and objectivity of the Bank's external auditors.

RISK MANAGEMENT AND INTERNAL CONTROLS

(Principles 11 to 13, CG Guideline)

Effective risk management is a central part of the financial and operational management of the Bank and fundamental to our ability to generate profits consistently and maximise the interests of our shareholders and other stakeholders.

The Board approves the Enterprise Risk Management Framework which sets out the principles and standards for risk management of the Bank.

Board Risk Committee

The Board has established a Board Risk Committee (the "BRC") on 25 September 2018 which commenced its inaugural meeting on 16 January 2019. Establishment of the BRC was considered beneficial to further enhance corporate governance of the Bank, particularly given the significant expansion of its business and operations following transfer of the SCB Singapore Branch businesses. Formation of the BRC will also provide more scope for the Board to focus on strategic matters related to the Bank's expanded business. The BRC comprises one Independent Non-Executive Director and two Non-Executive Directors:

Name of Directors	Board Membership	Board Risk Committee
Viswanathan Ramachandran	Non-Executive Director	Chairman
Alex Chan	Independent Non-Executive Director	Member
Daniel Koh	Non-Executive Director	Member

The primary responsibility of the BRC is to exercise oversight on behalf of the Board on the overall risk appetite, risk management strategy and risk management frameworks; overseeing implementation thereof by senior management and acting as the risk committee of the Bank in accordance with the regulations and policies as may be required by the regulator. The BRC also reviews and makes recommendations to the Board on the Bank's Risk Appetite Statement and Enterprise Risk Management Framework (including implementation thereof).

The BRC performs the functions specified in the Companies Act, CG Guidelines and CG Regulations and its key responsibilities include but are not limited to overseeing and advising the Board on all high-level risk related matters. BRC responsibilities, powers and authorities are clearly defined in BRC Terms of Reference. The Committee may invite any director, executive, external auditor or other person to attend any meetings of the Committee as it may consider desirable to assist the Committee in the attainment of its objectives.

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

- To consider the Bank's overall Risk Appetite;
- Annually review the Bank's Enterprise Risk Management Framework and make recommendations thereon to the Board for the approval of material changes to it;
- Provide oversight and challenge to the design and execution of stress and scenario testing;
- Review on behalf of the Board the Bank's internal capital adequacy assessment process and scenarios (ICAAP and IWST);
- Review reports to satisfy the supervisory requirements of regulators (including the Monetary Authority of Singapore); and
- Monitor the effectiveness and independence of the Chief Risk Officer and ensure that the Chief Risk Officer has direct access to the BRC Chairman.

The BRC held five meetings for the financial year ended 31 December 2019 and is scheduled to have at least four meetings in each financial year. The CCRO Singapore is invited to attend all the BRC meetings. At the BRC meetings, the BRC reviews reports from Regional Information Security Officer, CFO, CCO Private Banking, Regional Credit Head of ASEAN, Head of CFCC Singapore, Head of FCC Singapore, Senior Credit Officer, Corp & Institute. & Comm. Clients, Singapore, TRM Head, Counterparty Credit Risk and Head, Prudent Valuation Control, giving the opinion of the state of business and operation risks within each of its purview. These items are discussed at the quarterly BRC meetings as suggested in the rolling agenda of the BRC. The BRC Chairman makes a report to the Board on significant matters discussed at the BRC meeting and escalates issues as necessary for the Board's attention.

Risk Function

The Board appoints a Chief Risk Officer ("CRO") to oversee the Bank'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 Enterprise Risk Management Framework, ensuring it remains appropriate to the Bank's activities, is effectively communicated and implemented across the Bank and for administering related governance and reporting processes;
- uphold the overall integrity of the Bank'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 other Bank standards; and
- monitor the Country Risk Appetite and escalate material breaches to the Board.

Risk Management Framework

The Bank has established the Enterprise Risk Management Framework ("ERMF") which sets out its approach to risk management and the control framework within which risks are managed and risk-return trade-offs are made. As part of this framework, the Bank uses a set of principles that describe the risk management culture it wishes to sustain:

- **Balancing risk and return:** The Bank manages risks to build a sustainable franchise, in the interests of all its stakeholders. The Bank only takes risk within its risk appetite, and where consistent with its approved strategy. The Bank 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 Bank 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 Bank makes sure risk taking is transparent, controlled and reported in line with the risk management framework, within risk appetite and only where there is appropriate infrastructure and resource.
- **Anticipation:** The Bank 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 Bank seeks to achieve competitive advantage through efficient and effective risk management and control.

Risk Governance

Ultimate responsibility for setting the Bank'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 Bank's assets.

The Board is responsible for overseeing the governance of risk and setting risk appetite 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 capital and liquidity risks to the Asset & Liability Committee (ALCO), Principal Risks (including other risks) to the Executive Risk Committee ("ERC") 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 management of tactical and structural integrity of the balance sheet, in line with business strategy, the Bank's policies and regulatory requirements.

The ERC is responsible for the effective management of risk (excluding capital and liquidity risks) in support of the Bank's strategy, including defining the overall risk management framework which sets out its approach to risk management and the control framework within which risk is managed. The ERC oversees the management of the Principal Risks owned by the respective Risk Framework Owners. Each Risk Framework Owner ("RFO") develops and maintains a Risk Type Framework ("RTF") to comprehensively set out how the Principal Risk Type is managed.

Three Lines of Defence

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Bank within Risk Appetite boundaries, the Bank 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 defined as the businesses and functions engaged in or supporting revenue generating activities that own and manage the risks.
- The Second Line of Defence is defined as the control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the Chief Risk Officer, the Senior Management and the Board. 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 risk appetite. These responsibilities cut across the Bank 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 ERMF.

Risk Appetite

Risk Appetite is the boundary approved by the Board that determines the maximum amount and type of risk the Bank is willing to take in pursuit of its strategy, in accordance with its Principal Risk Types defined in the Enterprise Risk Management Framework.

ERMF Risk Profile is the Bank’s overall risk assessment for each of the 10 Principal Risks and the 2 Local Risks.

The Board has on 25 September 2018 approved a Risk Appetite Statement for the Bank, for each of the 10 Principal Risks and the 2 Local Risks, which is underpinned by a set of control parameters, known as Risk Appetite metrics. The EXCO, ERC and ALCO are responsible for ensuring that the Bank’s risk profile is managed in compliance with these applicable Risk Appetite.

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

Stress Testing

Stress testing and scenario analysis are used to assess the financial and management capability of the Bank to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, regulatory, legal, political, environmental and social factors. The Bank adheres to the Internal Capital Adequacy Assessment Process (“ICAAP”) and the Monetary of Singapore (“MAS”) Industry-wide Stress Test (“IWST”) to assess the level of capital required to support its activities. The ICAAP is reviewed annually to ensure that the Bank remains well capitalised after considering all material risks, whereas the IWST is performed based on regulatory instruction.

Conduct, Financial Crime and Compliance

The CFCC function supports the Group’s commitment to be ‘Here for good’ by embedding a strong culture of conduct and compliance across the Group and leading the way in fighting financial crime. In Singapore, the Bank has a dedicated CFCC team, which is a separate function that is independent of the business, but subject to independent review by the Group Internal Audit function. As a second line of defence, CFCC’s responsibilities include setting compliance policies and control standards that enables sustainable business by delivering the right outcomes for our clients and our markets by driving the highest standards in conduct, compliance and fighting financial crime.

Broadly, CFCC supports the execution of strategy and drives alignment of decision making to encompass conduct thinking and assessment of horizon risk, including ongoing identification of regulatory risks and mitigants. It is primarily responsible for the effective management of compliance with laws and regulations where CFCC has risk ownership. This includes identifying relevant authorities that issue regulations, monitoring regulations, disseminating regulations to relevant Compliance Risk Sub-type Owners and Process Owners, as well as ensuring that regulations are implemented by the relevant Process Owners.

Another key responsibility of the CFCC team is to support the management of the Bank’s regulatory relationship with heightened focus on potential areas of supervisory concerns, as well as highlight emerging regulatory developments to the Board and Senior Management.

On financial crime, CFCC support the Bank in its financial crime risk management, including the compliance to anti-money laundering and sanctions rules and applying core controls such as client due-diligence screening and monitoring. CFCC also performs risk assessment to identify the inherent compliance risks within the Bank. The outcome of the assessment drives the formulation of CFCC plan, prioritization of CFCC activities and resources.

In 2019, CFCC supported the Group in the deployment of upgraded systems and development of innovative solutions to tackle challenges relating to financial crime risk management. CFCC has also made structural changes such as integrating financial crime and regulatory compliance teams to provide a single point of contact for business, resulting in a greater client focus with reduced hierarchy, and faster decision-making.

INTERNAL CONTROLS

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

Based on the 2019 Board Effectiveness Review, the Board, with the concurrence of the AC is of the view that the Bank'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 2019.

AUDIT COMMITTEE

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

Name of Directors	Board Membership	Audit Committee
Alan Nisbet	Independent Non-Executive Director	Chairman
Alex Chan	Independent Non-Executive Director	Member
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 always maintained. 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 to ensure the integrity of the financial statements of the Bank and any announcements relating to the Bank's financial performance;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Bank's internal controls, including financial, operational, compliance and information technology controls;
- reviewing the effectiveness of the Bank'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 the Head of CFCC 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 Bank'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 Bank, 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 2019 and is scheduled to have at least four meetings in each financial year. The CEO, CFO, Head of Internal Audit, Head of CFCC 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 CFCC, 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 Bank'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 2019, 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 Audit

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. The aggregate amount of fees paid to the external auditor for financial year ended 31 December 2019 are shown in the Notes to the Financial Statements. The Bank did not engage KPMG LLP for non-audit services for the year ended 31 December 2019. Focus has been placed on the external auditor transition from KPMG LLP to Ernst & Young LLP ("EY") from financial year ending 31 December 2020 onwards to ensure a seamless and timely handover. EY has attended a number of AC meetings to obtain insight into the AC's ways of working.

The AC performed half yearly reviews of financial statements and made recommendations to the Board for approval. The CEO and CFO provided the AC with a letter of representation attesting to the integrity of the financial statements. The AC reviewed the Bank's externally reviewed interim and audited annual financial statements and discussed with management and the external auditor the significant matters which involved management judgement. Matters raised by AC and the external auditor in respect of risk management, accounting and internal controls over financial reporting were also reviewed. The following key audit matters were discussed with management and the external auditor:

- Valuation of loans and advances to customers

The AC reviewed and considered the external auditor's assessment and justification of valuation of loans and advances to customers, including the appropriateness of remedial actions, forward-looking assumptions and scenarios adopted, in accordance with Singapore Financial Reporting Standards (International) 9 Financial Instruments and approved framework, as well as the reports detailing the composition and credit quality of the loan book, concentrations of risk and provisioning levels in respect of high-risk credit grade exposures. The credit review of individually significant non-performing loans has been performed and discussed with the external auditor coupled with assessment on the adequacy of provisions through challenging the different recovery scenarios.

- Project Sapphire

The AC reviewed and understand from the management the assumptions used on the project governance, the transfer approach and the key legal, regulatory, operational and technological matters arising and the implications. Independent validation of certain accounts being migrated was performed and reconciliation controls in place were tested by the external auditors. The AC was apprised of the Project Sapphire business integration plan, progress and associated expenses across the Group during the financial year.

The AC believes that the financial statements for the financial year ended 2019 are fairly presented in conformity with the relevant Singapore Financial Reporting Standards (International) in all material aspects, based on its review and discussions with management and the external auditor.

INTERNAL AUDIT

The Bank'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 Bank with internal audit staff. GIA has a dedicated internal audit team in Singapore responsible for driving the internal audit activities of the Bank, which is led by the Head of Internal Audit. A Service Level Agreement is in place between the Group and the Bank 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 Group Internal Audit's Charter which sets out the mandate, approach, responsibility and authority of the Internal Audit function for the Bank. Based on its risk assessment of the Bank and its activities, the Internal Audit function formulates, executes an annual plan of audit and reviews activities to form an opinion on the overall control environment and management's control approach. The Internal Audit function also performs reviews at the specific request of regulators, senior management or the AC. It does not have to cover all scope areas every year. The Internal Audit Plan is reviewed on a periodic basis to assess the impact of changing risks, with any significant changes to the plan being discussed and reviewed with senior management 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.

The scope of the Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for providing independent assessments on the adequacy and effectiveness of risk management, control, and governance processes of the business and functions. The Internal Audit function assesses if key risks have been identified, governed in line with the established risk management processes (including risk appetite) and reported by senior management and/or the Risk function to Committees and Executive Management. Business strategy, policies and procedures as well as the Group's key priorities will be considered as part of this evaluation. It also considers whether the outcomes and the conduct of businesses are in line with the objectives, risk appetite and valued behaviours of the organisation. The Internal audit function will also provide an independent view of management's reporting on the risk management of the organisation, including management's remediation plans, and highlighting significant audit issues that are overdue for resolution;

The Internal Audit function represents the Third Line of defence in providing independent assurance of the effectiveness of management's control of business activities (the First Line) and of the control processes maintained by the Risk Framework Owners and Policy Owners (the Second Line). The Internal Audit Function adopts a structured risk-based audit methodology approach, which is in accordance with the industry best practice from the IIA Standards and Code, as recognised by regulators and external auditors.

Working with senior management, the Internal Audit function supports long term improvements in the Group's control environment and tracks that sustainable corrective action plans are effectively implemented.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

(Principles 14 to 16, CG Guideline)

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 Bank 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.

Share issuance and Dividend Payment

During FY2019, there were three issuances of shares:

- On 17 April 2019 and 13 May 2019, a total of 2,590 million ordinary shares were issued to Standard Chartered Holdings (Singapore) Private Limited at an issue price of US\$1 each for a total consideration of US\$2,590 million;
- On 13 May 2019, 2,500 non-cumulative redeemable Class B preference shares with a liquidation preference of US\$200,000 each were issued to Standard Chartered PLC at an issue price of US\$200,000 each for a total consideration of US\$500 million; and
- On 2 July 2019, 3,750 non-cumulative redeemable Class C preference shares with a liquidation preference of S\$200,000 each were issued to Standard Chartered PLC at an issue price of S\$200,000 each for a total consideration of S\$750 million.

All issued shares are fully paid, with no par value.

The holder of ordinary shares is entitled to receive dividends as declared by the Board of Directors from time to time and is entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets, except that the preference shareholder participates only to the extent of the face value of the shares.

The holder of non-cumulative redeemable preference shares is entitled to receive any non-cumulative preferential cash dividend to be declared at the sole discretion of the Board. The non-cumulative redeemable preference shares rank in priority to the Bank's ordinary shares. The Bank has an optional call date on the non-cumulative redeemable preference shares from 12 December 2020. The non-cumulative redeemable preference shares qualify as Additional Tier 1 capital of the Bank.

RELATED PARTY TRANSACTIONS

(Principle 17, CG Guideline)

The Bank has procedures in place to ensure that related party transactions are undertaken on an arm's length basis. The procedures cover credit facilities and other non-credit-related transactions with related parties including directors' group.

The AC reviews related party transactions above the thresholds determined under the procedures before approval by the Board. Measures are taken to ensure that the terms and conditions of related party transactions are not more favourable than those granted to non-related parties under similar circumstances.

Where there is a potential conflict of interest involving any directors, the director(s) will be abstained from all discussions and refrained from voting or exercising any influence over other members of the AC or the Board in relation to the related party transaction(s).

Material related party transactions are disclosed in the notes to the financial statements for the financial year ended 31 December 2019.