

# THE OVERSEAS ASSURANCE CORPORATION LIMITED

(Incorporated in Singapore)  
(Company Registration No. 192000003W)

## CORPORATE GOVERNANCE REPORT FY2011

The Board of Directors and Management of The Overseas Assurance Corporation Limited (“OAC” or the “Company”) place great importance on high standards of corporate conduct and are committed to good corporate governance and integrity in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with the Guidelines on Corporate Governance (the “Guidelines”) for Banks, Financial Holding Companies and Direct Insurers which are incorporated in Singapore (“Financial Institutions”) issued in September 2005 by The Monetary Authority of Singapore (“MAS”). The Guidelines comprise the Code of Corporate Governance 2005 (the “Code”) for companies listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and supplementary principles and guidelines added by MAS to take into account the unique characteristics of the business of the Financial Institutions. Revisions to the Guidelines were issued on 9 December 2010.

The Company is a wholly-owned subsidiary of Great Eastern Holdings Limited (“GEH”). GEH, being listed on SGX-ST, adopts corporate governance practices which are in conformity with the Code. Accordingly, the Company’s corporate governance practices are also aligned with the practices of its holding company, GEH.

### **THE BOARD’S CONDUCT OF AFFAIRS**

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*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

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#### **Board responsibilities and accountability**

The Company’s Board provides strategic direction to the Company and its principal role and functions include the following:

- (a) reviewing and approving the Company’s strategic direction, overall policies, long term goals and financial objectives, business plans and annual budget;
- (b) providing Board oversight over the business affairs and reviewing the financial performance of the Company;
- (c) providing oversight over the setting of the Company’s values and standards with emphasis on the Company’s core value of integrity and proper conduct of the Company’s business affairs at all times and good corporate governance practices;
- (d) overseeing the establishment of frameworks for adequate, prudent and effective internal controls and processes and effective risk assessment and management;
- (e) overseeing the succession planning for key senior executive positions within the Company and responsibility for the selection and appointment of the Group CEO;
- (f) approving major corporate activities, initiatives and transactions of a significant nature;
- (g) monitoring management performance;
- (h) ensuring that management formulates policies and process to promote fair practices and high standards of business conduct by staff; and
- (i) overseeing, through the Risk and Investment Committee, the establishment and operation of an independent risk management system for managing risks on an enterprise-wide basis, including the adequacy of the risk management function.

Records of all meetings of the Board and Board Committees, in particular, records of key deliberations and decisions taken, are maintained.

**G 1.3 Board Committees**

The Board has established an Audit Committee and a Risk and Investment Committee (“Board Committees”) to assist it in carrying out more effectively its oversight of the operations and business affairs of the Company. These Board Committees have been constituted with clear Board-approved written terms of reference.

The Company’s Board Committees in carrying out their responsibilities in accordance with their respective terms of reference are also actively engaged in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in the relevant sections on the respective Board Committees in this Report.

**G 1.4 Meetings and Directors’ attendance**

The Board meets regularly during the year, to review the business performance and key activities of the Company presented by Management, and to consider business proposals of a significant nature. Decisions are taken objectively in the interests of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2011, the Board held eight scheduled Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted.

G 1.4 The number of meetings of the Board and Board Committees held in 2011 and the attendance of the Directors at those meetings are tabulated below.

**Directors' attendance at Board and Board Committee meetings in 2011**

Name of Director	Board		Audit Committee (“AC”)		Risk & Investment Committee (“RIC”)	
	No. of Meetings Scheduled*		No. of Meetings Scheduled*		No. of Meetings Scheduled*	
	Held	Attended	Held	Attended	Held	Attended
Fang Ai Lian	8	8	4	4	6	6
Christopher Wei, CEO <sup>(1)</sup>	8	8	-	-	5	5
Cheong Choong Kong	8	8	-	-	-	-
David Conner	8	8	-	-	6	6
Lee Seng Wee	8	8	-	-	-	-
Lee Chien Shih	8	7	-	-	-	-
Tan Sri Dato' Dr Lin See-Yan	8	6	4	4	-	-
Tan Yam Pin	8	8	4	4	-	-

Notes:  
<sup>(1)</sup> Appointed as Director with effect from 10 February 2011, and as Member of RIC with effect from 10 February 2011.  
<sup>(2)</sup> Directors’ Attendance at two Board sessions without Management is not included in the above table.  
\* including Board Retreat on 1 September 2011.

The number of meetings indicated in “Held” above reflects the number of meetings held during the time the respective Directors held office.

- G 1.5 The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board's approval include overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions, investments and divestments by the Company, corporate restructuring, major corporate initiatives and other Company activities of a significant nature, dividend policy and dividend declaration and financial statements of the Company.

Newly-appointed Directors will be apprised of their statutory duties and obligations and issued a Director's orientation kit which will include key information on the Company and terms of reference of the Board and Board Committees. As part of the induction program for new Directors, Management will brief new Directors on the Company's principal activities, in particular, the insurance business and the induction program will be tailored to the specific development needs of the new Director. The Company constantly reviews and improves on the contents of such briefings to new Directors to enable new Directors to have a more comprehensive understanding of the Company, the insurance business and practices and relevant regulatory requirements and the financial statements of an insurance company.

### **Board Training**

- The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry and provides updates on developments in the industry locally and in other developed countries. When deciding on the training to be provided, the skills required by the Board and Board committees are taken into account.
- G1.16

A reference library containing publications and materials relating to the insurance industry and other relevant publications has been set up for Directors and industry-related or topical articles are regularly circulated to Directors as part of the Company's continuing education program for Directors. Continued training and development programs for Directors are more flexible and Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other external professional organisations.

## **BOARD COMPOSITION AND GUIDANCE**

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*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

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### **Board Composition**

- G 4.6 The Company's present Board of eight Directors comprises a non-executive Chairman, Mrs Fang Ai Lian, six other non-executive Directors and the executive Director and Group Chief Executive Officer ("Group CEO"), Mr Christopher Wei, who joined the Company on 10 February 2011. The six other non-executive Directors are Dr Cheong Choong Kong, Mr David Conner, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin.

### **Board independence**

The Company defines the independence of its Directors in accordance with the Guidelines. An independent Director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to

interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The Guidelines requires that there should be a strong and independent element on the Board, with independent Directors making up at least one-third of the Board and this independent element should be able to exercise objective judgment on corporate affairs independently, in particular, from Management.

G 4.6 Taking into consideration the definition of "independent Director" set out in the Guidelines as regards what constitutes an independent director, the Company's independent Directors are: Mrs Fang Ai Lian, Mr Lee Seng Wee, Mr Lee Chien Shih, Tan Sri Dato' Dr Lin See-Yan and Mr Tan Yam Pin. The length of service on the Board is also taken into consideration when assessing Directors' independence on the Board and notwithstanding that Mr Lee Seng Wee and Tan Sri Dato' Dr Lin See-Yan have tenures exceeding 9 years, they are both regarded as independent as they are able to exercise objective judgment on corporate affairs independently, in particular, from Management.

Mr Christopher Wei, Mr David Conner and Dr Cheong Choong Kong are considered as non-independent; Mr Christopher Wei is the Group CEO and executive Director of the Company, Mr David Conner is executive Director and Chief Executive Officer of the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), and Dr Cheong Choong Kong is a party to an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of OCBC Bank, under which Dr Cheong is appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report).

The current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of commercial and financial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance and actuarial science and knowledge in banking, finance, management, accounting, investment and asset management, consumer marketing, real estate and property development. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities.

The non-executive Directors constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The non-executive Directors meet during the year without the presence of Management to discuss matters such as the performance and effectiveness of Management.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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*Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

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- G 3.1 The position and role of the Company's Chairman Mrs Fang Ai Lian and the Group CEO Mr Christopher Wei are distinct and separate, with a clear division of responsibilities between them. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and Group CEO. The Chairman and the Group CEO are not related to each other.

The Chairman Mrs Fang Ai Lian is an independent and non-executive Director. Her principal responsibilities include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between executive and non-executive Directors and between the Board and Management and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

The Group CEO manages the Company and oversees the Company's operations and implementation of the Company's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company's businesses, including implementing the Board's decisions, is carried out with the assistance of the senior management executives of the Company. Collectively, they are responsible for the day-to-day operations and administration of the Company, ensuring, *inter alia*, operational and organisational efficiency, profit performance of the operating units, regulatory compliance, good corporate governance and effective risk management.

The Board has not appointed a Lead Independent Director because the Chairman and Group CEO are already separate persons and the Chairman, a non-executive director, performs an effective check and balance on Management. The appointment of a Lead Independent Director will unnecessarily diffuse board leadership, in view of the current board size of the Company.

## **BOARD MEMBERSHIP**

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*Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.*

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- G 4.1 The Company does not have a Nominating Committee ("NC"). The functions of the NC are performed by the NC of OAC's holding company, GEH.

### **Re-nomination of Directors**

All Directors of the Board are required to submit themselves for re-nomination and re-election at regular intervals, at least once every three years. At each annual general meeting ("AGM") of the Company, one-third of the Directors are required to retire by rotation in accordance with the Company's Articles of Association, being one-third of those who have been longest in office since their last re-election. Such retiring Directors are eligible for re-election when re-nominated by the Board, taking into account the Directors' attendance at meetings, their expertise, knowledge and commitment, and their contributions to Board discussions and to the effectiveness of the Board.

GEH's NC also reviews annually whether Directors who have multiple Board representations have demonstrated satisfactory time commitment and have carried out their duties adequately as the Company's Directors during the year.

Directors are expected to set aside adequate time for their oversight of matters relating

to the Company. The Company has established guidelines on meeting attendance and appointments outside the Company. Based on the guidelines established, each Director's attendance record and degree of participation at meetings will be annually assessed. In respect of other appointments, various factors will be taken into account, such as the nature of the appointment (full-time or otherwise), complexity of organisation and degree of participation in sub-committees.

#### **Process for appointment of new Directors**

- G 4.5 The process includes reviewing proposals for the appointment of new Directors and assessing any suitable candidates based on criteria such as their track record, age, financial and commercial business experience, capabilities, skills, professional qualifications, integrity and field of expertise relevant to the Company, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

#### **Key information on Directors**

- G 4.6 Key information regarding the Company's present Directors, including their academic and professional qualifications, date of first appointment as Directors, date of last re-election or re-appointment as Directors of the Company, other directorships or chairmanships both present and held over the preceding three years in other listed companies and other major appointments are disclosed in this Report. Details of Directors' membership on the present Board Committees are also disclosed in this Report. Directors' interests in shares and share options in the Company's ultimate parent company, OCBC Bank and other related corporations are disclosed in the Company's Directors' Report that accompanied the Company's financial statements for the year ended 31 December 2011. The Company does not grant share options to non-executive Directors of the Company. The Directors do not hold shares in the Company or the Company's subsidiaries.

### **BOARD PERFORMANCE**

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*Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

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- G 5.1 The Board has implemented formal processes for assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board. GEH's NC oversees the annual assessment process, which consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer-assessment of the other members of the Board.

Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. The performance criteria reflects the Board's responsibility to safeguard the interests of the shareholders and includes qualitative measures such as setting of strategic directions and achievement of strategic objectives, quality of risk management and adequacy of internal controls. An independent consultant was appointed to facilitate this evaluation process and to assist in collating and analysing the returns and feedback of the Directors.

The Board has found that such individual assessments by the Directors are useful and constructive since the implementation of such evaluation process several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contribution to the effectiveness of the Board.

## **ACCESS TO INFORMATION**

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*Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

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The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, the budget if applicable and Management's recommendation. The senior management executives who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board.

Information furnished to the Board on an on-going basis includes the monthly financials and the quarterly reports prepared on a GEH Group basis which includes the financial performance of the Company, with explanations of material variances between actual results and the business plan/budget. In addition, the Board via the Risk and Investment Committee, receives regular updates of all potentially material risks facing the business.

Directors have separate and independent access to the Company Secretary and to senior management executives of the Company at all times.

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between senior management and non-executive Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Company Secretary is considered to be a matter for the Board as a whole.

The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively; the cost of such professional advice is borne by the Company, as applicable.

Members of Board Committees are given unfettered access to information in the Company for the purposes of carrying out their responsibilities.

## **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

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*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

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## **LEVEL AND MIX OF REMUNERATION**

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*Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

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## **DISCLOSURE ON REMUNERATION**

*Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

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- G 9.1 The Company does not have a Remuneration Committee ("RC"). GEH's RC takes on the functions of the RC.

Such functions include:

- (1) approving a fee-structure for Directors' fees, as well as the framework of remuneration of the executive Director/Group CEO and the senior management executives reporting directly to the Group CEO. Such framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits;
- (2) approving the remuneration package for the Group CEO; and
- (3) ensuring that the Company's remuneration policies and practices are sound and the remuneration packages are appropriate to attract, retain and motivate the executive Director and senior management executives without being excessive.

### **P 9 Remuneration of non-executive Directors**

The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and the frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his own remuneration.

GEH's RC performs an annual review of the fee structure for Directors' fees and approves any changes considered necessary or appropriate. The aggregate Directors' fees based on the Board-approved fee structure are subject to shareholder's approval at the Company's AGM.

### **P 9 Remuneration policy in respect of Executive Director and key senior management executives**

The objective of the remuneration policy is to attract, motivate, reward and retain quality personnel. The Group CEO, being an executive Director of the Company, is not paid a Director's fee, but receives a remuneration package comprising a basic component and a variable performance-related component.

The basic component of the remuneration package comprises the basic salary, payable on a monthly basis. The variable components of the remuneration comprise the performance-based variable bonus and the long term incentives, generally paid/awarded once a year, and have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company and approved by the Board.

In awarding long term incentives including the grant of share options to senior executives, the Board also takes into account such senior executives' potential for future development and contribution to the Company.

The annual budget for salary increment, performance-related variable bonus and long term incentives, proposed by Management are submitted to the Board and approved by the Board.

As a consequence of the financial crisis, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. In 2009, the Financial Stability Forum (FSF) developed principles and implementation standards for Sound Compensation Practices for significant financial institutions. While the Company's compensation practices largely meet the FSF principles and implementation standards, it is continuing to review its compensation practices to comply with the required standards.

#### Disclosure on Directors' remuneration

- G 9.2 The total Directors' remuneration in respect of FY2011 is disclosed in the table below. Non-executive Directors will be paid Directors' fees totalling \$104,100 in respect of FY2011, subject to approval at the Company's AGM.

The table below shows the remuneration of non-executive Directors and the executive Director of the Company for FY2011.

Name of Director	Total Remuneration	Salary and Fees	Bonuses <sup>(1)</sup>	Benefits-in-kind <sup>(2)</sup>
	\$'000	\$'000	\$'000	\$'000
<b>Non-executive Directors</b>				
Fang Ai Lian	38.4	38.4	-	-
Cheong Choong Kong	8.4	8.4	-	-
David Conner <sup>(3)</sup>	13.2	13.2	-	-
Lee Seng Wee	8.4	8.4	-	-
Lee Chien Shih	8.2	8.2	-	-
Tan Sri Dato' Dr Lin See-Yan	12.0	12.0	-	-
Tan Yam Pin	15.6	38.4	-	-
<b>Executive Director</b>				
Christopher Wei <sup>(4)</sup>	2,878	976	1,595	307
Notes:				
(1) Represents sign-on bonus, long term incentive take-out and bonus take-out.				
(2) Represents non-cash-component and comprises housing, car and club benefits.				
(3) Director's fee attributable to Mr David Conner is paid to OCBC Bank.				
(4) Appointed as Director with effect from 10 February 2011.				
(5) Mr Wei's remuneration is shown on a group-wide basis.				

Directors' fees are subject to shareholder's approval at the AGM on [18 April 2012].

- G 9.2 After careful consideration, the Company has decided not to disclose information on the names and remuneration of the top five key management executives as the disadvantages to the Company's business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.

- G 9.3 None of the Directors had immediate family members who were employees of the Company and whose personal annual remuneration exceeded \$150,000.

#### Share option scheme

- G 9.4 The Company does not have a share option scheme. Instead, the Company's ultimate holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 (the "OCBC Scheme") to selected senior executives of the Company. Details of options granted are disclosed in the Company's financial statements; details of the OCBC Scheme are set out in OCBC Bank's Annual Report.

## **ACCOUNTABILITY**

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

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As the Company is wholly-owned by GEH, the Board is also responsible for providing to GEH, the Company's shareholder, a balanced and understandable assessment of the performance of the Company, position and prospects, including furnishing periodic financial statements and other reports.

To keep Board members informed and updated, Management provides the Board with financials which contain financial updates on the performance and position of the Company on a monthly basis. The Board is also updated on any significant events that have occurred or affected the industry during the year.

## **AUDIT COMMITTEE**

*Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

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### **G 11.8 AUDIT COMMITTEE**

The Audit Committee at the date of this report comprises three Directors who are all non-executive and independent Directors, being Mr Tan Yam Pin (Chairman), Mrs Fang Ai Lian and Tan Sri Dato' Dr Lin See-Yan. Members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee have accounting, auditing and financial management knowledge and experience. They are Mr Tan Yam Pin and Mrs Fang Ai Lian.

The Audit Committee carries out functions prescribed in Section 201B(5) of the Companies Act, Chapter 50 and in the Guidelines, and operates within Board-approved written terms of reference which set out the Audit Committee's authority and duties.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has the co-operation of, and full access to, Management. The Audit Committee has full discretion to invite any Director or senior management executive to attend its meetings. It has resources to enable it to discharge its functions properly.

G 11.8 The functions performed by the Audit Committee and details of the Audit Committee's activities during the FY2011 included the following:

- (1) Reviewed with the internal and external auditors –
  - 1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;
  - 1.2 the scope and results of the internal audit procedures; and
  - 1.3 the assistance given by the officers of the Company to the auditors.
  
- (2) Reviewed with the external auditors –
  - 2.1 the audited financial statements of the Company for the financial year for submission to the Board for consideration and approval thereafter;
  - 2.2 their scope and overall audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them;
  - 2.3 the implications and impact on the financial statements of proposed implementation of new financial reporting standards and any changes in accounting policies and regulatory requirements; and

2.4 any significant financial reporting issues, to ensure the integrity of the financial statements of the Company.

- (3) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company and its principal subsidiaries, including internal financial controls, operational and compliance controls and systems established by Management.
- (4) Reviewed the effectiveness of the internal audit functions of the Company and its principal subsidiaries.
- (5) Performed the annual review of the independence of the external auditors.
- (6) Made recommendations to the Board on the re-appointment of the external auditors and approved the remuneration and terms of engagement of the external auditors.

The Company has also instituted a whistle-blowing policy whereby staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee held a total of four meetings in 2011. Members' attendance at the Audit Committee meetings is disclosed in this Report. The internal and external auditors were present at the Audit Committee meetings and the Group CEO and certain senior management executives including the Group Chief Financial Officer were also present.

The Audit Committee, in performing its functions, has met at least annually with the internal and external auditors without the presence of Management. The auditors, both internal and external, have unrestricted access to the Audit Committee.

## **INTERNAL CONTROLS**

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*Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

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- G 12.2 The Board, with the concurrence of the Audit Committee and the Risk and Investment Committee, believes that the system of internal controls, including financial, operational and compliance controls and risk management systems, maintained by the Company's management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the Company in its current business environment.

The system of internal control provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

## **INTERNAL AUDIT**

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*Principle 13: The company should establish an internal audit function that is independent of the activities it audits.*

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The internal audit function ("Group Audit") resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee. The primary line of reporting for the Head of Group Audit is to the Chairman of the Audit Committee, although the Head of Group Audit reports administratively to the Group CEO. The Group Audit Department is staffed by suitably qualified executives and the Audit Committee ensures that the internal audit function is adequately resourced. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

- G 13.9 The Audit Committee approves the appointment, resignation or dismissal of the Head of Group Audit.

During the year, Group Audit Department carried out audits on selected significant business units in the Company, including audit review of the IT systems. Group Audit's summary of major findings and recommendations and Management's related responses were discussed at the Audit Committee meetings. The Audit Committee also reviews annually the adequacy of the internal audit function.

The scope of Group Audit's responsibilities is clear and appropriate for the risks which the Company is or could be exposed to, including those risks arising from proposed new lines of business or products. Its responsibilities include:

- (1) evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Company,
- (2) ensuring that the internal controls of the Company result in prompt and accurate recording of transactions and proper safeguarding of assets, and
- (3) determining whether the Company complies with laws and regulations and adheres to established policies, and whether Management is taking the appropriate steps to address control deficiencies.

## **COMMUNICATION WITH SHAREHOLDERS**

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*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

*Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

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The Company places great importance on regular, effective and fair communication with its shareholder (GEH). The Company ensures that timely and adequate disclosures of material information on the Company are made available to its shareholder, including periodic financial results with balanced and comprehensive assessments of the performance and position of the Company.

For the Company's AGM, separate resolutions are set out on distinct issues, such as the proposed re-appointment or re-election of Directors, proposed Directors' fees and recommendation of final dividend, for approval by its shareholder (GEH) at the Company's AGM.

## **EXECUTIVE COMMITTEE**

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*Principle 16: The Board may establish an Executive Committee to assist in the discharge of its duties.*

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- G 16.4 Given its Board size comprising of eight Directors, the Company currently does not have an Executive Committee.

## **RISK MANAGEMENT**

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*Principle 17: The Board should ensure that there is a robust risk management system in the Financial Institution.*

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### **RISK AND INVESTMENT COMMITTEE AND RISK MANAGEMENT**

- G 17.6 The Risk and Investment Committee at the date of this report comprises three Directors, Mrs Fang Ai Lian (Chairman), Mr David Conner and Mr Christopher Wei.

The Risk and Investment Committee assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company.

The Risk and Investment Committee reviews the overall risk management framework and performs its functions pursuant to its Board-approved terms of reference. Such terms of reference include the overview and periodic review of policies on asset-liability and investment management, overview on enterprise risk management, major risk management initiatives and approval of significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Risk and Investment Committee oversees. Investment-related activities and transactions of material consequence are reviewed and approved by the Risk and Investment Committee and reported to the Board for information or for endorsement or approval, as applicable.

The Risk and Investment Committee held a total of six meetings in 2011.

The Company's risk management function has adequate resources and is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively.

- G 17.3 The Board approves the appointment and reviews reasons for resignation of the Head of Group Risk Management.

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in the notes to the financial statements.

## **RELATED PARTY TRANSACTIONS**

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*Principle 18: The Board should ensure that related party transactions with the Financial Institution are undertaken on an arm's length basis.*

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- G 18.1 The Company has established policies and procedures on related party transactions. These include definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring the transactions. The Audit Committee reviews material related party transactions and keeps the Board informed of such transactions, if any. Measures are taken to ensure that related party transactions are conducted on reasonable commercial terms and in the ordinary course of business.

**MAS GUIDELINES ON CORPORATE GOVERNANCE FOR BANKS, FINANCIAL HOLDING COMPANIES AND DIRECT INSURERS WHICH ARE INCORPORATED IN SINGAPORE**

<b>Specific Principles and Guidelines in the Code for disclosure</b>	<b>Page Reference in Corporate Governance Report</b>
Guideline 1.3 Delegation of authority by the Board to Board Committees, to make decisions on certain Board matters.	G1.3, Page 2
Guideline 1.4 The number of Board and Board Committee meetings held in the year, as well as the attendance of every board member at these meetings.	G1.4, Page 2
Guideline 1.5 The type of material transactions that require Board approval under internal guidelines.	G1.5, Page 3
Guideline 1.16 The type of continuous professional development programme established for directors and how the programme incorporates the types of skills which the Nominating Committee assesses that the Board and the respective Board Committees should have in order to perform their roles effectively.	G1.16, Page 3
Guideline 2.2 Where the Company considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the Director's relationship and the reason for considering him as independent should be disclosed.	Not applicable.
Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other.	G3.1, Page 5
Guideline 4.1 Composition of Nominating Committee.	G4.1, Page 5
Guideline 4.5 Process for the selection and appointment of new directors to the Board.	G4.5, Page 6
Guideline 4.6 Key information regarding Directors, including whether they are considered independent by the Nominating Committee.	G4.6, Pages 3, 4 & 6

Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	Not applicable.
Guideline 5.1 Process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.	G5.1, Page 6
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to Directors and key executives and performance.	P9, Page 8
Guideline 9.1 Composition of Remuneration Committee.	G9.1, Page 8
Guideline 9.2 Names and remuneration of each Director. The disclosure of remuneration should be in bands of \$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	G9.2, Page 9
Guideline 9.2 Names and remuneration of at least the top five key executives (who are not also Directors). The disclosure should be in bands of \$250,000 and include a breakdown of remuneration.	G9.2, Page 9
Guideline 9.3 Remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds \$150,000 during the year. The disclosure should be made in bands of \$250,000 and include a breakdown of remuneration	G9.3, Page 10
Guideline 9.4 Details of employee share schemes.	G9.4, Page 10
Guideline 11.8 Composition of Audit Committee and details of the Committee's activities.	G11.8, Page 10
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	G12.2, Page 11
Guideline 13.9 Resignation or dismissal of the head of internal audit	G13.9, Page 12
Guideline 16.4 Composition of executive committee, and details of the Committee's activities.	G16.4, Page 13

Guideline 17.3 Resignation or dismissal of the Chief Risk Officer	G17.3, Page 13
Guideline 17.6 Composition of Risk Management Committee and details of the Committee's activities.	G17.6, Page 13
Guideline 17.6 Board's comments, made in consultation with the Risk Management Committee where established, on the adequacy of the risk management processes of the Financial Institution.	G17.6, Page 13
Guideline 18.1 Material related party transactions.	G18.1, Page 13

# THE OVERSEAS ASSURANCE CORPORATION LIMITED

(Incorporated in Singapore)  
(Company Registration No. 192000003W)

## BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mrs Fang Ai Lian, *Chairman*

Mr Christopher Wei, *Group CEO*

Dr Cheong Choong Kong

Mr David Conner

Mr Lee Seng Wee

Mr Lee Chien Shih

Tan Sri Dato' Dr Lin See-Yan

Mr Tan Yam Pin

### AUDIT COMMITTEE

Mr Tan Yam Pin, *Chairman*

Mrs Fang Ai Lian

Tan Sri Dato' Dr Lin See-Yan

### RISK AND INVESTMENT COMMITTEE

Mrs Fang Ai Lian, *Chairman*

Mr David Conner

Mr Christopher Wei

### PRINCIPAL OFFICER

Mr Christopher Wei

### APPOINTED ACTUARY

Mr Koo Chung Chang

### COMPANY SECRETARY

Ms Jennifer Wong Pakshong

### REGISTERED OFFICE

The Overseas Assurance Corporation  
Limited

1 Pickering Street #16-01

Great Eastern Centre

Singapore 048659

Telephone : 6248 2000

Facsimile : 6438 3889

Website : [greateasternlife.com](http://greateasternlife.com)

Email : [wecare-sg@greateasternlife.com](mailto:wecare-sg@greateasternlife.com)

### AUDITORS

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner In Charge :

Mr Shekaran Krishnan

(from financial year 2005)

## **BOARD OF DIRECTORS**

### **FANG AI LIAN**

#### ***Chairman***

Mrs Fang was first appointed to the Board of The Overseas Assurance Corporation Limited (the “Company”) on 15 April 2008 and was last re-elected as the Company’s Director on 15 April 2010. She was appointed Chairman of Great Eastern Holdings Limited (“GEH”) and The Great Eastern Life Assurance Company Limited (“GEL”) on 15 April 2008. She was appointed Chairman of Great Eastern Life Assurance (Malaysia) Berhad (“GELM”) and Overseas Assurance Corporation (Malaysia) Berhad (“OACM”) on 3 June 2008. She also serves as a Director in several companies, including Oversea-Chinese Banking Corporation Limited (“OCBC Bank”), Banyan Tree Holdings Limited, Singapore Telecommunications Limited, Metro Holdings Limited and MediaCorp Pte Ltd. She is a Member of the Singapore University of Technology and Design’s Board of Trustees. She was previously a Board member of Public Utilities Board (until 1 April 2009), International Enterprise Singapore (until 1 January 2010) and on the Governing Board of Duke-NUS Graduate Medical School of Singapore (until 1 January 2012). Mrs Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career.

Mrs Fang is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Institute of Certified Public Accountants of Singapore and a Member of The Malaysian Institute of Certified Public Accountants.

### **CHRISTOPHER WEI**

#### ***Group Chief Executive Officer***

Mr Wei was appointed to the Company’s Board on 10 February 2011 upon his appointment as the Group Chief Executive Officer of the Company, GEH and GEL with effect from 10 February 2011. He is a Director of GEH, GEL, GELM, OACM, Great Eastern Financial Advisers Private Limited and Deputy Chairman of Lion Global Investors Limited. Mr Wei is also a Director of Singapore Reinsurance Corporation Ltd. Prior to joining the Company, Mr Wei was the Executive Vice President and Group Chief Marketing Officer of American International Assurance Company Limited (“AIA”), where he oversaw its largest group-wide re-branding exercise in the Asia Pacific region and played an instrumental role in developing new capabilities in research and business intelligence, customer value management and innovative product development. In addition to his role as Group Chief Marketing Officer, Mr Wei also served as Group Head of Bancassurance and Direct Marketing for AIA.

Among his varied experience in the industry, Mr Wei also held the position of Chief Executive Officer at AIG United Guaranty Insurance (Asia) Limited in Hong Kong. His previous experience in the insurance industry included working at ING Canada Inc. and Allstate Insurance Company of Canada where he held various positions including Chief Risk Officer. Aside from risk management, Mr Wei also led the development of strategic planning, customer segmentation and data analytics capabilities for the companies he worked in.

Mr Wei graduated with a Bachelor of Science (Hons) from the University of Toronto in 1991 where he completed a specialist programme in actuarial science. He is an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

### **CHEONG CHOONG KONG**

Dr Cheong was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 15 April 2010. He is a Director of GEH and was a Director of Great Eastern Life until 15 April 2008. He is the Patron of the Movement for the Intellectually Disabled of Singapore (MINDS), Chairman of OCBC Bank and a Board Director of OCBC Management Services Pte Ltd. He was formerly a Director of Singapore Press Holdings Limited (until 4 December 2007) and Singapore Airlines Limited ("SIA") until June 2003, where he last held the position of Deputy Chairman and Chief Executive Officer at SIA.

Dr Cheong holds a Bachelor of Science (First Class Honours in Mathematics) from the University of Adelaide and a Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University, Canberra.

### **DAVID CONNER**

Mr Conner was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 14 April 2011. He is a Director of GEH and was a Director of Great Eastern Life until 15 April 2008. Mr Conner is the Chief Executive Officer and Director of OCBC Bank, and also serves as a Director of OCBC Bank (Malaysia) Berhad, OCBC Overseas Investments Pte Ltd, OCBC Al-Amin Bank Berhad, KTB Ltd and Singapore Olympic Foundation. He is Chairman and Director of Bank of Singapore Limited, Singapore Island Bank Ltd and Chairman of Lion Global Investors Limited and Commissioner of PT Bank OCBC NISP Tbk, Indonesia. He also serves as a member of the Malaysia-Singapore Business Council, the Council of the Association of Banks in Singapore, the Advisory Committee of the MAS Financial Sector Development Fund, the Corporate Governance Council of MAS, the Advisory Board of the Lee Kong Chian School of Business, the Asia Pacific Bankers Club and The f-Next Council of the Institute of Banking & Finance. He is Chairman of International Advisory Council for Asia, Washington University in St. Louis. He is a Board Trustee of Washington University in St. Louis. He was previously Chairman of the Council of the Association of Banks in Singapore (until 26 June 2009), a Council Member of the Singapore Business Federation (until 31 August 2009) and a Director of the International Monetary Conference (until June 2009). Before joining OCBC Bank in 2002, Mr Conner previously worked for more than 25 years with Citibank N.A., where he was Managing Director and Market Manager for Citibank Japan from 1999 to early 2002.

Mr Conner holds a Bachelor of Arts from Washington University in St. Louis and a Master of Business Administration from Columbia University, USA.

### **LEE SENG WEE**

Mr Lee was first appointed to the Board of the Company on 31 January 2001 and last re-appointed as the Company's Director on 14 April 2011. He has been a Director of GEH since 1999. He was on the Board of Great Eastern Life (since February 1975) until 15 April 2008. Mr Lee is a Director of OCBC Bank since 1966 and was previously its Chairman from August 1995 to June 2003. He is also a Director of the Lee Rubber Group of companies and Lee Foundation.

Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario, Canada.

**LEE CHIEN SHIH**

Mr Lee was first appointed to the Board of the Company on 7 July 2005 and was last re-elected as the Company's Director on 14 April 2011. He is a Director of GEH and was a Director of Great Eastern Life until 15 April 2008. He is a Director of the Lee Rubber Group of companies, Lee Foundation and Bukit Sembawang Estates Limited. He was previously a Director of Frasers Centrepoint Limited (until 23 February 2007) and West Pacific Medical Services Pte Ltd (until 10 May 2010).

Mr Lee holds a MBBS from the National University of Singapore.

**TAN SRI DATO' DR LIN SEE-YAN**

Tan Sri Dato' Dr Lin was first appointed to the Board of the Company on 31 January 2001 and last re-appointed as the Company's Director on 14 April 2011. He is on the Board of GEH since 1999. He was a Director of Great Eastern Life until 15 April 2008. He also sits on the boards of The Straits Trading Company Limited, Silverlake Axis Limited, Top Glove Corporation Berhad, KrisAssets Holdings Berhad, Fraser & Neave Holdings Berhad, Ancom Berhad, Genting Berhad, Wah Seong Corporation Berhad and JobStreet Corporation Berhad. He continues to serve the public interest, including as a Member of the Prime Minister's Economic Council Working Group in Malaysia, as well as a member of a number of key National Committees on Higher Education; and as Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia. Tan Sri Dato' Dr Lin was Pro-Chancellor, University Science Malaysia until 2010. He is also Chairman Emeritus, Harvard Graduate School of Arts & Sciences Alumni Council at Harvard University as well as being the Harvard Alumni Association's Regional Director for Asia until 2010, in addition to being President, Harvard Club of Malaysia. Prior to 1998, he was Chairman and Chief Executive Officer of the Pacific Bank Group and, for 14 years previously, Deputy Governor of Bank Negara Malaysia, having been a central banker for 34 years. He also served as director of Khazanah Nasional Malaysia (1994 to 2000) and was Chairman of its Executive Board (1999 to 2000). He was previously a Director of Genting Malaysia Bhd until 1 November 2010.

Tan Sri Dato' Dr Lin has a BA (Hons) from the University of Malaya in Singapore and holds, from Harvard University, USA, a MPA (Finance), MA (Business Economics) and Ph.D (Economics). He is also a Chartered Statistician and a Chartered Scientist, Fellow of the Royal Statistical Society, London, Fellow (Hon) of the Malaysian Insurance Institute and Fellow of the Malaysian Institute of Bankers.

**TAN YAM PIN**

Mr Tan was first appointed to the Board of the Company on 7 January 2005 and last re-appointed as the Company's Director on 14 April 2011. Mr Tan is a director GEH and GEL. Mr Tan is also a Director of Singapore Post Limited, Keppel Land Limited, Blue Scope Steel Limited (Australia) and Leighton Asia Limited (Hong Kong). He has been a Member of the Singapore Public Service Commission since 1990. He was previously a non-executive Chairman of Singapore Food Industries Limited (until April 2009), Chairman of Power Seraya Limited (until early March 2009), a Director of Certis Cisco Security Private Limited (until 1 January 2009) and East Asiatic Company Limited A/S (Denmark) (until end March 2006).

Mr Tan holds a Bachelor of Arts (Hons) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.