BANKING ON GOVERNANCE, INSURING SUSTAINABILITY

Mak Yuen Teen and Richard Tan

CPA AUSTRALIA

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A Report on Corporate Governance, Remuneration, Risk Management and Emerging Trends in Major Asia-Pacific Banks and Insurance Companies

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FOREWORD

High profile company failures in recent years have led to inquiries and analyses of the root causes and reasons for corporate collapses. Often cited as key problems are poor corporate cultures and a lack of ethical behaviour; matters that can be addressed by having a robust corporate governance framework.

Good corporate governance comprises a broad range of appropriate, high-quality policies, procedures and behaviours within an organisation that govern and guide the actions and activities of directors, management and staff. It covers matters of accountability, transparency, stewardship, ethics, assurance and stakeholder relationships.

With new and emerging disruptions to the global economy, such as the Covid-19 pandemic, growing global trade tensions, technological advances and cybersecurity, financial institutions should be more aware than ever of the importance of having and enforcing high standards of corporate governance and behaviour.

Banking on Governance, Insuring Sustainability analyses specific corporate governance issues affecting the financial services industry. Financial institutions require independent, diverse and committed boards of directors, who ensure that critical issues, such as those discussed in this report, are appropriately considered and embedded into their strategic decision-making and day-to-day activities.

We hope this report, and the accompanying compilation of corporate governance case studies focused on financial institutions, will facilitate robust discussions on the importance of good governance and contribute to advancing corporate governance standards within the financial services industry in the Asia-Pacific region.

We thank Associate Professor Mak Yuen Teen FCPA (Aust.) and Associate Prof Richard Tan, both from the NUS Business School in Singapore, for their contributions in writing the report; as well as their students for their research work. We are grateful for their efforts and acknowledge the long partnership between CPA Australia and Prof Mak.

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INTRODUCTION

As this report was written, the world witnessed what is arguably the biggest crisis in living memory. What started with reports of several flu-like cases in Wuhan, China, was later identified as the coronavirus Covid-19, becoming a global pandemic causing serious health problems and deaths. It wreaked havoc on financial markets and caused massive disruption to supply chains and business activities all over the world, and is widely expected to trigger a worldwide recession. The global financial crisis in the late 2000s is looking like a minor market correction in comparison.

The Covid-19 crisis adds to the growing risks that companies have to deal with. In times of crises, good corporate governance and risk management are more important than ever. Economies and organisations which have good governance are more trusted by stakeholders and are better able to respond and weather the storm. Companies with good business continuity planning face less disruption to their operations.

This report examines the corporate governance, remuneration and risk management practices of the largest banks and insurance companies in the Asia-Pacific region (APAC), and how these financial services companies are responding to new and emerging challenges relating to corporate culture, technological disruption, cybersecurity, environmental, social and governance issues, and responsible lending and investing.

Together with this report, we are releasing a special financial services edition of the annual corporate governance case studies publication. This special edition comprises 22 case studies involving financial institutions around the world, and they are a reminder of what can go wrong when these institutions fail to pay sufficient attention to corporate governance, remuneration and risk management practices and to some of the emerging issues covered in the report.

One finding from this report tells us how unprepared the world was for the Covid-19 pandemic. Only 1 out of the 50 largest banks and 3 out of the 50 largest insurance companies in the Asia-Pacific had identified a pandemic as one of the key risks. As most financial institutions were grappling with key risks such as technological disruption and cybersecurity, they were blindsided like many others by a much bigger risk.

But risk evolves and never sleeps. And neither should governance.

PROFILE OF THE ASIA-PACIFIC BANKS AND INSURANCE COMPANIES

ABOUT THE BANKS AND INSURANCE COMPANIES

We selected the 50 largest listed banks and 50 largest listed insurance companies by market capitalisation which are headquartered in APAC and for which sufficient and up-to-date information was publicly available. The final sample of banks and insurance companies come from 15 economies: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.[ii,1]

Data were collected primarily from the companies' 2018 and 2019 annual reports, supplemented by other sources such as company websites and statutory filings. It should be noted that this report is based on the public disclosures made, and some companies may implement certain practices without disclosing them.

BANKS ARE SUBSTANTIALLY LARGER THAN INSURANCE COMPANIES

Overall, the mean (median) market capitalisation of the 50 banks is USD48.4 billion (USD36.7 billion), and the mean (median) total assets is USD794.1 billion (USD408.4 billion). The smallest and largest banks have total assets amounting to USD56.1 billion and USD4,027.0 billion respectively.

The insurance companies are considerably smaller, with the mean (median) market capitalisation of USD17.2 billion (USD6.8 billion) and mean (median) total assets of USD110.1 billion (USD25.7 billion). The smallest insurance company has total assets of USD0.3 billion while the largest has total assets of USD1,038.5 billion

UNITARY BOARDS ARE MORE COMMON

Nineteen banks from China and Indonesia, and 14 insurance companies from China, Japan and Vietnam, have a two-tier board structure. In such cases, the study uses information for the board of directors, when analysing board and remuneration practices, except for Indonesia where we use information on the board of commissioners because its responsibilities are similar to those of a board of directors in a unitary board system.

GOVERNMENTS, INSTITUTIONAL INVESTORS AND FINANCIAL CORPORATES ARE MOST COMMON SUBSTANTIAL SHAREHOLDERS

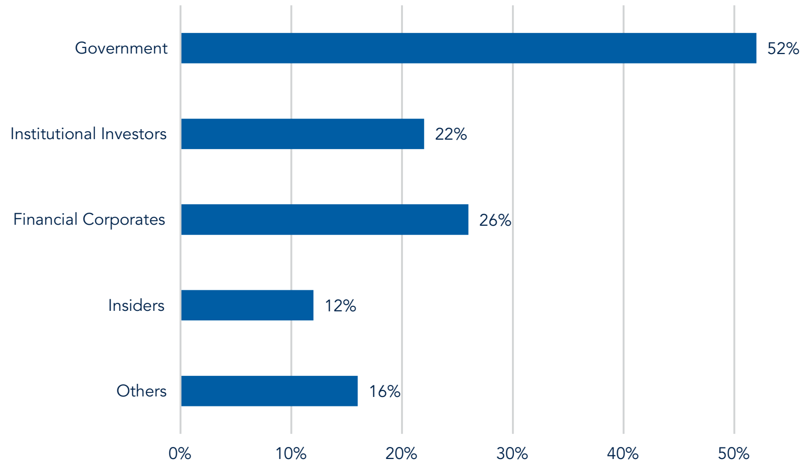
Twelve of the banks are held by a holding company and 38 are parent companies to subsidiaries in industries such as insurance and asset management. Among the twelve banks held by a holding company, China Everbright Bank and Hang Seng Bank are subsidiaries of parent banks.

Of the 50 insurance companies, 18 are owned by holding companies and 32 are parent companies to subsidiaries in industries such as fintech, asset management, and insurance. In addition, three of the insurance companies are subsidiaries of other insurance companies.

ii The complete lists of the 50 banks and 50 insurance companies are provided in Appendices A and B.

Figure 1 shows the types of substantial shareholders (owning 5% or more of the voting shares) for the 50 banks.[iii,iv]

FIGURE 1: TYPES OF SUBSTANTIAL SHAREHOLDERS IN BANKS



Note: Institutional investors include investment management firms, mutual, pension and trust funds. Insiders include directors, CEOs, senior management, families as well as promoters for India. "Others" include companies which are neither institutional investors, banks nor insurance companies (i.e. not operating in the financial sector).

Governments are the most common substantial shareholders, being present in 52% of banks, with mean (median) ownership of 38.78% (32.92%) for the banks having them.[v] This is followed by financial corporates including other non-state owned banks and insurance companies, which are substantial shareholders in 26% of the banks, with mean (median) ownership at 25.86% (19.99%). Institutional investors which include investment management firms, mutual, pension and trust funds are the third most common type of substantial shareholder, being present in 22% of the banks. Institutional investors have mean (median) ownership of 11.45% (10.00%) in banks.

"Insiders" comprising directors, CEOs, senior management, families and promoters (in the case of India) are substantial shareholders in six banks, with mean (median) ownership of 32.40% (22.50%). However, this is skewed by the inclusion of promoters who hold significant stakes in the Indian banks.

iii We use information on direct and deemed ownership of directors and disclosure of substantial shareholders to determine the percentage of beneficial ownership of substantial shareholders. We do not use nominee ownership as a nominee shareholder may hold shares on behalf of many different shareholders.

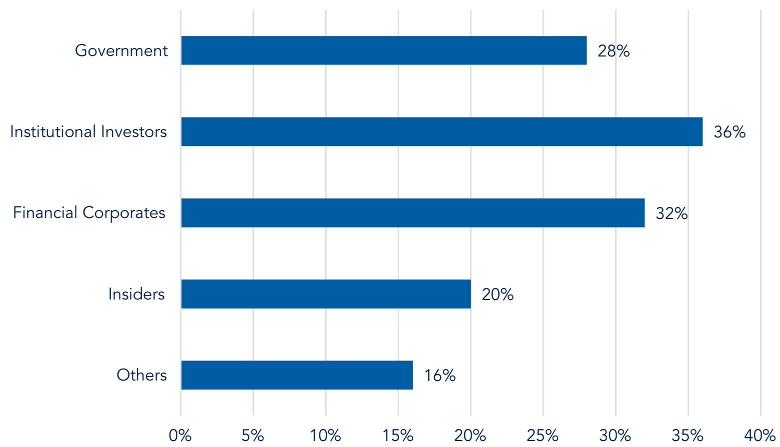
iv For economies like Japan and Thailand, they usually list major shareholders but not the details of substantial shareholders (i.e. 5% or more).

v The mean and median ownership reported for each type of substantial shareholder is based only on those banks and insurance companies which have that type of substantial shareholder.

For the insurance companies, institutional investors are the most common substantial shareholders (Figure 2), being present in 36% of the insurers, with a mean (median) ownership at 15.86% (10.69%). This is followed closely by financial corporates, with 32% of insurers having them as substantial shareholders, owning a mean (median) of 32.11% (16.83%) of the shares. Governments are less likely to be substantial shareholders in insurance companies compared to banks, being present in 28% of insurance companies, with a mean (median) ownership of 41.71% (41.75%).

Insiders are substantial shareholders in 10 (20%) of the insurers, with a mean (median) ownership of 58.88% (62.84%) for these 10 insurers. Once again, this higher level of ownership stake in insurance companies is due to the ownership by promoters in Indian insurers. There is a mean (median) ownership of 70.78% (74.98%) by promoters for the Indian insurers, which heavily skews insider ownership. These 10 insurers include seven Indian insurers, and the following non-Indian ones: LPI Capital, DB Insurance and Hyundai Marine & Fire Insurance. LPI Capital and Hyundai Marine & Fire Insurance have significant director ownership of 45.11% and 21.90% respectively. DB Insurance has significant family ownership of 25.84%.

FIGURE 2: TYPES OF SUBSTANTIAL SHAREHOLDERS IN INSURANCE COMPANIES



CORPORATE GOVERNANCE, REMUNERATION AND RISK MANAGEMENT PRACTICES

BOARD PRACTICES

Poor corporate governance of financial institutions can result in their failure and pose significant risk to the economy and impose considerable costs on stakeholders. Having sufficient truly independent directors on boards is critical for good governance.[vi] However, equally important is having directors with different skills and experience. Increasingly, new areas of skills and experience are sought, such as technology-related experience relating to digital transformation or cybersecurity.

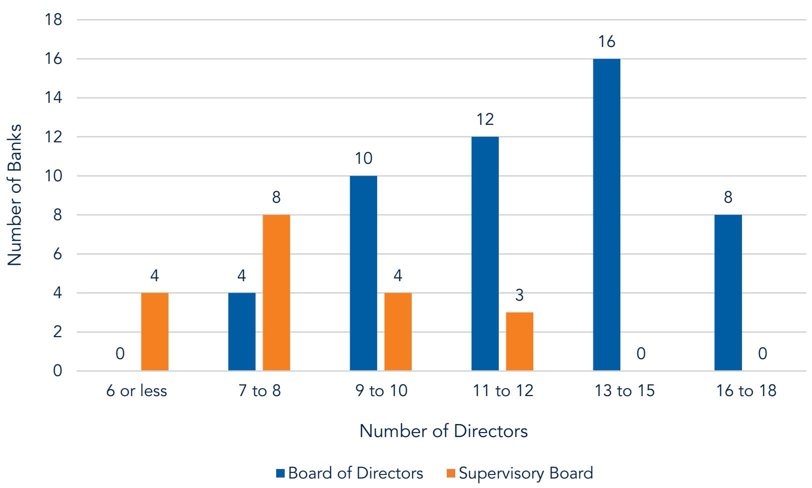
Also important is diversity in perspectives, which calls for diversity in gender, age and nationalities, among others. In addition, other board issues such as size of the board and its leadership also affect board effectiveness. Boards also need to plan for renewal and assess their effectiveness.

BOARDS OF ASIA-PACIFIC BANKS ARE ON AVERAGE LARGER THAN THEIR INSURANCE COUNTERPARTS, BUT SMALLER THAN MAJOR GLOBAL BANKS

The boards of the 50 **banks** have a mean (median) size of 12.32 (12.00) directors, ranging from seven to 17 members. Figure 3 shows the distribution of board size across the APAC banks. Banks in China, Japan and Thailand tend to have larger boards. Supervisory boards in banks with two-tier structure have a mean (median) size of 8.11 and 8.00 respectively.

HAVING DIRECTORS WITH DIFFERENT SKILLS AND EXPERIENCE, AS WELL AS DIVERSITY, IS IMPORTANT FOR GOOD CORPORATE GOVERNANCE.

FIGURE 3: DISTRIBUTION OF BOARD SIZE FOR BANKS



vi For South Korea, most companies use the term "outside directors" rather than "independent directors" and we treat "outside directors" as independent directors in our analysis. For Japan, only those directors specifically designated as "independent directors" are treated as such.

The board sizes of Globally Systemically Important Banks (G-SIBs) from America and Europe are generally slightly larger in comparison. Table 1 shows the board sizes of 13 G-SIBs.[2] These have a mean (median) board size of 13.91 (13.50) and range from nine to 19 members.

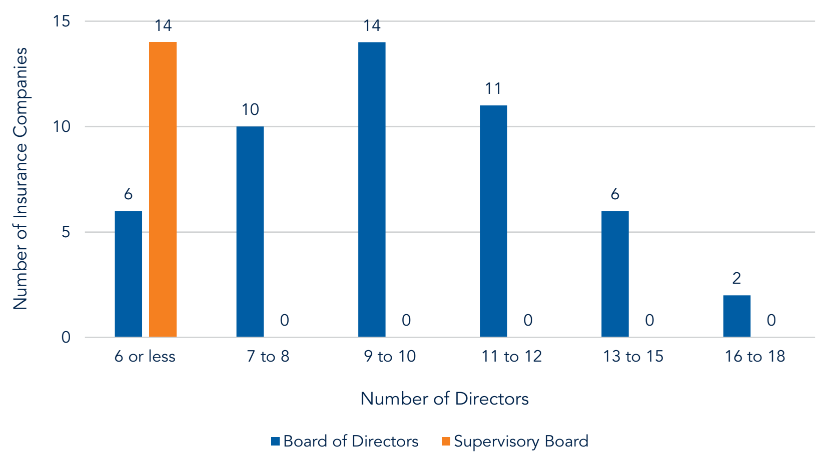
TABLE 1: BOARD SIZE OF G-SIBS ACROSS US AND EUROPE

Bucket	G-SIBs	Board Structure (Unitary or Two-Tier)	Board Size
4	JP Morgan Chase	Unitary	11
3	HSBC	Unitary	13
	Citigroup	Unitary	17
2	Bank of America	Unitary	17
	Barclays	Unitary	13
	Deutsche Bank	Unitary	19
	Goldman Sach	Unitary	11
	Wells Fargo	Unitary	14
1	Bank of New York Mellon	Unitary	9
	Credit Suisse	Unitary	13
	UBS	Unitary	12
	Morgan Stanley	Unitary	14
	Santander	Unitary	15

Boards of **insurance companies** tend to be smaller than for banks, with a mean (median) board size of 9.84 (10.00) directors, ranging from five to 16 members.[vii] For insurance companies with a dual board structure, the mean (median) size of the board of supervisors is 4.29 (4.50). Figure 4 shows the distribution of board size for the insurance companies. Boards are generally larger in China, Japan, Taiwan and Thailand.

By way of comparison, boards of the 15 largest insurance companies in the world based on net premiums underwritten have a mean (median) of 12.73 (12.00), and range from nine to 20 members.[3]

FIGURE 4: DISTRIBUTION OF BOARD SIZE FOR INSURANCE COMPANIES



Note: All of the supervisory boards have board sizes of 6 and less.

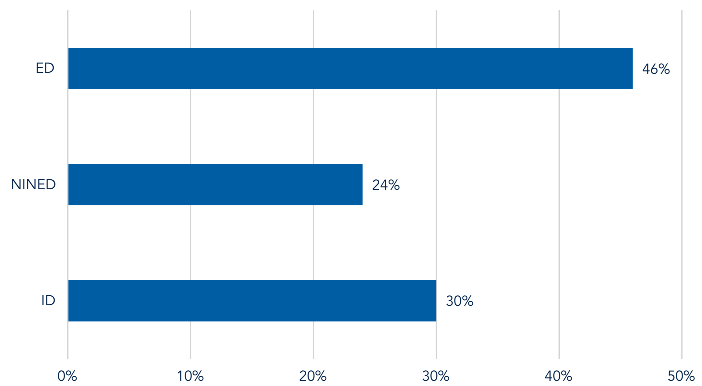
vii Korean Reinsurance did not disclose its board of directors in its annual report. While the current directors are disclosed on its website, most of them are newly appointed and are thus excluded from parts of our analysis on insurance companies.

BOARD LEADERSHIP PATTERNS ARE SIMILAR FOR BANKS AND INSURANCE COMPANIES

Eighty-four percent of the **banks** have appointed separate individuals for the roles of Chairman and CEO. Figure 5 shows that 70% of the banks have a non-independent Chairman and 46% have a Chairman who is an executive (either an Executive Chairman or also holding the CEO position or equivalent).

Only BDO Unibank, Maybank, CIMB Group Holdings, DBS Group Holdings, Mitsubishi UFJ Financial Group and Kasikornbank disclosed that they have appointed a lead independent director. Apart from CIMB Group Holdings, these banks all have a non-independent Chairman.

FIGURE 5: SEPARATION OF CHAIRMAN AND CEO ROLES IN BANKS



Note: ED: Executive Director; NINED: Non-Independent Non-Executive Director; ID: Independent Director

The bank chairmen have a mean (median) tenure of 5.98 (3.00) years, with the maximum of 34 years for the two Thailand banks, Bangkok Bank and Siam Commercial Bank. Five banks from Indonesia and the Philippines did not disclose the date of appointment for their chairmen. There should be planned succession of the Chairman position.

Eighty percent of the **insurance companies** have separated the roles of the Chairman and CEO. Nineteen and 17 insurers respectively have appointed an executive and non-executive Chairman, while the remaining companies have appointed an independent Chairman. Four insurers – General Insurance Corporation of India, LPI Capital, DB Insurance and Orange Life Insurance - have appointed a lead independent director and in all these cases, the Chairman is non-independent.

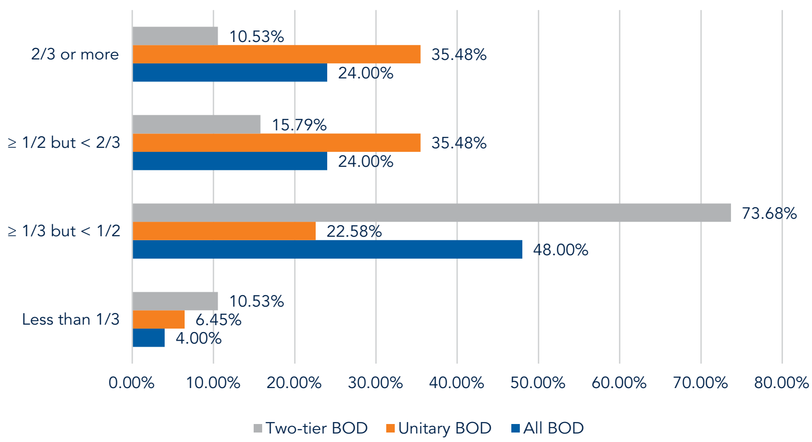
For the 46 insurance companies which have disclosed the initial date of appointment of their chairmen, the mean (median) tenure is 5.70 (3.00) years, with a maximum of 30 years for Ping An Insurance.

PROPORTION OF INDEPENDENT DIRECTORS IS COMPARABLE FOR BANKS AND INSURANCE COMPANIES

Figure 6 shows the proportion of independent directors on the boards of the **banks**. The mean (and median) percentage of independent directors on the board of directors and board of supervisors is 53.57% (48.33%) and 53.89 (52.78%) respectively.[viii]

Overall, all bank boards comprise at least a third of independent directors except those for Mega Financial Holding and State Bank of India.[ix]

FIGURE 6: PROPORTION OF INDEPENDENT DIRECTORS IN BANKS

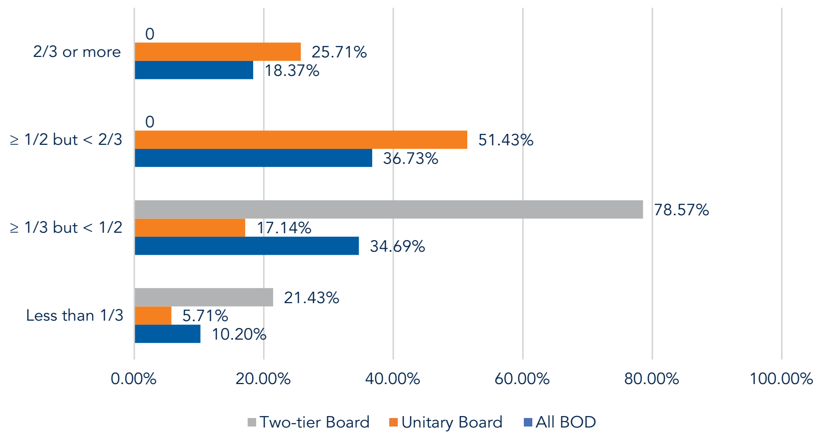


The mean (median) percentage of independent directors in unitary boards for the **insurance companies** is 51.71% (50.00%). Unlike the analysis done for banks, there is no analysis for independence on dual boards given that the supervisory boards in China and Vietnam do not disclose the independence of its supervisors. Overall, 90% of the insurance companies have at least a third of independent directors, as shown in Figure 7. The exceptions are Bao Viet Holdings, BIDV Insurance, Cathay Financial Holding, T&D Holdings and Bangkok Life Assurance.

viii The definition of independence may vary across different economies and this analysis is based on independence as determined by the banks.

ix For State Bank of India, it has complied with the requirement of at least one-third independent directors. However, as we classified government nominees as non-independent, these directors have been reclassified into non-independent for our analysis.

FIGURE 7: PROPORTION OF INDEPENDENT DIRECTORS IN INSURANCE COMPANIES



Note: This is based on only 49 insurance companies; Korean Reinsurance did not disclose information on the independent directors.

SLIGHTLY LESS THAN HALF OF INDEPENDENT DIRECTORS/COMMISSIONERS OF BANKS HAVE PRIOR WORKING EXPERIENCE IN THE BANKING OR RELATED SECTORS

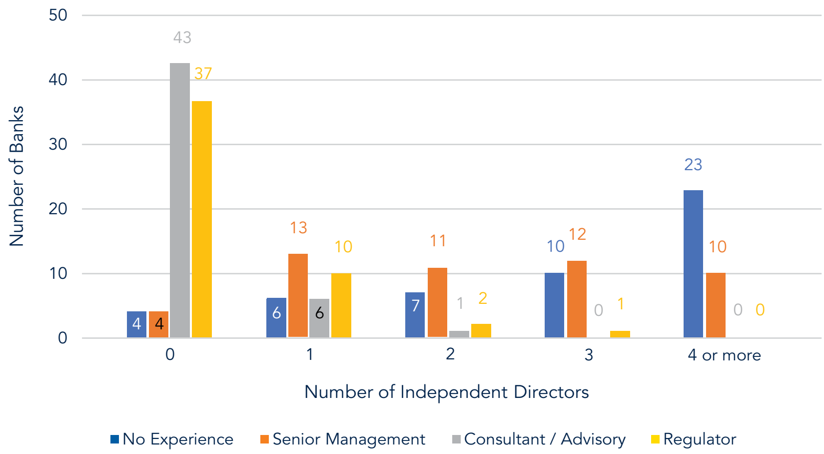
Having at least one independent director with prior working experience in the banking or other related sectors would arguably enhance the board's oversight capabilities. Figure 8 shows the number of independent directors in the **banks** with financial services experience such as banking and related sectors, and the nature of that experience.[x]

The mean (median) percentage of independent directors/commissioners with prior working experience in the banking or other related sectors is 47.12% (43.65%). As for independent directors/ commissioners with banking-specific working experience, the mean (median) stands at 24.98% (25.00%). Slightly less than half of the independent directors (36.91%) have prior senior management experience in the banking and related sectors. Independent directors with consultancy and regulatory experience in the banking or related sectors were found in seven and 13 banks respectively.

Economies such as Japan and Taiwan have a higher proportion of directors without relevant working experience in the banking or related sectors.

x A director is defined as having related financial industry experience if he/she has worked in firms such as insurance companies, mutual funds, hedge funds, private equity, pension funds and investment-related businesses. Experience solely as a non-executive/independent director is not considered.

FIGURE 8: FINANCIAL SERVICES EXPERIENCE OF INDEPENDENT DIRECTORS IN BANKS



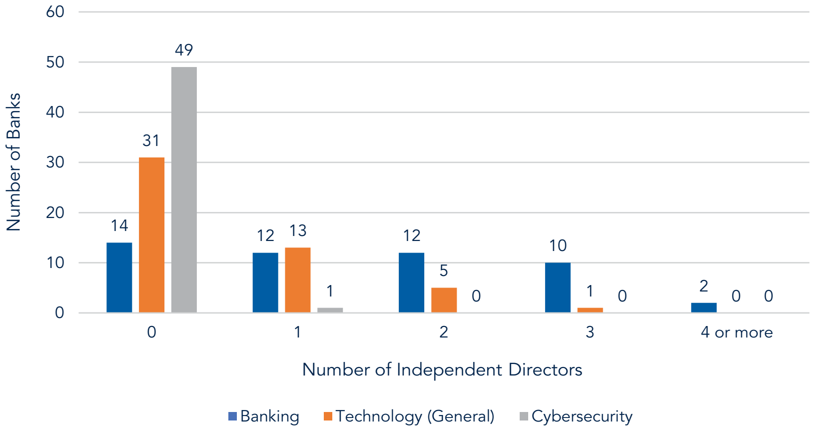
Note: Financial services refers to both banking-specific experience as well as other financial services related experience (e.g. fund management, private equity).

A mix of expertise and skills is recommended to facilitate constructive debate and discourage groupthink. Most directors have working experience in senior management of financial and non-financial companies with a small number possessing expertise in areas such as journalism.

2 IN 5 BANKS HAVE INDEPENDENT DIRECTORS WITH TECHNOLOGY EXPERIENCE BUT CYBERSECURITY EXPERIENCE IS ALMOST NON-EXISTENT

With the growing importance of technology and the opportunities and threats that come with it, it is important for financial services companies to include directors who are knowledgable about technology. Figure 9 shows that only 19 **banks** have appointed at least one independent director with experience in technology, with another bank (DBS Group Holdings) having an independent director with experience in technology and also cybersecurity.

FIGURE 9: TECHNOLOGY VS BANKING INDUSTRY EXPERIENCE OF INDEPENDENT DIRECTORS IN BANKS



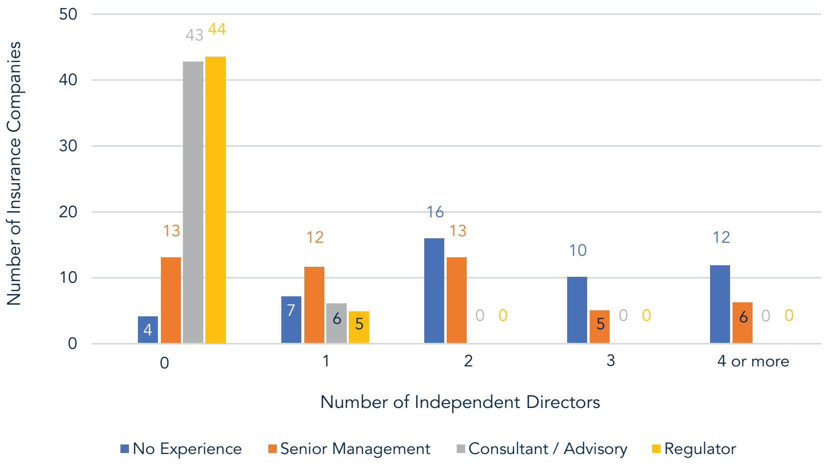
Note: Technology (general) refers to areas of technology such as IT, computer science, and disruptive technology (e.g. artificial intelligence, blockchain), excluding cybersecurity.

Directors should constantly keep themselves abreast of new developments relevant to the operations of the business so as to provide effective oversight and guidance. Thus, policies to encourage directors/commissioners to attend on-going or continuous professional education programmes are crucial. Thirty-six of the banks disclosed the existence of such policies; however only 17 disclosed the directors' attendance in such programmes.

A MAJORITY OF INSURANCE COMPANIES HAVE INDEPENDENT DIRECTORS WITH FINANCIAL SERVICES EXPERIENCE

Most boards of **insurance companies** have independent directors with financial services experience as shown in Figure 10. Senior management experience in the financial services industry is the most common type of experience.

FIGURE 10: FINANCIAL SERVICES EXPERIENCE OF INDEPENDENT DIRECTORS IN INSURANCE COMPANIES



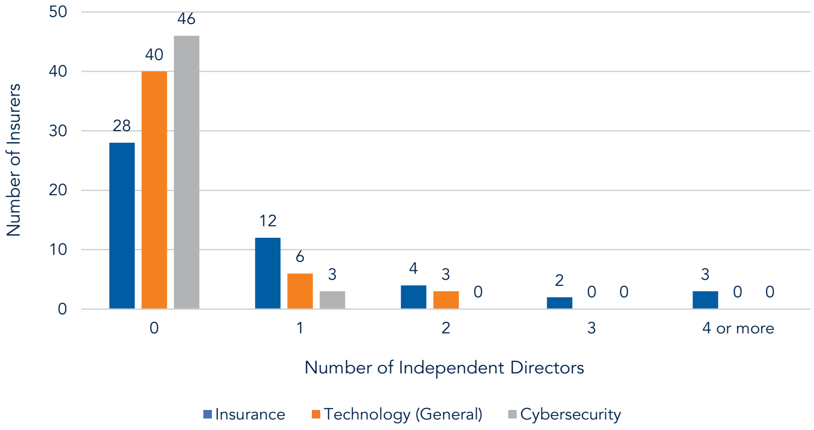
Note: Financial services refers to both insurance-specific experience as well as other financial services related experience (e.g. fund management, private equity).

LESS THAN HALF OF THE INSURANCE COMPANIES HAVE AT LEAST ONE INDEPENDENT DIRECTOR WITH INSURANCE SECTOR EXPERIENCE

SLIGHTLY MORE THAN 1 IN 5 INSURANCE COMPANIES HAVE INDEPENDENT DIRECTORS WITH TECHNOLOGY OR CYBERSECURITY EXPERIENCE

In relation to working experience in the insurance sector, 44% of the **insurers** have appointed independent directors with prior experience as seen in Figure 11.

FIGURE 11: TECHNOLOGY VS INSURANCE INDUSTRY EXPERIENCE OF INDEPENDENT DIRECTORS OF INSURANCE COMPANIES



Note: Technology (general) refers to areas of technology such as IT, computer science, and disruptive technology (e.g. artificial intelligence, blockchain), excluding cybersecurity.

Of the 50 insurance companies, only nine have appointed at least one independent director with technology experience. Insurance Australia Group and Great Eastern Holdings have performed well in this respect with at least 20% of their independent directors having technology backgrounds. In the case of cybersecurity expertise, Great Eastern Holdings, Challenger and QBE Insurance are the only insurance companies with a director possessing cybersecurity experience.

Although 76% of the companies have disclosed a policy to encourage directors/commissioners to attend on-going or continuous professional education programmes, only about 28% disclosed the attendance in these programmes.

CHINESE BANKS HAVE RELATIVELY YOUNGER DIRECTORS, WHILE JAPANESE AND KOREAN BANKS HAVE OLDER ONES

Board diversity is important to prevent groupthink and encourage constructive debate. Age and gender diversity are two important aspects of board diversity.

Seventy six percent of **banks** disclosed a board of directors/commissioners' diversity policy.

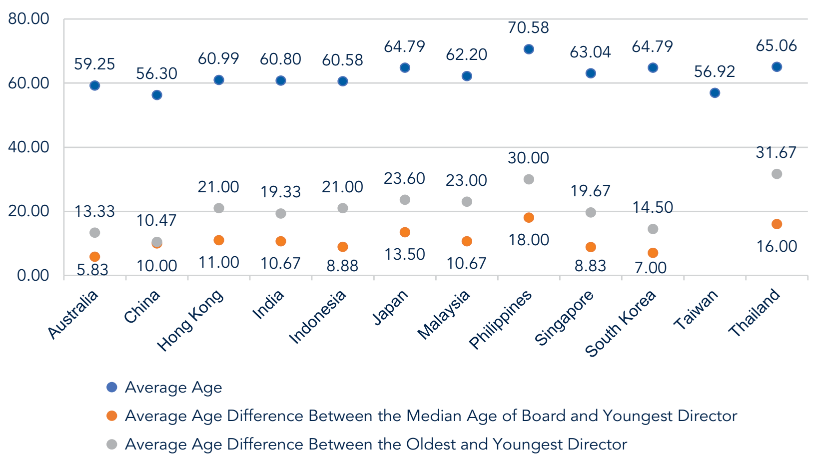
Figure 12 shows the age diversity for different economies in terms of the average age of bank directors, difference in age between the oldest and youngest directors, as well as the difference between the median age of the board and age of the youngest director. The mean and median age of the bank boards are approximately 60 years. Chinese banks have the youngest directors on average, with a mean age of 56.30 years. In contrast, Japanese and Korean banks have older directors with a mean age of 65 years.

AUSTRALIAN BANKS HAVE THE LEAST AGE DIVERSITY BASED ON DIFFERENCE BETWEEN MEDIAN BOARD AGE AND AGE OF YOUNGEST DIRECTOR, FOLLOWED BY SINGAPOREAN AND INDONESIAN BANKS

Chinese banks have the smallest mean age difference (10.47 years) between the oldest and youngest director while Thai banks have the widest age disparity (31.67 years), However, the latter is due to banks such as Siam Commercial Bank and Bangkok Bank which have directors of 86 and 88 years at the oldest end of the spectrum and the youngest at 50 years of age.

Using the difference between the median age of the board and age of the youngest director, Australian banks have the smallest difference on average, followed by South Korean and Singaporean banks.

FIGURE 12: AVERAGE AGE AND AGE DIVERSITY OF BANK DIRECTORS ACROSS ECONOMIES



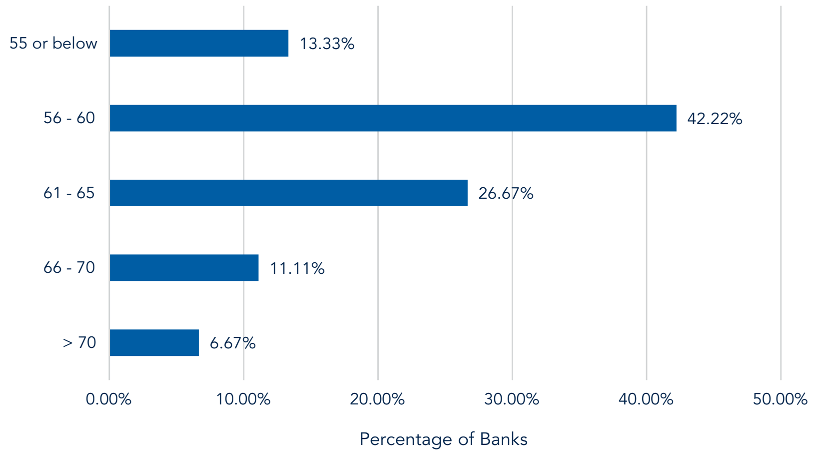
Note: The age difference for Taiwanese banks cannot be computed as individual directors' ages are not disclosed. The statistics for Indonesian banks are based on the companies' independent commissioners instead of independent directors.

LESS THAN 7% OF INDEPENDENT DIRECTORS OF BANKS ARE YOUNGER THAN 50 YEARS OLD

Figure 13 shows the average age distribution for the 45 **banks** which disclosed the age of its directors. It shows that over four in 10 banks have directors whose average age is more than 60 years. Public Bank, BDO Unibank and Bangkok Bank have directors whose average age is more than 70 years.

FIGURE 13: AVERAGE AGE OF DIRECTORS ACROSS BANKS

Sixty-eight percent of **insurers** disclosed a board of directors/commissioners diversity policy.



Note: This is based on 45 banks. Five banks did not disclose the age of their directors. Taiwanese banks disclosed the average age of their directors without disclosing individual ages.

For the 45 banks that disclosed individual ages of directors, only 57 directors are aged below 50 across 26 banks, making up only 9.25% of the total number of directors. Of these, 20 are independent directors, constituting 6.31% of all independent directors.

Ping An Bank has the youngest director aged 41 with technology experience.

AVERAGE AGE OF DIRECTORS OF INSURANCE COMPANIES IS SIMILAR TO BANKS

Sixty-eight percent of **insurers** disclosed a board of directors/commissioners diversity policy. Figure 14 shows the age diversity for different economies in terms of the average age of insurance directors, difference in age between the oldest and youngest directors, and the difference in age between the median age of board and youngest director.

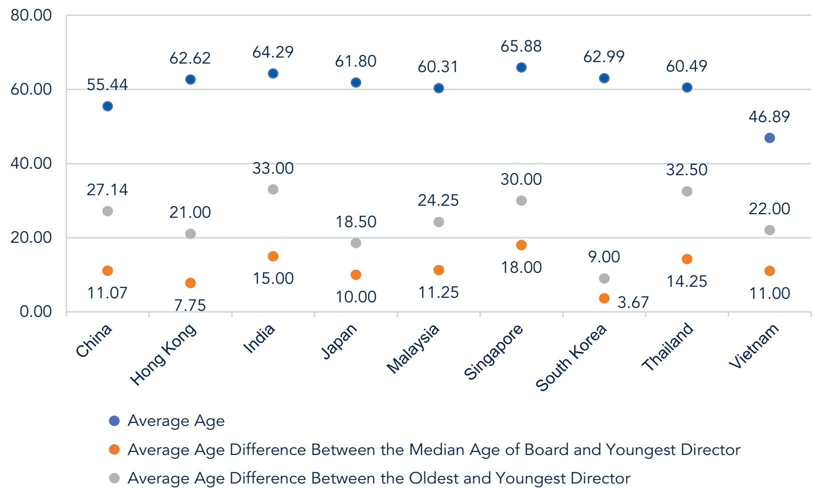
SINGAPOREAN INSURERS HAVE OLDER DIRECTORS ON AVERAGE BUT ALSO HAVE BETTER AGE DIVERSITY

For directors of **insurance companies**, the overall mean (median) age is 59.93 (60.64). Again, the directors on Chinese boards are relatively younger with a mean age of 55.44. In contrast, Singaporean insurers have the highest mean board age of 65.88 although it should be noted that there is no age disclosure by any Australian, New Zealand, Sri Lanka or Taiwanese insurer.

KOREAN INSURERS HAVE THE LEAST AGE DIVERSITY

Korean **insurers** have the smallest mean age difference (nine years) between the oldest and youngest directors. They also have the smallest difference between median board age and age of the youngest director, followed by Hong Kong and then Japan. In contrast, insurers in Singapore, India and Thailand fare better in this regard.

FIGURE 14: AVERAGE AGE AND AGE DIVERSITY OF INSURANCE DIRECTORS ACROSS ECONOMIES



Note: No disclosures of age were made by insurers from Australia, New Zealand, Sri Lanka and Taiwan. The number of insurers in each economy are as follows: China (7), Hong Kong (2), India (1), Japan (6), Malaysia (4), Singapore (2), South Korea (3), Thailand (2) and Vietnam (1).

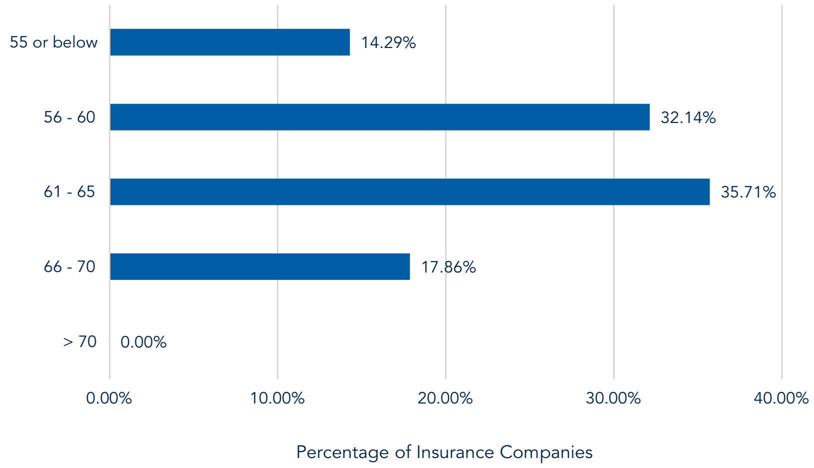
BOARD DIVERSITY IS IMPORTANT TO PREVENT GROUPTHINK AND ENCOURAGE CONSTRUCTIVE DEBATE. AGE AND GENDER DIVERSITY ARE TWO IMPORTANT ASPECTS OF BOARD DIVERSITY.

For the 28 insurance companies which disclosed the age of their directors, 19 have directors with mean ages ranging from 56 to 65, and only four have average age of 55 or below. The remaining five insurance companies have directors with mean ages over 65 years old.

For directors whose age is disclosed, only 9.22% are aged below 50. Less than five percent of independent directors are below 50 years of age.

There are five directors aged below 40 years, with the youngest being a 26 year-old executive director at ZhongAn Online P&C Insurance. This executive director has some working experience in technology-focused firms and is also the son of the Chairman. It also has an independent director aged 38 years. Allianz Malaysia has an independent director aged 36 years. In addition, Bangkok Life Assurance and Bao Viet Holdings have non-executive directors aged 38 and 35 years respectively.

FIGURE 15: AVERAGE AGE OF DIRECTORS ACROSS INSURANCE COMPANIES



Note: This is based on 28 insurers. 22 insurers did not disclose the age of their directors.

ALL 4 AUSTRALIAN BANKS HAVE AT LEAST 30% OF FEMALE DIRECTORS

Turning to gender diversity, Figure 16 shows the percentage of female directors across the **banks** in various economies. Although 76% of banks disclosed having a board diversity policy, the mean (median) percentage of female directors was only 17.83% (15.38%) across the 50 banks.

All four Australian banks have at least 30% of female independent directors. In addition, four other banks, China CITIC Bank (33.33%), Hang Seng Bank (38.46%), Kasikornbank (35.29%), and Maybank (36.36%) also have at least 30% of female directors. Following the board restructuring in response to a series of scandals, the board of Commonwealth Bank of Australia now comprises 50% independent directors, including a female Chairman.

AUSTRALIAN BANKS, FOLLOWED BY MALAYSIAN BANKS, FARE BEST IN HAVING FEMALE INDEPENDENT DIRECTORS

FIGURE 16: PROPORTION OF FEMALE DIRECTORS AND INDEPENDENT DIRECTORS FOR BANKS ACROSS ECONOMIES

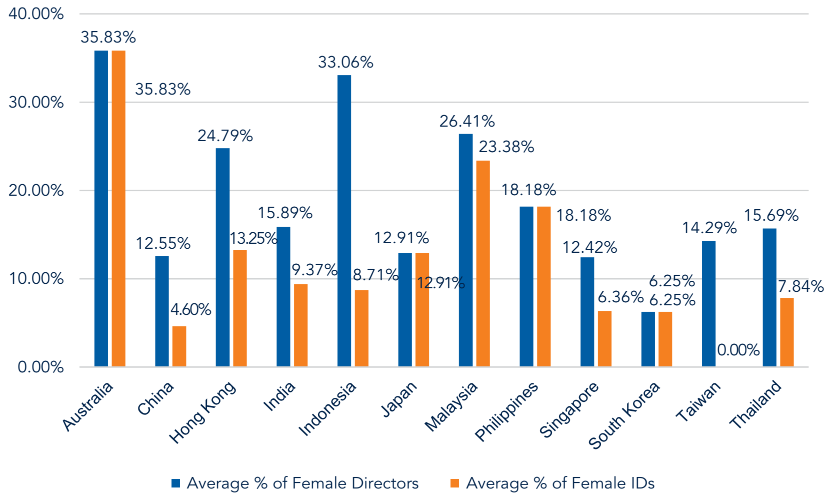
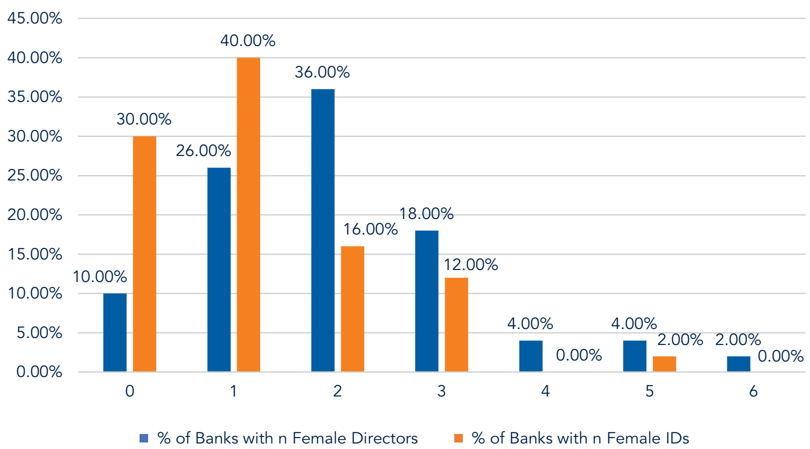


Figure 17 shows the percentage of banks with different number of female directors and female independent directors.

FIGURE 17: PERCENTAGE OF BANKS WITH DIFFERENT NUMBER OF FEMALE DIRECTORS AND IDS



SIMILAR TO BANKS, AUSTRALIAN, FOLLOWED BY MALAYSIAN, INSURANCE COMPANIES FARE BEST IN HAVING FEMALE INDEPENDENT DIRECTORS

FOUR KOREAN INSURANCE COMPANIES HAVE NO FEMALE DIRECTORS, AND SINGAPOREAN INSURANCE COMPANIES ALSO FARE POORLY IN GENDER DIVERSITY

Boards of the **insurance companies** have a mean (median) of 17.17% (14.29%) of female directors. Australian insurance companies generally performed better. For instance, 55.56% of Medibank's independent directors are female. Overall, as shown in Figure 18, Australian and Malaysian insurance companies are leading in the appointment of female directors. In contrast, all five Korean insurers except for Samsung Fire & Marine Insurance have not appointed any female directors.

FIGURE 18: PROPORTION OF FEMALE DIRECTORS AND INDEPENDENT DIRECTORS FOR INSURANCE COMPANIES ACROSS ECONOMIES

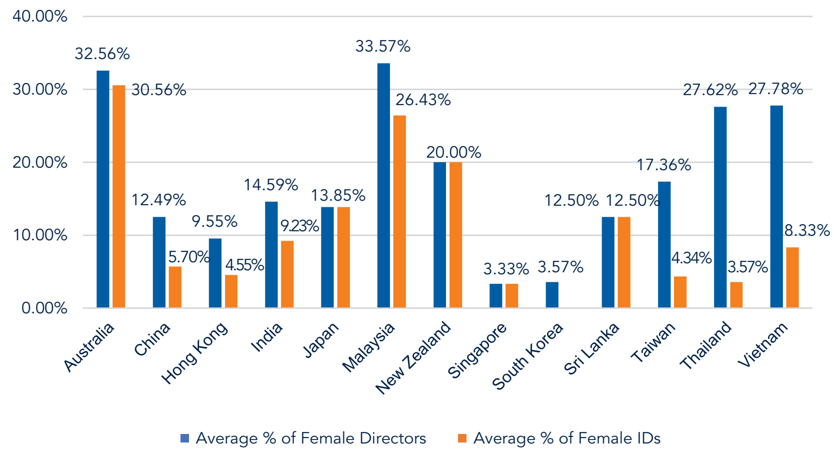
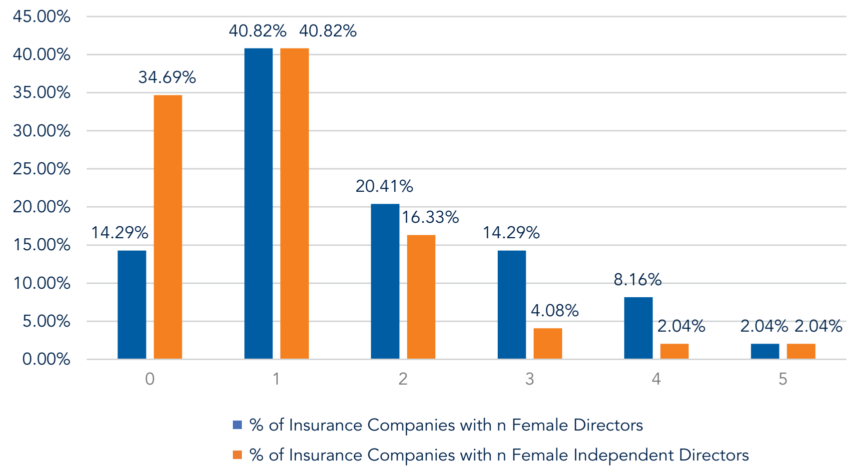


Figure 19 shows the percentage of insurance companies with different number of female directors and female independent directors.

FIGURE 19: PERCENTAGE OF INSURANCE COMPANIES WITH DIFFERENT NUMBER OF FEMALE DIRECTORS AND INDEPENDENT DIRECTORS



ON AVERAGE, INDEPENDENT DIRECTORS OF BANKS HAVE TENURE OF ABOUT 4 YEARS

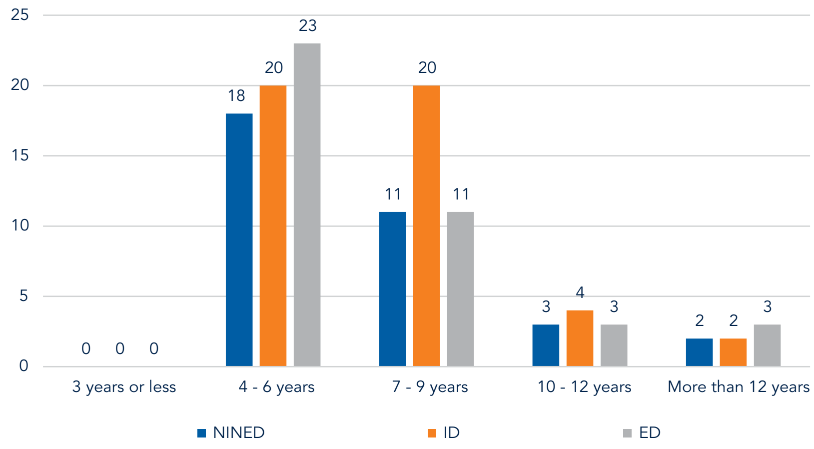
Long tenures may result in a lack of objectivity in assessing past decisions and determining whether changes are needed. There may also be a lack of relevant skills and experience needed to navigate emerging challenges. For independent directors, long tenures may also result in familiarity risks and impair their independence.

Figure 20 shows the distribution of tenure for the different categories of directors of **banks**.

The independent directors in the banks have a mean (median) tenure of 4.21 (3.33) years. The mean tenure of independent directors in three banks exceeds nine years - Bangkok Bank (11.70 years), BDO Unibank (10.40 years) and Hang Seng Bank (12.50 years). Three directors have served on the Hang Seng Bank's board since before 2000, which increases the mean tenure of the independent directors. However, for BDO Unibank, the mean tenure is skewed by an independent director with a tenure of 34 years. For Bangkok Bank, most of the independent directors have tenures of 12 to 20 years, with only two having tenure of less than five years.

For the non-independent non-executive directors and executive directors, they have mean (median) tenures of 5.88 (3.33) and 5.35 (3.00) years respectively.

FIGURE 20: DISTRIBUTION OF AVERAGE TENURE OF BANK DIRECTORS

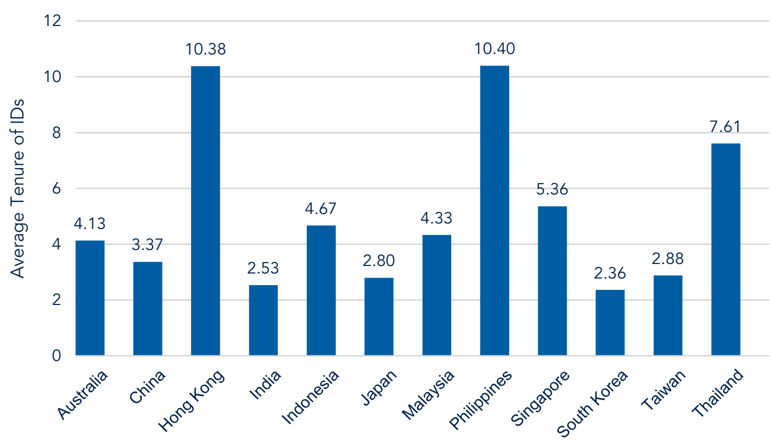


Note: NINED: Non-Independent Non-Executive Director; ID: Independent Director; ED: Executive Director

INDEPENDENT DIRECTORS OF HONG KONG AND PHILIPPINES BANKS HAVE AVERAGE TENURE OF MORE THAN 10 YEARS

Figure 21 shows the distribution of average tenure of independent directors across the **banks**.

FIGURE 21: DISTRIBUTION OF AVERAGE TENURE OF IDS ACROSS BANKS



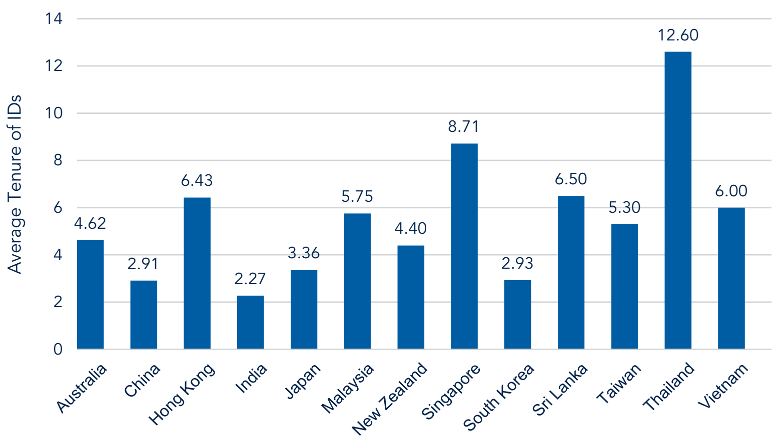
Note: The number of banks in each economy are as follows: Australia (4), China (14), Hong Kong (2), India (5), Indonesia (3), Japan (5), Malaysia (3), Philippines (1), Singapore (3), South Korea (2), Taiwan (2) and Thailand (3).

AVERAGE TENURE OF INDEPENDENT DIRECTORS OF INSURANCE COMPANIES IS SIMILAR TO BANKS

Executive directors of **insurance companies** have the shortest tenure with a mean and median of 4.30 and 2.50 years respectively across all the insurance companies. Independent directors have mean (median) tenure of 4.54 (3.88) years, while non-executive non-independent directors have the longest mean (median) tenure of 6.87 (4.00) years.

Figure 22 shows the distribution of average tenure of independent directors across the insurance companies.

FIGURE 22: DISTRIBUTION OF AVERAGE TENURE OF INDEPENDENT DIRECTORS ACROSS INSURANCE COMPANIES



Note: This is based on 44 insurers as follows: Australia (5), China (6), Hong Kong (2), India (5), Japan (7), Malaysia (4), New Zealand (1), Singapore (3), South Korea (4), Sri Lanka (1), Taiwan (4), Thailand (1), Vietnam (1).

MOST NON-EXECUTIVE AND INDEPENDENT DIRECTORS OF BANKS AND INSURANCE COMPANIES HAVE OTHER FULL-TIME JOBS

It is not uncommon for directors to hold concurrent directorships in other companies. This may lead to issues such as a lack of time and commitment, as well as possible conflicts of interest if the companies transact with each other.

Some economies have introduced regulations, rules or guidelines on the number of directorships.

All 50 **banks** disclosed the current and recent directorships of their directors. Apart from concurrent directorships, many non-executive and independent directors have concurrent full-time positions. Overall, the mean (median) number of non-executive directors and independent directors with full time positions for the banks is 1.93 (1.00) and 2.31 (2.00) respectively. Mega Financial Holding has 10 non-executive directors with full time positions while Huaxia Bank and Hang Seng Bank have six independent directors with full time positions. The non-executive Chairman of Malaysia's Public Bank also chairs LPI Capital, a Malaysian insurance company.

All 50 **insurance companies** except Korean Reinsurance and BIDV Insurance disclosed the recent and current directorships of directors. Twenty-six and 34 insurers respectively disclosed that their non-executive directors and independent directors have full-time positions. Three insurers did not make any disclosures regarding the number of non-executive directors or independent directors with full-time positions.

Overall, the mean (median) number of non-executive directors and independent directors with full time positions is 1.89 (1.00) and 1.81 (2.00) respectively. All the non-executive directors (both independent and non-independent) of Fubon Financial Holding have full time positions in other companies.

NEARLY HALF OF THE BANKS HAVE A BOARD-LEVEL EXECUTIVE COMMITTEE

All the **banks** have established Audit and Remuneration Committees, and most also have Nominating and Risk Committees. However, Mega Financial Holding and Japan Post Bank did not establish a Nominating Committee and Risk Committee respectively.

Taiwan's Code of Corporate Governance does not require a Nominating Committee as companies have to use a different type of Board Nominating System.[4] According to the Company Act, elections of independent directors are conducted using the new candidate nomination system to allow shareholders with at least one percent of shares to nominate directors instead of the Nominating Committee.

Japan Post Bank has established a management-level committee as one of its Special Committees to assist its Executive Committee in risk management matters as it is allowed to do so under the "company with three committees" model.

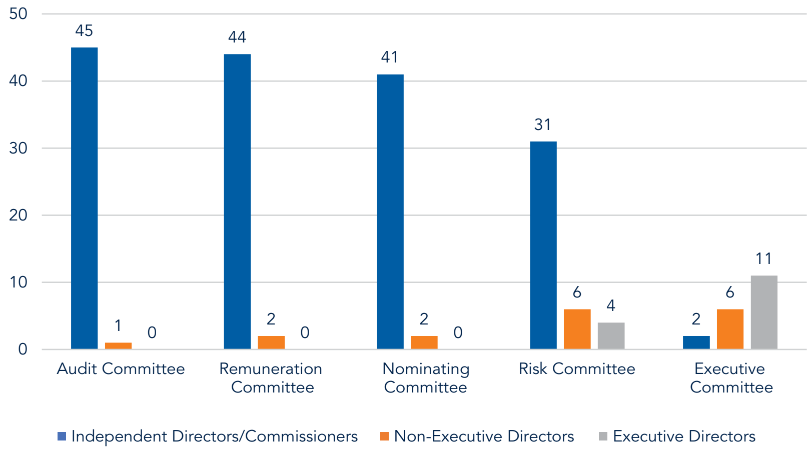
In addition, 23 banks have established a board-level Executive Committee. Banks which establish an executive committee should carefully consider the need for it, as it may be a symptom of either the board being too large or being too involved in "executive" matters. There is also a risk of it becoming a "board within a board", making key decisions without the involvement of the full board.

Apart from the typical committees that companies are expected to establish, Chinese companies are recommended to establish a board level Corporate Strategy Committee which should comprise of only directors.[5] Chinese and Philippines banks are also required to have a separate board committee dealing with related party transactions. For Indian banks, all have a Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Customer Service Committee as required by their local listing rules.[6]

The chairmen of board committees are generally independent directors/commissioners as shown in Figure 23. However, State Bank of India has a non-executive Chairman for its Audit, Remuneration and Nominating Committees, who is a nominee director of the Government of India (whom we consider to be non-independent in this report). China Everbright Bank and Japan Post Bank have a non-executive Chairman for their Remuneration Committee and Nominating Committee respectively. Ping An Bank and Huaxia Bank from China did not disclose details about their board committees.

The Risk Committees of Bangkok Bank, China CITIC Bank, Siam Commercial Bank and Sumitomo Mitsui Financial Group have executive chairmen.

FIGURE 23: BOARD COMMITTEE CHAIRMEN OF BANKS



Note: The details of the Chairman were not disclosed for: Audit Committee (4), Remuneration Committee (4), Executive Committee (4), Nominating Committee (7), Risk Committee (9).

NEARLY HALF OF THE BANKS HAVE A COMBINED NOMINATING AND REMUNERATION COMMITTEE

None of the **banks** have a combined Audit and Risk Committee. However, 44% have a combined Nominating and Remuneration Committee. Almost all the banks in India, Indonesia, Malaysia and Thailand have combined these two committees, with some banks from China and Hong Kong having done so as well. Combining the committees may improve effectiveness and efficiency given the somewhat overlapping responsibilities of the two committees. However, it is important that sufficient time is available to undertake the broader remit of a combined committee.

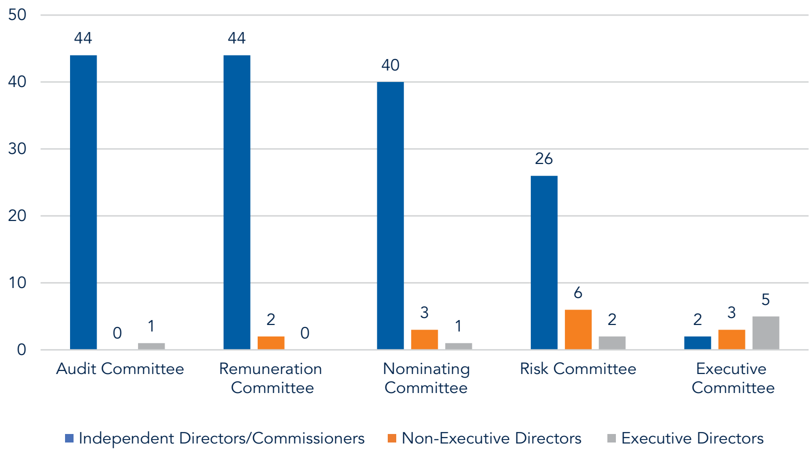
INSURANCE COMPANIES ARE LESS LIKELY TO HAVE ESTABLISHED A BOARD-LEVEL EXECUTIVE COMMITTEE COMPARED TO BANKS

Almost all the **insurance companies** have established Audit, Remuneration, Nominating, and Risk Committees. Eleven of them also have an Executive Committee. Indian insurance companies generally have more than eight board committees.[7] However, BIDV Insurance has only established one board committee - an Investment Committee. For Chinese insurance companies, there is a separate board committee specialising in related party transactions.

The chairmen of the board committees are generally independent directors/commissioners as shown in Figure 24. However, while Bao Viet Holdings stated that the Chairman of its Audit Committee is independent, the annual report listed this Chairman as an executive who also holds the position of chief audit executive of internal audit.

United Overseas Insurance and Bao Viet Holdings have a non-independent non-executive Chairman for its Remuneration Committee. Japan Post Insurance, Cathay Financial Holding and Bao Viet Holdings have a non-independent non-executive Chairman for their Nominating Committee. China Taiping Insurance has an executive Chairman for its Nominating Committee. The Risk Committees of People's Insurance Co Group of China and General Insurance Corporation of India have executive chairmen.

FIGURE 24: BOARD COMMITTEE CHAIRMEN OF INSURANCE COMPANIES



Note: Five insurers did not disclose the Chairman of their Audit Committees, four for their Remuneration Committees, six for their Nominating Committees, 16 for their Risk Committees and one for its Executive Committee.

It is common for insurance companies to have combined Nominating and Remuneration committees, with 42% of the insurers doing so. Only Tower Insurance and Ping An Insurance have a combined Audit and Risk committee.

THE ONLY 2 BANKS THAT HELD 5 OR FEWER MEETINGS DURING THE YEAR ARE SINGAPOREAN BANKS

All **banks** disclosed the number of board meetings held during the year. Of the 50 banks, 74% disclosed individual director attendance at both board and committee meetings. There is considerable variation in the number of board and board committee meetings across the banks (Figure 25).

The mean (median) of board meetings is 13.52 (12.00). While banks such as DBS Group Holdings and Oversea-Chinese Banking Corporation held only five meetings, the board of commissioners of Bank Negara Indonesia held 41 meetings during FY2018. These internal board of commissioners meetings are usually held to table agenda which includes reviewing the composition of board-level committees, following up on the proposal of remuneration thresholds (and subsequent review) to the evaluation of key performance indicators (KPIs) to be implemented for the next financial year.[xi]

Most board committees met 10 or fewer times during the financial year.

xi These meetings organised by the Board of Commissioners may also include the Sectoral Director, the respective board-level committees as well as joint meetings with the Board of Directors as well.

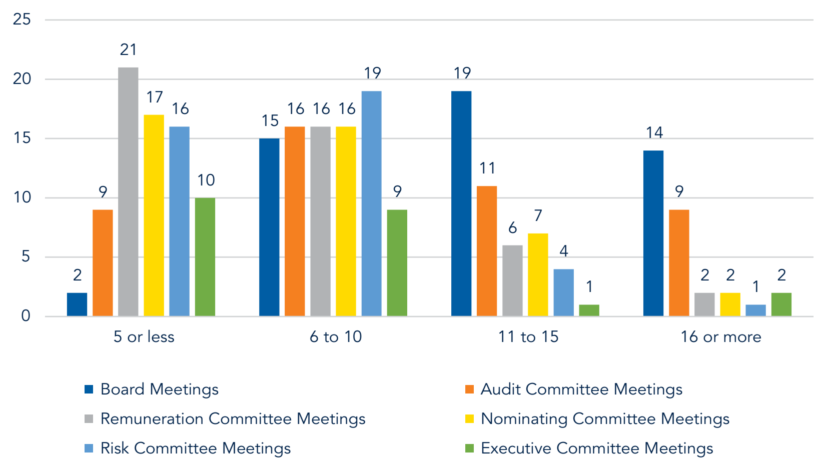
It is not necessarily the case that more frequent meetings equate to better governance or oversight, as too many meetings could also mean that the board is too involved with management matters. Factors such as the duration of meetings, the extent of delegation to board committees and management, and other forms of interactions and reporting between the board and management, could also affect the number of meetings. The wide variation in number of meetings may also reflect differences in complexity, risk and performance.

Although it is difficult to establish what is an appropriate number of meetings per year, boards which meet relatively infrequently should ensure that their agendas are not overloaded and that they are sufficiently involved in important strategic issues.

BANKS WITH A BOARD EXECUTIVE COMMITTEE MET LESS REGULARLY THAN THOSE WITHOUT SUCH A COMMITTEE

For 23 **banks** with an executive committee, the mean (median) number of board meetings held was 11.04 (11.00). In contrast, those which do not have an executive committee had a mean (median) of 15.63 (13.00) meetings. Banks with executive committees may be relying more on this committee to help discharge the board's responsibilities with less involvement of the full board, which may lead to governance risks.

FIGURE 25: DISTRIBUTION OF BOARD AND BOARD COMMITTEE MEETINGS FOR BANKS



Note: Disclosures were only made for: Audit Committee (45), Remuneration Committee (45), Nominating Committee (42), Risk Committee (40), Executive Committee (22). The board and board-level committee meetings for the Board of Commissioners (BOC) were used for Indonesian banks.

BOARDS OF INSURANCE COMPANIES MEET LESS REGULARLY THAN THOSE FOR BANKS, WITH 2 SINGAPOREAN INSURANCE COMPANIES AMONG THE 3 COMPANIES THAT MET LEAST OFTEN

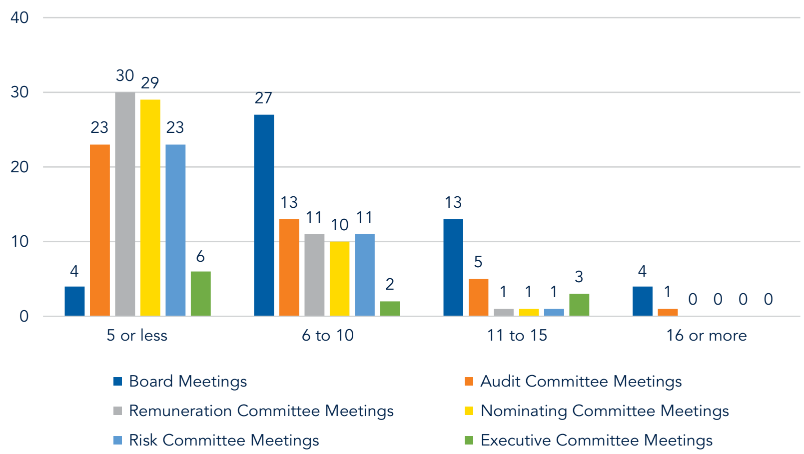
Two Korean **insurance companies** – Hyundai Marine & Fire Insurance and Korean Reinsurance - did not disclose the number of board meetings held during the year.

Figure 26 shows the distribution of board and board committee meetings for insurance companies. The mean (median) of board meetings is 9.42 (9.00). United Overseas Insurance, Singapore Reinsurance and BIDV Insurance held only four board meetings. In comparison, 20 board meetings were held by the T&D Holdings during the financial year.

Most board-level committees held fewer than 10 meetings. For 11 insurance companies with an executive committee, the mean (median) of board meetings held is 8.64 (9.00), compared to 9.65 (9.00) for those without an executive committee.

Individual director attendance at board and committee meetings was disclosed by 76% of the insurance companies.

FIGURE 26: DISTRIBUTION OF BOARD AND BOARD COMMITTEE MEETINGS FOR INSURANCE COMPANIES

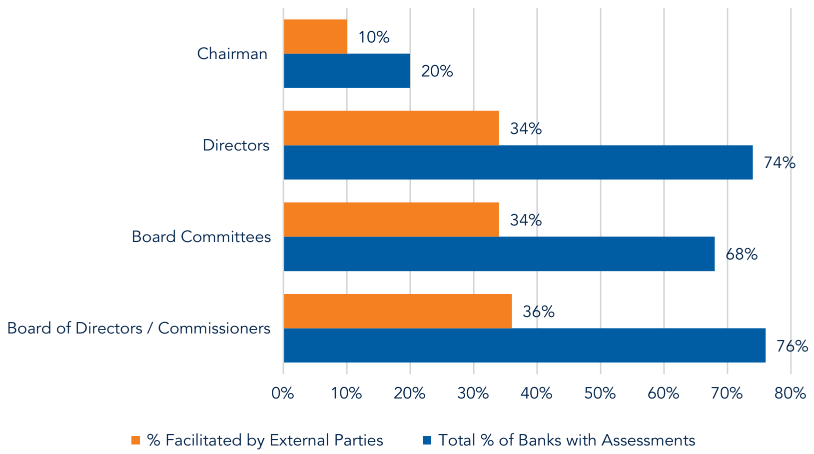


Note: Disclosures were only made for: Audit Committee (42), Remuneration Committee (43), Nominating Committee (40), Risk Committee (35), Executive Committee (11).

JUST OVER A THIRD OF BANKS USE AN EXTERNAL PARTY TO FACILITATE BOARD-RELATED ASSESSMENTS, USUALLY ONCE EVERY 3 YEARS

Overall board assessments were undertaken by 76% of the **banks** based on their disclosures (Figure 27). Approximately 36% disclosed that an external party was engaged for this, usually once every three years. About 68% disclosed an annual performance assessment for board committees, with 34% disclosing that an external party was used. Slightly more banks (74%) disclosed performance assessment for individual directors, with 34% using an external party. However, only 20% of the banks disclosed that an annual performance assessment was conducted for the Chairman, and half of these disclosed that an external party was engaged.

FIGURE 27: ANNUAL BOARD PERFORMANCE ASSESSMENT FOR BANKS

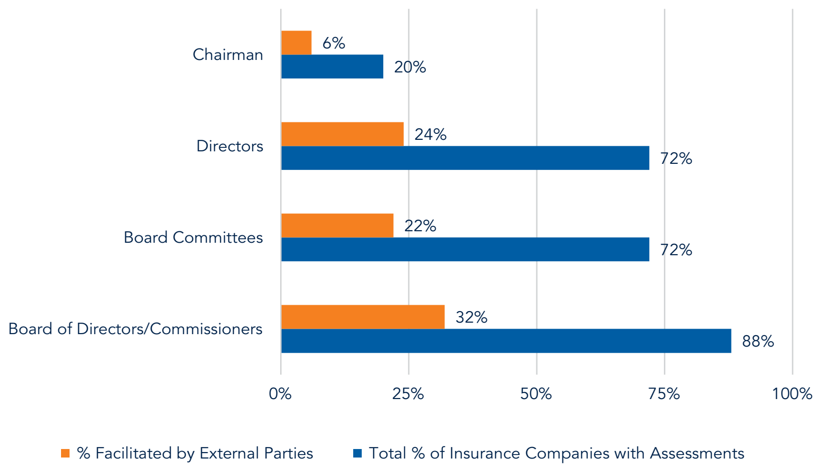


Approximately 60% of the banks disclosed the process followed in conducting the board assessment but only 42% disclosed the criteria used which generally include financial and non-financial objectives such as availability, preparedness for meetings, skills, experiences, and other directorships and principal commitments. Board assessment methodologies include questionnaire and one-on-one interviews.

INSURANCE COMPANIES ARE LESS LIKELY TO USE EXTERNAL PARTIES TO FACILITATE BOARD-RELATED ASSESSMENTS

Of the 50 **insurers**, 88% disclosed undertaking overall board assessment (Figure 28), with 32% disclosing that an external party was engaged, usually once every three years. In addition, 72% disclosed performance assessment of committees and individual directors, with less than half of the companies using an external party. Assessment of Chairman effectiveness was carried out by 20% of insurers, with only three insurers disclosing that they used an external party for this. A majority (60%) disclosed the process followed in conducting board assessments, but only around 42% disclosed the criteria used.

FIGURE 28: ANNUAL BOARD PERFORMANCE ASSESSMENT FOR INSURANCE COMPANIES



BOARDS OF BANKS AND INSURANCE COMPANIES ARE FACING HEIGHTENED SCRUTINY AND CALLS FOR ACCOUNTABILITY AND NEED TO IMPROVE THEIR APPOINTMENT PROCESS AND CRITERIA FOR DIRECTORS

In terms of board appointments and re-election, 60% of the **banks** disclosed the process in appointing new directors but less than half disclosed the selection criteria used. Generally, directors are subject to re-election every three years. The Australian Council of Superannuation Investors is pushing for annual re-elections for Australian companies to improve accountability.[8]

One Taiwanese bank, Mega Financial Holding, underwent a big change (more than 50% turnover) in its board of directors. No clear reason was given in the annual report and annual general meeting (AGM) minutes. However, this may be related to the violation of U.S. anti-money laundering laws in 2016 by its New York-based subsidiary.

There were other banks which experienced significant board changes after major incidents. In 2017, Commonwealth Bank of Australia had a money laundering scandal, following other earlier scandals, which led to the resignation of the CEO. Two other independent directors also retired from the board during the financial year. In late 2019, Westpac Banking Corporation was also hit by a money laundering scandal, which resulted in the resignation of its CEO and Chairman. Another long-standing director of Westpac Banking Corporation will not be seeking re-election in the upcoming AGM.[9] Clearly, bank boards are facing increasing demands for accountability.

Sixty-two percent of **insurance companies** disclosed the process in appointing new directors but only around 56% of them disclosed the criteria used in nominating new directors. Directors are generally subject to re-election every three years, although for some insurance companies (Bao Viet Holdings and HDFC Life Insurance), directors are subject to re-election every five years. For some Japanese insurance companies (Tokio Marine Holdings, MS&AD Holdings, Dai-ichi Life Holdings and Sompo Holdings), directors' term of office is one year.

During the year covered by our study, the board of directors of three companies (Allianz Malaysia, Orange Life Insurance and Bao Viet Holdings) underwent board turnover of more than 50%. As part of its commitment to improve gender diversity, Allianz Malaysia appointed three new directors and a new Chairman, with three being female directors. Orange Life Insurance replaced two non-executive directors and four independent directors who were due to retire given the limit of six consecutive years. For Bao Viet Holdings, a few members were transferred from the board of management to the board of directors.

REMUNERATION PRACTICES

Executive remuneration has been under scrutiny in recent years. Many governance experts have attributed the global financial crisis to inappropriate remuneration and incentive systems. CEOs were often seen to have an undue influence over the design and approval of their own remuneration packages.[10]

Concerns over remuneration practices have resulted in extensive regulations such as the Basel Committee's principles and remuneration reforms in economies such as Australia, United Kingdom and United States. The global financial crisis highlighted the need for remuneration structures to be aligned with business and risk strategies of financial institutions in ways that ensure that the long-term interests of stakeholders are safeguarded.[11]

Yet, a decade on, executive remuneration has been singled out by the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry as one of the key causes of misconduct in the Australian financial services industry. The Royal Commission found that significant inadequacies in existing remuneration structures has allowed a culture of greed and misconduct to manifest within financial institutions.

REMUNERATION STRUCTURES SHOULD BE ALIGNED WITH BUSINESS AND RISK STRATEGIES IN WAYS THAT SAFEGUARD THE LONG-TERM INTERESTS OF STAKEHOLDERS.

In many economies, "Say on Pay" reforms now allow shareholders to vote on remuneration policies and/or packages of key executives on a binding or advisory basis, with comprehensive remuneration disclosures for shareholders to make informed decisions on remuneration matters.[12]

In this section, we look at executive and director remuneration practices of the banks and insurance companies.

REMUNERATION DISCLOSURES FOR BANKS AND INSURANCE COMPANIES ARE THE MOST DETAILED IN AUSTRALIA, UNDERPINNED BY EXTENSIVE REGULATIONS

Remuneration disclosures across the **banks** vary widely. Those from Indonesia, Japan, South Korea and Taiwan generally do not disclose much information about the remuneration of directors and key executives. Some of these economies, particularly Japan and South Korea, only require disclosure if the remuneration exceeds a certain threshold. For instance, Japanese banks are only required to disclose the remuneration of those directors and corporate executives whose total remuneration exceeds 100 million yen for the year (approximately USD910,000). In contrast, the remuneration disclosures required in Australia are very detailed due to the "Say on Pay" regulations and the recently imposed regulations on senior banking executives.[13]

In the case of the Singaporean banks, all three banks did not disclose remuneration for the top five key management personnel, citing the competitiveness of the industry in addition to confidentiality concerns.

CHINESE BANKS LISTED ONLY ON CHINESE STOCK EXCHANGES HAVE POORER REMUNERATION DISCLOSURES THAN THEIR COUNTERPARTS ALSO LISTED IN HONG KONG

In the case of Chinese **banks**, the disclosures depended on whether they are listed on both the Chinese and Hong Kong stock exchanges, or only on a Chinese stock exchange.[xii] As the listing rules of the Hong Kong Stock Exchange require companies to disclose remuneration for individual directors,[14] Chinese banks listed on the Hong Kong Stock Exchange disclosed such figures. However, there was little disclosure for Chinese banks which are listed only on the Chinese stock exchanges.

Similar to banks, remuneration disclosures for the **insurance companies** vary greatly across the different economies, with those from Japan, South Korea and Taiwan generally not disclosing much information about remuneration. Besides "competitive reasons", most companies do not provide other reasons for non-disclosure.

REMUNERATION AMOUNTS FOR CEOS MAY NOT BE COMPARABLE ACROSS FINANCIAL INSTITUTIONS

In this section, we examine the remuneration amounts and breakdown (mix) of remuneration for CEOs of the banks and insurance companies. Some cautionary notes are in order. First, companies may not be consistent in how they are reporting remuneration – for example, some may be reporting realised (actual) remuneration when it comes to variable remuneration, while others may be reporting realisable remuneration. Second, the variable remuneration is affected by the performance (individual and/or corporate) for the year under review, which may not be representative of typical variable remuneration of the CEO.

2 OF THE 3 HIGHEST-PAID BANK CEOS FOR THE YEAR ARE FROM SINGAPORE

Sixty-two percent of **banks** disclosed details on the total amount as well as the amount or percentage breakdown of different remuneration components for the CEO. Some banks disclosed the amount in bands.[xiii] Out of the 38 banks which disclosed the amount of CEO remuneration, the mean (median) remuneration is USD1,798,603 (USD652,064). The top three highest-paid CEOs are from DBS Group Holdings (USD8,675,520), Public Bank (USD8,340,250) and Oversea-Chinese Banking Corporation (USD7,825,320).

Most corporate governance codes recommend that CEOs and executive directors should have a significant element of pay which is linked to individual and corporate performance, including a mix of short- and long-term incentives.

THE PERCENTAGE OF CEO REMUNERATION THAT IS "AT RISK" DECREASES WITH THE SIZE OF THE BANK ALTHOUGH GREATER STATE OWNERSHIP OF LARGER BANKS MAY BE INFLUENCING THIS RELATIONSHIP

For the 31 **banks** which disclosed the breakdown of CEO total remuneration, annual (base) salary made up an average of 58.19% of the total remuneration. Tables 2(a) and 2(b) show the mean and median remuneration for banks in different market capitalisation percentiles, with the higher percentile comprising larger banks.

There are two key observations. First, the total remuneration does not increase linearly with market capitalisation as the mean and median total remuneration for banks in the 0th - 25th percentile, which comprises banks in the bottom 25% of market capitalisation, is higher than banks in the 25th – 50th percentile. Second, the percentage of variable remuneration or "pay at risk" declines as market capitalisation increases.

This is likely due to the fact that the five largest banks, and seven of the top 11 banks, are Chinese banks, which are state-owned. Remuneration of CEOs of these banks are likely to be benchmarked to remuneration in other Chinese state-owned enterprises and government agencies.

xii The Chinese banks which are only listed on the Chinese Stock Exchange are Bank of Ningbo, Huaxia Bank, Industrial Bank, Ping An Bank.

xiii For banks which disclosed remuneration in bands, we took the midpoint of the band in calculating remuneration.

TABLE 2(A): MEAN DISTRIBUTION OF BASE SALARY AND INCENTIVES FOR CEOS OF BANKS (IN USD)

Market Capitalisation	Base salary	Incentives	Total remuneration	% Pay at Risk
0^{th} - 25^{th} percentile	375,906.53	495,134.33	871,040.86	56.84%
25^{th} - 50^{th} percentile	294,738.36	377,931.67	672,670.03	56.18%
50^{th} - 75^{th} percentile	828,656.06	824,719.10	1,653,375.16	49.88%
75^{th} - 100^{th} percentile	968,508.13	877,535.52	1,846,043.65	47.54%

TABLE 2(B): MEDIAN DISTRIBUTION OF BASE SALARY AND INCENTIVES FOR CEOS OF BANKS (IN USD)

Market Capitalisation	Base salary	Incentives	Total remuneration	% Pay at Risk
0^{th} - 25^{th} percentile	405,592.02	368,629.00	774,221.02	47.61%
25^{th} - 50^{th} percentile	129,362.45	53,007.55	182,370.00	29.07%
50^{th} - 75^{th} percentile	694,253.90	302,556.60	996,810.50	30.35%
75^{th} - 100^{th} percentile	1,141,169.36	609,506.77	1,750,676.13	34.82%

Note: Table 2(a) and 2(b) are based respectively on mean and median base salaries, incentives and total remuneration of CEOs of the banks. The banks are segmented into the various percentiles based on their market capitalisation (e.g., banks included in the 75^{th} – 100^{th} percentile have the top 25% of market capitalisation). Four banks have been excluded from the analysis due to their relatively higher remuneration figures, which could potentially skew the results. They are the Singaporean banks, DBS Group Holdings, Oversea-Chinese Banking Corporation and United Overseas Bank, as well as Malaysian bank, Public Bank.

SHARE-BASED REMUNERATION IS USED BY JUST UNDER HALF THE BANKS WHICH DISCLOSED REMUNERATION MIX

Figure 29 shows that CEOs of the larger **banks** have lower incentive-based remuneration, such as bonuses and share awards. Table 3 shows the distribution of different remuneration components in percentage terms for the CEO.

Short-term incentives commonly given to CEOs include annual bonus, perks or allowance and cash bonus paid immediately. Banks may also use various forms of long-term incentives to remunerate their CEO. Such long-term incentives include share options, restricted share awards and/or performance shares. As seen from Table 3, six banks utilised restricted share awards and nine banks utilised performance shares. In contrast, only Sumitomo Mitsui Trust Holdings disclosed the use of share options.[15] In addition, other forms of remuneration for banks include, for example, long service leave accrued during the year and deferred variable remuneration.

FIGURE 29: PAY MIX OF BANK CEOS

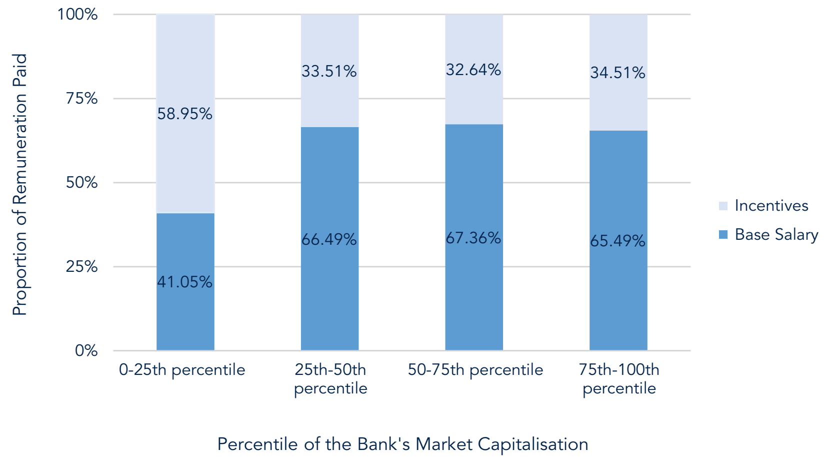


TABLE 3: DISTRIBUTION OF DIFFERENT REMUNERATION COMPONENTS FOR BANK CEOS IN PERCENTAGE TERMS

Remuneration Component	Mean (%)	Median (%)	Max (%)	Min (%)	Total
Salary	58.19%	51.32%	100.00%	10.12%	32
Annual Bonus	52.16%	42.72%	88.33%	28.73%	11
Perks / Allowance	10.77%	9.90%	27.49%	0.31%	18
Cash bonus paid immediately	20.40%	17.15%	35.33%	10.13%	9
Other short-term incentives	-	-	-	-	0
Share options	13.59%	13.59%	13.59%	13.59%	1
Restricted share awards (only employment related)	30.55%	25.38%	51.55%	17.61%	6
Performance shares	27.06%	28.18%	38.64%	10.13%	9
Others	5.76%	1.43%	15.54%	0.12%	6

THE HIGHEST-PAID CEO OF AN INSURANCE COMPANY WAS PAID MORE THAN THE HIGHEST-PAID CEO OF A BANK AND MEDIAN CEO REMUNERATION WAS HIGHER FOR INSURANCE COMPANIES THAN BANKS, BUT THIS MAY REFLECT MORE STATE OWNERSHIP FOR BANKS

For **insurance companies**, 58% disclosed the total amount as well as the amount or percentage breakdown of different remuneration components for the CEO.[xiv] Out of the 39 insurers which disclosed CEO remuneration, the mean (median) remuneration is USD1,427,066 (USD789,818). The top three highest-paid CEOs for insurance companies are from AIA Group (USD9,667,069), New China Life Insurance (USD4,791,970) and Great Eastern Holdings (USD4,154,000).

xiv Likewise for insurance companies which disclosed remuneration in bands, we took the midpoint of the band in calculating remuneration.

The range of remuneration varied greatly as well. Larger insurance companies (based on market capitalisation) received higher total base salary remuneration on average, with annual (base) salary averaging 54.65%. In certain cases, the full amount of the remuneration was in the form of salary.

As seen from Tables 4(a) and 4(b), the inverse relationship between percentage of remuneration at risk and market capitalisation that we see for banks is not as evident for insurance companies.

TABLE 4(A): MEAN DISTRIBUTION OF BASE SALARY AND INCENTIVES FOR CEOS OF INSURERS IN USD

Market Capitalisation	Base salary	Incentives	Total remuneration	% Pay at Risk
0^{th} - 25^{th} percentile	396,368.16	412,115.84	808,484.00	50.97%
25^{th} - 50^{th} percentile	484,191.47	610,483.29	1,094,674.76	55.77%
50^{th} - 75^{th} percentile	703,174.32	1,064,109.82	1,767,284.14	60.21%
75^{th} - 100^{th} percentile	983,026.83	527,073.10	1,510,099.93	34.90%

TABLE 4(B): MEDIAN DISTRIBUTION OF BASE SALARY AND INCENTIVES FOR CEOS OF INSURERS IN USD

Market Capitalisation	Base salary	Incentives	Total remuneration	% Pay at Risk
0^{th} - 25^{th} percentile	335,168.79	438,984.21	774,153.00	56.71%
25^{th} - 50^{th} percentile	413,820.30	463,541.49	877,361.80	52.83%
50^{th} - 75^{th} percentile	825,580.28	584,265.77	1,409,846.05	41.44%
75^{th} - 100^{th} percentile	501,066.42	593,385.00	1,094,451.42	54.22%

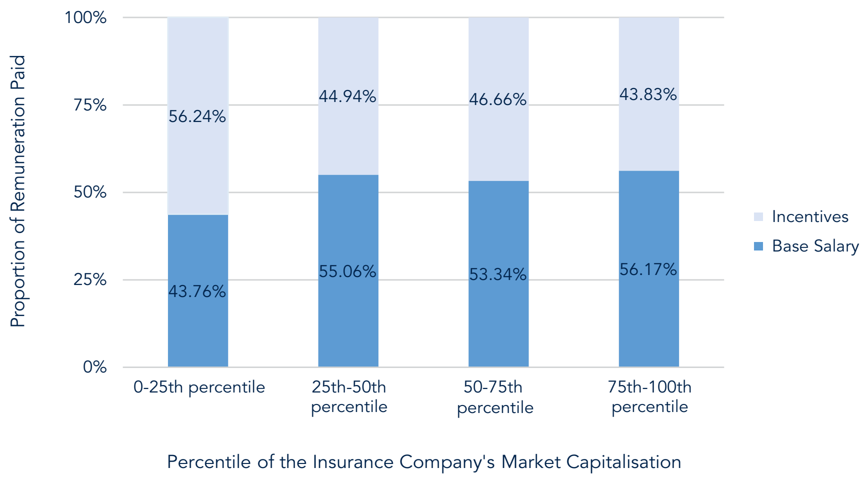
Note: Table 4(a) and 4(b) are based on taking the mean base salaries, incentives and total remuneration of the CEOs in insurance companies. The distribution has been segmented into the various percentiles based on market capitalisation (i.e. insurance companies included in the 75th percentile have the top 25% of market capitalisation). Of the 50 insurers, three have been excluded from the analysis due to the extremity in remuneration figures, which could potentially skew the mean results. They are AIA Group, New India Assurance as well as Bao Viet Holdings.

This is further borne out by Figure 30, which shows that while CEOs of the larger insurers have lower incentive-based remuneration, this is as not as pronounced as for banks. Table 5 shows the distribution of different remuneration components in percentage terms for the CEO.

Common forms of short-term incentives given to CEOs include annual bonus, perks or allowance and cash bonus paid immediately. In some insurance companies, other form of short-term incentive such as deferred short-term incentive is also given to CEOs. Insurance companies may use a combination of long-term incentives for the CEO's remuneration. Such long-term incentives include share options, restricted share awards and/or performance shares.

As seen from Table 5, five insurers utilised performance shares, three utilised share options and two used restricted share awards. In addition to share related remuneration, long term incentive grants and awards are also used by insurance companies as forms of other long term incentives.

FIGURE 30: PAY MIX OF INSURANCE COMPANY CEOS



SHARE-BASED REMUNERATION FOR CEOS IS NOT COMMONLY USED BY INSURANCE COMPANIES AS WELL

Table 5 shows the distribution of different remuneration components in percentage terms for the CEO. About 18% of the **insurance companies** include share-based remuneration in the form of share options, restricted share awards and performance share awards. Some insurance companies utilised more than one type of share-based remuneration. The most common form of share-based incentive used by insurance companies is performance shares with five insurance companies disclosing its use. Four insurance companies have other forms of remuneration, which include long service leave accruals.

TABLE 5: DISTRIBUTION OF DIFFERENT REMUNERATION COMPONENTS FOR INSURANCE COMPANY CEOS IN PERCENTAGE TERMS

Remuneration Components	Mean (%)	Median (%)	Max (%)	Min (%)	Total
Salary	54.65%	49.53%	100.00%	18.51%	30
Annual Bonus	36.88%	38.98%	53.80%	14.00%	15
Perks / Allowance	10.80%	5.81%	73.67%	0.28%	18
Cash bonus paid immediately	28.34%	26.07%	44.57%	11.46%	8
Other short-term incentives	20.28%	15.96%	34.83%	8.67%	6
Share options	30.67%	29.02%	36.46%	26.51%	3
Restricted share awards (only employment related)	29.87%	29.87%	36.05%	23.69%	2
Performance shares	28.73%	25.57%	48.42%	20.55%	5
Others	13.30%	5.53%	41.62%	0.51%	4

FEW BANKS AND INSURANCE COMPANIES DISCLOSED KEY PERFORMANCE INDICATORS FOR THEIR CEOS

Only seven **banks** disclosed the KPIs for the CEO. They are Australia & New Zealand Banking, Commonwealth Bank of Australia, HDFC Bank, Kasikornbank, Mitsubishi UFJ Financial Group, National Australia Bank and Siam Commercial Bank. Some disclosed weightings for different KPIs.

Leading Practice in Disclosure of KPIs by a Bank

HDFC Bank in India disclosed the following KPIs for its CEO:[16]

a) Business Growth: This includes growth in advances and deposits;

b) Profitability: This includes growth in profit after tax;

c) Asset Quality: Gross Non-Performing Asset (NPA), Net NPA and % of Restructured assets to net advances;

d) Financial Soundness: Capital Adequacy Ratio Position and Tier I capital;

e) Shareholder value creation: Return on equity; and

f) Financial Inclusion: Growth in number of households covered, growth in the value of loans disbursed under this category and achievement against priority sector lending targets.

Most of the above parameters are evaluated in two steps:

A. Achievement against the plans of the Bank; and

B. Achievement against the performance of peers.

Apart from the factors related to business growth, there is also a key qualitative factor of regulatory compliance. Compliance acts as the moderator in the entire organisation evaluation process. A low score on compliance can significantly moderate the other performance measures and depending on severity may even nullify their impact.

Nine **insurance companies** - mostly from Australia and Japan - disclosed KPIs for the CEO. They are Challenger, Dai-ichi Life Holdings, HDFC Life Insurance, Insurance Australia Group, Medibank, MS&AD Holdings, QBE Insurance, Sompo Holdings and Suncorp. KPIs are usually based on a balanced scorecard covering financial, customer, and operational indicators of performance at an individual and organisation level, with some disclosing weightings for individual KPIs.

Leading Practice in Disclosure of KPIs by an Insurance Company

Insurance Australia Group (IAG) disclosed that performance is measured against the Group Balanced Scorecard using both financial and non-financial goals as follows:[17]

Financial Measures (60% of scorecard)

1. **Earnings:** Net profit after tax shows IAG's overall earnings after all expenses and taxation attributable to shareholders of the Company.
2. **Controlled Operating Expense:** IAG's continued focus on optimisation of its operating model and related cost-out initiatives improve the efficiency with which IAG deploys its resources.
3. **Profitability:** IAG has adopted underlying profit as the measure as it provides a more holistic view of the absolute earnings power of IAG's core insurance-related businesses. It provides a view of underlying profitability (in dollars) of the underwriting, fee-based and associate businesses and is an important measure of how IAG generates value for shareholders.
4. **Growth:** IAG continues to expand its product and service offerings to its markets, measured through Gross Written Premium growth, creating value for its shareholders, customers and partners.

Non-Financial Measures (40% of scorecard)

1. **Customer Advocacy:** IAG uses the Customer Net Promoter Scores to measure the impact of these initiatives for its customers.
2. **Employee Advocacy:** IAG uses the Employee Net Promoter Score to measure its effectiveness in fostering a strong organisational culture.

Risk Appetite: IAG has a clear articulation of its risk appetite, which the Board approves to uphold the expectations of IAG's stakeholders for how IAG employees conduct themselves. Due to the importance of risk management to IAG, it is included as an explicit measure on the scorecard.

ABOUT 1 IN 3 BANKS AND 1 IN 7 INSURANCE COMPANIES DISCLOSED CLAWBACK PROVISIONS

Regulators now often require or recommend that clawback provisions be put in place to deter CEOs and senior executives from focusing on short-term results at the expense of long-term results. Such provisions may be triggered by misconduct or poor financial performance.

Sixteen **banks** disclosed that they have clawback provisions for CEO and executives, with 15 banks disclosing the clawback conditions.

Examples of Clawback Provisions

At the **National Australia Bank**, the Board has absolute discretion to adjust rewards downwards, or to zero, where appropriate (including as a result of malus).[18] This includes varying the vesting of rewards. The Board's considerations may include the Group's financial performance, the quality of financial results, management of risks and shareholder expectations. Board discretion may apply to any employee across the Group, by division, by role or individual, depending on circumstances.

Clawback (recovery of paid and vested rewards) may apply to executives, other accountable persons and some UK employees. This ability to reduce the vesting outcome for variable rewards (VR) deferred shares along with the assessment undertaken when determining an executive's VR outcome effectively replace the performance conditions applying to rewards allocated under the previous executive remuneration framework. At the end of the deferral period, the executive can deal with their VR deferred shares provided those VR deferred shares have vested and not been forfeited.

At **Singapore bank DBS Group Holdings**, malus of unvested awards and clawback of vested awards will be triggered by:[19]

- Material violation of risk limits
- Material losses due to negligent risk-taking or inappropriate individual behaviour
- Material restatement of DBS' financials due to inaccurate performance measures
- Misconduct or fraud

Awards may be clawed back within seven years from the date of grant.

Seven **insurance companies** disclosed that they have clawback provisions in place.

Example of Clawback Provisions

For example, **Medibank in Australia** disclosed that clawback applies under the following circumstances:[20]

- serious misconduct or fraud by employee;
- unsatisfactory performance by employee to detriment of strategic objectives;
- error in calculation of performance measure related to performance-based remuneration;
- misstatement in financial statements;
- board becomes aware of any action that has employee receiving inappropriate benefit.

ALTHOUGH FINANCIAL INSTITUTIONS ARE EXPECTED TO TAKE INTO ACCOUNT RISK IN THEIR REMUNERATION POLICIES, FEW DISCLOSED HOW THEY DO SO

Financial institutions are expected to take into account risk in their remuneration policies for senior executives.

Fewer than 10 **banks** disclosed how they took into account risk in their remuneration policies for CEOs and/or senior executives. Some examples of risk-adjustment in remuneration are the use of returns on risk-adjusted capital; setting the bonus pool according to risk-adjusted results or partly as a function of risk-weighted metrics; including risk measures among the KPIs; and adjusting performance measures for market, credit and operational risks.

Thirteen **insurers** disclosed that they took into account risk in determining remuneration for their senior executives and/or CEOs. For example, QBE Insurance said that short-term and long-term incentives may be adjusted by the board based on a formal review of risk and behaviours, and incentive plans recognise adherence to its risk management processes.

Great Eastern Holdings said that in determining remuneration of key senior management executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operation performance.

APART FROM THE OUTGOING CHAIRMAN OF A MALAYSIAN BANK, THE 3 HIGHEST-PAID CHAIRMEN OF BANKS ARE ALL FROM SINGAPORE

For the remuneration of board chairmen, we focus on non-executive chairmen. We excluded executive chairmen because they are likely to be performing both Chairman and CEO roles in many cases and, in any case, have at least a partial management role.

Of the 27 **banks** that have non-executive chairmen, 15 are independent. Of the 27 banks, only 19 separately disclosed the remuneration of their chairmen. If we exclude the remuneration of the non-executive non-independent Chairman of Public Bank in Malaysia which is USD9.95 million comprising largely of "other emoluments",[xv] the mean (median) remuneration of the non-executive chairmen of the remaining 18 banks is USD403,366 (USD246,053) and the highest remuneration is USD1,460,940 for DBS Group Holdings. At the other end of the spectrum, six banks paid their non-executive Chairman less than USD100,000.

Table 6 shows the ranking of remuneration for non-executive chairmen for the 18 banks (excluding Public Bank). The wide distribution of remuneration may be due to factors such as ownership (such as whether it is state-owned), size and complexity of the business, and the level of involvement or time spent by the Chairman.

xv With effect from 1 January, 2019, Public Bank has appointed an independent Chairman.

TABLE 6: REMUNERATION FOR NON-EXECUTIVE CHAIRMEN OF BANKS

Rank	Bank	ID Chairman (USD)	NED Chairman (USD)
1	DBS Group Holdings	-	1,460,940
2	Oversea-Chinese Banking Corporation	1,213,290	
3	United Overseas Bank	702,085	
4	Commonwealth Bank of Australia	620,384	-
5	Westpac Banking Corporation	599,108	-
6	Australia & New Zealand Banking	595,369	-
7	National Australia Bank	570,111	-
8	Malayan Banking	-	304,520
9	CIMB Group Holding	286,848	-
10	Siam Commercial Bank	205,259	-
11	Bangkok Bank	-	195,562
12	Hang Seng Bank	102,150	-
13	Huaxia Bank	-	99,679
14	HDFC Bank	-	93,216
15	IndusInd Bank	-	71,021
16	Kotak Mahindra Bank	67,369	-
17	ICICI Bank	51,378	-
18	Axis Bank	22,290	-

Note: This ranking (from highest to lowest) is based on 18 banks with non-executive chairmen that disclosed their directors' remuneration, excluding Public Bank.

THE AVERAGE REMUNERATION OF NON-EXECUTIVE CHAIRMEN OF INSURANCE COMPANIES IS LOWER THAN FOR BANKS, BUT HIGHEST-PAID NON-EXECUTIVE CHAIRMAN OF AN INSURANCE COMPANY IS PAID AS MUCH AS 20 TIMES THE MEDIAN REMUNERATION FOR THE SECTOR

Thirty-one **insurers** have a non-executive Chairman of whom 14 are independent. Of these 31 companies, 22 separately disclosed the remuneration of their chairmen. Two Taiwanese insurers - Fubon Financial Holding and Mercuries Life Insurance - disclosed in bands, and for these two insurers, we took the midpoint as the Chairman's remuneration.

Table 7 shows the ranking of remuneration for the 22 non-executive chairmen. The mean (median) remuneration is USD376,684 (USD157,332) and the highest remuneration was paid to the Chairman of Fubon Financial Holding, with remuneration in the range of USD1.63 million to USD3.27 million.

TABLE 7: REMUNERATION FOR NON-EXECUTIVE CHAIRMEN OF INSURANCE COMPANIES

Rank	Insurance Company	ID Chairman (USD)	NED Chairman (USD)
1	Fubon Financial Holding	-	1,632,850 - 3,265,710 Midpoint: 2,449,280
2	Dai-ichi Life Holdings	-	946,901
3	AIA Group	752,005	-
4	Mercuries Life Insurance	-	489,856 - 979,712 Midpoint: 734,784
5	QBE Insurance	595,000	-
6	Insurance Australia Group	554,137	-
7	Suncorp	405,055	-
8	Great Eastern Holdings	-	392,729
9	Challenger	369,542	-
10	Medibank	298,874	-
11	Allianz Malaysia	192,515	-
12	Dhipaya Insurance	122,149	-
13	Bangkok Life Assurance	113,795	-
14	Tower Insurance	91,880	-
15	LPI Capital	-	72,193
16	MNRB Holdings	-	40,152
17	United Overseas Insurance	-	38,395
18	ICICI Prudential Life Insurance	37,803	-
19	ICICI Lombard General Insurance	35,511	-
20	Manulife Holdings	25,268	-
21	HDFC Life Insurance	-	14,374
22	Max Financial Services	-	4,712

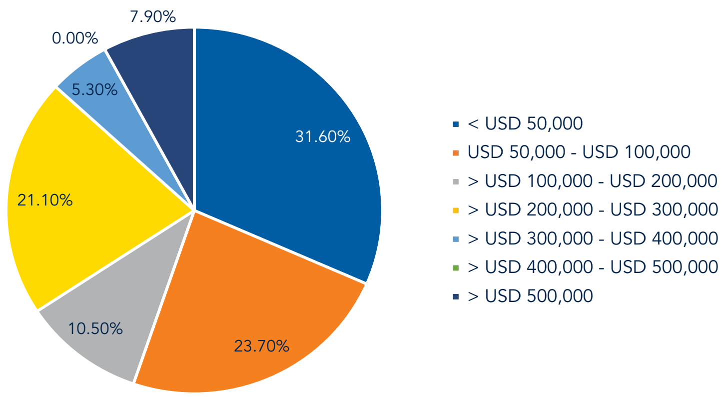
Note: This ranking (from highest to lowest) is based on 22 insurance companies which have a non- executive or independent Chairman and which disclosed remuneration.

THE MEAN REMUNERATION FOR NEDS OF BANKS IS ABOUT 50 PERCENT HIGHER THAN FOR NEDS OF INSURANCE COMPANIES

The most common method to remunerate NEDs is through directors' fees. In order to derive the average remuneration of NEDs, the total director remuneration/fees were averaged by number of NEDs. Using this method, the average remuneration would also include the remuneration paid to a non-executive/independent Chairman.

Figure 31 shows the distribution of average NED remuneration for the 38 **banks** for which information is available. This excludes the average NED remuneration of Public Bank which is USD1,772,550, due to the very large amount paid to the outgoing non-executive Chairman. Twelve banks (31.60%) paid average NED remuneration of less than USD50,000. The mean (median) remuneration for NEDs (including non-executive or independent chairmen) is USD148,266 (USD77,312). The highest average NED remuneration is USD606,200 at Bank Mandiri in Indonesia.

FIGURE 31: AVERAGE NED REMUNERATION FOR BANKS



Note: This is based on 38 banks for which information is available and excluding Public Bank.

JUST OVER HALF OF BANKS AND INSURANCE COMPANIES DISCLOSED THE FEE STRUCTURE OF NEDS

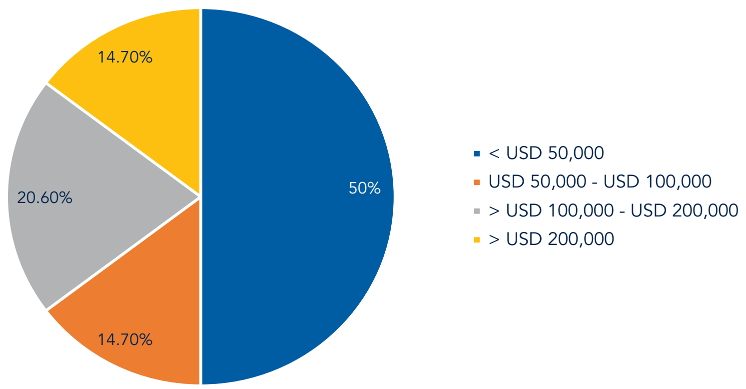
Twenty-seven **banks** disclosed the fee structure for NEDs. Other than director fees, there is a superannuation component for Australian banks; commission for Indian banks; bonus and allowance for Indonesian banks; benefits-in-kind and other emoluments for Malaysian banks; benefits-in-kind and share based remuneration for Singapore banks; and bonuses for Thai banks.

FOR BOTH BANKS AND INSURANCE COMPANIES, 1 IN 10 HAVE A POLICY FOR NEDS TO BUY SHARES AND HOLD THEM UNTIL THEY LEAVE THE BOARD

Five **banks** disclosed a policy for NEDs to buy some shares and hold them till they leave the board. They are Commonwealth Bank of Australia, National Australia Bank and Australia & New Zealand Banking from Australia, and DBS Group Holdings and Oversea-Chinese Banking Corporation from Singapore. NEDs are generally also given a certain period to attain the requisite shareholding level.

Figure 32 shows the distribution of average NED remuneration for the 34 **insurance companies** for which information is available. Half of the insurers paid an average NED remuneration of less than USD50,000. The mean (median) remuneration for NEDs (including non-executive or independent Chairman) is USD91,093 (USD53,596). NEDs of QBE Insurance are the most well-paid, with an average fee of USD330,125.

FIGURE 32: AVERAGE NED REMUNERATION FOR INSURANCE COMPANIES



Note: This is based on 34 insurance companies for which information is available.

Twenty-eight insurers disclosed fee structure for NEDs. Besides director fees, there is a superannuation component for the Australian insurers, profit-related commission for Indian insurers as well as benefits-in-kind and other emoluments for Malaysian insurers.

Five Australian insurance companies disclosed a policy in place for NEDs to buy some shares and hold them till they leave. For the insurance sector, Australia is the only economy in which insurers impose a minimum shareholding requirement for their NEDs.

RISK GOVERNANCE AND MANAGEMENT

Following the global financial crisis, risk governance and management have received considerable attention from regulators of not only financial institutions, but companies generally. Today, financial institutions are generally expected to adopt comprehensive risk management frameworks, have dedicated board-level risk committees, appoint chief risk officers, and put in place strong lines of defence to deal with an increasing array of risks.

Even as they continue to grapple with reputational and regulatory risks, they have to deal with emerging risks such as cyber risks and conduct risks, and more recently risks associated with trade wars and pandemics.

In light of the recent Covid-19 situation, we note that most economies have not imposed regulations or guidelines on pandemic preparedness for financial institutions. The exceptions to this include Malaysia, which requires insurers to carry out a multi-year solvency stress test exercise against prescribed severe but plausible risk events such as pandemics.[21] Similarly in Singapore, financial institutions are required to participate in an industry- wide business continuity planning test to assess their crisis management procedures against scenarios including pandemics.[22] In Hong Kong, a first, smaller scale exercise was conducted in 2013, when a group of financial institutions individually but simultaneously responded to a simulated, unfolding pandemic crisis.[23]

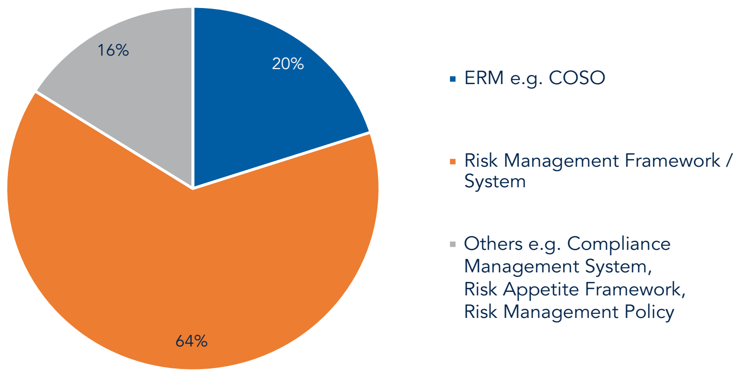
1 IN 5 BANKS DISCLOSED THE USE OF AN ERM FRAMEWORK (SUCH AS COSO) BUT BANKS USE AN ARRAY OF RISK MANAGEMENT FRAMEWORKS

Risk management functions in **banks** will need to reinvent themselves especially in light of digital transformation.[24] According to EY, there are a few broad challenges which banks must consider, one of which is the management of emerging risks and increased competition. For instance, the rise in financial technology (fintech) companies offering new products presents competition to banks. Consumer banking, once viewed as a bastion of stability in financial services, would likely be heavily impacted by these fintech companies.[25]

In our study, 10 banks disclosed that they have adopted an Enterprise Risk Management (ERM) framework, with most other banks adopting a range of other frameworks (the most commonly referred to includes an individually, internally developed "Risk Management Framework") (Figure 33). Siam Commercial Bank explicitly disclosed the adoption of the COSO framework.

FINANCIAL INSTITUTIONS HAVE TO DEAL WITH EMERGING RISKS SUCH AS CYBER RISKS, CONDUCT RISKS, AND RISKS ASSOCIATED WITH TRADE WARS AND PANDEMICS.

FIGURE 33: RISK MANAGEMENT FRAMEWORKS OF BANKS



All 50 banks except China Minsheng Bank, disclosed the key risks to which they are materially exposed to. China Minsheng Bank discussed potential risks and stated that it has no foreseeable material risks.

Seventy-six percent of the banks described the governance processes around information technology and 60% included a risk management policy describing their tolerance for various risks.

ABOUT HALF THE BANKS DISCLOSED A FORMAL RISK APPETITE STATEMENT, WITH ABOUT A QUARTER DISCLOSING QUALITATIVE ONES

Twenty-six of the **banks** disclosed a formal risk appetite statement (RAS), with 12 being qualitative in nature. Examples of how risk appetite is communicated to business management include through capital allocations to the different business lines, establishment of individual risk appetite limits for specific business units such as credit and market risks.

Half of the banks disclosed having a process to ensure that the material risk activities being undertaken by management are approved by the board. Sixty-six percent of the banks evaluate and communicate potential exposure to geopolitical events.

Unlike most other banks which have a separate Board Risk Committee (BRC), the risk management committee in Japan Post Bank is formed as a special advisory committee that reports to its management level Executive Committee.

2 BANKS DISCLOSED THAT INTERNAL CONTROLS WERE INADEQUATE AND/OR INEFFECTIVE AND HAVE PUT IN IMPROVEMENT MEASURES

All **banks** except Mitsubishi UFJ Financial Group, Japan Post Bank and KB Financial Group disclosed that a review of the company's material controls and risk management systems has been conducted by the board. The board of directors in 18 banks further commented on the adequacy and effectiveness of internal controls established over key risks.

Two banks disclosed that their internal controls were inadequate and/or ineffective and that measures have been established to enhance internal controls - Mega Financial Holding and CTBC Financial Holding. Both Mega Financial Holding and CTBC Financial Holding are from Taiwan.

MORE THAN ONE-THIRD OF BANKS DISCLOSED THAT THEY ARE USING ANALYTICS TO HELP MANAGE RISKS

Fifteen **banks** disclosed that they employ analytics in managing risks across the bank whereas only DBS Group Holdings mentioned that they are using predictive analytics to identify emerging risk areas.

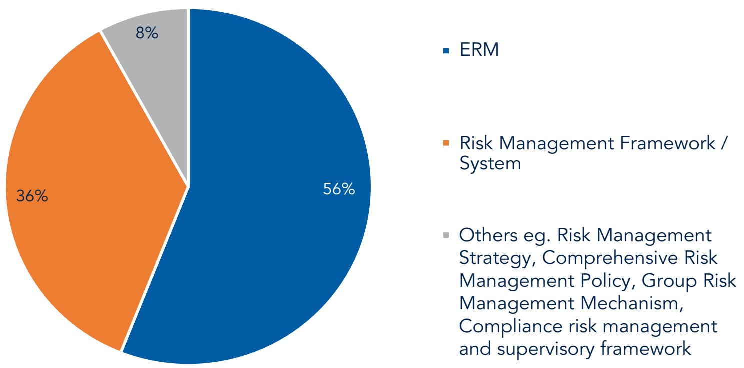
ONLY 1 BANK IDENTIFIED A PANDEMIC AS A KEY RISK

In March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic.[26] Among the banks, only Sumitomo Mitsui Trust Holdings had specifically identified a pandemic outbreak as a key risk, disclosing mitigation strategies such as developing business continuity plans (BCPs) to ensure the continuation of business in the event of a crisis arising from such an outbreak. It periodically conducts exercises and updates its BCP to ensure its preparedness. Besides having an emergency response centre headed by the President in the event of a crisis, it also works towards strengthening human resources and enhancing the management system through collaboration with external specialised agencies.

MORE THAN HALF OF INSURANCE COMPANIES DISCLOSED THAT THEY HAVE ADOPTED AN ERM FRAMEWORK

Compared to banks, more **insurance companies** refer specifically to having adopted an ERM framework, with 28 insurance companies (56%) doing so. The remaining describes to a range of other frameworks, of which, the most commonly referred to includes "Risk Management Framework" (Figure 34).

FIGURE 34: RISK MANAGEMENT FRAMEWORKS OF INSURANCE COMPANIES



Eighty-two percent of insurance companies disclosed the key risks to which the company is exposed to whereas 58% focused on the governance process around information technology.

Twenty-eight of the insurers included a risk management policy describing their tolerance on various risks as well as disclosing a formal RAS, of which 18 are qualitative. Examples of how risk appetite is communicated to business management include allocation of capital, asset allocation, a breakdown of risk appetite and tolerance into risk limits under different category of risks, new business budgeting and liquidity management.

Thirty-eight percent of the insurers have a process to ensure that material risk activities being undertaken by management are approved by the board. Half of the insurers evaluate and communicate potential exposure to geopolitical events.

ONLY 19 INSURANCE COMPANIES DISCLOSED THE BOARD OF DIRECTORS' COMMENTS ON THE ADEQUACY AND EFFECTIVENESS OF INTERNAL CONTROLS, WITH 3 DISCLOSING THAT THEY WERE NOT ADEQUATE AND/OR EFFECTIVE

Thirty-seven **insurance companies** have a separate board risk committee (BRC). In addition, 39 companies disclosed that a review of the company's material controls and risk management systems has been conducted by the board of directors. However, only 19 of the insurance companies' board of directors commented on the adequacy and effectiveness of internal controls. Three insurers disclosed that their internal controls are not adequate and/or not effective – Mercuries Life Insurance, Cathay Financial Holding and Fubon Financial Holding – and disclosed the reason(s) for the control inadequacy/ineffectiveness. All three are from Taiwan.

INSURANCE COMPANIES ARE LESS LIKELY THAN BANKS TO DISCLOSE THAT THEY ARE EMPLOYING ANALYTICS TO HELP THEM MANAGE RISKS

Eight **insurance companies** disclosed that they employ analytics in managing risks across the insurer whereas three companies (Insurance Australia Group, China Reinsurance and SBI Life Insurance) use predictive analytics to identify emerging risk areas.

ONLY 3 INSURANCE COMPANIES IDENTIFIED PANDEMIC RISK AS A KEY RISK

Only three **insurers** (AIA Group, Tokio Marine Holdings and MS&AD Holdings) had identified pandemic risk as a key risk. AIA Group rely on reinsurance to reduce concentration and volatility risk, especially with new risks, and as protection against catastrophic events such as pandemics.

In terms of qualitative risk management, Tokio Marine Holdings have a process to comprehensively assess and report emerging risks that result from changes in their business environment. They not only assess quantitative elements of the risks identified, such as economic loss and frequency, but also qualitative elements such as business continuity and reputation. Pandemic risk is identified as a material risk as it can seriously impact the financial soundness, business continuity, and other aspects of Tokio Marine Holdings.

MS&AD Holdings has formulated a BCP and prepared a crisis management framework to respond to events including outbreak of disease, such as a novel influenza virus.

In addition, two other insurers disclosed mitigation measures against pandemics. For example, Sompo Holdings has pandemic derivatives. Based on the blueprint cascaded from Allianz Group, Allianz Malaysia has localised six cyber-related crises scenarios and plans relevant to their operating environment in Malaysia, including a Crisis Scenario Plan for pandemics.

THE RESPONSIBILITIES OF THE CHIEF RISK OFFICER (CRO) OF FINANCIAL INSTITUTIONS CONTINUE TO EVOLVE

As the risk landscape continues to become more challenging, the responsibilities of the CRO are evolving rapidly. CROs are expected to oversee an expanding range of risks—from conduct, compliance, strategic, and reputation risk to a new set of operational risks due to the increasing reliance on emerging technologies and potential disruption by fintech players.[27] Financial institutions also have to face more stringent regulations around corporate governance, risk appetite, capital adequacy, stress tests, technology, and risk culture.

TECHNOLOGY CAN PROVIDE CROS WITH GREATER EFFICIENCY AND EFFECTIVENESS IN RISK ASSESSMENT AND CONTROLS.

The risk function, and especially the CRO, has to be comfortable with the use of technology to not only automate and streamline processes from risk identification to the eventual resolution, but also potentially utilising such digital tools for risk triage analyses. For example, the CRO in DBS Group Holdings highlighted that the bank is leveraging on technology to manage their financial crime risk and strengthen cyber security.[28]

One of the many challenges facing CROs is how to enable organisations to produce and use high-quality risk information in a fast, reliable and insightful way.[29] Advanced analytics can give faster and more frequent analysis of the key risk indicators and metrics, allowing management to update capital model projections quickly so as to make better capital allocation and more informed business decisions.[30] By improving efficiency and effectiveness in risk management activities such as risk identification, assessment and control of emerging risks, this allows companies to be more confident in assuming and managing risks.

TWO-THIRDS OF BANKS HAVE APPOINTED A DEDICATED CRO, WITH A VARIETY OF REPORTING RELATIONSHIPS

In our study, 33 **banks** disclosed that they have appointed a CRO and none of the banks' CRO hold concurrent managerial level positions within the Group. Eighteen banks also disclosed the CRO's reporting line. Eight banks have CROs reporting to the CEO, followed by six banks reporting jointly to Board Risk Committee (BRC) and CEO, and four banks directly to the BRC.

Six banks (Axis Bank, ICICI Bank, Kotak Mahindra Bank, Mizuho Financial Group, Oversea-Chinese Banking Corporation and Siam Commercial Bank) disclosed that their CROs review risk models before these are implemented by user departments. The CRO is not primarily responsible for overseeing the Internal Capital Adequacy Assessment Process (ICAAP), with six banks disclosing that it is the BRC's responsibility instead.

ONLY 1 BANK DISCLOSED THE KPIS OF THE CRO

However, with regards to the assessment of performance for CROs, only Commonwealth Bank of Australia disclosed KPIs for its CROs. The KPIs constitute 10% of financial measures and 90% of non-financial measures. These are further split between customer, people and strategy, with 40% weighted towards delivering future fit risk management.

SLIGHTLY MORE THAN 70 PERCENT OF INSURANCE COMPANIES HAVE APPOINTED A CRO BUT UNLIKE BANKS WITH DEDICATED CROS, ABOUT ONE-FIFTH OF THE CROS OF INSURANCE COMPANIES HOLD OTHER MANAGEMENT POSITIONS

Thirty-six of the **insurance companies** have appointed a CRO, with six of them holding other management positions within the company such as Group Risk Management Executive Committee (RMEC) Chairman in Ping An Insurance, Responsible Compliance Officer in People's Insurance Co Group of China, Chief Compliance Officer and Chief Legal Councillor in China Pacific Insurance, Compliance Controller in China Reinsurance, Assistant General Manager in ZhongAn Online P&C Insurance and Chief Compliance Officer in ICICI Prudential Life Insurance. As the role of a CRO is crucial as a second line of defence, it is important that insurance companies ensure their responsibilities do not conflict with other roles.

ONLY 1 INSURANCE COMPANY DISCLOSED KPIS OF ITS CRO

However, the KPIs for these officers are generally not disclosed, except for QBE Insurance which is based on 19.2% group cash return-on-equity, 30.8% group combined operating ratio and 50% strategic performance objectives.

JUST OVER A THIRD OF INSURANCE COMPANIES WITH A CRO DISCLOSED THE REPORTING RELATIONSHIP, WITH MOST REPORTING PRIMARILY OR JOINTLY TO THE BOARD RISK COMMITTEE

In addition, only 13 **insurance companies** disclosed the CRO's reporting line. Eight companies have CROs reporting to the BRC, followed by three companies reporting to the CEO, and two insurers reporting jointly to the BRC and CEO.

The CRO at China Pacific Insurance updates the board quarterly on risk areas, such as major risk positions and emerging risk issues. Four insurers (Suncorp, Ping An Insurance, China Pacific Insurance and Hyundai Marine & Fire Insurance) disclosed that the CRO is involved in reviewing risk models before these are implemented by user departments.

48 BANKS DISCLOSED HAVING A SEPARATE INTERNAL AUDIT FUNCTION AND JUST OVER A THIRD OF THESE DISCLOSED THE IDENTITY OF THE HEAD OF INTERNAL AUDIT

An independent, competent and adequately resourced internal audit function, reporting primarily to the audit committee, is a critical component of the third-line of defence in risk management.

All 50 **banks**, except Shanghai Pudong Development Bank and Huaxia Bank, disclosed that they have a separate internal audit function. Though Shanghai Pudong Development Bank briefly stated that internal audit is the third line of defence, it does not disclose having a separate internal audit function. Likewise, Huaxia Bank does not make such disclosure.

Forty-two banks disclosed the reporting relationship but only 17 banks identified the head of internal audit. Fifty-six percent of the banks disclosed that the appointment and removal of the internal auditor requires the approval of the Audit Committee.

Twenty-two percent indicated that their internal audit function has unfettered access to the Audit Committee, board and management. The Audit Committee approves the annual internal audit plan in 54% of the banks and that internal audit function adopts a risk-based approach to their auditing activities in 50% of the banks.

1 IN 5 BANKS DISCLOSED THAT A QUALITY ASSURANCE REVIEW IS DONE FOR INTERNAL AUDIT AT LEAST ONCE EVERY 5 YEARS

In addition, 20% of **banks** disclosed that a Quality Assurance Review is conducted on internal audit at least once every five years. Twenty percent of banks stated that their Audit Committee meets with the internal auditors and external auditors at least annually without the presence of management. Though 42% of the banks' Audit Committee assess the competency and independence of the internal auditors, only 32% disclosed that the internal auditor meets or exceeds IIA /National IA standards.

ONLY ABOUT 1 IN 5 BANKS DISCLOSED THAT THEIR INTERNAL AUDIT IS LEVERAGING ON DATA ANALYTICS AND TECHNOLOGY FOR THEIR AUDIT

Nine **banks** stated that their internal audit leveraged on the use of data and technology in their auditing activities to provide greater audit assurance. By leveraging on data analytics for transactional and low-value activities, auditors can focus on high-risk items that require critical judgement, thereby enhancing audit quality, and providing stronger assurance to Board and senior management.[31] For instance, the internal audit of DBS Group Holdings leverages on the use of data, technology and automation to provide greater insights and to enhance DBS' audit assurance. Since 2017, it has operationalised its Future of Auditing roadmap with the use of digital tools, rule-based and predictive analytics, coupled with the continuous monitoring approach to perform risk assessments and controls testing and provide better risk management insights.[32]

ALL 50 INSURANCE COMPANIES DISCLOSED HAVING A SEPARATE INTERNAL AUDIT FUNCTION AND ABOUT HALF DISCLOSED THE HEAD OF INTERNAL AUDIT OR THE OUTSOURCED FIRM

All 50 **insurance companies** disclosed having a separate internal audit function. However, for Bao Viet Holdings, though its corporate governance report indicates having a separate internal audit function, we note that the Chairman of its Audit Committee is also the chief audit executive of internal audit.

Though 41 insurance companies disclosed their reporting line for internal audit, only 24 insurers identified the head of internal audit or the external firm providing the internal audit service. The appointment and removal of the internal auditor requires the approval of the Audit Committee in about 64% of the companies.

Twenty percent disclosed that their internal audit function has unfettered access to the Audit Committee, board and management. Although half of the insurance companies disclosed that the Audit Committee approves the annual internal audit plan, only 32% disclosed that their internal audit adopts a risk-based approach to their auditing activities.

Twenty-eight percent indicated that their Audit Committee meets with the internal auditors and external auditors at least annually without the presence of management. However, none of the insurers disclosed that a Quality Assurance Review has been conducted on the internal audit function at least once every five years.

Though half of the companies' Audit Committee assess the competency and independence of the internal auditors, only 24% disclosed that the internal auditor meets or exceeds IIA standard / National IA standard.

ONLY 2 INSURANCE COMPANIES DISCLOSED THAT THEIR INTERNAL AUDIT IS LEVERAGING ON DATA ANALYTICS AND TECHNOLOGY IN THEIR WORK

Two **insurance companies**, Ping An Insurance and Bao Viet Holdings, mentioned that their internal audit leveraged on the use of data analytics and technology in their auditing activities to provide greater audit assurance.

EMERGING AREAS

CORPORATE CULTURE

Financial institutions exist to serve the needs of society. However, financial crises and scandals have crippled markets and harmed stakeholders, mostly because of mismanagement and weak oversight in financial institutions. This has led to the collapse of some large financial institutions.

At the heart of most scandals involving financial institutions is poor corporate culture. This is clearly evident in the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in Australia. It is important that banks and insurance companies have an appropriate corporate culture in place which encourages the right behaviour and reduces the risk of misconduct.

Boards are now expected by regulators to set and monitor corporate culture. Financial institutions are expected to "audit" their corporate culture and ensure that their actions, policies and systems are aligned to an appropriate corporate culture.

Major institutional investors, such as Blackrock, are also urging boards to consider their purpose. Organisations, including financial institutions, which establish clarity through their purpose and purpose statement would not only ensure that their strategies are well-informed, but also allow for a trickle-down effect to their culture, which is the bedrock for sustainable financial performance.[33]

98% OF BANKS EXPLICITLY STATED THEIR PURPOSE

Eighty-four percent of **banks** disclosed their vision and mission statements, with 76% having an emphasis on strengthening financial and/or non-financial performance; 68% stressing the importance of meeting the expectations of stakeholders such as customers, employees and community; and 20% citing the need for technological innovation in their business operations. Sixty percent disclosed that they perform a periodic board-level review of their vision and mission statements in the last financial year. In addition, 98% of banks explicitly stated their purpose.

60% OF BANKS DISCLOSED THAT THEY REVIEWED THEIR VISION AND MISSION STATEMENTS, WHILE ONLY 54% OF INSURANCE COMPANIES DID SO

Fifty-four percent of the **insurers** disclosed that their boards reviewed the vision and mission during the past financial year. Sixty-eight percent alluded to a strong focus on "stakeholder" interest whereas 76% focused on "performance" in their vision and mission statements. Given the rise of Insurtech, insurers need to pay more attention to technological innovation, as a means of improving their operations and services for their customers.[34]

EXCEPT FOR 8 CHINESE BANKS, ALL THE OTHER BANKS DISCLOSED HAVING A CODE OF CONDUCT OR ETHICS FOR EMPLOYEES BUT LESS THAN HALF DISCLOSED HOW THEY IMPLEMENT AND MONITOR COMPLIANCE WITH THE CODE

A large majority of the **banks**, except for eight Chinese banks, disclosed a code of conduct or ethics for employees. These eight Chinese banks include China Construction Bank, Bank of Communications, Industrial Bank, Postal Savings Bank of China, China Minsheng Bank, Ping An Bank, Bank of Ningbo and Huaxia Bank. Most banks have incorporated ideals of anti-corruption, honesty and the need to maintain the professional reputation of the organisation into the code.

However, less than half of the banks disclosed how they implement and monitor compliance with the code as well as the actions taken to deal with those in breach of company rules.

ABOUT 4 IN 5 BANKS HAVE IMPLEMENTED WHISTLEBLOWING POLICIES BUT ONLY HALF OF ALL THE BANKS DISCLOSED HAVING POLICIES THAT ALLOW FOR ANONYMOUS COMPLAINTS

Whistleblowing policies have been implemented in 78% of the **banks** to allow for complaints made by employees and other stakeholders for alleged illegal or unethical behaviour. However, only 25 of these 39 banks disclosed that their whistleblowing policies allow for anonymous complaints while only 24 disclosed that their policies cover whistleblowing by external parties. The whistleblowing policy is usually administered by committees such as the Audit Committee or Compliance Committee.

ALL EXCEPT 2 INSURANCE COMPANIES DISCLOSED HAVING A CODE OF CONDUCT/ETHICS BUT ONLY ABOUT HALF DISCLOSED HOW THEY IMPLEMENT AND MONITOR COMPLIANCE WITH THE CODE

All 50 **insurance companies**, except for China Taiping Insurance and BIDV Insurance, disclosed having a code of conduct and/or ethics, with 38 disclosing the details of the code. However, only 26 disclosed how they implement and monitor compliance with the code. Twelve companies disclosed the actions taken when dealing with employees in breach of company rules and/or the code.

MORE THAN 4 IN 5 INSURERS DISCLOSED HAVING A WHISTLEBLOWING POLICY BUT CHANNELS WERE ONLY DISCLOSED BY LESS THAN 3 IN 5 INSURERS, AND ONLY HALF OF ALL INSURERS DISCLOSED HAVING POLICIES THAT ALLOW ANONYMOUS COMPLAINTS

Eighty-two percent of the **insurers** disclosed having a whistleblowing policy, however only 58% of those which disclosed the policies included channels for stakeholders to voice their concerns. Several insurers also disclosed the specific function, individual or external firm engaged in handling whistleblowing complaints, so as to ensure objectivity and independence in treatment of the complaints. Twenty-five of the 41 insurers that disclosed having a whistleblowing policy said that they allow for anonymous complaints and 18 disclosed that their policy covers whistleblowing by external parties.

Like the banks, the whistleblowing policy is usually administered by committees such as Audit Committee or Compliance Committee.

8 BANKS HAVE A DEDICATED BOARD-LEVEL COMMITTEE WITH RESPONSIBILITY FOR OVERSIGHT OF CORPORATE CULTURE

Eight **banks** have a dedicated board-level committee with terms of reference that includes responsibility for oversight over corporate culture. These include Bank Mandiri, Bank Negara Indonesia, Bank of China (Hong Kong), China Construction Bank, China Minsheng Bank, Commonwealth Bank of Australia, Oversea-Chinese Banking Corporation and Siam Commercial Bank.

Typically, the Corporate Culture Department, Human Capital Management or Risk Management Committee is charged with the ongoing assessment and monitoring of culture.

STRONG CORPORATE CULTURE ENCOURAGES THE RIGHT BEHAVIOUR AND REDUCES THE RISK OF MISCONDUCT.

21 BANKS HAVE CONDUCTED A RISK CULTURE ASSESSMENT

A majority of **banks** disclosed the actions taken to reinforce culture in the past year. However, only 21 of the banks disclosed conducting risk culture assessments. Meanwhile, 28 banks have set a mix of financial and non-financial KPIs to establish objectives and drive behaviour.

9 INSURANCE COMPANIES HAVE A DEDICATED BOARD COMMITTEE WITH RESPONSIBILITY FOR OVERSIGHT OVER CORPORATE CULTURE

Nine **insurance companies** have a dedicated board-level committee with terms of reference that includes responsibility for oversight over corporate culture. The companies include Suncorp, QBE Insurance, Medibank, Challenger, Ping An Insurance, General Insurance Corporation of India, Bangkok Life Assurance, Dhipaya Insurance and Great Eastern Holdings. For insurers, it is typically the Compliance Department or Human Resource functions which is charged with the ongoing assessment and monitoring of culture.

18 INSURANCE COMPANIES HAVE CONDUCTED A RISK CULTURE ASSESSMENT

Sixty percent of **insurers** also disclosed the actions taken to reinforce culture in the past financial year. However, only 18 insurers disclosed undertaking a risk culture assessment. There are 24 insurers which disclosed the setting of a mix of financial and non-financial KPIs to establish desirable objectives and behaviour within the firm.

REMUNERATION POLICIES MUST BE ALIGNED WITH CORPORATE CULTURE

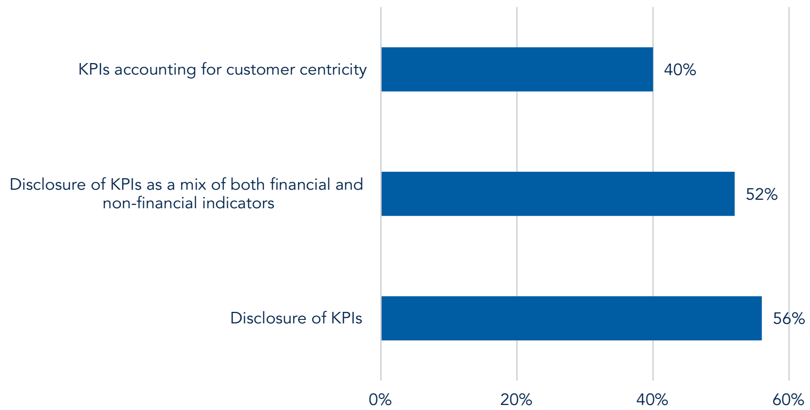
For financial institutions, key areas such as performance culture and customer centricity are important. A mere emphasis on the tone at the top and leadership is insufficient to embed a strong corporate culture within the whole organisation. Training, compliance, and appropriate remuneration policies which take into consideration both financial and non-financial KPIs when assessing and rewarding employees are also critical.

With an increasing proportion of financial institutions devoting attention to the needs and welfare of stakeholders such as customers in their vision and mission statements, it is clear that there is a recognition of the need to move towards more customer-centric attitudes. Financial institutions should consistently demonstrate that fair treatment of customers is at the heart of their business model, as this symbiotic relationship will help ensure better returns for both parties.

JUST OVER HALF THE BANKS DISCLOSED KPIS FOR THEIR EMPLOYEES, WITH 40% DISCLOSING KPIS THAT INCLUDE CUSTOMER WELFARE

Only 56% of **banks** disclosed KPIs to drive desired performance and behaviour for their employees (Figure 35). Despite the importance of customer welfare, only 40% of the banks disclosed that they have implemented KPIs relating to the welfare of customers and demonstrated customer centricity in their operations and strategic objectives.

FIGURE 35: KEY PERFORMANCE INDICATORS (KPIS) FOR BANKS



All the banks disclosed that they have complied with regulations to protect the financial system against financial crimes, including "Know Your Customers' and "Anti Money Laundering laws". Failure to comply with such regulations may result in scrutiny and penalties imposed by regulators. For instance, the Australian Transaction Reports and Analysis Centre has imposed heavy financial penalties on Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation for breaches in anti-money laundering laws.

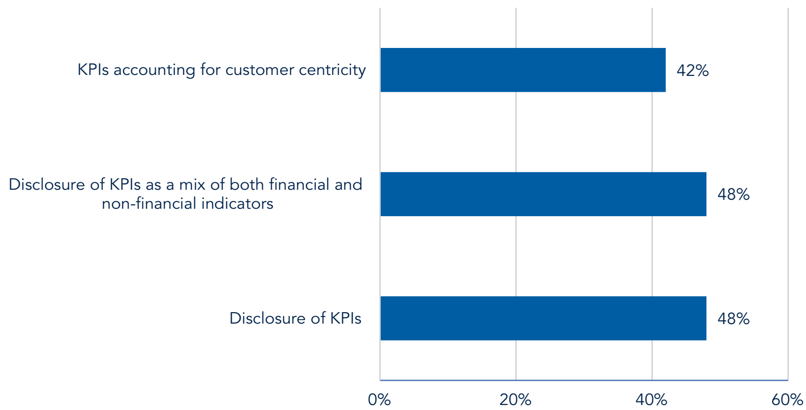
Eighty-six percent of banks disclosed a comprehensive training programme for new and existing employees, which is customised for their specific role and function within the organisation.

JUST UNDER HALF OF INSURANCE COMPANIES DISCLOSED KPIS FOR EMPLOYEES, WITH ONLY ABOUT TWO IN FIVE DISCLOSING KPIS RELATING TO CUSTOMERS

Sixty-six percent of **insurers** disclosed the existence of a comprehensive and customised training programme for both new and existing employees.

Only 48% of the insurance companies disclosed KPIs, with all these companies disclosing that their KPIs include both financial and non-financial metrics, but only 42% disclosed having a component for customer centricity.

FIGURE 36: KEY PERFORMANCE INDICATORS (KPIS) FOR INSURANCE COMPANIES



For insurance companies, customer centricity revolves around critical dimensions such as speed and convenience for claims processing leading to the eventual settlement; the quality (and error-free rate) of the settlement process; as well as the level of transparency throughout the entirety of the process.[35]

TECHNOLOGICAL DISRUPTION

The financial services industry is facing considerable disruption, with banks and insurers facing the dilemma of being a disruptor or becoming disrupted. The traditional business models of financial institutions are now being reimagined as technological innovations threaten to radically transform the industry. For instance, banks have to grapple with new payment methods using blockchain, while insurers have to come to terms with losing their monopoly over assessing, pricing and limiting risks, thereby forcing them to reinvent traditional underwriting models.[36]

With the increasing threat from digital disruption, banks have taken an active approach in revamping their digital strategy, ranging from improving customer experience and engagement to enhancing efficiencies and innovation.

In many APAC economies, central banks are issuing digital banking licenses, whereby players would have substantially lower customer acquisition and transaction costs due to the increase in automation for processes such as credit checks and verification of identity. In contrast, traditional banks have higher operational costs due to infrastructure and physical branches.[37]

The consolation for traditional banks is that these newer digital-only rivals are generally targeting the underbanked demographic, which are usually small, medium enterprises (SMEs) which might have faced difficulties in securing credit, or individuals who are unable to afford the credit.[38] In addition, market research has shown that incumbent banks may have an advantage over their digital counterparts due in part to their wealth of historical customer data. This access to data affords the banks in-depth knowledge of customer behaviours and preferences based on their long banking relationship with the bank.[39]

JUST OVER HALF THE BANKS DISCLOSED EXTERNAL THREATS THAT COULD POTENTIALLY DISRUPT THEIR BUSINESS

Fifty-six percent of **banks** disclosed that they have access to a talent pool which could be tapped on to execute the digital roadmap of the company, including the need to shift the legacy systems of the organisation from a physical to a virtual one. With the readiness on the employee front, banks are better positioned to adopt an omnichannel delivery approach as part of their strategic goals moving forward.

1 IN 3 BANKS HAVE APPOINTED A CHIEF INFORMATION OFFICER.

BANKS ARE ADOPTING MYRIAD STRATEGIES TO ADDRESS TECHNOLOGICAL DISRUPTION

In terms of digital strategy, although all the **banks** stated their objectives, only 54% disclosed external threats that can potentially disrupt their business. However, it is clear that many banks have kept themselves abreast of industry developments, with 78% engaging in external collaboration or partnerships, mostly with fintech start-ups or by pioneering incubators to spur innovation. This is followed by 68% which develop existing employees' digital capabilities, as well as 46% and 40% which recruit employees and leaders with digital talent respectively. Efforts to improve digital disruption engagement through the aforementioned initiatives are essential, and banks should consistently continue to direct resources and capital towards such investments, so as to ensure the fruition of their digital strategies.

INSURANCE COMPANIES ARE ALSO FACING SIGNIFICANT THREATS FROM TECHNOLOGICAL DISRUPTION

According to McKinsey, customers are embracing digital platforms, and technologies have introduced new products built on data and analytics. There are some disruptors which provide insurance services by relying on pure digital business models. Through the use of digital applications such as chatbots, buying a policy or filing a claim becomes a fast, simple, and satisfying experience.[40] Therefore, incumbent firms with traditional business models must accelerate to incorporate digital technologies in their operations.

ONLY HALF THE INSURANCE COMPANIES DISCLOSED HOW THEY EVALUATE THE APPLICATION OF EMERGING TECHNOLOGIES SUCH AS BLOCKCHAIN IN THEIR BUSINESS STRATEGIES

Most of the **insurance companies** have disclosed plans to review their information technology operating model. However, only half disclosed a methodology to evaluate how and where emerging technologies such as blockchain may be applied to their business strategies. In terms of digital leadership and talent, only half of the insurers have identified key specific areas to retrain their workforce. Slightly less than half of the companies disclosed that outside experts are consulted regarding technological issues and these companies receive regular updates from management.

To ensure that there is a firm-wide understanding on the significance of the digital strategy and to help handle technological disruption, leadership and employees alike should be sufficiently skilled.

ABOUT 1 IN 4 BANKS HAVE A BOARD-LEVEL TECHNOLOGY COMMITTEE WHILE 3 IN 5 BANKS HAVE A MANAGEMENT-LEVEL TECHNOLOGY COMMITTEE

In our study, we found that most of the **banks** (76%) do not have a board-level technology committee. Sixty percent have a management-level committee instead.

JUST OVER 1 IN 3 BANKS DISCLOSED THAT THEY HAVE APPOINTED A CHIEF INFORMATION OFFICER BUT FEW DISCLOSED THE REPORTING LINE

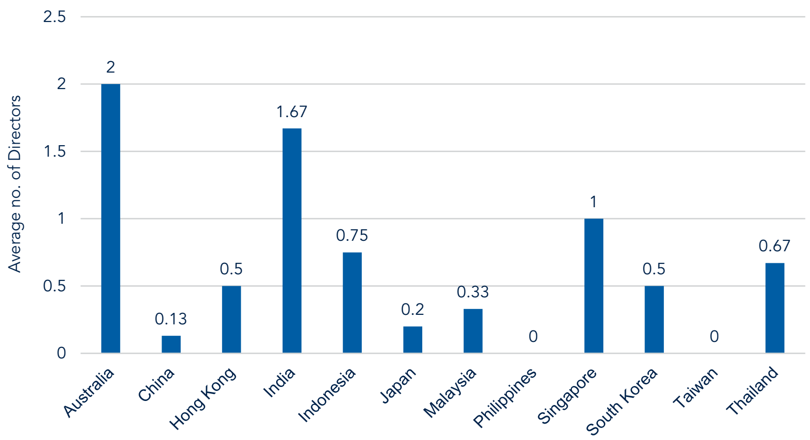
Thirty-six percent of **banks** disclosed that they have appointed a Chief Information Officer (CIO), with only 8% disclosing the reporting line for the CIO, which includes an Information Technology Strategy Committee and CEO.

For the 50 banks, 40% of the boards actively stay informed of new trends and keep up with the understanding of potential of new technologies, through relevant digital committees as well as attending training programmes and seminars. Fifteen banks consulted with outside experts with regards to technological issues.

DIRECTORS WITH TECHNOLOGICAL EXPERTISE REMAIN RARE

Most **banks** have not appointed directors with technological expertise or working background in this area. Australian and Indian banks seem to be doing more in this respect, as compared to banks in China, the Philippines and Taiwan (Figure 37).

FIGURE 37: DIRECTORS IN BANKS WITH TECHNOLOGY BACKGROUNDS



Note: The number of banks in each economy are as follows: Australia (4), China (15), Hong Kong (2), India (6), Indonesia (4), Japan (5), Malaysia (3), Philippines (1), Singapore (3), South Korea (2), Taiwan (2) and Thailand (3).

LESS THAN HALF THE BANKS DISCLOSED RESPONSIBILITY FOR OVERSIGHT AND IDENTIFICATION OF DIGITAL OPPORTUNITIES

Most of the **banks** did not disclose the personnel or function which has responsibility for oversight and identification of digital opportunities. Of the 21 banks which disclosed, several included the board-level technology committee, innovation or research and development management-level committee. Only a small fraction consider the responsibility to be held by individual business owners, such as Bank Rakyat Indonesia and DBS Group Holdings. Several others also delegated the responsibility to the Group Chief Information Officers (CIOs).

ONLY 1 IN 5 INSURANCE COMPANIES HAVE DIRECTORS WITH TECHNOLOGY BACKGROUNDS

Only 20% of the **insurance companies** have appointed directors with technology backgrounds. Insurance Australia Group has the highest percentage of directors with technology background, at 20%.

LESS THAN 1 IN 5 INSURANCE COMPANIES HAVE A BOARD-LEVEL TECHNOLOGY COMMITTEE BUT JUST OVER HALF HAVE A MANAGEMENT-LEVEL TECHNOLOGY COMMITTEE

Board level committees that are focused on technology are also sparse in **insurance companies**, with only four disclosing the existence of such a committee. Only 18% of the companies disclosed that the boards have means to stay informed and understand the evolving digital threats. For these companies, the common method is for the boards to attend training relating to digital transformation or technology.

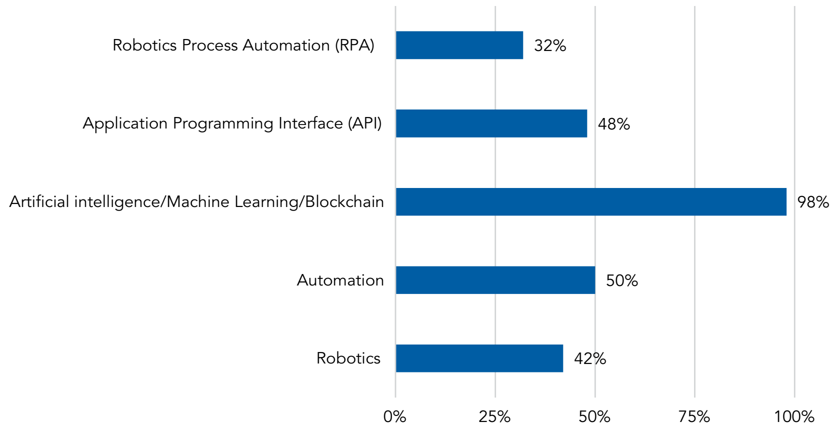
More insurance companies, about 52%, have a technology-related committee at the management level. Thirty percent of the insurers disclosed that there is a CIO who is in charge of information technology of the company and supporting the companies' digital progress. However, only 8% of the companies disclosed the reporting lines of the CIO.

A MAJORITY OF BANKS ARE FOCUSED ON ARTIFICIAL INTELLIGENCE, MACHINE LEARNING AND BLOCKCHAIN FOR TECHNOLOGICAL INVESTMENTS

Despite the fact that digital-only rivals may take some time to find their footing, incumbent **banks** should continue to improve on their use of technology either by developing data-intensive business models or rethinking their digital strategy. This will necessitate technological investments.

In response to the emerging threat of digital disruption, a majority of the 50 banks have indeed increased their investment appetite and adoption rate for technologies, with the highest relating to fields of artificial intelligence, machine learning and blockchain (Figure 38). Meanwhile, based on disclosures, more highly specialised areas such as Application Programming Interface (API)[xvi] only has a 48% adoption rate with Robotics Process Automation (RPA)[xvii] at 32%.

FIGURE 38: TECHNOLOGY INVESTMENTS BY BANKS



xvi Application Programming Interface (API) is an interface or communication protocol between different parts of a computer program intended to simplify the implementation and maintenance of software.

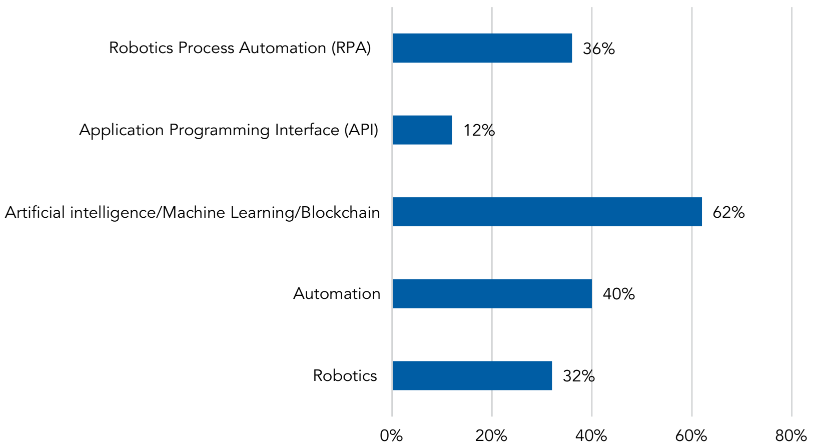
xvii Robotics Process Automation (RPA) is a form of business process automation technology based on metaphorical software robots or artificial intelligence workers.

LIKE BANKS, MOST TECHNOLOGY INVESTMENTS BY INSURANCE COMPANIES ARE IN THE AREAS OF ARTIFICIAL INTELLIGENCE, MACHINE LEARNING AND BLOCKCHAIN

Digitalising claims (especially for the Property & Casualty line of insurance) can generate much value for **insurance companies** as it can improve customer experience, efficiency, and effectiveness. Therefore, most companies have implemented a digital strategy to tackle the threat of digital disruption.

From Figure 39, we note that the majority of companies have disclosed their plans as well as existing implementation in areas such as artificial intelligence, machine learning and blockchain in their operations. Other common areas of investments include automation, robotics, and RPA.

FIGURE 39: TECHNOLOGY INVESTMENTS BY INSURANCE COMPANIES



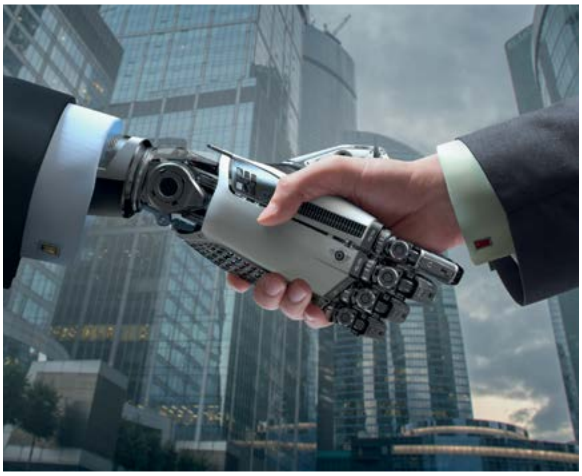
CYBERSECURITY

Cybersecurity risk has become a key risk for financial institutions. As a result, many regulators across the APAC region have stepped up their guidelines on cybersecurity. Whilst financial institutions attempt to strike the balance between being open and being secure, the threat could potentially stem from within. With outsourcing and use of contractors and temporary workers to handle cyber risks predominant in most financial institutions, financial institutions should be aware that they might be handing over more than a mere security badge, and could be exposing their systems to more vulnerabilities and prying eyes.[41] Hence, directors and senior management should increase their focus on the management of cybersecurity risks.

JUST OVER 3 IN 5 BANKS DISCLOSED CYBERSECURITY AS A KEY BUSINESS RISK

In our study, 62% of the **banks** communicated that cybersecurity is a key business risk. In addition to acknowledging the significance of cybersecurity risks, the board and senior management should also have a comprehensive understanding of the cybersecurity strategy undertaken by the bank.

According to BCG, one of the weaknesses in banks' defences against cyber threats is the lack of talent in cybersecurity.[42]



ABOUT 1 IN 3 BANKS HAVE SENT THEIR DIRECTORS FOR TRAINING ON CYBERSECURITY ISSUES

Half of the **banks** disclosed measures to deal with cybersecurity such as equipping the workforce with training. Forty-four percent of the banks send employees for regular training, with a lower percentage of 32% sending directors for training on cybersecurity. However, less than half of the banks or 46% disclosed those responsible for cybersecurity. Amongst the banks that disclosed responsibility, only 28% of the banks identified a person at the management level with the ultimate responsibility for cyber-related risks.

HALF THE INSURANCE COMPANIES DISCLOSED CYBERSECURITY AS A KEY BUSINESS RISK

Half of the **insurers** communicated that cybersecurity is a key business risk. A report by KPMG suggests that insurance companies are lagging behind other financial institutions such as banks in terms of cybersecurity measures. As the other financial sectors strengthen their cybersecurity, attackers may look for easier and more vulnerable targets and this places insurance companies at higher risks of becoming cyber-attack victims.[43] Furthermore, the insurance providers have vast access to customer-sensitive information, which must be safeguarded to not only comply with the relevant privacy laws, but more importantly, to uphold customer trust.[44] Therefore, cybersecurity should be a key area of focus for the insurance companies.

However, in our study, only about half of the insurers disclosed that there is someone who is responsible for cybersecurity and only 40% disclosed a policy to deal with it. In addition, only 24% of the companies regularly send their employees for cybersecurity-related training and 18% of companies send their directors for regular training. Insurers should ideally increase participation and firm-wide involvement of its employees as well as management, as cybersecurity management cannot be merely left to the information technology function, to be handled in isolation. In order for cybersecurity to be effective, such concerns should be elevated to the boardroom, with clear responsibility designated to an individual for decision-making processes around cybersecurity to be carried out more efficiently and decisively, especially in the event of a cyberattack.

TWO-THIRDS OF INSURANCE COMPANIES DID NOT IDENTIFY WHO HAS OVERALL RESPONSIBILITY FOR CYBERSECURITY RISKS

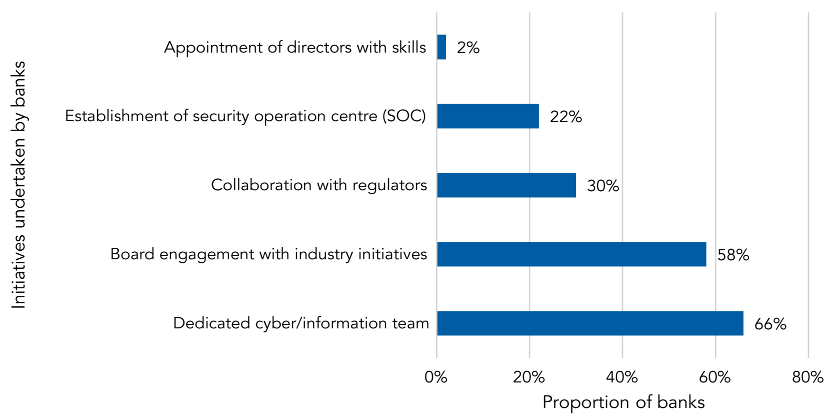
Most **insurance companies** (66%) do not name a specific person at senior management or executive committee level with the overall responsibility for cybersecurity-related risks. According to KPMG, successful insurers will have their Chief Security Officer report directly to the COO, ensuring that there is a clear line of sight between the cyber security risk and the business.[45] Leaders of the company should consider procedures or measures such as training and drills to make sure that the organisation is prepared for cyber threats.

THREE-QUARTERS OF BANKS SAID THEY ARE ACTIVELY INVESTING IN CYBERSECURITY MEASURES

About 76% of the **banks** disclosed that they are actively investing in cybersecurity measures, which is a sign that the banks are treating cybersecurity threats seriously. In Figure 40, 66% of the banks disclosed that there is a team or budget that is dedicated to cybersecurity and information security. Slightly fewer banks (58%) disclosed that the board engages with relevant industry initiatives pertaining to cybersecurity. However, more can be done to manage cyber risk such as collaboration with regulators or external parties, or through the establishment of security operation centre (SOC) and appointment of directors with cybersecurity-related skills.

Out of the 50 banks, only DBS Group Holdings disclosed that they have appointed or are looking to appoint directors with backgrounds in cybersecurity.

FIGURE 40: RESOURCES, SKILLS AND ENGAGEMENT FOR CYBERSECURITY ISSUES FOR BANKS

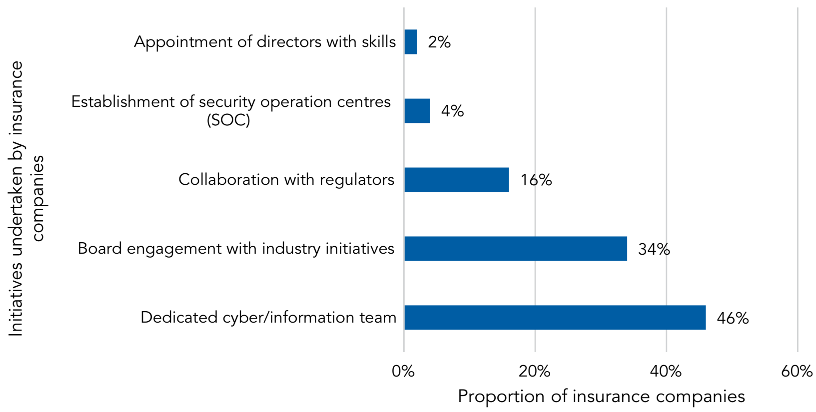


INSURANCE COMPANIES ARE LESS LIKELY THAN BANKS TO HAVE THE RESOURCES, SKILLS AND ENGAGEMENT FOR CYBERSECURITY ISSUES

In terms of the measures adopted, 46% of **insurance companies** disclosed a dedicated cybersecurity or information security team, and or a dedicated budget (Figure 41). There is room for improvement in managing cyber risk such as collaboration with regulators or external parties (16%), establishment of security operation centre (SOC) (4%) and appointment of directors with cybersecurity-related skills (2%).

Insurers could consider including a SOC in their operations as it consists of a dedicated team, which operates in shifts in a facility, primarily to identify, assess, respond and ultimately prevent cybersecurity threats and attacks, therefore fulfilling regulatory compliance, by restricting breaches in data and security.[46] Insurance companies could consider this option given the high sensitivity of information they deal with, and therefore an internal SOC could provide insurance companies with more control over cybersecurity monitoring and a shorter response time in the event of cyberattacks.

FIGURE 41: RESOURCES, SKILLS AND ENGAGEMENT FOR CYBERSECURITY ISSUES FOR INSURANCE COMPANIES



ONLY ABOUT HALF THE BANKS HAVE PUBLICLY COMMITTED TO COMPLIANCE WITH DATA PROTECTION LAWS AND TWO-THIRDS DISCLOSED HAVING A PRIVACY/ DATA PROTECTION POLICY

Fifty-two percent of the **banks** publicly commit to compliance with data protection laws. In terms of internal policy, 68% disclosed having a privacy and/or data protection policy but only 48% explicitly cover its entire operations, including third parties.

BCG pointed out that poor third-party management was also one of the weaknesses of banks.[47] Some banks outsourced their information technology services to third parties, but ultimately the responsibility and accountability for the cybersecurity still lies with the banks. Therefore, banks need to monitor and supervise the work of the third-party partners and ensure that these providers are performing up to expectations.

INSURANCE COMPANIES ARE COMPARABLE TO BANKS ON PUBLIC COMMITMENT TO DATA PROTECTION LAWS AND PRIVACY/DATA PROTECTION POLICY

Slightly less than half of the **insurance companies** publicly commit to compliance with data protection laws. In terms of internal policy, 72% of the insurers publicly disclose a privacy and/or data protection policy but only 56% explicitly cover their entire operations, including third parties.

ONLY 56% OF BANKS DISCLOSED HAVING DONE A CYBERSECURITY RISK ASSESSMENT WHILE ONLY ABOUT 40% OF INSURANCE COMPANIES HAVE DONE SO

BCG suggested that **banks** should perform "a comprehensive health check" on their operating model to ensure that they are prepared for the worst.[48] Regular assessment of the cybersecurity measures undertaken by banks can help to identify weaknesses and areas of improvements. However, only 56% of the banks in our study disclosed that cybersecurity risk assessment is conducted, with a mere seven banks disclosing that they have conducted audits on the information or cybersecurity policies and systems. These banks are Ping An Bank, Kotak Mahindra Bank, State Bank of India, Bank Mandiri, Public Bank, Oversea-Chinese Banking Corporation and Siam Commercial Bank.

Thirty-four percent of the banks disclosed that they conducted drills to prepare themselves in case of potential cyberattacks.

Public education on cybersecurity is also important to ensure that customers do not fall prey to cyber criminals. However, only 24% of the banks disclosed measures to increase customer awareness to safeguard their data.

Though 31 banks established an incident management plan, only 25 disclosed information or cyber security as a key part of its risk assessment/ business continuity plan.

Only 19 **insurers** disclosed having conducted a cyber security risk assessment. However, 64% are actively investing in cybersecurity measures. Most insurance companies disclose a privacy or data protection policy (72%) and half of them publicly commit to compliance with data protection laws.

About 28% of the insurance companies have also conducted audits of information relating to information and cybersecurity policies, and 24% conducted drills to prepare employees for cyberattacks. Though 22 companies established an incident management plan, only 19 disclosed information or cyber security as a key part of its risk assessment/business continuity plan.

SUSTAINABILITY

In his annual letter to CEOs, Larry Fink, the Chairman and CEO of the world's largest asset manager BlackRock, highlighted the need to treat climate risk as a form of investment risk, as he believes that investments with a commitment to sustainability and climate-integrated portfolios are better positioned to provide risk-adjusted returns for its investors.[49] Companies, including financial institutions, should be prepared for the significant reallocation of capital and credit towards projects which champion sustainability.

Meanwhile, there is an increasing need for financial institutions to communicate and report on their sustainability initiatives. Previously, sustainability reporting was deemed as a corporate tool to build trust and improve companies' reputation. However, it has since evolved into a strategic tool that could be used to support sustainable decision-making processes, enhance internal organisation development, stimulate performance, engage stakeholders in the overall inclusive growth of the company and ultimately, attract better investments.[50] Therefore, it is essential that financial institutions recognise the importance and demand for improved reporting and communication practices, to support sustainable development.

SUSTAINABILITY REPORTING IS A STRATEGIC TOOL THAT COULD BE USED TO STIMULATE PERFORMANCE, ENGAGE STAKEHOLDERS AND ATTRACT BETTER INVESTMENTS.

Financial institutions should be prepared for an overhaul in investment attitudes and practices, and shift towards sustainable finance, by rethinking the chase for financial returns and instead invest with an eye for environmental and social concerns.[51]

25 BANKS HAVE OBTAINED INDEPENDENT ASSURANCE FOR THEIR SUSTAINABILITY REPORTS

All 50 **banks** except for three Chinese banks (China Minsheng Bank, Huaxia Bank and Shanghai Pudong Development Bank) have a separate section/report on sustainability. DBS Holdings, for example, publishes a standalone report that provides an expanded account of progress in terms of supporting the United Nations' Sustainable Development Goals (UNSDGs) and material sustainability matters. Some of the banks from China, Malaysia and Thailand also have very detailed sustainability reports, such as Bank of Communications, China Everbright Bank, CIMB Group Holdings, Siam Commercial Bank and Kasikornbank.

Twenty-five of the banks have obtained independent assurance for their Sustainability Report, with 16 of the banks engaging Big 4 accounting firms to provide sustainability reporting assurance. Of these 16 banks, 12 used the same Big 4 accounting firm as their external auditors.

COMMUNITY ENGAGEMENT, CUSTOMER WELFARE AND SUSTAINABLE DEVELOPMENT ARE THE TOP THREE AREAS OF FOCUS IN SUSTAINABILITY REPORTS OF BANKS

When it comes to the specifics of sustainability reporting, many **banks** focus on areas such as community engagement (96%), customer welfare (90%) and sustainable development (90%). However, areas pertaining to anti-corruption (72%); borrowers and lenders selection procedures (66%) and safeguarding of creditors' rights (50%) tend to lag somewhat behind.

However, as part of the nationwide poverty alleviation campaign, most Chinese banks made extensive disclosures around their internal poverty alleviation programmes. Some included the development of an industry value chain, integrating employment opportunities with environmental protection effort, as seen for China Everbright Bank. Other banks such as the Agricultural Bank of China also extended credit provision for related projects, in support of the 2020 goal of eliminating residual poverty in the rural areas of China.

90% OF BANKS DISCLOSED POLICIES AND PRACTICES ON TRAINING AND DEVELOPMENT PROGRAMMES FOR EMPLOYEES BUT ONLY HALF OF THESE DISCLOSED STATISTICS SUCH AS EMPLOYEE PARTICIPATION RATE AND AVERAGE TRAINING HOURS

Regarding its employees, 80% disclosed the policies and practices on health, safety and welfare for its employees. Although 90% of **banks** disclosed the policies and practices on training and development programmes for its employees, only half of them published relevant statistics of employees' training and development programmes such as employee participation and average training hours per employee.

ALL 50 BANKS PROVIDED DETAILS FOR STAKEHOLDERS TO VOICE CONCERNS

All 50 **banks** provided contact details via the company's website or Annual Report which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.

9 OUT OF 10 INSURANCE COMPANIES HAVE A SEPARATE SECTION/REPORT ON SUSTAINABILITY, WITH INDIAN INSURANCE COMPANIES OFTEN NOT HAVING IT

All 50 **insurance companies**, except for four Indian companies and one South Korean company, have a separate section/report on sustainability.

Some of the insurance companies from China, Japan and Vietnam have very detailed sustainability reports, such as Ping An Insurance, Tokio Marine Holdings, MS&AD Holdings and Bao Viet Holdings.

1 OUT OF 3 INSURANCE COMPANIES WITH A SEPARATE SUSTAINABILITY REPORT/SECTION HAVE OBTAINED INDEPENDENT ASSURANCE FOR IT

Fifteen **insurance companies** have also obtained independent assurance over their sustainability reporting practices, with eight of the companies engaging Big 4 accounting firms to provide sustainability reporting assurance. Of the eight companies, three (AIA Group, MS&AD Holdings and T&D Holdings) used the same Big 4 accounting firm as their external auditors.

More consideration and focus are given to areas such as community engagement (94%), customer welfare (88%) and sustainable development (84%). However, when it comes to areas regarding anti-corruption (58%), safeguarding of creditors' rights (46%) and policy holder selection (42%), insurance companies tend to lag behind.

Separately, 86% of insurance companies disclosed the policies and practices implemented for employee health, safety and welfare. Although 74% of companies disclosed the policies and practices on employee training and development programmes, only 34% published relevant results of employees' training and development programmes such as employee participation and average training hours per employee.

ALL 50 INSURANCE COMPANIES PROVIDED DETAILS FOR STAKEHOLDERS TO VOICE CONCERNS

All 50 **insurance companies** provided contact details via the company's website or Annual Report which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights.

12 BANKS HAVE ADOPTED THE EQUATOR PRINCIPLES AS A FRAMEWORK FOR ASSESSING ENVIRONMENTAL AND SOCIAL RISKS IN THEIR FINANCING PRACTICES

In recent years, **banks** have begun to rethink their sustainability commitments, aimed at reducing environmental, social and governance (ESG) risk by way of exiting or rejecting certain investments or restricting access to credit for projects or portfolios which present a high ESG risk. More financial institutions are committing to responsible lending practices.

There has been a rise in the number of frameworks which aim to provide guidance for companies to adhere to. One of these is the Equator Principles (EPs), which is essentially a risk management framework used by financial institutions to assess their environmental and social risks, thereby promoting responsible decision-making in their evaluation process.[52] When banks adhere to the EPs, there is also a streamlined and consistent framework for annual reporting purposes, which helps ensure that disclosures by banks are comparable across economies and markets.

Twelve of the banks in our study declared their compliance with EPs during the period of our study – or are Equator Principles Financial Institutions (EPFIs). Amongst these, four are from Australia, one each from China and Hong Kong respectively, four from Japan, and two from Taiwan, as shown in Table 8.

TABLE 8: LIST OF 12 BANKS ADOPTING EQUATOR PRINCIPLES

Australia	China	Hong Kong	Japan	Taiwan
Commonwealth Bank of Australia	Industrial Bank	Hang Seng Bank	Mitsubishi UFJ Financial Group	Mega Financial Holding
Westpac Banking Corporation			Sumitomo Mitsui Financial Group	CTBC Financial Holding
National Australia Bank			Mizuho Financial Group	
Australia & New Zealand Banking			Sumitomo Mitsui Trust Holdings	

Note: DBS Group Holdings adopted EP after the period covered by our study.

4 IN 5 BANKS DISCLOSED A RESPONSIBLE FINANCING POLICY AND TWO-THIRDS HAVE COMMITTED TO UNSDGS IN TERMS OF SUSTAINABILITY PRINCIPLES

In spite of the low adoption rate, a majority (78%) of **banks** disclosed their commitment towards responsible lending and have integrated principles/guidelines on responsible financing in their business model. This was made apparent as part of sustainability reporting initiatives, with 66% committed to lending based on ESG factors.

Even though a majority of banks have not yet adopted the EP framework, 80% disclosed a responsible financing policy in place. A higher percentage of banks (66%) are instead committed to the equivalent UN Sustainable Development Goals (UNSDGs) in terms of sustainability principles.

NOTABLE EXAMPLE (I): SHINHAN FINANCIAL GROUP, SOUTH KOREA

The South Korean banking corporation has recently integrated sustainability into one of its leading principles for management and strategic objectives, by declaring its commitment to combating climate change. It has sought to expand its financing of businesses and projects with green initiatives, whilst balancing the need for appropriate risk governance and management measures to mitigate and reduce emerging climate risks.[53] This translated into a 20 trillion won (USD17.3 billion) pledge by the group in green investments to achieve a 20% reduction in greenhouse gas emissions (GHG) by 2030 - and this is in addition to the existing 16.8 trillion won (USD14.6 billion) worth of funds injected in support of green industries in the prior financial year.

NOTABLE EXAMPLE (II): KASIKORNBANK, THAILAND

Kasikornbank incorporated ESG factors into its business operations with several key features including the processes around customer due diligence. Kasikornbank implemented validation processes to ensure that its customers are granted a proper credit limit. However, the bank establishes the appropriateness of the credit limit at a level which is ascertained to produce no adverse impact on the economy, society and the environment. After approval of credit limits, the bank continues to monitor its customers as well as the usage of the credit facilities extended, to prevent any misalignment of credit usage with the objectives of the bank, and assess the repayment capabilities of customers in the event of disastrous circumstances. In addition, an Exclusion List has also been established for ineligible projects which the bank has refused credit to. These efforts reinforce the significance of sustainability and responsible lending to Kasikornbank, which has committed itself to business growth and advancement without necessarily compromising long term returns for stakeholders, society and the environment at large.

15 INSURANCE COMPANIES DISCLOSED THEIR COMMITMENT TO PRINCIPLES OF SUSTAINABLE INSURANCE

In 2012, the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) was launched. This is essentially a strategic approach for activities in the insurance value chain. Given that the insurance industry is risk-driven and focused, the sustainable angle emphasises the need for companies to consistently reduce risk whilst minimising their adverse impact on environmental, social and economic aspects.[54] However, in spite of the importance of aligning insurers in a global, concerted effort for better risk management, most APAC **insurance companies** do not disclose their commitment to the PSI, with only 15 companies in our study doing so (Table 9).

TABLE 9: LIST OF 15 INSURANCE COMPANIES DISCLOSING COMMITMENT TO PRINCIPLES FOR SUSTAINABLE INSURANCE

Principles for Sustainable Insurance					
Australia	China	Japan	Singapore	South Korea	Taiwan
Insurance Australia Group	Ping An Insurance	Tokio Marine Holdings	Great Eastern Holdings	Samsung Fire & Marine Insurance	Cathay Financial Holding
QBE Insurance		MS&AD Holdings		DB Insurance	Fubon Financial Holding
Medibank		Dai-ichi Life Holdings			
Challenger		Sompo Holdings			
		T&D Holdings			

23 INSURANCE COMPANIES HAVE A SUSTAINABILITY STEERING COMMITTEE AND ALMOST TWO THIRDS DISCLOSED PLANS AND STRATEGIES TO DEAL WITH MATERIAL ESG ISSUES

On the flip side, 46% of **insurance companies** disclosed a separate Sustainability Steering Committee, which is responsible for making recommendations and exercising oversight over sustainability strategies and solutions. In addition, 64% disclosed their plans and strategies to deal with material ESG issues. Hence, insurance companies appear to be largely committed to ensuring sustainability in their business practices, without necessarily being a signatory. Sixty-two percent of insurance companies disclosed that they do evaluate their responsible investment activities. However, only 36% of them disclosed the need to invest with external asset managers who support ESG principles.

ONLY 12 INSURANCE COMPANIES DISCLOSED THAT THEY ARE UN PRI SIGNATORIES

In addition to the UNEP FI PSI framework, there is also the Principles for Responsible Investment (PRIs), which comprise six principles as guidance for companies when incorporating ESG issues into investment decision-making.[55] Generally, the PRIs focus on encouraging asset owners to not only become responsible investors but ultimately also address the unsustainable aspects of the financial market. However, progress is slow as only 12 **insurance companies** are identified as UN PRI signatories. This underlines the need for insurance companies to take more active measures in ensuring that their responsible investment practices are concerted and transparent for stakeholders.

The only economies with insurers adopting the UN PRIs are Australia, Hong Kong, Japan and Taiwan, with Japanese insurers accounting for 6 out of the 12 doing so.

NOTABLE EXAMPLE: QBE INSURANCE, AUSTRALIA

As part of its sustainability reporting practices, QBE Insurance disclosed several key measures which facilitated its progress towards responsible investment. Firstly, it has a dedicated Responsible Investments (RI) team, with a direct reporting line to both the Group Chief Investment Officer and Group Chief Financial Officer. The insurer also ensures that its approach towards credit selection is appropriate with the integration of various ESG considerations into its credit analysis process. In addition, 85% of the external asset managers engaged with QBE Insurance are PRI signatories. Internally, QBE Insurance also strengthened its external fund manager review process as part of its manager selection and due diligence approach.[56]

15 BANKS AND 13 INSURANCE COMPANIES HAVE ADOPTED INTEGRATED REPORTING

In recent years, integrated reporting (IR) is being recognised as an essential framework for companies to improve and streamline their reporting practices. An integrated report represents a concise communication about the overall strategy, governance, performance and prospective performance, with the objective of sustained value creation.[57] Only 15 **banks** practised integrated reporting for their respective annual reports (Table 10).

TABLE 10: LIST OF 15 BANKS WITH INTEGRATED REPORTING

Integrated Reporting <IR>					
Australia	India	Japan	Malaysia	Singapore	Taiwan
Australia & New Zealand Banking	HDFC Bank	Mitsubishi UFJ Financial Group	Maybank	DBS Group Holdings	CTBC Financial Holding
National Australia Bank	ICICI Bank	Sumitomo Mitsui Financial Group		United Overseas Bank	
	Axis Bank	Japan Post Bank			
	IndusInd Bank	Mizuho Financial Group			
		Sumitomo Mitsui Trust Holdings			

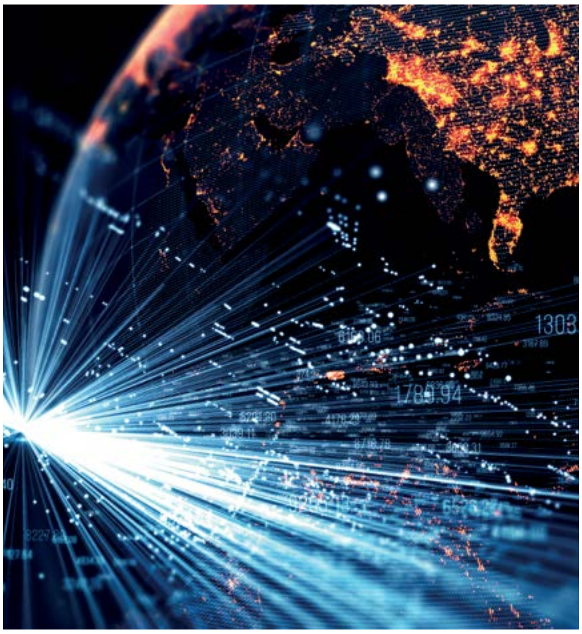
For insurance companies, only 13 practised integrated reporting in its annual report as shown in Table 11.

TABLE 11: LIST OF 13 INSURANCE COMPANIES WITH INTEGRATED REPORTING

Integrated Reporting <IR>						
India	Japan	Malaysia	South Korea	Sri Lanka	Taiwan	Vietnam
SBI Life Insurance	Tokio Marine Holdings	LPI Capital	DB Insurance	Union Assurance	Fubon Financial Holding	Bao Viet Holdings
ICICI Lombard General Insurance	MS&AD Holdings	Allianz Malaysia				
	Dai-ichi Life Holdings					
	Sompo Holdings					
	T&D Holdings					

CONCLUDING SUMMARY

On the whole, the large APAC financial institutions have been making the right strides in improving corporate governance and risk management practices. Compared to earlier reports on banks[58] and insurance companies[59], there is more diversity on boards, and better disclosures in remuneration, among others. Nevertheless, there is room for improvement and some financial institutions continue to lag.



This report also identified several emerging areas which boards and senior management of financial institutions should pay more attention to - corporate culture; technological disruption; cybersecurity; and sustainable financing, investing and reporting.

Consumers no longer look towards financial institutions for the sole purpose of accessing credit facilities or insurance cover. Rather, they are increasingly concerned about risks relating to their impact on the environment and society, and corporate misconduct. Stakeholders are now more insistent in holding banks and insurance companies accountable for their lending and investment decisions, and in doing so, have called for better disclosure and communications.

Banks and insurance companies have to acknowledge that corporate governance and risk management are not checklist exercises or mere compliance with capital market regulations. Rather, they are important tools in supporting value-creation on a sustainable basis. Financial institutions must elevate their strategies to create socially beneficial impacts for communities they operate in. This requires independent, competent, diverse and committed boards to place many of the issues discussed in this report onto their agendas and ensure that they are considered and embedded into strategic decisions.

APPENDICES

APPENDIX A: LIST OF BANKS BASED ON MARKET CAPITALISATION
(SOURCE: BLOOMBERG)

Rank	Bank	Economy	Market Capitalisation (USD)	Total Assets (USD)	Latest Accounts Date
1	Industrial and Commercial Bank of China Ltd	CN	261.49B	4026.97B	12/2018
2	China Construction Bank Corp	CN	184.66B	3376.13B	12/2018
3	Agricultural Bank of China Ltd	CN	167.10B	3286.98B	12/2018
4	Bank of China Ltd	CN	137.51B	3091.85B	12/2018
5	China Merchants Bank Co Ltd	CN	122.33B	980.70B	12/2018
6	Commonwealth Bank of Australia	AU	93.86B	721.04B	06/2019
7	HDFC Bank Ltd	IN	84.24B	169.36B	03/2019
8	Mitsubishi UFJ Financial Group	JP	66.09B	2889.64B	03/2019
9	Westpac Banking Corporation	AU	65.90B	636.38B	09/2018
10	Bank of Communications Co Ltd	CN	54.56B	1385.65B	12/2018
11	Industrial Bank Co Ltd	CN	53.87B	975.74B	12/2018
12	National AU Bank Ltd	AU	53.78B	583.51B	09/2018
13	Bank Central Asia Tbk PT	ID	52.19B	57.17B	12/2018
14	Australia & New Zealand Banking	AU	51.43B	681.99B	09/2018
15	Sumitomo Mitsui Financial Group Inc	JP	48.47B	1873.93B	03/2019
16	DBS Group Holdings Ltd	SG	46.35B	404.07B	12/2018
17	Shanghai Pudong Development Bank Co Ltd	CN	46.06B	914.39B	12/2018
18	Postal Savings Bank of China Co Ltd	CN	44.85B	1383.47B	12/2018
19	Japan Post Bank Co Ltd	JP	43.30B	1982.96B	03/2019
20	Hang Seng Bank Ltd	HK	42.19B	200.62B	12/2018
21	Kotak Mahindra Bank Ltd	IN	39.65B	51.85B	03/2019
22	BOC Hong Kong Holdings Ltd	HK	37.29B	377.02B	12/2018
23	Mizuho Financial Group Inc	JP	37.25B	1930.22B	03/2019
24	ICICI Bank Ltd	IN	37.18B	172.59B	03/2019
25	Bank Rakyat Indonesia Persero	ID	36.92B	89.89B	12/2018
26	State Bank of India	IN	36.50B	555.18B	12/2018
27	China CITIC Bank Corp Ltd	CN	34.95B	881.98B	12/2018
28	Oversea-Chinese Banking Corp Ltd	SG	34.57B	343.02B	12/2018
29	China Minsheng Banking Corp Ltd	CN	34.33B	871.53B	12/2018
30	Ping An Bank Co Ltd	CN	32.96B	497.00B	12/2018
31	United Overseas Bank Ltd	SG	31.28B	284.73B	12/2018
32	China Everbright Bank Co Ltd	CN	26.20B	633.47B	12/2018
33	Axis Bank Ltd	IN	24.32B	108.03B	03/2019
34	Bank Mandiri Persero Tbk PT	ID	24.16B	83.33B	12/2018
35	Malayan Banking Bhd	MY	23.08B	195.21B	12/2018
36	Public Bank Bhd	MY	19.73B	101.52B	12/2018
37	Bank of Ningbo Co Ltd	CN	16.83B	162.31B	12/2018
38	Shinhan Financial Group Co Ltd	KR	16.44B	412.75B	12/2018
39	Huaxia Bank Co Ltd	CN	15.73B	389.70B	12/2018
40	Siam Commercial Bank PCL	TH	14.50B	98.59B	12/2018
41	IndusInd Bank Ltd	IN	13.90B	34.02B	03/2019
42	KB Financial Group Inc	KR	13.61B	430.70B	12/2018
43	Mega Financial Holding Co Ltd	TW	13.40B	115.72B	12/2018

44	Sumitomo Mitsui Trust Holdings	JP	13.16B	643.54B	03/2019
45	Kasikornbank PCL	TH	13.02B	97.60B	12/2018
46	BDO Unibank Inc	PH	12.55B	57.70B	12/2018
47	CTBC Financial Holding Co Ltd	TW	12.40B	187.97B	12/2018
48	CIMB Group Holdings Bhd	MY	11.75B	121.94B	12/2018
49	Bangkok Bank PCL	TH	10.63B	96.41B	12/2018
50	Bank Negara ID Persero	ID	10.31B	56.05B	12/2018

APPENDIX B: LIST OF INSURANCE COMPANIES BASED ON MARKET CAPITALISATION (SOURCE: BLOOMBERG)

Rank	Insurance company	Economy	Market Capitalisation (USD)	Total Assets (USD)	Latest Accounts Date	Category
1	Ping An Insurance Group Co of CN Ltd	CN	225.76B	1038.45B	12/2018	Life
2	AIA Group Ltd	HK	121.89B	229.81B	12/2018	Life
3	China Life Insurance Co Ltd	CN	105.28B	473.13B	12/2018	Life
4	People's Insurance Co Group of China Ltd	CN	49.51B	149.98B	12/2018	P&C
5	China Pacific Insurance Group	CN	45.91B	194.22B	12/2018	Life
6	Tokio Marine Holdings Inc	JP	36.81B	215.87B	12/2018	P&C
7	New China Life Insurance Co Ltd	CN	19.59B	106.70B	12/2018	Life
8	MS&AD Insurance Group Holdings	JP	18.92B	211.57B	12/2018	P&C
9	Dai-ichi Life Holdings Inc	JP	16.69B	504.64B	12/2018	Life
10	Cathay Financial Holding Co Ltd	TW	16.21B	301.37B	12/2018	Life
11	Sompo Holdings Inc	JP	15.39B	112.49B	12/2018	P&C
12	HDFC Life Insurance Company Ltd	IN	15.15B	16.96B	03/2019	Life
13	Fubon Financial Holding Co Ltd	TW	14.32B	252.06B	12/2018	Life
14	Insurance Australia Group Ltd	AU	12.78B	22.009B	12/2018	P&C
15	Suncorp Group Ltd	AU	12.12B	73.447B	12/2018	P&C
16	SBI Life Insurance Co Ltd	IN	11.57B	18.684B	03/2019	Life
17	QBE Insurance Group Ltd	AU	11.08B	39.58B	12/2018	P&C
18	Sony Financial Holdings Inc	JP	9.44B	116.75B	12/2018	Life
19	Samsung Fire & Marine Insurance Co Ltd	KR	9.00B	71.32B	12/2018	P&C
20	China Taiping Insurance Holdings Co Ltd	HK	8.66B	96.03B	12/2018	Life
21	ICICI Prudential Life Insurance Co Ltd	IN	8.522B	21.771B	03/2019	Life
22	Japan Post Insurance Co Ltd	JP	8.11B	723.32B	12/2018	Life
23	Great Eastern Holdings Ltd	SG	8.00B	62.39B	12/2018	Life
24	ICICI Lombard General Insurance Co Ltd	IN	7.37B	4.567B	03/2019	P&C
25	China Reinsurance Group Corp	CN	7.04B	49.56B	12/2018	Reinsurance
26	T&D Holdings Inc	JP	6.62B	143.69B	12/2018	Life
27	Medibank Pvt Ltd	AU	6.45B	2.621B	06/2018	Life
28	General Insurance Corporation of India	IN	4.20B	17.268B	03/2019	P&C
29	ZhongAn Online P&C Insurance Co Ltd	CN	3.61B	3.83B	12/2018	P&C
30	DB Insurance Co Ltd	KR	2.86B	45.74B	12/2018	P&C

31	Challenger Ltd	AU	2.78B	18.71B	12/2018	Life
32	New India Assurance Company Ltd	IN	2.46B	13.067B	03/2019	P&C
33	Bao Viet Holdings	VN	2.30B	4.88B	12/2018	Life
34	Hyundai Marine & Fire Insurance Co Ltd	KR	1.81B	39.60B	12/2018	P&C
35	Orange Life Insurance Ltd	KR	1.76B	29.406B	12/2018	Life
36	Max Financial Services Ltd	IN	1.57B	8.49B	03/2019	Life
37	LPI Capital Bhd	MY	1.48B	1.03B	12/2018	P&C
38	Bangkok Life Assurance PCL	TH	1.13B	10.04B	12/2018	Life
39	Korean Reinsurance Co	KR	821.01M	9.65B	12/2018	P&C
40	Mercuries Life Insurance Co Ltd	TW	807.88M	37.37B	12/2018	Life
41	Allianz Malaysia Bhd	MY	628.30M	4.21B	12/2018	Life
42	Dhipaya Insurance Public Company Limited	TH	490.60M	1.391B	12/2018	P&C
43	Central Reinsurance Co Ltd	TW	338.7M	1.218B	12/2018	Reinsurance
44	United Overseas Insurance Ltd	SG	306.8M	0.448B	12/2018	P&C
45	MNRB Holdings Bhd	MY	197.6M	2.055B	03/2019	Reinsurance
46	TOWER Ltd	NZ	166.5M	0.445B	12/2018	P&C
47	Manulife Holdings Bhd	MY	131.3M	1.339B	12/2018	Life
48	Singapore Reinsurance Corp Ltd	SG	124.5M	0.600B	12/2018	Reinsurance
49	BIDV Insurance Corporation	VN	120.8M	0.221B	12/2018	P&C
50	Union Assurance PLC	LK	110.1M	0.269B	12/2018	Life

APPENDIX C: LIST OF BANKS' ABBREVIATIONS

Rank	Bank	Abbreviation
1	Industrial and Commercial Bank of China Ltd	Industrial and Commercial Bank of China
2	China Construction Bank	China Construction Bank
3	Agricultural Bank of China Ltd	Agricultural Bank of China
4	Bank of China Ltd	Bank of China
5	China Merchants Bank Co Ltd	China Merchants Bank
6	Commonwealth Bank of Australia	Commonwealth Bank of Australia
7	HDFC Bank Ltd	HDFC Bank
8	Mitsubishi UFJ Financial Group	Mitsubishi UFJ Financial Group
9	Westpac Banking Corporation	Westpac Banking Corporation
10	Bank of Communications Co Ltd	Bank of Communications
11	Industrial Bank Co Ltd	Industrial Bank
12	National AU Bank Ltd	National Australia Bank
13	Bank Central Asia Tbk PT	Bank Central Asia
14	Australia & New Zealand Banking	Australia & New Zealand Banking
15	Sumitomo Mitsui Financial Group Inc	Sumitomo Mitsui Financial Group
16	DBS Group Holdings Ltd	DBS Group Holdings
17	Shanghai Pudong Development Bank Co Ltd	Shanghai Pudong Development Bank
18	Postal Savings Bank of China Co Ltd	Postal Savings Bank of China
19	Japan Post Bank Co Ltd	Japan Post Bank
20	Hang Seng Bank Ltd	Hang Seng Bank
21	Kotak Mahindra Bank Ltd	Kotak Mahindra Bank
22	Bank of China (Hong Kong) Holdings Ltd	Bank of China (Hong Kong)
23	Mizuho Financial Group Inc	Mizuho Financial Group
24	ICICI Bank Ltd	ICICI Bank
25	Bank Rakyat Indonesia Persero	Bank Rakyat Indonesia
26	State Bank of India	State Bank of India
27	China CITIC Bank Corp Ltd	China CITIC Bank
28	Oversea-Chinese Banking Corp Ltd	Oversea-Chinese Banking Corporation
29	China Minsheng Banking Corp Ltd	China Minsheng Bank
30	Ping An Bank Co Ltd	Ping An Bank
31	United Overseas Bank Ltd	United Overseas Bank
32	China Everbright Bank Co Ltd	China Everbright Bank
33	Axis Bank Ltd	Axis Bank
34	Bank Mandiri Persero Tbk PT	Bank Mandiri
35	Malayan Banking Bhd	Maybank
36	Public Bank Bhd	Public Bank
37	Bank of Ningbo Co Ltd	Bank of Ningbo
38	Shinhan Financial Group Co Ltd	Shinhan Financial Group
39	Huaxia Bank Co Ltd	Huaxia Bank
40	Siam Commercial Bank PCL	Siam Commercial Bank
41	IndusInd Bank Ltd	IndusInd Bank
42	KB Financial Group Inc	KB Financial Group
43	Mega Financial Holding Co Ltd	Mega Financial Holding
44	Sumitomo Mitsui Trust Holdings	Sumitomo Mitsui Trust Holdings
45	Kasikornbank PCL	Kasikornbank
46	BDO Unibank Inc	BDO Unibank
47	CTBC Financial Holding Co Ltd	CTBC Financial Holding
48	CIMB Group Holdings Bhd	CIMB Group Holdings
49	Bangkok Bank PCL	Bangkok Bank
50	Bank Negara Indonesia Persero	Bank Negara Indonesia

APPENDIX D: LIST OF INSURANCE COMPANIES' ABBREVIATIONS

Rank	Insurance company	Abbreviation
1	Ping An Insurance Group Co of CN Ltd	Ping An Insurance
2	AIA Group Ltd	AIA Group
3	China Life Insurance Co Ltd	China Life Insurance
4	People's Insurance Co Group of China Ltd	People's Insurance Co Group of China
5	China Pacific Insurance Group	China Pacific Insurance
6	Tokio Marine Holdings Inc	Tokio Marine Holdings
7	New China Life Insurance Co Ltd	New China Life Insurance
8	MS&AD Insurance Group Holdings	MS&AD Holdings
9	Dai-ichi Life Holdings Inc	Dai-ichi Life Holdings
10	Cathay Financial Holding Co Ltd	Cathay Financial Holding
11	Sompo Holdings Inc	Sompo Holdings
12	HDFC Life Insurance Company Ltd	HDFC Life Insurance
13	Fubon Financial Holding Co Ltd	Fubon Financial Holding
14	Insurance Australia Group Ltd	Insurance Australia Group
15	Suncorp Group Ltd	Suncorp
16	SBI Life Insurance Co Ltd	SBI Life Insurance
17	QBE Insurance Group Ltd	QBE Insurance
18	Sony Financial Holdings Inc	Sony Financial Holdings
19	Samsung Fire & Marine Insurance Co Ltd	Samsung Fire & Marine Insurance
20	China Taiping Insurance Holdings Co Ltd	China Taiping Insurance
21	ICICI Prudential Life Insurance Co Ltd	ICICI Prudential Life Insurance
22	Japan Post Insurance Co Ltd	Japan Post Insurance
23	Great Eastern Holdings Ltd	Great Eastern Holdings
24	ICICI Lombard General Insurance Co Ltd	ICICI Lombard General Insurance
25	China Reinsurance Group Corp	China Reinsurance
26	T&D Holdings Inc	T&D Holdings
27	Medibank Pvt Ltd	Medibank
28	General Insurance Corporation of India	General Insurance Corporation of India
29	ZhongAn Online P&C Insurance Co Ltd	ZhongAn Online P&C Insurance
30	DB Insurance Co Ltd	DB Insurance
31	Challenger Ltd	Challenger
32	New India Assurance Company Ltd	New India Assurance
33	Bao Viet Holdings	Bao Viet Holdings
34	Hyundai Marine & Fire Insurance Co Ltd	Hyundai Marine & Fire Insurance
35	Orange Life Insurance Ltd	Orange Life Insurance
36	Max Financial Services Ltd	Max Financial Services
37	LPI Capital Bhd	LPI Capital
38	Bangkok Life Assurance PCL	Bangkok Life Assurance
39	Korean Reinsurance Co	Korean Reinsurance
40	Mercuries Life Insurance Co Ltd	Mercuries Life Insurance
41	Allianz Malaysia Bhd	Allianz Malaysia
42	Dhipaya Insurance Public Company Limited	Dhipaya Insurance
43	Central Reinsurance Co Ltd	Central Reinsurance
44	United Overseas Insurance Ltd	United Overseas Insurance
45	MNRB Holdings Bhd	MNRB Holdings
46	TOWER Ltd	Tower Insurance
47	Manulife Holdings Bhd	Manulife Holdings
48	Singapore Reinsurance Corp Ltd	Singapore Reinsurance
49	BIDV Insurance Corporation	BIDV Insurance
50	Union Assurance PLC	Union Assurance

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Professor Mak is a regular commentator and speaker on governance issues and conducts professional development programmes for new and experienced directors, including those in financial institutions, and also for regulators and other professionals.

Professor Mak received the Corporate Governance Excellence Award from The Securities Investors Association (Singapore) in 2014, in recognition of his contributions to corporate governance in Singapore. In 2015, he received the Regional Recognition Award for Corporate Governance Contribution from the Minority Shareholders Watchdog Group of Malaysia and was recognised by the Singapore Institute of Directors as a CG Pioneer.

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ENDNOTES

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