

THE OVERSEAS ASSURANCE CORPORATION LIMITED

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

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 December 2009

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.

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, the Company’s corporate governance practices are also aligned with the practices of its holding company, GEH.

THE BOARD’S CONDUCT OF AFFAIRS

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.

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; and
- (h) ensuring that management formulates policies and process to promote fair practices and high standards of business conduct by staff.

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 (collectively, "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 and the Group 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 2009, the Board held nine 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 2009 and the attendance of the Directors at those meetings are tabulated below.

Directors' attendance at Board and Board Committee meetings in 2009

| Name of Director | Board | | Audit Committee ("AC") | | | Risk & Investment Committee ("RIC") | | |
|------------------------------|-----------------|----------|------------------------|----------|----------|-------------------------------------|----------|----------|
| | No. of Meetings | | No. of Meetings | | | No. of Meetings | | |
| | Scheduled | | Scheduled | Ad hoc | | Scheduled | Ad hoc | |
| | Held | Attended | Held | Attended | Attended | Held | Attended | Attended |
| Fang Ai Lian | 9 | 9 | 4 | 4 | 1 | 6 | 6 | 4 |
| Cheong Choong Kong | 9 | 9 | - | - | - | - | - | - |
| David Conner | 9 | 9 | - | - | - | 6 | 6 | 4 |
| Lee Seng Wee | 9 | 9 | - | - | - | - | - | - |
| Lee Chien Shih | 9 | 9 | - | - | - | - | - | - |
| Tan Sri Dato' Dr Lin See-Yan | 9 | 9 | 4 | 4 | 1 | - | - | - |
| Professor Neo Boon Siong | 9 | 9 | 4 | 3 | 1 | - | - | - |
| Ng Keng Hooi ⁽¹⁾ | 9 | 9 | - | - | - | 6 | 6 | 4 |
| Tan Yam Pin | 9 | 9 | 4 | 4 | 1 | - | - | - |

Notes:
⁽¹⁾ Appointed as Director with effect from 1 January 2009, and as Member of RIC with effect from 1 January 2009.
⁽²⁾ Directors' Attendance at AGM and two Board sessions without Management 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.
Total number of ad hoc meetings held in 2009 - AC: 1, RIC: 4.

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, the quarterly and year-end financial reporting and announcement of financial results 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. 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

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.

Board Composition

G 4.6 The Company's present Board of nine Directors comprises a non-executive Chairman, Mrs Fang Ai Lian, seven other non-executive Directors and an executive Director who is the Group Chief Executive Officer ("Group CEO"), Mr Ng Keng Hooi. The seven 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, Professor Neo Boon Siong 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 judgement 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 judgement on corporate affairs independently, in particular, from Management.

- G 4.6 The Company's Board has a majority of independent Directors. 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, Professor Neo Boon Siong and Mr Tan Yam Pin.

Mr Ng Keng Hooi, Mr David Conner and Dr Cheong Choong Kong are considered as non-independent; Mr Ng Keng Hooi is the Group CEO and executive Director of GEH, 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

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.

- G 3.1 The position and role of the Company's Chairman Mrs Fang Ai Lian and the Group CEO Mr Ng Keng Hooi 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.

BOARD MEMBERSHIP

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

- 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.

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 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.

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 2009. 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

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.

- 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

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.

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 include 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.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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.

LEVEL AND MIX OF REMUNERATION

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.

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.

REMUNERATION COMMITTEE

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

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.

The Board members are knowledgeable in the field of executive compensation, and also have access to expert advice from external independent compensation consultants, where necessary.

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. The Company has compensation practices for executives that align their interests to that of the Group. Nevertheless, it is undertaking a review of its compensation practices to further ensure that decisions made are conducive to sustained business performance.

Disclosure on Directors' remuneration

G 9.2 The total Directors' remuneration in respect of FY2009 is disclosed in the financial statements (in the notes to the financial statements). Non-executive Directors will be paid Directors' fees totaling \$74,200 in respect of FY2009, 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 FY2009.

| Name of Director | Total Remuneration | Salary and Fees | Bonuses | Other Benefits ⁽¹⁾ | Benefits-in-kind ⁽²⁾ |
|--|--------------------|-----------------|---------|-------------------------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-executive Directors | | | | | |
| Fang Ai Lian | 19 | 19 | - | - | - |
| Cheong Choong Kong | 6 | 6 | - | - | - |
| David Conner ⁽³⁾ | 10 | 10 | - | - | - |
| Lee Seng Wee | 6 | 6 | - | - | - |
| Lee Chien Shih | 6 | 6 | - | - | - |
| Tan Sri Dato' Dr Lin See-Yan | 9 | 9 | - | - | - |
| Professor Neo Boon Siong | 8 | 8 | - | - | - |
| Tan Yam Pin | 11 | 11 | - | - | - |
| Executive Director | | | | | |
| Ng Keng Hooi ⁽⁴⁾ | 2,617 | 900 | 619 | 846 | 252 |
| Notes ⁽¹⁾ Based on fair value of OCBC shares on the grant date. ⁽²⁾ Represents non-cash component and comprises housing, car and club benefits. ⁽³⁾ Directors' fee attributable to Mr David Conner is paid to OCBC Bank. ⁽⁴⁾ Mr Ng Keng Hooi was appointed as Director with effect from 1 January 2009. His remuneration is shown on a group-wide basis. | | | | | |

Directors' fees are subject to shareholders' approval at the AGM on 15 April 2010.

- 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 currently does not have any 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.

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.

G 11.8 AUDIT COMMITTEE

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

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 FY2009 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 five meetings in 2009, including one ad hoc meeting. 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 ("CFO") 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

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.

Management has set up and maintained a sound system of internal controls to safeguard shareholders' investments and the assets of the Company.

Both internal and external auditors of the Company conduct reviews annually of the effectiveness of the internal controls of the Company, including financial, operational and compliance controls. Any material weaknesses or non-compliance in internal controls are reported to the Audit Committee, with recommendations for improvement.

- G 12.2 In the course of performing its functions during the financial year, including the review of the adequacy of the internal controls with internal and external auditors, the Audit Committee is satisfied with the adequacy of the internal controls established, including the financial, operational and compliance controls (the adequacy of the risk management systems is under the purview of the Company's Risk and Investment Committee).

INTERNAL AUDIT

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

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.

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

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.

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 AGM. For the Company's EGM, the proposed corporate action or transaction, as applicable, and the rationale and other pertinent details for such proposal are set out in a separate circular to the shareholder, with the proposed resolution set out for approval by the shareholder at the EGM.

EXECUTIVE COMMITTEE

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

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

RISK MANAGEMENT

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

RISK AND INVESTMENT COMMITTEE AND RISK MANAGEMENT

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

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 – the Group Management Team and Group Asset-Liability Committee. 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 ten meetings during the year including four ad hoc meetings. Such ad hoc meetings were held primarily to review, assess and mitigate, where possible, the impact of the global financial crisis and market meltdown on the Company's investments, taking into consideration the prevailing changes in the financial and economic environment.

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.

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

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

- G 18.1 The Company's existing procedures on related party transactions enable it, *inter alia*, to collate and analyse the transactions for monitoring and disclosure purposes. The Audit Committee reviews any material related party transactions and ensures that these are undertaken on an arm's length basis. The Board is kept informed of such material transactions, if any.

During the year 2009, the Company entered into transactions with its related parties in the normal course of business and these transactions were undertaken on an arm's length basis. Most of these transactions were in relation to reinsurance premium accepted from a related company and cash and cash equivalents held with the Company's ultimate holding company. A summary of the related party transactions entered into in FY2009 was disclosed in the Company's financial statements for FY2009 (in the Notes to the financial statements).

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

| Specific Principles and Guidelines in the Code for disclosure | Page Reference in Corporate Governance Report |
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| <p>Guideline 1.3 Delegation of authority by the Board to Board Committees, to make decisions on certain Board matters.</p> | G1.3, Page 2 |
| <p>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.</p> | G1.4, Page 2 |
| <p>Guideline 1.5 The type of material transactions that require Board approval under internal guidelines.</p> | G1.5, Page 3 |
| <p>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.</p> | Not applicable. |
| <p>Guideline 3.1 Relationship between the Chairman and CEO where they are related to each other.</p> | G3.1, Page 4 |
| <p>Guideline 4.1 Composition of Nominating Committee.</p> | G4.1, Page 5 |
| <p>Guideline 4.5 Process for the selection and appointment of new directors to the Board.</p> | G4.5, Page 5 |
| <p>Guideline 4.6 Key information regarding Directors, which directors are executive, non-executive or considered by the Nominating Committee to be independent.</p> | G4.6, Pages 3 to 5 |
| <p>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.</p> | G5.1, Page 6 |

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| 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 7 |
| 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 8 |
| 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 exceed \$150,000 during the year. | G9.3, Page 9 |
| Guideline 9.4 Details of employee share schemes. | G9.4, Page 9 |
| 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 16.4 Composition of executive committee and details of the committee's activities. | G16.4, Page 12 |
| Guideline 17.6 Composition of Board Risk Management Committee and details of the committee's activities. | G17.6, Page 12 |
| Guideline 17.6 Board's comments, made in consultation with the Board Risk Management Committee, 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 |

As at 26 February 2010

BOARD OF DIRECTORS & OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS

Mrs Fang Ai Lian, Chairman

Mr Ng Keng Hooi, Group CEO

Dr Cheong Choong Kong

Mr David Conner

Mr Lee Seng Wee

Mr Lee Chien Shih

Tan Sri Dato' Dr Lin See-Yan

Professor Neo Boon Siong

Mr Tan Yam Pin

AUDIT COMMITTEE

Mr Tan Yam Pin, Chairman

Mrs Fang Ai Lian

Tan Sri Dato' Dr Lin See-Yan

Professor Neo Boon Siong

RISK AND INVESTMENT COMMITTEE

Mrs Fang Ai Lian, Chairman

Mr David Conner

Mr Ng Keng Hooi

PRINCIPAL OFFICER

Mr Tan Hak Leh

APPOINTED ACTUARY

Mr Khoo Kah Siang

COMPANY SECRETARY

Ms Jennifer Wong Pakshong

REGISTERED OFFICE

The Overseas Assurance Corporation
Limited

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Great Eastern Centre

Singapore 048659

Telephone : 6248 2000

Facsimile : 6438 3889

Website : www.lifeisgreat.com.sg

Email: wecare@lifeisgreat.com.sg

AUDITORS

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Partner In Charge

Mr Shekaran Krishnan

(from financial year 2005)

As at 26 February 2010

BOARD OF DIRECTORS

FANG AI LIAN

Chairman

Mrs Fang was first appointed to the Board of The Overseas Assurance Corporation Limited (the “Company”) and as Chairman of the Company on 15 April 2008. She is Chairman of Great Eastern Holdings Limited (“GEH”), The Great Eastern Life Assurance Company Limited (“GEL”), Great Eastern Capital (Malaysia) Sdn Bhd (“GEC”), Great Eastern Life Assurance (Malaysia) Berhad (“GELM”) and Overseas Assurance Corporation (Malaysia) Berhad (“OACM”). 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 Governing Board of Duke-NUS Graduate Medical School of Singapore and 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) and International Enterprise Singapore (until 1 January 2010). She was previously with Ernst & Young (“E&Y”) for the past 37 years and she last held the position of Chairman of E&Y Singapore until her retirement on 31 March 2008.

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

NG KENG HOOI

Group Chief Executive Officer

Mr Ng was first appointed to the Board of the Company 1 January 2009 upon his appointment as the Group Chief Executive Officer of GEH with effect from 1 December 2008. He is also on the Board of GEH, GEL, GEC, GELM and OACM and is Chairman of Lion Global Investors Limited. Mr Ng had formerly worked for about 19 years with the Prudential group (until November 2008) where he last held the position of Regional Managing Director, Insurance, for Malaysia, Singapore and Indonesia. He was also a Director of Prudential Corporation Asia, Chairman of Prudential Assurance Malaysia Berhad and Prudential Assurance Co Singapore and President Commissioner of PT Prudential Life Assurance, Indonesia.

Mr Ng holds a Bachelor of Science in Mechanical Engineering (Summa Cum Laude) from Lafayette College, Easton, Pennsylvania, USA and is a Fellow of the Society of Actuaries, USA.

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 29 April 2008. He is a Director of GEH and was a Director of GEL 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 Private Limited. He was formerly a Director of United Eagle Airlines Co Limited (until 14 July 2006), 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 15 April 2009. He is a Director of GEH and was a Director of GEL 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 and KTB Ltd. He is Chairman and Director of Bank of Singapore Limited and Singapore Island Bank Ltd, Deputy Chairman of Lion Global Investors Limited and Commissioner of PT Bank OCBC NISP Tbk, Indonesia. He also serves as a member of 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 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), a Director of the International Monetary Conference (until June 2009) and a member of the Board of Trustees of Washington University in St. Louis (until 4 December 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 15 April 2009. He is a Director of GEH since 1999. He was on the Board of GEL (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 GIC Real Estate Private Limited, 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 29 April 2008. He is a Director of GEH and was a Director of GEL until 15 April 2008. He is a Director of the Lee Rubber Group of companies, Lee Foundation, Bukit Sembawang Estates Limited and West Pacific Medical Services Pte Ltd. He was previously a Director of Frasers Centrepoint Limited.

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-elected as the Company's Director on 29 April 2008. He is on the Board of GEH since 1999. He was a Director of GEL until 15 April 2008. He also sits on the boards of The Straits Trading Company Limited, Silverlake Axis Limited, KrisAssets Holdings Berhad, Fraser & Neave Holdings Berhad, Ancom Berhad, Genting Berhad, Resorts World 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 is Pro-Chancellor, University Science Malaysia. He is also Chairman Emeritus, Harvard Graduate School of Arts & Sciences Alumni Council at Harvard University as well as the Harvard Alumni Association's Regional Director for Asia, 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).

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) & Ph.D (Economics). He is also a Chartered Statistician, Fellow of the Royal Statistical Society, London, Fellow (Hon) of the Malaysian Insurance Institute and Fellow of the Malaysian Institute of Bankers.

PROFESSOR NEO BOON SIONG

Professor Neo was first appointed to the Board of the Company on 31 January 2001 and last re-elected as the Company's Director on 15 April 2009. He is also a Director of GEH. He was a Director of GEL until 15 April 2008. He is presently Director of the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy, National University of Singapore. Professor Neo is also a Director of OCBC Bank, Keppel Offshore & Marine Limited and J.Lauritzen Singapore Private Limited. He was previously a Director of English Xchange Private Limited (until 13 July 2009) and a Member of Income Tax Board of Review (until 1 May 2009), the Securities Industry Council (until 31 December 2009) and Goods and Services Tax Board of Review (until 31 December 2009). He was previously Professor and Dean at the Nanyang Business School, Nanyang Technological University, Singapore.

Professor Neo holds a Bachelor of Accountancy (Hons) from the National University of Singapore and a Master of Business Administration and Ph.D from the University of Pittsburgh, USA.

TAN YAM PIN

Mr Tan was first appointed to the Board of the Company on 7 January 2005 and last re-elected as the Company's Director on 15 April 2009. He is a Director of 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.

As at 26 February 2010