

STANDARD CHARTERED BANK (SINGAPORE) LIMITED

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

CORPORATE GOVERNANCE REPORT Year Ended 31 December 2014

Good corporate governance contributes to the long-term success of a company, creating trust and engagement between the company and its stakeholders to create and deliver sustainable shareholder value. Exemplary governance standards and ethics are core to a company's strategic intent. At Standard Chartered Bank (Singapore) Limited (the "Company"), we have clear, well-understood governance practices, from supporting our clients to investing in communities, to be a powerful force for good. We further enhance our governance standards with strong internal controls, values and culture which are reflected in the behaviour of our employees to strengthen trust in the banking industry. We measure and reward performance both in terms of what employees achieve and how they achieve it, which has a positive effect on how well our culture and values are embedded within the Company.

ABOUT US

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

The SCB Singapore Branch transferred its Retail Client and Medium Enterprise clients in Singapore to the Company on 7 October 2013. As a financial institution in Singapore, the Company is guided in its corporate governance practices by the principles and guidelines listed in the Banking (Corporate Governance) Regulations 2005 (the "CG Regulations") and the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers incorporated in Singapore (the "CG Guidelines") dated 3 April 2013.

OUR APPROACH TO CORPORATE GOVERNANCE DISCLOSURES

We seek to deliver exemplary corporate governance. Our aim is to provide insight into how we meet the spirit of corporate governance through adopting a discursive approach to our disclosures. The Company applies and complies with the spirit and intent of the provisions of the CG Guidelines to the fullest extent possible and in areas where the Company deviates, the rationale is explained in this Corporate Governance Report.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Board Responsibility

The Board is primarily accountable to the shareholders and has the overall responsibility for the operation and management of the Company and for the proper conduct of the business of the Company. It is accountable for ensuring that, as a collective body, it has the appropriate skills,

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

The Board is collectively responsible for the long-term success of the Company and works closely with Management to achieve this objective. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conducts. The following matters are specifically reserved for the Board:

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

As a wholly-owned subsidiary of SCB, the Company's management structure is designed to leverage on the benefits of a global network along with the Group's business and functional lines whilst maximising the Group's franchise value geographically. It delivers local focus on clients and

customers and financial performance, whilst capturing the products, expertise and scale advantages of the Group's global business and functions.

The Board reviews and approve the appointment of the CEO, CFO, CRO and the Head of Treasury. The Board also reviews the resignation and removal of these key appointment holders.

Delegated Authority

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

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

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

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

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

Board Membership

Membership of the directors on the Board as of 30 June 2015 is tabled below:

Name of Director		Board Membership					Date of Appointment		
Mr. Lim Cheng Teck		Non-Executive Director and Chairman					22 Jul-14		
Mr. Alan Nisbet		Independent Non-Executive Director					30 Sep-13		
Mr. Alex Chan		Independent Non-Executive Director					30 Sep-13		
Mr. Neeraj Swaroop		Executive Director and Chief Executive Officer					31 Mar-14		
Mr. Viswanathan Ramachandran		Non-Executive Director					20 Jan-15		
No. of Directors	6	6	6		6			6	
	5			5		5	5	5	
	4		-1 +1	-1	+1	-1		+1 -1	
	3		Ray Ferguson on 29 Mar Neeraj Swaroop on 31 Mar	Ray Duggins on 12 Apr.	Lim Cheng Teck on 22 Jul	Subrato Som on 1 Aug.		Viswanathan Ramachandran on 20 Jan Jaspal Bindra on 31 Mar	
	2								
	1								
		Dec-13	Mar-14	Apr-14	Jul-14	Aug-14	Dec-14	Jan-15	Jun-15

Notes:

- i) Mr. Ray Ferguson resigned from the Board on 29 Mar-2014 following his resignation as CEO Singapore, and he was succeeded by Mr. Neeraj Swaroop.
- ii) Mr. Ray Duggins resigned from the Board and AC on 12 Apr-2014 following his resignation from SCB as Chief Risk Officer for Consumer Banking.
- iii) Mr. Lim Cheng Teck was appointed to the Board and AC on 22 Jul-2014. He stepped down from AC on 1 Apr-2015 and was appointed Chairman on 2 Jun-2015.
- iv) Mr. Subroto Som resigned from the Board on 1 Aug-2014 following his resignation as Head, Retail Banking.
- v) Mr. Viswanathan Ramachandran was appointed to the Board on 20 Jan-2015 and became an AC member on 1 April 2015..
- vi) Mr. Jaspal Bindra resigned from the Board on 31 Mar-2015 following his resignation as CEO Asia from end of April 2015.

Tenure of Directors

The directors' appointments are for a 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 Company has procedures in place to ensure this criterion is being met before the term expires. The Articles of Association ("Articles") of the Company does not mandate the retirement of directors by rotation as one of the routine business to be transacted at the Annual General Meeting of the Company.

Board Meetings and Attendance

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

During 2014, there were five Board meetings. At the Board meetings, the Chairman of Audit Committee ("AC") provides an update on key matters that were discussed and considered at the AC meeting. In addition, the Board receives the minutes of the AC and the Executive Committee ("EXCO"), including updates from Management on developments and compliance with regulatory requirements which are covered under the standing reports from the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO").

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

Details of the number of Board and AC meetings held for the period under review including the attendance of each Board member at those meetings are as follows:

	Board Meeting	Audit Committee	Board Offsite
Number of meetings held	5	5	1
Name of Director	Number of meetings attended		
Mr. Jaspal Bindra	5	-	1
Mr. Ray Duggins	1	1	
Mr. Alan Nisbet	5	5	1
Mr. Alex Chan	5 (1 ☎)	5 (1 ☎)	1
Mr. Ray Ferguson	1	-	
Mr. Subroto Som	2	-	
Mr. Lim Cheng Teck	3	4 (1 ☎)	1
Mr. Neeraj Swaroop	5	5 (☎)	1
Mr. Viswanathan Ramachandran	1 (☎)	-	1

☎ via conference call
☎ by invitation

At the Board offsite in October 2014, the Board discussed the business strategy for the Company.

Directors Induction and Continuous Training & Development Plan

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

Induction Programme

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

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

Continuous Training and Development Plan

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

In 2014, the directors attended training sessions conducted by subject matter experts for updates on regulatory changes, accounting and auditing, outsourcing governance and controls, as well as an offsite meeting where they were presented with potential business opportunities arising from the China-ASEAN corridor.

BOARD COMPOSITION AND GUIDANCE

Board Composition

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, review and by providing guidance whilst setting the strategic direction of the Company.

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

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

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

The Company endeavours to maintain a strong and independent element on the Board with the independent directors making up at least one-third of the Board and should not serve longer than nine years.

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

Independence of Judgement

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

Mr. Lim Cheng Teck is the CEO, ASEAN for SCB. Although he has overall responsibility for delivering growth and returns for SCB's operations in ASEAN, he is not involved in the day-to-day operations and decision making of the Company. Mr. Lim is considered independent from management given that he and none of his immediate family members are employed by the Company or any of its subsidiaries nor is he accustomed to any obligation to act in accordance with the direction or wishes of the management of the Company or any of its subsidiaries. Within the Group, Mr. Lim is a director of several entities. Outside of the Group, he serves on a non-profit trust company, an advisory board and a member of the Singapore Chamber of International Commerce. Aside from these, Mr. Lim sits on the board of Clifford Capital, a 9.9 per cent minority shareholding investment held by the Group as a non-executive director. These positions do not hamper with his independent judgment of the Company business given that he does not have any direct control over the Company's payments or any borrowing/lending activities. As such, Mr. Lim is considered independent from business relationships. He is not independent from substantial shareholder as he is employed by SCB (which is regarded as a substantial shareholder of the Company).

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

Mr. Neeraj Swaroop, currently the CEO of the Company and Singapore, is an executive director and has day-to-day responsibilities for the management of the Company's business. He is not independent from business relationships.

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

Information on the directors is set out below:

Mr. Lim Cheng Teck
Non-Executive Director

Mr. Lim Cheng Teck is the Chief Executive Officer, ASEAN for SCB since May 2014 and is based in Singapore.

Mr. Lim joined Standard Chartered in 1989 and held senior positions in SCB including Chief Executive Officer, Singapore and Chief Executive Officer, China prior to his current appointment. He is also a director of following Group entities:

- SCB Malaysia Berhad.
- SCB (Thai) Public Company Ltd
- PT Bank Permata Tbk

Mr. Lim's other directorships are

- Director of Special Needs Trust Company Limited
- Advisory Board Member of Sim Kee Boon Institute for Financial Economics
- Director of Clifford Capital Pte Ltd
- Director of S'pore International Chamber of Commerce
- Council Member of The Institute of Banking & Finance Singapore
- Director of Bright Vision Hospital

Mr. Lim holds a Bachelor of Arts degree from the National University of Singapore and an MBA degree from Brunel University, United Kingdom.

Mr. Alan Nisbet
Independent Non-Executive Director

Mr. Alan Nisbet is also Chairman of the Audit Committee. He has his own consultancy, Kanni Advisory, specialising in financial and business advisory services. He was previously the leader of Audit and Assurance Services for Deloitte Southeast Asia with responsibilities for the overall audit and assurance operations, business development and quality control. Whilst at Deloitte, Mr. Nisbet also established the Deloitte Enterprise Risk Service function in Singapore and led that practice division for four years, responsible for the delivery of Corporate Governance, Risk Management, Internal Audit and Information Technology Security Services. He has worked in Australia, the United States and the Asia Pacific region and has experience in multiple industries including energy and resources, aviation and transport services, manufacturing, life sciences and healthcare, and real estate

Mr. Nisbet is a Member of the Institute of Singapore Chartered Accountants. Mr. Nisbet's other directorships are in:

- Accounting and Corporate Regulatory Authority Singapore
- Halcyon Agri Corporation
- KrisEnergy Limited

and in the preceeding three years:

- Ascendas Pte Ltd

Mr. Nisbet is a member of the Institute of Singapore Chartered Accountants. He holds a Diploma of Business Studies, Accounting from Caulfield Institute of Technology, Australia.

Mr. Alex Chan
Independent Non-Executive Director

Mr. Alex Chan is Executive Vice-Chairman of Jebsen & Jessen (SEA) Pte Ltd and a director of the following member companies in that group:

- Jebsen & Jessen Business Services (M) Sdn Bhd
- Jebsen & Jessen Chemicals (M) Sdn Bhd
- JJ-Lurgi Engineering Sdn Bhd
- Insulpack-Styrotek Pte Ltd
- Jebsen & Jessen Business Services Pte Ltd
- Jebsen & Jessen Chemicals Holding Pte Ltd.
- Jebsen & Jessen Chemicals (S) Pte Ltd
- Jebsen & Jessen Packaging (S) Pte Ltd
- Jebsen & Jessen (South East Asia) Pte Ltd
- JJ-Lapp Cable (S) Pte Ltd

- JJ-Pun (S) Pte Ltd
- MHE-Demag (S) Pte Ltd
- Triton Textile Pte Ltd
- Jebsen & Jessen Business Services (T) Ltd
- Jebsen & Jessen Chemicals (T) Ltd
- Harrican Integrated Pte Ltd
- Jack Tat Corporation Pte Ltd
- Jebsen & Jessen Offshore Pte Ltd
- Superior Marine & Offshore Engineering Pte Ltd
- Jebsen & Jessen Vietnam Co Ltd

Mr. Chan's also holds directorship in

- SISTIC.com Pte Ltd
- Spindex Industries
- Electra (S) Pte Ltd

Mr. Chan does not hold directorship in other listed companies in the preceding three years. He was formerly Executive Director of MMI Holdings Ltd, Executive Director of Far East Organisation and Managing Director and CEO of Yeo Hiap Seng Ltd and Managing Director of Hewlett-Packard South East Asia.

Mr. Chan is a Singapore citizen. He holds a Bachelor of Electrical Engineering (First Class Honours) from the University of Singapore and a Master of Business Administration (Beta Gamma Sigma Honours) from the University of California, Los Angeles.

Mr. Viswanathan (Vishu) Ramachandran
Non-Executive Director

Mr. Viswanathan (Vishu) Ramachandran is currently the Group Chief Credit Officer, Retail Clients, a position to which he was appointed in April 2014.

Mr. Ramachandran joined Standard Chartered Bank in 1987 in India. He has held various senior positions in Consumer Bank including Global Product Head for Secured Lending, Chief Operating Officer, Chief Financial Officer, Regional Head of India, Middle East, Pakistan and Africa.

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

Mr. Neeraj Swaroop
Executive Director and Chief Executive Officer

Mr. Neeraj Swaroop is the CEO of Standard Chartered Bank, Singapore. Prior to this role, Mr. Swaroop was the Regional CEO for ASEAN responsible for the Standard Chartered Bank ("SCB")'s franchise and operations in Australia, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam.

Mr. Swaroop is also a director of the Board of the following Group subsidiaries:

- Prime Financial Holdings Limited
- Standard Chartered Holdings (Singapore) Private Limited

and Singapore International Chamber of Commerce.

Mr. Swaroop has served as Chairman on a number of Group subsidiary boards such as Standard Chartered Bank (Thai) PCL, Standard Chartered Bank (Vietnam) Limited and Prime Financial Holdings Ltd. He also serves as a Commissioner of PT Bank Permata TBK, the Group's joint venture in Indonesia for two years. In addition, he represents SCB at industry forums and advisory boards.

Before relocating to Singapore, Mr. Swaroop was the CEO and Regional CEO of SCB India and South Asia respectively. Under his leadership, this region became one of the top performing regions for SCB.

Prior to joining SCB, Mr. Swaroop led the consumer banking business of HDFC Bank, India's largest private sector bank by market capitalisation.

Mr. Swaroop holds a MBA degree from the Indian Institute of Management, Ahmadabad, and a Mechanical Engineering degree from the Indian Institute of Technology, Delhi.

Lead Independent Director

The Company has not satisfied the requirement under the CG Guidelines where the Company should appoint an independent director to be the lead independent director where the Chairman is not an independent Director. The Board is of view that a lead independent director is not required because the Company is a wholly-owned subsidiary and the current Chairman is a Non-Executive Director who is considered to be independent from management and business relationships. The INEDs have unfettered access to the Chairman of the Company to raise relevant queries to ensure that there is a check and balance between the Board and senior management. In addition, the INEDs may occasionally meet separately with the Group Chairman in the absence of the other NEDs when the opportunity arises. The last meeting was in November 2014.

SEPARATION OF THE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The CEO is responsible for the day-to-day operations of the Company and ensures there is quality flow of information between the Board and the Management. 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 have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the board meetings.

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

BOARD MEMBERSHIP

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

Board Selection and Appointment Principles

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

- The Board should have sufficient independence of mindset to challenge the executive as well as an appropriate balance of skills, knowledge, diversity (this includes diversity of gender and perceptions) and experience relevant to the nature of the banking subsidiary's business.
- At least one third of the Board members must be comprised of INEDs.
- INEDs will be interviewed by the Chairman who will assess their suitability and whether their values and behaviours are aligned to the Company's culture and values.
- INEDs should not serve longer than nine years. Where the Board considers the value and experience of an INED, who is serving his/ her ninth year, outweighs the nine year term requirement, reasons for an extended term must be clearly documented with a formal annual review prior to any further extended term.

- In accordance with Company policy, due diligence/screening checks must be completed prior to the appointment of any INED to ensure there is no undue risk posed to the Group in relation to integrity, financial soundness, conflicts of interest, related party relationships with respect to the Hong Kong and London listing or local connected lending requirements.
- Candidates must not have political appointments.
- All directors should have the capacity to devote sufficient time and commitment to attend all Board, Board committee meetings, as well as engage in other Company events.
- The Chairman, in conjunction with the CEO and INEDs, will have periodic discussions to ensure the Company maintains a diverse pool of talented leaders as prospective directors from both within the Group and externally as independent directors.
- A key consideration for an appointment from within the Group for SCB appointed NEDs will be the candidate's ability to bring broad knowledge of the Group to the Board's deliberations and provide context, so that INEDs fully understand the Group's strategic direction and key priorities.
- Where practical, all prospective directors (including executive and the Group NEDs) should meet the current Board directors prior to appointment.
- Robust succession plans must be maintained by the Company Secretary to ensure sound planning so as to avoid "bottlenecks" and ensure a balance of knowledge and skills as well as appropriate continuity. Exceeding the regulatory required number of INEDs 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 INEDs should be maintained by the Company Secretary and reviewed at least annually by the Chairman and CEO.
- All directors must receive a tailor-made induction on joining the Board or any Board committee and should regularly update and refresh their skills and knowledge.

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

The Board also assesses whether or not a director is able to and has been adequately carrying out his duties as a director, particularly when there is multiple board representations, in order to consider the devotion of time to the Company. The Board has not set the maximum number of listed company board representations each director may hold but rather, reviews member's contributions and commitment in carrying out their board / director duties in the annual Board Effectiveness Review. The Board is satisfied that the directors have devoted sufficient time and attention to the affairs of the Company based on the review done in 2014.

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

BOARD PERFORMANCE

Board Effectiveness

The Board has adopted an annual process for evaluating the effectiveness of both the Board and AC. The evaluation was based on an online questionnaire developed specifically for the Board 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 directors. The Chairman acted on the results of the evaluation and instructed that the action plan be closely monitored to ensure successful follow through, enabling the Board to enhance its overall effectiveness.

ACCESS TO INFORMATION

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

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

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

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

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

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

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

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Company has an exemption from the MAS on the requirement to set up a Remuneration Committee pursuant to Regulation 39, Part IV of the CG Regulations on the basis that the remuneration of the directors and executive officers of the Company will be subject to the remuneration framework and processes of the Group. The MAS has imposed several conditions, compliance of which is being managed by the Human Resources function in conjunction with the

Company Secretary. The Board undertakes the duties of the Remuneration Committee as specified in the Matters Reserved for the Board under the Board's Responsibility section above.

The Company adopts the remuneration framework of the Group. The Remuneration Committee (the "RC") of SC PLC comprises only non-executive directors providing independence from the Management of the Company / Group. The RC has oversight of all reward policies for SC employees. It is responsible for setting the principles and governance framework for all compensation decisions.

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

REMUNERATION POLICY

Our performance, reward and benefits approach supports and drives our business strategy and reinforces our values in the context of a clearly articulated risk appetite and a Group-wide framework, under which we apply a consistent approach to reward for all employees covering the following broad principles:

- Supports a strong performance-oriented culture, ensuring that individual reward and incentives are aligned with:
 - the performance and behaviour of the individual;
 - the performance of the business; and
 - the interests of shareholders
- Ensures a competitive reward package that reflects our international nature and enables us to attract, retain and motivate our employees
- Reflects the fact that many of our employees bring international experience and expertise and that we recruit from a global marketplace
- Encourages an appropriate mix of fixed and variable compensation based on
 - the individual's accountability and
 - the individual's and their business' risk profile.

All employees are entitled to base salary, benefits and have the opportunity to receive an element of performance-related compensation, subject to their contractual entitlement. The maximum opportunity of performance-related compensation available is based on the seniority and responsibility of the role. The Group adopts a prudent approach to increases in fixed compensation across the Group.

The Group aims to sustain a high performance culture in which every employee has a clear set of objectives, receives ongoing feedback on their performance and behaviour and is appropriately rewarded for their individual contribution.

The Company's variable compensation awards do not contain any direct formulaic link between business income and that individual's reward. Differentiating performance and values ratings at all levels enable the Company to target spend towards those who have made the most effective contribution to the Company's as well as Group's performance and unique culture, recognises and aids retention of our highest performers and balances this with affordability considerations.

The Group has a clear performance and reward governance structure which ensures that compensation decisions for all support functions and specifically the control functions (Risk, HR, Internal Audit, and Legal and Compliance) are managed independently of the business.

The Board ensures that remuneration policies are in line with the strategic objectives and corporate values of the Company and do not give rise to conflicts between the objectives of the Company and the interests of individual directors and senior management. No individual director or senior

management determine their own compensation under the Group Remuneration Policy which the Board adopted as the Company's own Remuneration Policy.

Governance and Regulatory Requirements

Benchmarking the Group's compensation arrangement against emerging regulatory best practice.

Regulatory benchmarking

Emerging Regulatory Best Practice	Standard Chartered Practice
Fixed and variable compensation balance	<ul style="list-style-type: none"> ▪ Fixed remuneration is set at a level that is both appropriate for the role and the market as well as allowing for truly flexible variable remuneration arrangements where, for example, no performance award could be paid ▪ There is a single pool from which all discretionary variable compensation irrespective of structure (e.g. cash, deferred shares, performance shares) is funded
Remuneration policy supporting effective risk management processes	<ul style="list-style-type: none"> ▪ Risk management is core to all business decisions across the Group and we have a robust process for ensuring that compensation decisions take risk into account
Rewarding for performance and adherence to values	<ul style="list-style-type: none"> ▪ Employees are assessed and rewarded on performance against objectives and adherence to Group values. Malus or the forfeiture of unvested awards can be activated by inappropriate behaviours and non-adherence to Group values. ▪ Under the Group Claw-back Policy, the Group reserves the right to apply prior year adjustment and/or claw-back to variable compensation awards (including cash, deferred cash, restricted shares and/or performance shares) in certain circumstances. This can be applied for up to seven years from date of award.
Strong, defined link between remuneration and strategy	<ul style="list-style-type: none"> ▪ Variable compensation for senior management is driven by collective and individual objectives that are clearly linked to the achievement of business objectives consistent with the Group's risk appetite
Risk and performance Alignment	<ul style="list-style-type: none"> ▪ The use of a robust risk adjusted profit metric that takes into account regulatory capital, credit and market risk in the formulation of performance award pools ▪ Malus can be applied to deferred and performance awards prior to vesting ▪ The Group's share plan uses a risk based performance condition to ensure it is aligned to risk
Meaningful levels of deferral for variable compensation	<ul style="list-style-type: none"> ▪ A graduated Group-wide deferral framework with a top rate of 65 per cent deferral of Total Variable Compensation applies to all employees who receive a variable award in excess of USD 50,000. ▪ All employees are subject to the higher of any regulatory deferral requirements or the Group deferral framework
Strong internal governance process	<ul style="list-style-type: none"> ▪ The Remuneration Committee oversees all material variable compensation plan spend. ▪ The Group Chief Risk Officer attends appropriate Committee meetings ▪ Control function variable compensation pools are managed separately from the businesses they control ▪ A comprehensive set of reward plan committees provide rigorous challenge of variable compensation decisions and allocation of pools ▪ Control functions provide input into reward plan committees on any control issues (positive or negative) that should influence compensation and malus/claw-back decisions.

Supporting Risk Management through our Remuneration Practices

Effective risk management is fundamental to building sustainable performance and is the central tenet of the financial and operational management of the Group. The Risk Management Framework sets out the Group's enterprise-wide approach to risk management and the control

framework within which risks are managed. Risk appetite is set in the context of the Group's strategy and agreed by the Board. This forms the basis for establishing the risk parameters within which businesses (and, ultimately, employees) must operate, including policies, concentration limits and business mix parameters.

Since performance against these objectives is a significant factor in the determination of an individual's variable compensation, employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Assessing 'how' an employee has achieved an objective, as well as 'what' has been achieved, is a key component of our performance assessment process and remuneration decision.

The RC reviews the Group's performance and reward policy on a regular basis against significant regulatory developments in our markets, market practice and shareholder expectations.

Risk Adjustment of Compensation

The RC views management of Total Variable Compensation ("TVC") in a holistic way, using a number of levers to determine both the appropriate size of the variable compensation pool and individual recommendations taking account of current and future risk to the Group at the time at which compensation decisions are made.

These levels are used to make ex-ante risk and performance adjustments beginning with the use of risk capital-adjusted profit ("RCAP") in determining the TVC pools. In addition, the RC has agreed a number of mechanisms to make ex-post performance adjustments that provide further alignment to actual performance outcomes (see below).

Considerations at the time of award (ex ante)	
Initial pool funding	<ul style="list-style-type: none"> TVC pool determination was based on risk adjusted profit
Validation of the TVC pool	<ul style="list-style-type: none"> The Remuneration Committee then reviewed the TVC pool and exercised its judgment to ensure that the overall payout appropriately reflected the Group performance, the control environment, and any other qualitative risk factors that the Remuneration Committee considered appropriate and the position of the Group's pool against the market.
Adjustments after awards made (ex post)	
Balance of non deferred total variable compensation awards	<ul style="list-style-type: none"> The Remuneration Committee considered the balance of cash, deferred and performance shares to be delivered immediately and the balance to be deferred both at an aggregate level and at an individual level. As well as encouraging senior employees to take the longer term view, ex-post adjustments are only effective if the appropriate levels of deferrals and performance shares are delivered. As such, deferrals start where TVC awards were USD70,000.
Performance adjustment and claw-back	<ul style="list-style-type: none"> This was achieved through multiple lenses. Potential diminution in value: of the deferred award through non-vesting due to performance conditions and share price movement until vesting. Claw-back applied to awards in accordance with the policy described below which applies to all employees. Vesting due to performance conditions and share price movement until vesting.
Shareholding requirements	<ul style="list-style-type: none"> The Group operated a shareholding requirement policy to align the interests of its senior employees with its investors. We remain committed to the principles of share ownership by senior executives with an expectation that such employees build up a shareholding over time Up-front shares were subject to a six month retention period and a proportion of deferred shares were subject to a 12 month retention period on vesting (referred to as the 'Retention Policy').

Application of Deferrals and Malus

TVC awards above USD50,000 are subject to deferral under the Group's standard framework. All deferred awards, shares and cash, vest equally over three or five years. Vested deferred share and up-front share awards may only be sold if the employee meets any stated minimum shareholding requirement.

Under the Group's claw-back policy, all 2014 awards (both cash and shares) are subject to claw-back for a period of seven years from the date of award.

Claw-back may apply either on an individual basis or at a business unit level or the Group level. At an individual level, where an employee is terminated for cause, including misconduct, any unvested and vested awards lapse. In the event an employee (or former employee) has been deemed to have:

- i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions, or
 - ii) exhibited inappropriate values, behaviour or applied a lack of appropriate supervision
- a prior year adjustment (or malus) will be applied in the first instance.

In exceptional circumstances, however, claw-back may be applied. At a business unit or group level, the RC has discretion in exceptional circumstances to determine that a whole award may not vest or will only partially vest. Such circumstances (defined as a "Material Event") may include a material restatement of the Group's financial statements, the discovery of endemic problems in financial reporting, or where as a result of financial losses a material breach of regulatory guidelines (e.g. in relation to capital holdings or liquidity) or a significant failure in risk management at the Group or business unit level has occurred or is likely to occur. Where the Group financial statements have been subject to a material restatement or there has been a risk management failure, the RC may also determine that forfeiture is to be restricted to the award holders in a particular business unit if issues in that unit alone have been the cause of the restatement or the risk management failure.

Code Staff Remuneration Disclosures

Under the Capital Requirements Directive IV ("CRDIV"), firms will be required to maintain a policy on the annual assessment process to identify employees whose professional activities have, or could have, a material impact on the institution's risk profile. These are known as Material Risk Takers and more commonly as Code Staff Employees ("Code Staff") by the Prudential Regulation Authority. The Group has introduced a policy for the identification of Code Staff in 2013.

Remuneration for Code Staff is typically delivered through a combination of base salary, pension contribution, benefits and variable compensation. A limited number of Code Staff receive a Code Staff Allowance ("CSA") as part of their fixed compensation. Eligibility for a CSA is determined by considering role, function, skills and experience.

Variable compensation for Code Staff is structured in line with the Remuneration Code requirements. For the 2014 performance period, Code Staff are required to have between 40 and 60 per cent of their variable compensation deferred over a period of up to five years. Non-deferred variable compensation will be delivered 50 per cent in up-front shares and 50 per cent in cash. Deferred variable compensation is delivered entirely in shares for the majority of Code Staff employees. However, those employees with the highest level of deferrals (a minimum total deferred amount of USD100,000) have the opportunity to elect for 50 per cent of their deferred award to be delivered as deferred cash. TVC awards are subject to the Group's claw-back policy. Deferred compensation (cash and shares) is subject to continued employment (which may be terminated by the Group in the event of material misconduct). Both up-front and deferred shares are subject to the Retention Policy.

The Company has adopted the following definitions for the purposes of MAS Notice 637 Pillar 3 reporting:

- Category 1: Material Risk Takers (“MRT”) defined as employees who have been identified as “Code Staff” in accordance with the Group policy on the Identification of Material Risk Takers for Remuneration Purposes.
- Category 2: Senior Management (“SM”) defined as EXCO members who are direct reports to the CEO excluding Material Risk Takers identified above.

Please refer to the Directors’ Remuneration Report in the Annual Report of SC PLC for more details of the Board Remuneration Committee, the major characteristics of the remuneration system, and how risks are taken into account in the remuneration processes.

Independent Non-Executive Directors’ Remuneration

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

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

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

Employees’ Remuneration

The total compensation package for employees comprises a fixed and variable component. All employees’ base salaries are reviewed annually. The Company’s policy for employees, including Executive Directors, is that base salaries are set to take account of market salaries as well as the performance of the individual. Increases are, therefore, made on a person-by-person or job-by-job basis. Where collective bargaining agreements exist, these are taken into account.

Excellent performance by individuals is rewarded with higher annual performance awards (cash and deferred elements) and, for senior managers, the delivery of share awards. The typical level of target variable compensation (i.e. cash and share awards) increases the more senior the executive is. Furthermore, the balance of shares to cash increases with seniority.

Directors’ and Top Five Key Executives Remuneration

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

Remuneration of Directors’ Immediate Family

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

Share Schemes

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

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

The management of risk lies at the heart of the Company’s business. One of the main risks it incurs arises from extending credit to customers through its lending operations. Beyond credit risk,

the Company is also exposed to a range of other risk types such as cross-border, market, liquidity, operational, reputational and other risks that are inherent to its strategy and product range.

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

Risk Management Framework

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

- **Balancing risk and return:** The Company takes risk in line with the requirements of stakeholders. It takes risk within the risk appetite, consistent with its approved strategy. The Company avoids taking risks which have a material probability of causing financial distress to the Company or its clients or customers
- **Responsibility:** There is individual responsibility to ensure risk taking is disciplined and focused particularly within one's area of authority. The Company takes account of its social responsibilities and its commitments to customers in taking risk to produce a return
- **Accountability:** The Company only takes risk within agreed authorities and where there is appropriate infrastructure and resource. It makes sure risk taking is transparent, controlled and reported
- **Anticipation:** The Company seeks to anticipate material future risks and ensures awareness of all known risks
- **Competitive advantage:** The Company seeks to achieve competitive advantage through efficient and effective risk management and control

Risk Governance

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

The Board delegated executive responsibility for day-to-day management of risks to the EXCO. The EXCO has further delegated authority for the management of certain risks to the Executive Risk Committee ("ERC") and the Asset and Liability Committee ("ALCO") while the management of risk associated with the Company's strategy remains directly with the EXCO. This governance structure ensures that risk-taking authority and risk management policy and procedure are cascaded down from the Board through to the appropriate committees. Information regarding material risk issues and compliance with policies and standards is communicated down to the business and functional committees.

The ERC is responsible for defining the Company's overall RMF. The ERC is also responsible for the establishment of, and adoption of policies relating to credit risk, market risk, operational risk, and reputational risk. Risk limits and risk exposure approval authority frameworks are set by the ERC in respect of these risk types.

Further, ERC has set out to appoint three sub committees to reflect the balance of risks faced by the Company (for example Operational Risk Committee ("ORC"), Approval Committee and Credit Issues Committee ("CIC").

The ALCO is responsible for the management of capital and liquidity and the establishment of, and compliance with, related policies, including balance sheet management, liquidity management and capital adequacy. The ALCO sets the approval authority framework in respect of liquidity risk.

The Board receives regular reports on risk management, including portfolio risk exposures, policies, stress testing, liquidity and capital adequacy.

Three Lines of Defence

As part of RMF, the roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each 'line of defence describes a specific set of responsibilities for risk management and control.

- The First Line of Defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. The First Line of defence therefore follows the Company's management organisational structure, incorporating business, functional and geographic dimensions.
- The Second Line of Defence comprises the Risk Control Owners, supported by their respective control functions. The Second Line has the authority to challenge, constrain and, if required, stop business activities (within the scope of their control responsibilities) where risks are not aligned with control requirements or risk appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes which relate to that Risk Type. These responsibilities cut across the Company and are not constrained by functional, business and geographic boundaries.
- The Third Line comprises the independent assurance provided by the Internal Audit function, whose role is defined and overseen by the AC.

The findings from the Group Internal Audit ("GIA") audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board. The GIA provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the risk management framework.

Risk Function

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

- Maintain the Risk Management Framework, ensuring it remains appropriate to the Company's activities, is effectively communicated and implemented across the Company and for administering related governance and reporting processes;
- uphold the overall integrity of the Company's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards and risk thresholds;
- put in place processes to identify, measure, monitor, control and report risks;
- facilitate senior management's understanding of the various types of risks and engaging senior management to develop risk controls and risk mitigation procedures for the operations functions; and
- exercise direct Risk Control Ownership for Credit, Market, Country Cross-Border, Short-term Liquidity and Operational risk types.

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

Risk Appetite

Risk appetite is an expression of the amount of risk the Company is willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different market conditions.

The EXCO, ERC and ALCO are responsible for ensuring that our risk profile is managed in compliance with the Company's risk thresholds.

Stress Testing

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

INTERNAL CONTROLS

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

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

AUDIT COMMITTEE

The AC comprises the two Independent Directors and one Non-Executive Director:

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

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

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

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls;
- reviewing the effectiveness of the company's Internal Audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and

- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing reports from the Head of Legal and Compliance on the arrangements established by management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations;
- reviewing all material related party transactions and keeping the Board informed of such transactions, and the findings and conclusions from the review.

In addition to the review of the Company's financial statements, the AC reviews and evaluates with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Company, the AC keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for money services. The AC members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements. The AC also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

The AC held five meetings for the financial year ended 31 December 2014 and is scheduled to have four meetings in each financial year. The CEO, CFO, Head of Internal Audit, Head of Legal and Compliance and external auditors are invited to attend all meetings. At the AC meetings, the AC reviews reports from Internal Audit, External Auditor, CFO and Head of Legal and Compliance, giving the opinion of the state of internal controls within each of its purview. These items are discussed at the quarterly AC meetings as suggested in the rolling agenda of the AC. The AC Chairman makes a report to the Board on significant matters discussed at the AC meeting and escalates issues as necessary for the Board's attention. Separate sessions with internal and external auditors are also held at least once a year without the presence of Management to consider any matters which might be better raised privately. In addition, the Chairman of the AC meets the Head of Internal Audit on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Company's operations.

In the annual Effectiveness Review of the AC, the members held the view that they were satisfied with the effectiveness and adequacy of the internal control systems, and they receive sufficient information at the AC meetings to reasonably believe that there is sound internal control in place for the Company and made its report to the Board.

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 the last assessment conducted in 2014, 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 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 assets.

External Auditor

The AC makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditors; and approves the remuneration and terms of engagement. For the financial year ended 31 December 2014, the external auditors were paid SGD577,000 of statutory audit fees and SGD45,500 for non-audit services.

INTERNAL AUDIT

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

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

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

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

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

Based on the 2014 Board Effectiveness Review, the Board is of the view that the Company's internal control and risk management systems for the period under review were adequate and effective for its operations.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

RELATED PARTY TRANSACTIONS

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

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

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

During the period ended 31 December 2014, the Board approved and AC reviewed the intra-group lending above the minimum threshold and this transaction is reflected in the Notes to the Financial Statements.

ETHICAL STANDARDS

The Company has a Speaking Up Programme to provide staff with a secure, confidential, way to report concerns about misconduct when existing escalation processes to line management are not appropriate. The programme helps build and maintain a strong ethical culture, with integrity and transparency to protect the Company from misconduct and reputational risk. It is one of the ways in which staff can all live the values and show that we are Here for good.

The Board adopted the Group's Code of Conduct (the "Code") as the Company's own. The Code is designed to provide a decision making framework and guidance using good judgement for all employees. It embraces fair dealing as part of the Company's corporate culture and also takes into account the changing legal and regulatory environment with increasing focus on banking compliance and ethics.