

## **THE OVERSEAS ASSURANCE CORPORATION LIMITED**

(Incorporated in Singapore)

(Company Registration No. 192000003W)

### **CORPORATE GOVERNANCE REPORT**

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 upholding values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with the Insurance (Corporate Governance) Regulation 2013 (“CG Regulations”) and the corporate governance guidelines issued by the Monetary Authority of Singapore (“MAS”) on 3 April 2013 which are applicable to direct insurers which are incorporated in Singapore (the “CG Guidelines”). The CG Guidelines comprise the Code of Corporate Governance 2012 (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 banking and insurance. Where differences exist between the requirements of the above, the Company follows the CG Regulations.

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

OAC has been designated as a Tier 1 insurer on 1 April 2015. A Tier 1 insurer is a registered direct life insurer which (a) is incorporated in Singapore and (b) has total assets of at least \$5 billion or its equivalent in any foreign currency as stated in the relevant annual audited lodgement by the insurer with MAS.

Pursuant to Regulation 31(2) of the Insurance CG Regulations, the Company does not need to comply with the following Regulations until a day before its Annual General Meeting (“AGM”) in 2016: -

- (a) Regulation 7(1)(b)(i) : Board composition
- (b) Regulation 9 : Establishment of Executive Committee
- (c) Regulation 11(1) : Nominating Committee composition
- (d) Regulation 16(1) : Remuneration Committee composition
- (e) Regulation 17(1) : Audit Committee composition
- (f) Regulation 18(1) : Risk Management Committee composition

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

#### **Board’s 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 overall business strategy as well as the organisation structure of the Company developed and recommended by Management;

- (b) ensuring that decisions and investments are consistent with the long-term strategic goals of the Company;
- (c) ensuring that interests of shareholders and other stakeholders are taken into account in managing the Company's business;
- (d) ensuring that the necessary human resources are in place for the Company to meet its objectives;
- (e) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as, policies, processes and guidelines approved by the Board so as to preserve its financial integrity;
- (f) reviewing any transaction for the acquisition or disposal of assets that is material to the Company;
- (g) providing oversight in ensuring that the risk appetite of the Company reflects its strategic intent, taking into account the operating and regulatory environment, and consists of a balanced set of return objectives and risk tolerance, such as effectiveness of internal controls and capital sufficiency;
- (h) overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;
- (i) overseeing the establishment and operation of an independent risk management function, the adequacy of the risk management policies and systems, and capital management strategy, including the optimal allocation of capital resources, and the quality of the risk management processes and reporting;
- (j) overseeing the succession planning for key senior executive positions within the Company and the selection and appointment of senior executive officers;
- (k) establishing corporate values and standards, emphasising integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interests;
- (l) providing a balanced and objective assessment of the performance, position and prospects of the Company, including reports to regulators;
- (m) overseeing the design and operation of an appropriate remuneration framework of the Directors and executive officers, taking into account remuneration principles, practices and standards that may be specified by MAS from time to time;
- (n) reviewing Management's performance and ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct by staff; and
- (o) maintaining records of all meetings of the Board and Audit Committee, in particular, records of discussions on key deliberations and decisions taken.

The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board 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 activities of a significant nature, dividend policy and dividend declaration,

and the financial statements of the Company.

## Board Committee

Arising from OAC being designated as a Tier 1 insurer, on 1 April 2015, an Audit Committee (“AC”) was established with effect from 1 April 2015. The AC has been constituted with clear Board-approved written terms of reference. The AC, in carrying out its responsibility in accordance with its terms of reference, is 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 AC are set out in the relevant section in this Report. Minutes of the AC, which provide a fair and accurate record of the discussions and the key deliberations and decisions taken during the meetings, are maintained, and are circulated to the Board on a regular basis.

## 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. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board works with Management to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2015, the Board held six scheduled Board meetings including one Board Strategy meeting. If a Director is unable to attend any Board or Audit Committee meeting, he will still receive all the papers and materials to be tabled for discussion at that meeting.

The number of meetings of the Board and the Audit Committee held in 2015 and the attendance of the Directors at those meetings are tabulated as below.

### Directors' attendance at Board and Audit Committee meetings in 2015

Name of Director	Board (including Board Strategy Meeting)		Audit Committee <sup>(1)</sup>	
	No. of Meetings		No. of Meetings	
	Scheduled		Scheduled	
	Held	Attended	Held	Attended
Koh Beng Seng	6	6	-	-
Mimi Ho	6	6	3	3
Norman Ip	6	6	3	3
Quah Wee Ghee	6	6	-	-

Notes:

<sup>(1)</sup> The Audit Committee was established on 1 April 2015.

There were more than 2 Board sessions without Management held in 2015. Directors’ attendance at these sessions is not included in the above table.

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

## BOARD COMPOSITION AND GUIDANCE

### Board Membership

The Company’s present Board of four Directors comprises a non-executive Chairman, Mr Koh Beng Seng, Director, and three other non-executive directors. The three non-executive Directors are Ms Mimi Ho, Mr Norman Ip and Mr Quah Wee Ghee.

Mr Norman Ip was called upon to serve as the Acting Group Chief Executive Officer from 1 July 2014 until Mr Khor Hock Seng's appointment as Group Chief Executive Officer ("Group CEO") on 2 November 2015. He continued to serve on the Board as a non-executive Director.

All appointments of Directors of the Company are subject to the approval of MAS.

### **Information on Directors**

The Directors' membership in the Audit Committee is set out in this Report. Directors' interests in shares and share options in the Company and in the Company's ultimate parent company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), and other related corporations are disclosed in the Directors' Statement that accompanies the Company's financial statements for the year ended 31 December 2015. 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 Composition and Independence**

An independent Director of the Company 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 length of service on the Board is also taken into consideration when assessing Directors' independence on the Board.

The CG Guidelines require 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.

All of the Company's Directors, being Mr Koh Beng Seng, Ms Mimi Ho, Mr Norman Ip and Mr Quah Wee Ghee are independent.

The Board is of the view that 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 (including key products and customers) and actuarial science, investment and asset management (including real estate and property), knowledge in banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities.

With the knowledge, objectivity and balance contributed by the non-executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor the reporting of performance.

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

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles of the Chairman, Mr Koh Beng Seng, and the Group CEO, Mr Khor Hock Seng, are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and the Group CEO. The Chairman and the Group CEO are not related to each other.

The principal responsibilities of the Chairman 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 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, profitable performance of the operating units, regulatory compliance, good corporate governance and effective risk management.

The Board has not appointed a Lead Independent Director as the Chairman and the Group CEO are already separate persons, are not related to each other and the Chairman is not part of the executive management team. The Chairman, a non-executive Director, performs an effective check and balance on management. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director when the Board situation warrants it.

## **PROCESS FOR APPOINTMENT OF NEW DIRECTORS**

The Company does not have a Nominating Committee. The Company's present Board takes on the functions of a Nominating Committee.

The Board is responsible for identifying candidates, reviewing and approving nominations or re-nominations of Directors on the Board and Audit Committee. It also reviews nominations and approves appointments for key senior positions in the Company.

Having regard to the competencies and skills collectively required by the Board, the Board establishes annually the profile required of the Board members, before making any recommendations on the appointment of new Directors, where necessary. The Board may engage external search consultants to source for potential candidates. Proposals for the appointment of new Directors are reviewed by the Board. Candidates are assessed on their suitability and commitment and the assessment process take into account criteria such as their professional qualifications, integrity, financial and commercial business experience 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.

In addition, the Board further determines the proposed candidate's independence under the CG Regulations and ensures that the proposed candidate would satisfy the criteria under the CG Regulations in that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Audit Committee, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Board. Such reviews are also conducted on an annual basis.

### **Re-nomination and Re-appointment 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 AGM of the Company, one-third of the Directors, being those who have served longest in office since their re-election, are required to retire by rotation in accordance with the Company's Constitution. 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.

### **Board Orientation and Training**

A formal letter of appointment will be issued to every new Director. 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. As part of the induction programme for new Directors, the Group CEO and senior management will brief new Directors on the Company's principal activities, in particular, the insurance business and the induction programme 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 take into account any new legislative changes which affect the Directors and to enable them 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.

The Board ensures there is a continuous professional development programme for all Directors, to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board effectively. 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. Industry-related or topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Continued training and development programmes for Directors are more flexible and Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the Singapore Institute of Directors where relevant.

The Company funds the training and development programmes for existing and new Directors that it arranges.

### **BOARD PERFORMANCE**

The Board has an annual performance evaluation process to assess the effectiveness of the Board and each Director's contributions. This process is similar to that of the Company's holding company, GEH. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board 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. Aon Hewitt Singapore Pte Ltd is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.

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 contributions to the effectiveness of the Board.

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 the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three other listed companies, while a Director who does not have any full-time employment shall have appointments in no more than six other listed companies. The Board annually assesses each Director's attendance record and degree of participation at meetings.

## **ACCESS TO INFORMATION**

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board. 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, risk analysis and mitigating strategies, 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 or the Audit Committee, where relevant. All Board members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

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. Management also provides the Board with information on potentially material risks facing the business including credit, market, liquidity and operational risks.

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 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, at the expense of the Company, as applicable.

Similarly, the Board may obtain the professional advice that it requires to assist in its work.

## **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION**

The Company does not have a Remuneration Committee. The Company's present Board takes on the functions of a Remuneration Committee.

Such functions include:

- (1) approves a fee structure for Directors' fees, as well as the framework of remuneration for key management personnel. Such framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits;
- (2) approves the remuneration package for key management personnel; and
- (3) ensures that the Company's remuneration policies and practices are aligned with the approved framework and that remuneration packages are appropriate to attract, retain and motivate key management personnel without being excessive.

In approving remuneration, the Board ensures that the remuneration policies are in line with the Company's strategic objectives and corporate values, and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and key executives.

The Board members are well-versed in executive compensation matters, given their extensive experience in senior corporate positions and major appointments. They also have access to expert advice from external independent compensation consultants, where necessary. The Board will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

In 2015, Towers Watson provided independent advisory services on the GEH Group's compensation framework to ensure greater alignment of pay policies and practices with market and regulatory standards, and on its staff benefits program. Towers Watson is not related to the Company and the Company is not aware of any business or personal relationships between Towers Watson and the Company's Directors and key management executives.

### **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 market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his own remuneration.

The Board performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to shareholder's approval at the Company's AGM.

The attendance fee is paid to non-executive Directors to recognise their commitment and time spent in attending meetings.



## **Remuneration policy in respect of key senior management executives**

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel.

The remuneration of the Group CEO, the respective CEOs of the Company's principal insurance subsidiaries and the key senior management executives who report directly to the Group CEO are reviewed annually by GEH's Remuneration Committee, based on the overall remuneration framework.

In such annual reviews, the Board takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration is commensurate with individual performance and contribution. The Board also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The basic component of the remuneration package comprises a monthly basic salary. The variable components 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. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year.

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

The annual budget for salary increment, performance-related variable bonus and long-term incentives is submitted to the Board for endorsement and approval.

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustained business performance. In its deliberations, the Board also takes into account the remuneration principles, practices and standards that may be specified by the MAS from time to time.

The Company does not provide any termination, retirement and post-employment benefits to its key management personnel.

## **Disclosure on Directors' remuneration**

The total Directors' remuneration from the Company in respect of the financial year ended 31 December 2015 ("FY2015") is shown in the table below. Non-executive Directors will be paid Directors' fees totalling \$67,050 in respect of FY2015, subject to approval at the forthcoming AGM. For the financial year ended 31 December 2014, non-executive Directors were paid Directors' fees totalling \$58,150.

## Directors' and Group CEO's remuneration for FY2015

Name of Director	Total Remuneration \$'000	Salary & Fees \$'000	Bonuses <sup>(1)</sup> \$'000	Long-term incentives <sup>(2)</sup> \$'000	Benefits-in-kind <sup>(3)</sup> \$'000
Koh Beng Seng <sup>(6)</sup>	28.2	28.2	-	-	-
Mimi Ho <sup>(6)</sup>	15.3	15.3	-	-	-
Norman Ip <sup>(4)(6)</sup>	13.65	13.65	-	-	-
Quah Wee Ghee <sup>(6)</sup>	9.9	9.9	-	-	-
<b>Group CEO</b>					
Khor Hock Seng <sup>(5)</sup>	224	183	-	-	41

### Notes:

- (1) Bonuses comprise variable bonus paid in 2015 and long-term incentive take-out.
- (2) Represents fair value of grant of shares options under the OCBC Share Option Scheme 2001 and award of deferred shares under the OCBC Deferred Share Plan.
- (3) Represents non-cash-component and comprises housing allowance, car, club, insurance benefits and employer's contribution to the Central Provident Fund.
- (4) Stepped down as Acting Group CEO on 2 November 2015.
- (5) Appointed as Group CEO on 2 November 2015.
- (6) Includes standard meeting attendance fees for attending Strategy Working Group meetings as member or observer.

After careful consideration, the Company has decided not to disclose information on the names and remuneration of the top five key management executives as well as their aggregate remuneration 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.

None of the Directors had immediate family members who were employees of the Company in 2015.

## Share-based incentives

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Company.

Details of the share options and share awards granted to the Company's eligible executives are disclosed in the financial statements. Further details of the above share option scheme and share plan are set out in the Company's financial statements and in OCBC Bank's Annual Report.

## ACCOUNTABILITY

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

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

## AUDIT COMMITTEE

The Audit Committee was established on 1 April 2015 with two independent Directors, being Ms Mimi Ho (Chairman) and Mr Norman Ip.

Both members of the Audit Committee are appropriately qualified to discharge their responsibilities. They have relevant accounting and auditing experience and financial management knowledge and experience. The Audit Committee members keep abreast of relevant changes through regular updates from the external auditor, on changes to accounting standards and issues which have a direct impact on the financial statements.

The Audit Committee carries out functions prescribed in Section 201B(5) of the Companies Act (Chapter 50), the CG Regulations and the CG 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 full co-operation of and 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.

The Audit Committee held a total of three meetings in 2015, and its members' attendance at these meetings is disclosed in this Report. The Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain senior management executives, including the Group Chief Financial Officer ("Group CFO"), Singapore CEO and Chief Financial Officer.

The functions performed by the Audit Committee and details of the Audit Committee's activities during FY2015 included the following:

1. Reviewed with the internal auditor –
  - 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 audits; and
  - 1.3 the assistance given by the officers of the Company to the auditors.
2. Reviewed with the external auditor –
  - 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 financial, operational, compliance and information technology 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 review of the independence of the external and internal auditors.
6. Made recommendations to the Board on the re-appointment of the external auditor and approved the remuneration and terms of engagement of the external auditor.
7. Reviewed material related party transactions as may be required by the relevant regulatory authorities, and recommend to the Board for approval.

The GEH Group undertook a review of all relationships between the GEH Group and the external auditor (including non-audit services provided by the external auditor) for FY2015, and is satisfied that the provision of such non-audit services would not, in its opinion, affect the independence of the external auditor.

Taking into account the aforesaid and other factors such as the size and complexity of the Group and the adequacy of resources and experience of the external auditor, Messrs Ernst & Young LLP, the Audit Committee has nominated the re-appointment of Messrs Ernst & Young LLP at the forthcoming AGM.

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. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith.

The Audit Committee, in performing its functions, met at least annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. The auditors, both internal and external, have unrestricted access to the Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.

## **INTERNAL CONTROLS**

The Company has in place, self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems and processes of internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management. The Board has received assurance from the Group CEO and Group CFO on the effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management and the Audit Committee, the Board is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate as at 31 December 2015, to address the risks which the Company

considers relevant and material to its operations.

The system of internal controls 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 controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

## **INTERNAL AUDIT**

The internal audit function ("Group Audit") serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by Management, to ensure that transactions are promptly and accurately recorded and that the Company's assets are safeguarded. Group Audit resides in-house and is independent of the activities it audits.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational, technology, compliance and strategic risks as well. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring prompt and accurate recording of transactions and the adequate safeguarding of assets. Reviews conducted by Group Audit also focus on the Company's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

The Chief Internal Auditor reports primarily to the Board and administratively to the Group CEO. The Chief Internal Auditor's annual remuneration, appointment and removal is approved by the Board.

The Group Audit is staffed by executives with the relevant qualifications and experience, and the Board ensures that Group Audit is adequately resourced. Group Audit has unfettered access to the Board and senior management, where necessary, and has the right to seek information and explanations. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

During the year, Group Audit carried out audits on selected significant business units in the Company, including an audit review of the IT systems. Group Audit's summary of major findings and recommendations and Management's related responses were discussed at the Board meetings. The Board ensures that procedures are in place to follow up on the recommendations by Group Audit in a timely manner and to closely monitor any outstanding issues. The Board also reviews annually the adequacy and effectiveness of the internal audit function.

## **RESPONSIBILITIES OF BOARD ON RISK MANAGEMENT**

The Company does not have a Risk Management Committee. The Company's present Board takes on the functions of a Risk Management Committee. Such functions include, overseeing the establishment and the operation of an independent risk management system for managing risks on an enterprise-wide basis; and the adequacy of the risk management function including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.

The Board approves the appointment and annual appraisal of the Group Chief Risk Officer, who reports directly to the Board and the Group CEO. The appointment of the Group Chief Risk Officer also requires the prior approval of MAS.

The Group Chief Risk Officer is responsible for managing the Group's risk management systems and establishing processes of identifying, assessing, measuring, controlling, mitigating, monitoring and reporting risks.

The Group Risk Management Department has adequate resources and is staffed by experienced and qualified employees who are sufficiently independent to perform their duties objectively. The Group Risk Management Department regularly engages senior management to develop enterprise-wide risk controls and risk mitigation procedures.

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

### **STRATEGY WORKING GROUP**

A Strategy Working Group was formed in 2015 to assist in the review of the Great Eastern Group's market position and competitiveness with the view to determine the Great Eastern Group's strategy and business direction for the next 3 to 5 years and report on the outcome of its review to the Board. The membership of the Strategy Working Group comprised directors of the Company, GEH, and The Great Eastern Life Assurance Company Limited ("GEL"), a related corporation of the Company, and the Group CEO. The Strategy Working Group was chaired by Mr Koh Poh Tiong, a Director of GEL. Directors who were members of the Strategy Working Group were Ms Mimi Ho, Mr Norman Ip and Mr Quah Wee Ghee. The other member of the Strategy Working Group was Mr Samuel N. Tsien, a Director of GEH. The Strategy Working Group completed its review in January 2016.

### **COMMUNICATION WITH SHAREHOLDERS**

The Company recognises that regular, effective, timely and fair communication with its shareholder, GEH, is essential to enable the shareholder to make informed decisions about the Company. The Company ensures that timely and adequate disclosures of material information on the Company are available to its shareholder, including periodic financial results with balanced and comprehensive assessments of the performance and position of the Company.

One of the key roles of the Group's Corporate Communications Department is to keep the market apprised of the Company's major corporate developments through regular media releases, briefings and meetings with the media. The public can access the website of the Company for media releases and other corporate information on the Company.

### **SHAREHOLDER RIGHTS AND CONDUCT OF SHAREHOLDER MEETINGS**

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. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

### **RELATED PARTY TRANSACTIONS**

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of

business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflicts of interest are excluded from the approval process of granting and managing related party transactions. Material related party transactions are reported to the Board for approval.

## **ETHICAL STANDARDS**

The Directors and Management are committed to promoting and maintaining values which emphasise integrity, honesty and proper conduct at all times in the business operations and dealings of the Company. The Company has adopted a Code of Conduct which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's staff intranet.

The Company treats feedback and complaints from its customers seriously and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

**THE OVERSEAS ASSURANCE CORPORATION LIMITED**  
(Incorporated in Singapore)  
(Company Registration No. 192000003W)

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Koh Beng Seng, Chairman  
Mimi Ho  
Norman Ip  
Quah Wee Ghee

**AUDIT COMMITTEE**

Mimi Ho, Chairman  
Norman Ip

**CEO (SINGAPORE)**

Khoo Kah Siang

**APPOINTED ACTUARY**

Cheung Kwok Kei

**COMPANY SECRETARY**

Jennifer Wong Pakshong

**REGISTERED OFFICE**

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Great Eastern Centre  
Singapore 048659  
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Email: [wecare-sg@greasternlife.com](mailto:wecare-sg@greasternlife.com)

**AUDITOR**

Ernst & Young LLP  
One Raffles Quay  
North Tower, Level 18  
Singapore 048583  
Partner In Charge: Mak Keat Meng  
(since financial year 2013)

As at 5 May 2016