

# Corporate Governance

As steward of the organisation, the Board is committed to ensuring sustainable growth for the Company and being aligned with the long-term interests of stakeholders. It does so while remaining accountable for, and fair in, its activities and practices. These principles have been fundamental to UOB's approach to banking over the past 80 years and will continue to guide the Board in maintaining the strong corporate governance culture of UOB.

## Board Matters

(Principles 1 to 6, Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines))

## Board duties and responsibilities

The Board is responsible for:

- providing strategic direction;
- providing entrepreneurial leadership and guidance;
- approving business plans and annual budgets;
- ensuring true and fair financial statements;
- monitoring financial performance;
- determining capital/debt structure;
- setting dividend policy and declaring dividends;
- approving major acquisitions and divestments;
- reviewing risk management framework and processes;
- overseeing the performance of Management;
- setting company values and standards; and
- performing succession planning.

In 2015, the Board reviewed and approved the refreshed values of the Bank. To mark the Bank's 80<sup>th</sup> anniversary, the Board declared a one-off celebratory dividend. The year also saw the Bank acquire all the shares of Far Eastern Bank not owned by us and review our funding strategy. Our covered bond programme was also established.

The Board receives and reviews regular reports and updates on various business and governance initiatives, performance and operations. The Board monitors that the Bank observes regulatory requirements and deals fairly with various stakeholders.

## Board delegation

In 2015, five Board Committees assisted the Board in the discharge of its duties. They were the:

- Executive Committee (EXCO);
- Nominating Committee (NC);
- Remuneration Committee (RC);
- Board Risk Management Committee (BRMC); and
- Audit Committee (AC).

In February 2016, the Board re-constituted the EXCO into the Strategy Committee and the Board Credit Committee to oversee the Bank's strategy- and credit-related matters respectively.

Each Board Committee has written terms of reference which are approved by the Board and reviewed annually for continued relevance. Board Committees provide reports of their activities and decisions to the Board as soon as practicable after their meetings. More information on the Board Committees can be found in the pages that follow. A graphical representation of the Board and Board Committees is on page 78.

## Key processes

Board and Board Committee meetings and the annual general meeting (AGM) are scheduled well in advance. Additional Board and Board Committee meetings are held as and when necessary. Meeting materials are provided to directors in advance of a meeting. During the year, electronic board files were made available to directors who prefer to receive board papers in electronic form. Directors who are unable to attend a meeting in person may participate via telephone and/or video conference or convey their views through another director or the company secretary. Records of all meetings are properly maintained. Board and Board Committee decisions may also be made by way of circular resolutions.

The table on page 75 sets out the directors' attendance for meetings held in 2015.

Number of meetings attended in 2015

Name of director	Board of Directors	Executive Committee	Nominating Committee	Remuneration Committee	Board Risk Management Committee	Audit Committee
Wee Cho Yaw	5 / 7	4 / 4	1 / 2	3 / 3	4 / 4	–
Hsieh Fu Hua	7 / 7	4 / 4	2 / 2	3 / 3	4 / 4	–
Wee Ee Cheong (Alternate to Wee Cho Yaw on Nominating Committee)	7 / 7	4 / 4	1 / 2	–	4 / 4	–
Wong Meng Meng	7 / 7	–	2 / 2	–	–	–
Franklin Leo Lavin	7 / 7	4 / 4	2 / 2	–	–	–
Willie Cheng Jue Hiang	7 / 7	–	2 / 2	–	–	4 / 4
James Koh Cher Siang	7 / 7	4 / 4	–	3 / 3	–	4 / 4
Ong Yew Huat	6 / 7	–	–	–	4 / 4	4 / 4
Lim Hwee Hua	5 / 7	–	–	–	4 / 4	–
<b>Number of meetings held in 2015</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>

### Composition and guidance

There are currently nine members on the Board. Each year, the NC reviews the size and composition of the Board to ensure that independent directors form a majority of the Board and that the Board size is conducive to effective decision-making. The Board believes that the current size of the Board is appropriate but will look to increasing the board size for succession planning purposes.

The NC assesses the independence of directors annually based on the criteria in the Banking (Corporate Governance) Regulations (Banking Regulations) and MAS Guidelines. A director is considered independent if:

- the director is independent from substantial shareholders of the company;
- does not have management and business relationships with the company; and
- has not served on the board for nine continuous years or more.

In its assessment, the NC also considers directors' responses in a questionnaire. In it, each director answers a series of questions designed to assess his/her independence. From the directors' disclosures of change in their other appointments, interests or personal circumstances, and the Board's quarterly reviews of the business and financial relationships between the Bank and each director, the NC is able to monitor the independence status of the directors on an ongoing basis and not just during the year-end assessment.

The NC has assessed that the Board has:

- six independent and non-executive directors: They are Messrs Hsieh Fu Hua, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang and Ong Yew Huat and Mrs Lim Hwee Hua. They are not substantial shareholders and do not have management or business relationships with the Bank or any relationship with any substantial shareholder. None of these six directors has served on the Board for nine years or more. The NC is of the opinion that their length of service has not compromised the objectivity and commitment of these directors in the discharge of their duties.
- two non-independent and non-executive directors: They are Dr Wee Cho Yaw who is a substantial shareholder of the Bank and Mr Wong Meng Meng who has served on the Board for more than 15 years. Despite his tenure, Mr Wong Meng Meng continues to be objective in his assessment of issues.
- one non-independent and executive director: Mr Wee Ee Cheong is a substantial shareholder and the Chief Executive Officer (CEO) of the Bank.

As the business of banking is complex, the NC believes that it is important to have a mix of directors who have acquired knowledge and experience through their years on the Board and newer directors who are able to bring new ideas and perspectives. Such mix also provides continuity and facilitates knowledge transfer, contributing to the long-term success of the Bank.

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The NC has assessed that each director remains fit and proper and qualified for office, and contributes to the collective skills, experience and knowledge of the Board. Each member of the NC recused himself from the assessment. The assessment took into account the directors' responses in a questionnaire based on the MAS Fit and Proper Criteria, and the directors' commitments and availability, among other considerations. As a group, the directors have experience in banking, accounting, management, law and corporate governance, providing core competencies that are relevant to the business of the Bank and contributing to the effective oversight of the Bank's affairs. Please refer to the Board of Directors section of this report for more information on the directors.

### Time commitment and performance

The NC evaluates the performance of the Board and Board Committees and each director's contribution to the Board's effectiveness. In addition to being fit and proper for office, each director is assessed based on his independence, attendance, commitment, availability for the business and affairs of the Bank, and whether there exists any conflict of interests between him/her and the Bank.

In assessing the effectiveness of the Board and Board Committees, the NC considers the work performed by the Board and each Board Committee, and directors' feedback in a questionnaire on the performance of the Board and each Board Committee.

Having taken into account each director's known commitments and his/her contributions, the NC is satisfied that every director has devoted sufficient time and attention to the Bank's affairs. It is also satisfied that all directors have discharged their duties adequately, contributing to the effectiveness of the Board and Board Committees in the year under review. There is therefore no need to set a limit on the number of directorships that a director may hold.

### Chairman

Mr Hsieh Fu Hua, the Chairman, provides leadership to the Board. He promotes open, robust and constructive board discussions, oversees corporate governance matters and ensures that directors receive timely and comprehensive information for them to discharge their duties. In early 2015, the Chairman initiated a Board retreat which, among other things, provided an opportunity for the Board to gain a deeper understanding of the Group's operations in Thailand. The Chairman also personally saw to it that the training for directors was relevant and appropriate to equip directors with the knowledge and skills to discharge their duties.

### Chief Executive Officer

As the CEO, Mr Wee Ee Cheong is responsible for the day-to-day management of the Bank's affairs. He leads the management team and implements the Board's decisions. He is also responsible for seeking new business opportunities and ensuring that a good system of internal controls and risk management is implemented. During the year, he led the Bank's successful acquisition of the shares in Far Eastern Bank not owned by the Bank, initiated the formulation of a new framework to assess management governance and oversight, and steered the investments in new enterprises including in financial technology and an innovation lab for start-ups. In addition, he directed the activities for the Bank's 80<sup>th</sup> anniversary celebrations and the Group's brand implementation.

### Selection process, appointment and re-election/re-appointment

The NC will seek to refresh board membership progressively, with a view to broadening and deepening the collective expertise and experience of the Board. Any director may nominate candidates to the NC, which conducts discreet searches for new directors. The NC evaluates nominations and recommends suitable candidates to the Board for appointment. It makes its recommendation after due consideration of the Board's composition and requirements, as well as the candidates' personal attributes such as integrity and financial soundness, qualification for office, and ability to commit time and effort to perform board duties. Appointments of directors are subject to the approval of the Monetary Authority of Singapore.

The NC reviews the re-election/re-appointment of directors annually, taking into account the performance of each director. The re-election of directors retiring by rotation is subject to shareholders' approval at the AGM. Under the Bank's Constitution, one-third of the directors retire from office by rotation each year and are eligible for re-election. New directors submit themselves for re-election at the first AGM following their appointment to the Board. Dr Wee Cho Yaw, who is above 70 years old and was appointed pursuant to shareholders' approval at the 2015 AGM, will be subject to re-appointment at the 2016 AGM and to retirement by rotation thereafter. The names of directors seeking re-election/re-appointment at the AGM are set out in the Notice of Annual General Meeting.

### **Orientation and continuous development**

Each new director receives an induction package which includes the articles of directorship, terms of reference of the Board and Board Committees, and guidance on directors' duties. Briefings are organised for new directors to be familiarised with the key areas of the Bank's business and risk management. New directors also meet with key senior executives as part of their induction.

Through the Bank's continuous development programme, new and existing directors receive training on topics that are relevant to the business of the Bank and which meet the objective of equipping directors with the relevant knowledge and skills to perform their roles effectively. Training was conducted by the Bank's employees as well as external subject-matter experts. Topics covered during the year included capital management under Basel III, understanding and measurement of credit concentration risk, and liquidity risk management. Directors also held discussions with Senior Management on business and strategy issues. The sessions enabled directors to interact with Senior Management on an informal basis. In view of heightened cyber security threats, directors visited a security operations centre to understand information technology vulnerabilities and threats and the measures which can be taken to mitigate these risks.

### **Succession planning for senior management positions**

The NC reviews the nominations and reasons for resignations of key appointment holders such as the CEO, chief financial officer (CFO), chief risk officer (CRO) and certain Senior Management positions. UOB has put in place programmes to identify employees with potential and nurture them for Senior Management positions. The Bank's philosophy is to provide holistic development of its employees and, if suitable, appoint them to management roles.

### **Access to information**

Directors have unfettered access to information, Senior Management and the external auditor. Comprehensive and timely financial, risk management and business reports are provided to directors, with sufficient time for them to review before a meeting. Directors may also approach Senior Management should they require any additional information. Common membership in the Board Committees, such as the AC and BRMC, facilitates a holistic overview of certain matters covered by separate Board Committees.

In addition, directors have access to the company secretary, who assists them in the discharge of their responsibilities and advises them on governance matters. The company secretary organises the induction of new directors and the Bank's continuous development programme for directors, provides updates on applicable laws and regulations and facilitates communications between the Board and Senior Management when required. The appointment and removal of the company secretary are subject to the Board's approval.

Directors may seek independent professional advice, if necessary, at the Bank's expense to discharge their responsibilities.

### **Board Committees**

The EXCO was re-constituted into the Strategy Committee and the Board Credit Committee. The Strategy Committee will focus on charting the Bank's strategy and steering the Bank towards the future, while the Board Credit Committee will have dedicated oversight of credit matters. The composition of some Board Committees was revised to better distribute the workload among directors and as part of succession planning. The current Board and Board Committee composition is set out on page 78.

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## Executive Committee

Prior to the re-constitution of the EXCO in February 2016, the EXCO assisted the Board to:

- oversee the Bank's performance in specific businesses and review medium- and long-term strategic objectives;
- approve certain credit facilities, capital expenditures and treasury and investment activities;
- review and recommend the annual budget and business plans;
- monitor the Bank's financial performance and review the Bank's capital and debt structure; and
- perform such other functions and exercise such other power and authority as may be delegated by the Board.

During the year, the EXCO fine-tuned credit policies and limits, and guided Management on new businesses including Islamic banking, financial technology and innovation labs.

Independent directors formed the majority on the EXCO. The EXCO members were Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Franklin Leo Lavin and James Koh Cher Siang.

### Strategy Committee

The Strategy Committee (SC) is a committee dedicated to overseeing the Bank's strategies and related activities. As the Bank is committed to achieving long-term success, greater emphasis on long-term strategies will prepare the Bank to ride the economic cycle, and remain relevant in the market and to the Bank's stakeholders. The SC is responsible for:

- assisting the Board in providing strategic direction to the Bank and oversight of its strategic plan and implementation;
- reviewing medium- and long-term strategic objectives proposed by Management and overseeing Management's performance in relation to the strategies;
- reviewing, endorsing and recommending the Bank's annual business plans, budget and capital and debt structure in relation to the strategies;
- reviewing the Bank's financial and operational performance in relation to approved budgets;
- deliberating on strategic matters which require Board review between Board meetings; and
- performing such other duties as the Board may delegate to it from time to time.

The members of the SC are Messrs Hsieh Fu Hua (chairman), Wee Cho Yaw, Wee Ee Cheong, Franklin Leo Lavin and James Koh Cher Siang.

### Board Credit Committee

The Board Credit Committee (BCC) assists the Board to oversee exposure to large credits. The BCC's responsibilities are to:

- approve credit facilities within its limits; and
- review credit policies.

The BCC comprises five members. They are Messrs Ong Yew Huat (chairman), Wee Cho Yaw, Hsieh Fu Hua and Wee Ee Cheong and Mrs Lim Hwee Hua. Mr Ong Yew Huat has been the chairman of UOB Malaysia since April 2013 and has the relevant experience to chair the BCC. His common membership on the BCC, BRMC and AC will allow him to have a holistic oversight of risk management and internal controls.

### Nominating Committee

The main responsibilities of the NC are to:

- assess the independence of directors;
- review the size and composition of the Board and Board Committees;
- assess the performance of the Board and Board Committees and each director;
- recommend the appointment and re-election/re-appointment of directors;
- implement a development programme for the continuous education of directors;
- review the nominations and reasons for resignations of key management appointment holders such as the CEO, CFO and CRO; and
- perform succession planning.

During the year, the NC refined its scope of responsibilities and spent a substantial amount of time in succession planning.

The NC members in 2015 were Messrs Wong Meng Meng (chairman), Wee Cho Yaw, Hsieh Fu Hua, Franklin Leo Lavin and Willie Cheng Jue Hiang. Mr Wong Meng Meng's chairmanship of the NC was pursuant to an exception provided for in the Banking Regulations. As part of succession planning, Mr Wong Meng Meng stepped down as chairman of the NC at the end of 2015 but continues as a member to provide transition support to the committee. In March 2016, Mrs Lim Hwee Hua joined the NC and was appointed chairman. Mrs Lim Hwee Hua's appointment will bring new perspectives to the NC and her appointment to both the NC and RC will allow her to provide holistic oversight of human resource matters. Given her experience and financial sector knowledge, the Board is of the view that she is well-suited to perform the task of NC chairman. Mr Wee Ee Cheong acts as an alternate member to Dr Wee Cho Yaw on the NC. The main activities of the NC are outlined on pages 75 to 77.

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## Remuneration Matters

(Principles 7 to 9, MAS Guidelines)

### Remuneration Committee

The RC's main responsibilities are to:

- establish a remuneration policy and framework that is in line with the strategic objectives and corporate values of the Bank and prudent risk-taking;
- determine a level and structure of remuneration that is linked to the Bank's performance and long-term interest and which is reasonable and appropriate to attract, retain and motivate directors and key management personnel; and
- review and recommend the remuneration for directors and key management personnel.

During the year under review, the RC reviewed and refined the Bank's remuneration framework, directors' remuneration and other remuneration-related matters.

Up to February 2016, the RC members were Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua and James Koh Cher Siang, with Dr Wee Cho Yaw chairing the RC pursuant to an exception under the Banking Regulations. In February 2016, Mr James Koh Cher Siang was appointed as chairman of the RC on account of his background, skills and expertise, as well as his prior experience on the RC, and Mrs Lim Hwee Hua was appointed as a member. The RC now comprises Messrs James Koh Cher Siang (chairman) and Hsieh Fu Hua and Mrs Lim Hwee Hua. All RC members are independent and non-executive directors.

### Directors' remuneration

The RC recommends the level and structure of directors' fees, which comprise a basic fee for service on the Board and Board Committees. In 2015, the Bank appointed Aon Hewitt Consulting to conduct a competitive analysis of director compensation levels, and benchmarking against comparable public-listed companies in the market. Aon Hewitt Consulting and its consultants are independent and do not have any relationship with the Bank or any of the Bank's directors. In making its recommendation, the RC considers the responsibilities of directors, the director fee structure of comparable public-listed companies in the market, as well as the recommendations of Aon Hewitt Consulting. The proposed fees for directors for the year ended 31 December 2015 are subject to shareholders' approval. Mr Wee Ee Cheong, an executive director, does not receive any fee for his appointments on the Board and Board Committees.

The RC has also recommended the payment of an advisory fee to Dr Wee Cho Yaw who, drawing from his more than 50 years of experience in banking, continues to provide invaluable advice and guidance to the Board and Management in his capacity as Chairman Emeritus and Adviser.

### Employees' remuneration

Remuneration for employees is commensurate with their performance and contributions. The remuneration framework is designed to encourage behaviours that contribute to UOB's long-term success while keeping remuneration competitive to attract, retain and motivate employees and highly-skilled individuals. The remuneration package comprises base salaries, performance bonuses, benefits and, where applicable, share-based incentives. The RC approves the overall performance bonus and the share-based incentive plans. The CEO's remuneration package was recommended by the RC and approved by the Board.

### Disclosure of remuneration

Please refer to the Directors' Statement section of this report for:

- directors' fees and other remuneration, including fees received as directors of subsidiaries; and
- details of the Bank's share-based incentive plans. Non-executive directors do not participate in the share-based incentive plans.

Due to the highly competitive market for talent and the confidential nature of employee remuneration matters, the Bank has decided not to disclose the remuneration of the top five non-director executives.

Other than Mr Wee Ee Cheong who is the son of Dr Wee Cho Yaw, the following employees in the UOB Group are immediate family members of a director or the CEO of UOB:

- Mr Wee Teng Chuen is the son of Mr Wee Ee Cheong and his remuneration for 2015 from UOB was within the band of \$150,000 to \$200,000; and
- Mr Brian Ong Li Jian, the son of Mr Ong Yew Huat, is employed by UOB Asset Management, a subsidiary of UOB. His remuneration for 2015 was within the band of \$50,000 to \$100,000.

Save as disclosed above and in the Directors' Statement section of this report, there was no employee in the UOB Group who is an immediate family member of a director or the CEO of UOB and whose remuneration for 2015 exceeded \$50,000.

More information on the Group's Remuneration Policy, systems and structures, including the remuneration mix and deferred remuneration for senior executives and employees, can be found in the Remuneration and Directors' Statement sections of this report.

## Accountability And Audit (Principles 10 to 13, MAS Guidelines)

### Board Risk Management Committee

The Board has established the BRMC to oversee risk management matters, including the following:

- establishment and operation of a robust and independent risk management system to identify, measure, monitor, control and report risks on an enterprise-wide basis;
- adequacy of the risk management function's resources;
- adequacy and effectiveness of the risk management process and system;
- overall risk appetite, risk profile, risk limits and tolerance, and risk-return strategy;
- risk measurement models and approaches;
- appropriateness of the remuneration and incentive structure; and
- appointment, remuneration and resignation of the CRO.

During the year, the BRMC reviewed and advised Senior Management on various aspects of credit risks, advised Senior Management on the monitoring and management of large credit exposures, reviewed crisis management action plans and considered the implications from customer feedback statistics.

Up to February 2016, the BRMC consisted of Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong and Ong Yew Huat and Mrs Lim Hwee Hua. The BRMC now comprises Messrs Wee Cho Yaw (chairman), Hsieh Fu Hua, Wee Ee Cheong, Ong Yew Huat and Wong Meng Meng. A majority of the BRMC members, including the chairman, are non-executive directors.

### Audit Committee

The AC oversees matters relating to the following:

- financial statements and quality of, and any significant change in, accounting policies and practices;
- adequacy and effectiveness of internal accounting control systems and material internal controls;
- appointment of the external auditor and its remuneration and terms of engagement;
- external and internal audit plans and reports;
- scope and results of the external and internal audits;
- effectiveness, independence, knowledge, competence and objectivity of the external auditor;

- adequacy, effectiveness and efficiency of the internal audit function;
- policies and procedures for handling fraud and whistleblowing cases;
- interested person transactions and material related party transactions; and
- appointment, remuneration and resignation of the Head of Group Audit.

All AC members are independent and non-executive directors. They are Messrs Willie Cheng Jue Hiang (chairman), James Koh Cher Siang and Ong Yew Huat. Through the continuous development programme and regular discussions with the external and internal auditors, the AC members keep abreast of changes in accounting standards and developments in corporate governance which may have a direct impact on financial statements.

The AC has authority to investigate any matter within its terms of reference, and is entitled to the full cooperation of Senior Management and the internal and external auditors to discharge its duties. The AC meets the external and internal auditors separately in the absence of Management at least annually. The internal and external auditors report their findings and recommendations to the AC independently. Significant audit findings are highlighted to the AC through audit reports and at AC meetings.

The AC meets every quarter to review the financial statements. The AC members also meet the CFO, the internal auditor and the external auditor as often as they deem appropriate to be apprised of matters which are under review. In reviewing the financial statements, the AC assesses the accounting policies and practices applied and any judgement made that may have a significant impact on the financial statements. It recommends the financial statements to the Board for approval.

It also reviews fraud and whistleblowing cases reported to the Bank and investigated independently by Group Audit. Annually, the AC reviews the policies and procedures for handling fraud and whistleblowing cases. Please refer to page 85 for more information on the whistleblowing policy.

During 2015, the AC reviewed the benchmarking of the internal audit function with independent external consultants, guided Management on various internal controls and refined the whistleblowing policy. It also reviewed measures to guard against emerging risks such as cyber security threats and measures against money-laundering and terrorist-financing activities, directed the internal and external auditors to deep-dive into selected topics, and advised Management on its IT architecture review. The AC also reviewed customer feedback statistics and issues to provide guidance on how customer experience can be improved through better internal processes.

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## External auditor

The AC approves the terms of engagement of the external auditor and the audit fees, and reviews the external auditor's audit plan and reports, and non-audit services provided to UOB.

The audit and non-audit fees for the year under review are disclosed in the Notes to the Financial Statements section of this report. The AC is of the view that the amount of non-audit fees paid to the external auditor in 2015 did not compromise the independence of the external auditor.

In evaluating the external auditor for re-appointment, the AC is guided by the *Audit Quality Indicators Disclosure Framework* issued by the Accounting and Corporate Regulatory Authority (ACRA) and the *Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors* issued by ACRA and the Singapore Exchange. It is also guided by the *External Audits of Banks* issued by the Basel Committee on Banking Supervision.

The AC has evaluated the audit and non-audit services rendered by the external auditor and the audit and non-audit fees paid to the external auditor in 2015. Following its evaluation and based on feedback from the internal auditor and Management, the AC has found that the global engagement partner was substantially involved in the audit process, and has demonstrated strong technical skills and a good understanding of the Group's business, strategic objectives, risk management environment and operational issues. The external auditor has also provided quarterly affirmation of its independence to the AC.

Accordingly, the AC is satisfied that the external auditor was effective, independent and objective in its audit of the Bank in 2015, and that the external auditor has the requisite expertise and resources to perform its duties. It has nominated Ernst & Young LLP for re-appointment at the forthcoming AGM. UOB has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) in the appointment of auditing firms for the Bank and our subsidiaries.

## Internal auditor

The AC reviews and approves the Internal Audit Charter which sets out the authority and responsibilities of Group Audit. It reviews the internal audit plans and reports, scope and results of the internal audits, and the adequacy, effectiveness and efficiency of Group Audit. Based on its review of the scope of internal audit for the year under review, the progress and results of the audits and the auditees' response to audit findings, the AC is satisfied with the adequacy and effectiveness of Group Audit. It is also satisfied that Group Audit is adequately resourced.

## System of risk management and internal controls

The Bank's system of risk management and internal controls involves management oversight and control, regulatory compliance, risk identification, monitoring and assessment, as well as audits and reviews:

- **Group Audit:** An independent function, Group Audit assesses the reliability, adequacy and effectiveness of the Bank's system of internal controls, risk management and governance processes. Group Audit uses a risk-based approach to develop the internal audit plan, which is reviewed and approved by the AC annually. Audit projects are prioritised and scoped based on Group Audit's assessment of the Bank's risks and controls over the risk types. Group Audit adopts the *Standards for the Professional Practice of Internal Auditing* set by The Institute of Internal Auditors and other relevant best practices, and is guided by *The Internal Audit Function in Banks* issued by the Basel Committee on Banking Supervision. It also oversees the internal audit functions of overseas banking subsidiaries. The Head of Group Audit is invited to attend the overseas banking subsidiaries' audit committee meetings. The AC approves the appointment, remuneration and resignation of the Head of Group Audit, who reports functionally to the AC and administratively to the CEO.
- **Group Compliance:** Group Compliance is an independent function which provides oversight and guidance for a strong regulatory compliance framework and culture in the Bank. It works with business and support units to identify, assess, monitor and manage regulatory compliance risks. Compliance policies, procedures and guidelines are put in place to guide business and support units to conduct business in compliance with applicable laws and regulations, as well as observe ethical standards and industry best practices. Group Compliance highlights significant compliance issues and regulatory developments to the Board and Senior Management through regular reports. It provides advisories and assessment of key regulatory compliance risks as well as accords high priority to preventive measures against money-laundering and terrorist-financing activities. It also oversees the compliance functions of overseas branches and subsidiaries.
- **Group Risk Management:** Group Risk Management identifies, monitors and assesses risks of the UOB Group. It works with business and support units and the relevant Senior Management committees to develop and implement appropriate risk management strategies, frameworks, policies and processes. It also oversees the risk management functions of overseas banking subsidiaries and branches. The CRO, who reports functionally to the BRMC and administratively to the CEO, is responsible for the day-to-day operations of Group Risk Management.
- **Senior Management committees:** The committees assist the CEO in managing the Bank and maintaining the relevance and effectiveness of the Bank's frameworks, policies, processes and procedures for internal controls and risk management. The committees are the Asset and Liability Committee, Brand Implementation Committee, Credit Committee, Human Resources Committee, Information and Technology Committee, Investment Committee, Management Committee, Management Executive Committee, Operational Risk Management Committee, and Risk and Capital Committee.

Under the guidance of the BRMC, Management has embarked on building a holistic and integrated governance, risk and compliance system aimed at improving the effectiveness of internal controls and risk management. More information on the Bank's risk management can be found in the Risk Management and Pillar 3 Quantitative Disclosure sections of this report.

### **Adequacy and effectiveness**

The adequacy and effectiveness of the Bank's system of risk management and internal controls is assessed annually. For the year under review, the AC and the Head of Group Audit have reviewed the internal controls, including financial, operational, compliance and information technology controls, and the BRMC and the CRO have reviewed the risk management processes.

The Board has conducted its review of the risk management processes and internal controls maintained by UOB, and the work carried out by the internal and external auditors, Senior Management and the relevant Board Committees. It has also received assurance from the CEO and CFO that the system of risk management and internal controls is effective, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Bank's operations and finances.

Based on its review and with the concurrence of the AC and BRMC, the Board is of the view that UOB's system of risk management and internal controls, including financial, operational, compliance and information technology controls, was adequate and effective as at 31 December 2015. As no system of risk management and internal controls can provide absolute assurance against material error, loss or fraud, UOB's system of risk management and internal controls can only provide reasonable assurance that the Bank will not be adversely affected by any reasonably foreseeable event.

## **Shareholder Rights And Responsibilities**

(Principles 14 to 16, MAS Guidelines)

### **Shareholder rights and conduct of shareholder meetings**

Shareholders are informed of a general meeting through a notice, which is sent to shareholders at least 14 days before the meeting. The notice of general meeting is also available on SGXNet and published in certain widely-read newspapers in Singapore. All shareholders are entitled to attend general meetings and may give their views and feedback to the Board and Management. Adequate time is allocated for shareholder feedback and questions at every general meeting. Shareholders who are not relevant intermediaries as defined in the Companies Act may appoint up to two proxies to attend and vote at general meetings in their place. Nominee companies and custodian banks who are relevant intermediaries may appoint more than two proxies. Investors who hold shares through such nominee companies or custodian banks may attend and vote as proxies of the nominee companies or custodian banks.

The directors mingle with shareholders after general meetings but given the sheer number of shareholders at such events, it is not possible for them to meet every shareholder present.

UOB conducts electronic poll-voting at general meetings. Each ordinary share carries one vote, so shareholders' voting rights are proportionate to their shareholdings. Shareholders and proxies are briefed on the procedures for electronic poll-voting at general meetings. Every item on the agenda of a general meeting is voted on separately. The votes cast for or against each resolution are tallied and displayed promptly to shareholders at the close of voting at the general meeting. The voting results are validated by an independent scrutineer and announced on SGXNet on the same day as the general meeting.

### **Communication with shareholders**

General meetings are a principal forum for dialogue with shareholders. Shareholders may also provide feedback through the Bank's Investor Relations unit, whose contact details can be found in the Corporate Information section of this report and on the UOB website.

UOB has an investor relations policy on communicating with the investment community including shareholders, investors and analysts. All pertinent information is made available to all shareholders and stakeholders by disclosing the information via SGXNet and the UOB website on a timely basis. This is in line with the Bank's philosophy to be open, relevant and timely in its communications with the investment community.

Briefings to present the half-year and full-year financial results are held for the media and analysts. The presentations by the CEO and CFO at the briefings are published on the SGXNet and the Bank's website. Through conferences and roadshows, the management team shares with investors the Bank's corporate strategy, operational performance and business outlook. Materials presented at such conferences and roadshows are also made available to shareholders on the SGXNet and the UOB website in a timely manner.

### **Dividend payment**

UOB pays dividends in a timely manner. Dividends are paid within 30 days after any interim dividend has been declared and after a final dividend has been approved at the AGM. When the Scrip Dividend Scheme is applied to a dividend, shareholders may opt to receive their dividends in cash or shares, or a combination of both. The payment date will be in compliance with the Listing Manual of the SGX-ST. More information on investor communications and dividends can be found in the Investors section of this report.

### **Related Party Transactions**

(Principle 17, MAS Guidelines)

All interested person transactions are reported to and reviewed by the AC. The particulars of interested person transactions entered into during 2015 are set out on page 84. The AC also reviews material related party transactions to consider if they are undertaken on an arm's length basis. Related party transactions are disclosed in the Notes to the Financial Statements section of this report.

## Corporate Governance

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Haw Par Corporation Limited and its subsidiaries (Haw Par Group)	UOB Travel Planners Pte Ltd sold travel products and services to the Haw Par Group. The total value of these transactions was \$249,981.	Nil
UOB Kay Hian Private Limited	UOB Travel Planners Pte Ltd sold travel products and services to UOB Kay Hian Private Limited. The total value of these transactions was \$654,448.	Nil
UOL Group Limited and its subsidiaries (UOL Group)	UOB Travel Planners Pte Ltd sold travel products and services to and acted as hotel services agent for the UOL Group. The total value of these transactions was \$990,007.	Nil
UOL Property Investments Pte Ltd	The Bank rented the premises at 101 Thomson Road, #11-03 United Square, Singapore 307591 from UOL Property Investments Pte Ltd for 21 months at a total rent of \$168,682.50. The rent for the lease was supported by an independent valuation.	Nil
Plaza Hotel Company Limited	<p>The Bank rented the following premises at Central Plaza Office Building, 17 Le Duan Street, District 1, Ho Chi Minh City, Vietnam from Plaza Hotel Company Limited:</p> <p>a. basement, for two years at a total rent of US\$152,640;</p> <p>b. ground and mezzanine floor, for 12 years at a total rent of US\$342,611.80; and</p> <p>c. 15<sup>th</sup> floor, for 50.5 months at a total rent of US\$699,425.</p> <p>The rents for the leases were supported by an independent valuation.</p>	Nil
OUB Centre Limited	The Bank rented the premises at 1 Raffles Place, #23-02 One Raffles Place, Singapore 048616 from OUB Centre Limited for three years at a total rent of \$766,443.60. The rent for the lease was supported by an independent valuation.	Nil
For The Love Of Laundry Pte Ltd	The Bank leased the premises at 1 Raffles Place, #01-63 One Raffles Place, Singapore 048616 to For The Love Of Laundry Pte Ltd for three years for a total rent of \$180,000. The rent for the lease was supported by an independent valuation.	Nil
PT UOB Kay Hian Securities	PT UOB Property leased its premises at 36 <sup>th</sup> floor, Units 1 to 4, UOB Plaza, Jalan M.H. Thamrin No. 10, Jakarta 10230, Indonesia to PT UOB Kay Hian Securities for five years at a total rent of IDR24,740,060,400. The rent for the lease was supported by an independent valuation.	Nil

## Ethical Standards

### Whistleblowing policy

The Bank has a whistleblowing policy which provides for access to well-defined channels for any individual to report in good faith, without fear of reprisal, any suspected wrongdoing to the Head of Group Audit, AC chairman, CEO or Board Chairman. Reports may be sent to the Head of Group Audit at United Overseas Bank Limited, 396 Alexandra Road, #18-00, Singapore 119954. All reports received are accorded confidentiality and investigated independently by Group Audit.

### Securities dealing

Directors and employees are guided by a code on dealing in securities which prohibits dealings in the Group's securities:

- on short-term considerations;
- during the period commencing two weeks before the announcement of the Bank's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Bank's full-year financial statements; and
- whenever they are in possession of price-sensitive information.

Directors and employees are informed of the prohibited dealing periods and have to adhere to applicable laws on insider dealings at all times. The Bank does not deal in its securities during the prohibited dealing periods.

## Code of conduct

All employees have to observe a code of conduct which guides them on their conduct at the workplace and with stakeholders. The UOB Code of Conduct covers aspects of the Bank's business operations such as confidentiality of customer information, fair dealing in the conduct of business as well as zero tolerance of bribery, corruption and illegal or unethical dealings including insider trading. Employees who do not comply with the code may be subject to disciplinary action. More information on the UOB Code of Conduct can be found in the People section of this report.

### Fair Dealing

The Bank has put in place policies, guidelines and best practices to embed Fair Dealing principles into the organisational culture and daily operations. Various initiatives are implemented on an ongoing basis to ensure that employees deliver Fair Dealing outcomes to customers. Procedures have also been established to handle customer complaints independently, effectively and promptly and to communicate decisions to customers clearly. More information on the Bank's commitment to Fair Dealing can be found in the Customers section of this report.