

Corporate Governance

(September 1, 2002 to August 31, 2003)



CORPORATE GOVERNANCE REPORT

SPH is committed to high standards of corporate governance and has adopted a framework of corporate governance policies and practices in line with the principles set out in the Code of Corporate Governance ("Code").

SPH has complied with the full requirements of the Code as well as the Singapore Exchange Listing Manual requirements. There are other sections in this annual report which have an impact on the disclosures required. The annual report should be read in totality for SPH's full compliance.

BOARD OF DIRECTORS

Currently, the Board comprises nine non-executive and independent directors, and one executive director. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 12 to 15 of the Annual Report.

The independence of each director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code's definition of what constitutes an independent director in its review. As a result of the NC's review of the independence of each director for this financial year, the NC is of the view that the non-executive directors are independent directors and further, that no individual or small group of individuals dominate the Board's decision making process. The NC is of the view that the current Board comprises persons who as a group, possesses the relevant qualifications, experience and core competencies necessary to manage the Company.

The Company's Articles of Association ("Articles") allow for the appointment of a maximum of 12 directors. The NC is of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations.

The Company has a separate Chairman and Chief Executive Officer ("CEO"). The Chairman is a non-executive and independent director.

The CEO is the chief executive in the Company and bears executive responsibility for the Company's business, while the Chairman bears responsibility for the workings of the Board. The Chairman and the CEO are not related.

The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Chairman reviews all board papers before they are presented to the Board and ensures that board members are provided with complete, adequate and timely information. As a general rule, board papers are sent to directors at least one week in advance in order for directors to be adequately prepared for the meeting. Senior management staff are invited to attend board meetings to answer any queries that the directors may have on the Company's operations.

The principal responsibilities of the Board are:

1. Reviewing and approving the corporate policies, strategies, budgets and financial plans of the Company;
2. Monitoring financial performance including approval of the annual and interim financial reports;
3. Reviewing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

4. Approving the nominations of directors and appointment of senior management, and determining and reviewing their remuneration levels;
5. Approving major funding proposals, investments, acquisitions and divestment proposals; and
6. Assuming responsibility for corporate governance.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Articles allow a board meeting to be conducted by way of a tele-conference. The attendance of the directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is disclosed below.

Directors' Attendance at Board and Board Committee Meetings

Name	Board		Executive Committee		Audit Committee		Nominating Committee		Remuneration Committee	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Lim Chin Beng (Chairman)	5	5	7	7	-	-	2	2	2	2
Alan Chan Heng Loon (CEO)	5	5	7	7	-	-	2	0 ⁺	-	-
Cheong Choong Kong	5	5	-	-	5	4	-	-	-	-
Michael Y.O. Fam	5	5	7	7	-	-	2	2	2	2
Lee Ek Tieng	5	5	-	-	5	5	-	-	-	-
Lee Hee Seng	5	5	-	-	-	-	2	2	2	2
Ngiam Tong Dow	5	5	7	5*	5	5	2	0 ⁺	2	1*
Tang I-Fang	5	5	-	-	5	5	-	-	-	-
Wee Cho Yaw	5	4	-	-	-	-	-	-	-	-
Yeo Ning Hong	5	4	-	-	-	-	-	-	2	2

Notes:

* Mr Ngiam Tong Dow attended all meetings of the Executive Committee and Remuneration Committee from the dates that he was appointed to the two committees.

⁺ Messrs Alan Chan Heng Loon and Ngiam Tong Dow were appointed to the Nominating Committee after the two meetings for the Nominating Committee were held.

Directors are kept informed about the relevant training available either inhouse or organised externally. An orientation programme will be organised for new directors to familiarise them with the Company's operations, organisation structure and corporate policies.

Directors may also request further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues from the management.

The Board is provided with quarterly financial accounts, other financial statements and progress reports of the Company's business operations. The directors may contact the Company's senior management through the company secretary or the CEO.

Should directors, whether as a group or individually, need independent professional advice, the company secretary will, upon direction by and approval of the Chairman or the CEO appoint a professional advisor to render the advice. The cost of such professional advice will be borne by the Company.

The company secretary attends all board meetings and is responsible to ensure that board procedures are followed. It is the company secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act. Together with the other management staff of SPH, the company secretary is responsible for compliance with all other statutes, rules and regulations which are applicable to the Company.

To facilitate effective management, certain functions have been delegated by the Board to various Board committees. Members of the Board and each Board Committee during the financial year are set out below:

Name of Director	Main Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Independent					
Lim Chin Beng	Chairman	Chairman	-	Member	Member
Cheong Choong Kong	Member	-	Member	-	-
Michael Y.O. Fam	Member	Member	-	Chairman	Chairman
Lee Ek Tieng	Member	-	Member	-	-
Lee Hee Seng	Member	-	-	Member	Member
Ngiam Tong Dow	Member	Member *	Member	Member *	Member *
Tang I-Fang	Member	-	Chairman	-	-
Wee Cho Yaw	Member	-	-	-	-
Yeo Ning Hong	Member	-	-	-	Member
Executive					
Lim Kim San #	Executive Chairman	Member	-	Member	Member
Alan Chan Heng Loon	Member	Member	-	Member ⁺	-

Notes:

Mr Lim Kim San was the Executive Chairman of the Board and a member of the Nominating and Remuneration Committees up to December 13, 2002 when he retired as a director. Mr Lim, Senior Advisor, remains a member of the Executive Committee, although he is no longer a director.

* Mr Ngiam Tong Dow was appointed to the Executive, Nominating and Remuneration Committees on December 13, 2002.

⁺ Mr Alan Chan Heng Loon was appointed to the Nominating Committee on December 13, 2002.

BOARD COMMITTEES

Executive Committee (EC)

The EC was constituted in 2002 and comprises five members, three of whom are independent non-executive directors. The EC is chaired by the Chairman of the Board.

The EC's principal responsibilities are:

1. To review, with management, and recommend to the Board the overall corporate strategy, objectives and policies of the Group, and monitor their implementation;
2. To consider and recommend to the Board, the Group's five year plan and annual operating and capital budgets;
3. To review and recommend to the Board proposed investments and acquisitions of the Company and its subsidiaries which do not fall within the Company's core businesses but which are considered strategic investments for the long-term prospects of the Company;
4. To approve the affixation of the Common Seal onto any document in accordance with the Company's Articles of Association;
5. To act on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board; and
6. To carry out such other functions as may be delegated to it by the Board.

Audit Committee (AC)

The AC comprises four members, all of whom are independent non-executive directors. All the members of the AC have many years of experience in board and senior management positions in the accounting and related financial fields. The AC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC performs the following main functions:

1. To review annual audit plans and audit reports of external and internal auditors;
2. To review the auditors' evaluation of the system of internal accounting controls;
3. To review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account of the Group before they are submitted to the Board for its approval;
4. To review the scope, results and adequacy of the internal audit function, procedures and its cost effectiveness;
5. To review any interested person transactions as defined under the Singapore Exchange Listing Manual;

6. To review the independence, objectivity and cost effectiveness of the external auditors and the nature and extent of non-audit services supplied by the external auditors so as to balance the maintenance of objectivity and value for money; and
7. To recommend to the Board the appointment of external auditors.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

The AC meets with the external and internal auditors, without the presence of management, at least once a year.

Internal Controls

In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which had come to their attention in carrying out their normal audit which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the AC.

The Internal Audit department ("IA") has an annual audit plan, which complements that of the external auditors. Amongst other things, the IA plan focuses on any internal control weaknesses highlighted in the external auditors' report and recommends improvements to work processes to enhance operational efficiency and effectiveness.

Based on the audit reports and management controls in place, the AC is satisfied that the internal control systems provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained and financial statements are reliable.

Risk Management

SPH understands the need for a consistent and continuous approach to enterprise-wide risk management as a key element in steering the operations through a period of change and in protecting shareholder value. During the year, SPH established a unit to oversee risk management to drive the development of an integrated risk management framework covering all functional areas of SPH business. There is also a Business Continuity Planning Committee, chaired by the Executive Vice President of Finance, which reviews the business impact and the disaster recovery plan for the critical operations in the Company.

Internal Audit

IA is staffed with eight audit executives, including the Head of Internal Audit, who is a Certified Internal Auditor (CIA) and a Certified Public Accountant (CPA). All staff have to adhere to a set of code of ethics adopted from The Institute of Internal Auditors, US (IIA). IA reports directly to the chairman of the AC on audit matters, and to the CEO on administrative matters. IA has adopted the Standards for Professional Practice of Internal Auditing set by IIA and ensures staff competency through specialised training and direct exposure to major business and support areas.

The AC reviews IA's reports on a quarterly basis. The AC also reviews and approves IA's annual audit plans and resources to ensure that IA has the necessary resources to adequately perform its functions.

All audit reports are submitted to the AC, for deliberation and information with copies extended to the CEO, relevant senior management and external auditors.

Interested Person Transactions

SPH has an internal policy in respect of any transactions with interested persons and has in place a process to review and approve any interested person transactions. For this financial year, there were no interested person transactions.

Nominating Committee (NC)

The NC comprises five members, of whom four, including the Chairman, are independent non-executive directors.

The NC's principal functions are:

1. To make recommendations to the Board on all board appointments;
2. To be responsible for the re-nomination of directors, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director;
3. To determine annually whether or not a director is independent, bearing in mind the circumstances set forth in paragraph 2.1 of the Code of Corporate Governance, and any other salient factors;
4. To decide whether or not a director is able to and has been adequately carrying out his duties as director of the Company;
5. To assess the effectiveness of the Board as a whole, the contribution by each individual director to the effectiveness of the Board and to decide how the Board's performance may be evaluated.

New directors are at present either appointed by way of a board resolution, after the NC approves their appointment or elected at the Annual General Meeting (AGM) of the Company. New directors appointed by way of Board resolution, must submit themselves for re-election at the next AGM of the Company.

Article 111 of the Articles requires one third of the directors, or the number nearest to one third, to retire by rotation at every AGM. Directors over 70 years of age are also required to be re-elected every year at the AGM under Section 153(6) of the Companies Act.

The Nominating Committee evaluated the Board's performance as a whole in this year based on performance criteria set by the Board. The performance criteria for the Board evaluation included an evaluation of size and composition of the Board, the Board's access to information, Board processes, Board performance in relation to discharging its principal functions and fiduciary duties and communication with top management.

The performance criteria do not include the financial indicators set out in the Code as guides for the evaluation of Directors, as the Board is of the view that these indicators are more appropriate measures of management's performance.

The Board is of the view that it is also more appropriate to focus on collective Board performance.

The Board and the NC have strived to ensure that directors appointed to the Board possess the requisite experience, knowledge and background critical to the Group's business.

Remuneration Committee (RC)

The RC comprises five directors, all of whom are non-executive and independent directors. Members of the RC are knowledgeable in the field of executive compensation and have access to expert advice inside and/or outside the Company.

The head of the Human Resources Division is secretary to the RC.

The RC's principal responsibilities are:

1. To recommend to the Board a framework of remuneration for the Board and key executives;
2. To determine specific remuneration packages for each executive director and the CEO or executive of similar rank if the CEO is not an executive director;
3. To recommend to the Board for endorsement the remuneration of the CEO;
4. To consider and approve salary and bonus recommendations in respect of senior executives;
5. To decide on all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, long term incentive schemes, including share schemes, and benefits in kind; and
6. To administer the share option scheme(s) adopted by the Group and to decide on the allocations and grants of options to eligible participants under the share option scheme(s).

The CEO's remuneration package includes a variable bonus element which is performance-related, and also stock options which have been designed to align his interests with those of the shareholders. As an executive director, the CEO does not receive directors' fees.

Non-executive directors have no service contracts. Non-executive directors, including the Chairman, are paid directors' fees, subject to approval at the AGM. A breakdown, showing the level and mix of each individual director's remuneration payable for this financial year is set out hereafter.

DISCLOSURE ON REMUNERATION

Directors' Remuneration

Directors of the Company receiving remuneration for this financial year:

Name of Director	Directors' Fees (%)	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
Executive					
\$1,500,000 to \$1,749,999					
Lim Kim San*	-	62	36	2	100
\$500,000 to \$749,999					
Alan Chan Heng Loon (CEO)	-	65.5	16.5	18	100
Independent					
Below \$250,000					
Lim Chin Beng (Chairman)	96.4	-	-	3.6	100
Cheong Choong Kong	100	-	-	-	100
Michael Y.O. Fam	100	-	-	-	100
Lee Ek Tieng	100	-	-	-	100
Lee Hee Seng	100	-	-	-	100
Ngiam Tong Dow	100	-	-	-	100
Tang I-Fang	100	-	-	-	100
Wee Cho Yaw	100	-	-	-	100
Yeo Ning Hong	100	-	-	-	100

Note:

* Remuneration in respect of his positions as Executive Chairman / Director up to December 13, 2002 and as Senior Advisor thereafter.

Remuneration of Executives

Number of top five executives of the Company (excluding Executive Directors named in the above table) in each remuneration band for this financial year:

Remuneration Bands	No of Executives
\$500,000 to \$749,999	1
\$250,000 to \$499,999	4
Total	5

The Company adopts a remuneration policy for staff comprising a fixed component, a variable component and benefits in kind. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company's and individual performance. The benefits in kind would include club and car benefits. The RC will approve the bonus for distribution to staff based on individual performance. Another element of the variable component is the grant of share options to staff under the share option scheme. This seeks to align the interests of staff with that of the shareholders.

The remuneration of directors and executives shown in the above tables excludes value of stock options granted and income derived from stock options exercised during the financial year under the Company's relevant share option schemes.

The Company does not employ any immediate family member of any director or the CEO.

COMMUNICATIONS WITH INVESTORS AND SHAREHOLDERS

The Company holds analysts' briefings of its half-year and full-year results and a media briefing of its full-year results. The half-year and full-year results are published through the MASNET, news releases and the Company's corporate website.

The Company will be adopting quarterly reporting of its results in the next financial year.

The Company does not practise selective disclosure. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Company has an investor relations team which communicates with its investors on a regular basis and attends to their queries. Shareholders or any member of the public may also post any queries via email to our corporate email address, sphcorp@sph.com.sg, and these will be attended to by the corporate relations team in the Company. All shareholders of the Company receive the annual report and notice of AGM. The notice is also advertised in the newspapers.

The annual report is available on the Company's corporate website, www.sph.com.sg. At AGMs, shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company. The Articles allow a member of the Company to appoint one or two proxies to attend and vote instead of the member. The Articles currently do not allow a member to vote in absentia.

CODE OF BUSINESS ETHICS

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of its employees who are required to observe and maintain high standards of integrity.

DEALINGS IN SECURITIES

The Group has adopted an internal code in conformity with the provisions of the Best Practices Guide in the Singapore Exchange Listing Manual to provide guidance to its directors and key executives in relation to the dealings in the Company's securities. In line with the guidelines, directors and key executives of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's securities during the periods commencing one month before the announcement of the Group's financial results and ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. A system of reporting of securities dealings by directors to the company secretary and by key executives to the head of Human Resources Division, has also been established to effectively monitor the dealings of these parties in the securities of the Company.