

Corporate Governance Report

SPH is committed to achieving high standards of corporate governance, to promote corporate transparency, and protect and enhance shareholder value. It has adopted a framework of corporate governance policies and practices in line with the principles and best practices set out in the Code of Corporate Governance (Code).

SPH has complied with the requirements of the Code as well as the Singapore Exchange Listing Manual (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.

SPH has received recognition in the form of accolades and awards from the investment community for its good corporate governance practices and transparency in management and reporting (please refer to page 26 for details).

BOARD OF DIRECTORS

Board's Conduct of its Affairs

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 on page 42. A Director who fails to attend three Board

or Board Committee meetings consecutively, without good reason, will not be nominated by the Nominating Committee for re-appointment and will be deemed to have resigned.

The Chairman leads the Board to ensure its effectiveness on all aspects of its role. He ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the Chief Executive Officer (CEO). He ensures effective communications with shareholders, facilitates effective communications between the Board and the Management, and promotes high standards of corporate governance. The Chairman 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 Group's operations. The Directors may from time to time, also request to meet without Management's

presence. In the last financial year, the Board had met without the CEO and other management staff's presence.

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 and the Listing Manual. 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.

The Company has in place financial authorization and approval limits for operating and capital expenditure, credit lines and acquisition and disposal of assets and investments.

Access to Information

The Board is provided with quarterly financial accounts, other financial statements and progress reports of the Group's business operations. Directors have unrestricted access to the Company's senior management.

Should Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the Company Secretary will appoint a professional advisor to render the advice and keep the Audit Committee informed of such advice. The cost of such professional advice will be borne by the Company.

Board Composition

Currently, the Board comprises 11 Directors, all of whom, except for the CEO, are non-executive and independent directors. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 14 to 17 of the annual report. No former chief executive officer of the Company is a Director.

The Company's Articles allow for the appointment of a maximum of 12 Directors. The size and composition of the Board are reviewed from time to time by the Nominating Committee (NC), which is of the view that the current Board size (of 11 Directors) is appropriate, taking into account the nature and scope of the Group's operations.

The NC is also of the view that the current Board comprises persons who as a group, possess the relevant qualifications, experience and core competencies necessary to manage the Company.

The independence of each Director is reviewed annually by the 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.

Chairman and CEO

The Company has a separate Chairman and 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.

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Board Membership and Renewal Process

The NC recommends all appointments and re-appointments of Directors to the Board and the Board Committees. All Directors are required to hold at least one management share each under the Articles of Association of the Company, subject to the approval of the Minister for Communications, Information and the Arts.

New Directors are at present appointed by way of a board resolution, after the NC recommends their appointment for the approval of the Board. New Directors thus appointed by way of board resolution must submit themselves for re-election at the next AGM.

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. These Directors may offer themselves for re-election, if eligible. Directors of or over 70 years of age are required to be re-elected every year at the AGM under Section 153(6) of the Companies Act before they can continue to act as a Director.

Board Performance

The NC evaluated the Board's performance as a whole, and that of individual Directors, in this year based on performance criteria set by the Board. The performance criteria included an evaluation of the 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, attendance record, and intensity and quality of participation at meetings.

Director Training

Directors are kept informed of the relevant training available either inhouse or organised externally. A comprehensive orientation programme and site visits are organized for new Directors to familiarize them with the Group's operations, organization structure and corporate policies, to give them a better understanding of SPH's business and the media industry, and to help them settle into their new roles. They are briefed on the Company's corporate governance practices and the regulatory regime, and are updated from time to time on changes in relevant laws and regulations

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

BOARD COMMITTEES

To facilitate effective management, certain functions have been delegated by the Board to various Board Committees, which review and make recommendations to the Board on specific areas.

Executive Committee (EC)

The EC currently comprises seven members, five of whom are independent non-executive directors. They are:

- Lim Chin Beng (Chairman)
- Cham Tao Soon
- Lim Kim San
- Chan Heng Loon Alan
- Ngiam Tong Dow
- Sum Soon Lim
- Tony Tan Keng Yam

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;

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| <p>2. To consider and recommend to the Board, the Group's five year plan and annual operating and capital budgets;</p> <p>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;</p> <p>4. To oversee the enterprise risk management function, by ensuring the implementation of a formal risk management framework for the Group;</p> <p>5. To approve the affixation of the Common Seal onto any document in accordance with the Company's Articles of Association;</p> <p>6. To act on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board; and</p> <p>7. To carry out such other functions as may be delegated to it by the Board.</p> | <p>four members, all of whom are independent non-executive directors. They are:</p> <ul style="list-style-type: none"> • Sum Soon Lim (Chairman) • Willie Cheng Jue Hiang • Cheong Choong Kong • Lee Ek Tieng <p>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 NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.</p> <p>The AC performs the following main functions:</p> <ol style="list-style-type: none"> 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 approval; | <p>4. To review the scope, results and adequacy of the internal audit function, procedures and its cost effectiveness;</p> <p>5. To review any interested person transactions as defined under the Listing Manual;</p> <p>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;</p> <p>7. To recommend to the Board the appointment of external auditors; and</p> <p>8. To oversee any internal investigation into cases of fraud and irregularities.</p> <p>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.</p> <p>The AC meets with the external and internal auditors, without the</p> |
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Audit Committee (AC)

The AC currently comprises

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presence of Management, at least once a year. The audit partner of the external auditors is rotated every five years, in accordance with the requirements of the Listing Manual.

Internal Controls

In the course of their statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have 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 Division (IAD) has an annual audit plan, which complements that of the external auditors. IAD's plan focuses on material internal control systems including financial, operational, IT and compliance controls, and risk management. IAD also provides advice on security and control in new systems development, recommends improvements to the effectiveness and economy of operations, and contributes to risk management and corporate governance

processes. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC.

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.

Internal Audit

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

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

Nominating Committee (NC)

The NC currently comprises five members, all of whom are independent non-executive directors. They are:

- Lee Ek Tieng (Chairman)
- Lim Chin Beng
- Ngiam Tong Dow
- Philip N Pillai
- Tony Tan Keng Yam

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 and participation) 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; and
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.

Remuneration Committee (RC)

The RC currently comprises five Directors, all of whom are independent non-executive directors. They are:

- Ngiam Tong Dow (Chairman)
- Cham Tao Soon
- Lim Chin Beng
- Tony Tan Keng Yam
- Yeo Ning Hong

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,

whilst the Company Secretary is the administrator of the Group's share option scheme.

The RC's principal responsibilities are:

1. To recommend to the Board of Directors 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 Group's share option scheme and

to decide on the allocations and grants of options to eligible participants under the share option scheme.

The RC also reviews the succession plan of key executives of the Group, including the CEO.

DISCLOSURE ON REMUNERATION **Directors' Remuneration**

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 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 the financial year ended August 31, 2005 is as follows:

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Name of Director	Directors' Fees (%)	Base/ Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
Executive Directors					
<i>\$1,000,000 to \$1,249,999</i>					
Chan Heng Loon Alan	–	59.22	38.17	2.61	100
Independent Directors					
<i>Below \$250,000</i>					
Lim Chin Beng (Chairman)	85.02	–	–	14.98	100
Cham Tao Soon (Deputy Chairman)	100	–	–	–	100
Willie Cheng Jue Hiang	100	–	–	–	100
Cheong Choong Kong	100	–	–	–	100
Michael Y.O. Fam (retired on 6.12.2004)	100	–	–	–	100
Lee Ek Tieng	100	–	–	–	100
Ngiam Tong Dow	100	–	–	–	100
Philip N Pillai	100	–	–	–	100
Sum Soon Lim	100	–	–	–	100
Tang I-Fang (retired on 6.12.2004)	100	–	–	–	100
Yeo Ning Hong	100	–	–	–	100

Remuneration of Executives

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

Remuneration Bands	No. of Executives
\$1,000,000 to \$1,249,999	1
\$750,000 to \$999,999	–
\$500,000 to \$749,999	2
\$250,000 to \$499,999	2
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 the value of stock options granted and income derived from stock options exercised during the financial year under the Company's share option scheme. Only executive directors may participate in the share option scheme. Non-executive directors are not eligible to do so under the scheme rules.

The Singapore Financial Reporting Standard (FRS) 102 on Share-based Payment requires an entity to reflect in its profit or loss and financial position the effects of share-based transactions, including expenses associated with transactions in which share

options are granted to employees. This standard will apply to the Group from the financial year beginning 1 September 2005, whereby the value of stock options granted and income derived from stock options will be reflected in the Group's financial statements and disclosures.

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

COMMUNICATIONS WITH INVESTORS AND SHAREHOLDERS & SHAREHOLDER PARTICIPATION AT AGM

The Company holds analysts' briefings of its half-year and full-year results and a media briefing of its full year results. The quarterly financial results are published through the SGXNET, news releases and the Company's corporate website. Notice of the date of release of the results is given through SGXNET a few days before the publication.

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

financial report, and, on request, the full annual report, and notice of AGM, which is held within four months after the close of the financial year. The notice is also advertised in the newspapers. The summary financial report and the annual report are also available on the Company's corporate website, www.sph.com.sg.

All Directors, including the Chairmen of the EC, AC, NC and RC and senior management are in attendance at the AGMs and Extraordinary General Meetings to allow shareholders the opportunity to air their views and ask Directors or management questions regarding the Company. The external auditors are also invited to attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report.

The Articles allow a shareholder to appoint one or two proxies to attend and vote instead of the shareholder. The Articles currently do not allow a shareholder to vote in absentia.

The Company is in full support of shareholder participation at AGMs. For those who hold their shares through CPF nominees and who are not registered as shareholders of the Company, the Company welcomes them to attend the AGM as observers.

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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.

CODE OF BUSINESS ETHICS

The Group has an existing Code of Employee Conduct and Business Ethics Policy. This regulates the ethical conduct of its employees who are required to observe and maintain high standards of

integrity, and also sets out a fraud management policy.

DEALINGS IN SECURITIES

The Group has adopted an internal code in conformity with the provisions of the Best Practices Guide in the Listing Manual to provide guidance to its Directors and key staff in relation to the dealings in the Company's securities. In line with the guidelines, Directors and key staff 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 two weeks before the

announcement of the Group's first and third quarter financial results and one month before the announcement of the Group's half year and full year financial results, and ending on the date of the announcement of such results respectively, 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 staff 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.

DIRECTORS' ATTENDANCE RECORD AT BOARD AND BOARD COMMITTEE MEETINGS

for the financial year ended August 31, 2005

Name of Director	Main Board	Executive Committee	Audit Committee	Remuneration Committee
Lim Chin Beng (Chairman)	6 out of 6	3 out of 4	–	2 out of 2
Cham Tao Soon (Deputy Chairman)	5 out of 6	4 out of 4	–	2 out of 2 [^]
Chan Heng Loon Alan (CEO)	6 out of 6	4 out of 4	–	–
Willie Cheng Jue Hiang	6 out of 6	–	4 out of 4	–
Cheong Choong Kong	5 out of 6	–	4 out of 4	–
Michael Y.O. Fam (retired on 6.12.04)	1 out of 1	1 out of 1	–	–
Lee Ek Tieng	5 out of 6	–	3 out of 4	–
Ngiam Tong Dow	6 out of 6	3 out of 4	–	2 out of 2
Philip N Pillai	3 out of 6	–	–	– [^]
Sum Soon Lim	6 out of 6	3 out of 3 [@]	3 out of 4	–
Tang I-Fang (retired on 6.12.04)	1 out of 1	–	1 out of 1	–
Yeo Ning Hong	6 out of 6	–	–	2 out of 2

Notes :

[@] **Executive Committee**

Mr Sum Soon Lim was appointed as member on 6.12.2004

[^] **Remuneration Committee**

Prof Cham Tao Soon was appointed as member on 6.12.2004.

Dr Philip N Pillai resigned as a member on 6.12.2004

Nominating Committee

There was no Nominating Committee meeting during the Financial Year.

ENTERPRISE RISK MANAGEMENT

SPH recognizes the importance of enterprise risk management process (ERM) and has set up an ERM unit, which reports to the Executive Committee.

SPH has institutionalized its risk management practices under a formal ERM framework in 2004, with the assistance of external consultants. The ERM framework seeks to help senior management better define and manage uncertainties and threats to the Group's businesses. The framework incorporates a continuous and iterative 4-step process for enhancing risk awareness and promoting a culture of risk management across the organisation:

- **Identification.** Significant risks, in the broad areas of strategic, regulatory, operational, and financial are systematically identified, evaluated and prioritised based on consequence and likelihood of occurrence. Key stakeholders such as shareholders, partners, customers and employees are considered.
- **Treatment.** Risk treatment plans are determined for the prioritised risks, and treatment owners identified.

- **Monitoring.** The ERM Unit provides the EC with six-monthly reports and updates on major risks faced by SPH, and progress of risk treatment plans. Any new risk of significance will be reported for review accordingly. The progress is reported to the Board.
- **Review.** Annual reviews of the risks are conducted to evaluate the risk profile, strategies, and adequacy and effectiveness of the risk treatment plans.

Recognising that each of the broad risk areas – strategic, regulatory, operational, financial – will contain multiple levels of risk and corresponding ownership, SPH continues to enhance implementation of the ERM framework in 2005 by integrating risk management activities at various levels as follows:

- **Enterprise Level Risks.** These are major threats and events that may significantly disrupt the Group's business as a whole or affect long-term goals and objectives of the Group. They include emerging threats and opportunities. The Executive Committee and senior management review these risks and their corresponding treatment action plans.

- **Operational Level Risks.** Issues in Business Continuity Management (BCM) as well as functional and process risks that could cause disruption to the business are considered Operational Level Risks. Senior management and the BCM Committee review these risks and corresponding treatment plans.

The integrated framework implementation helps embed risk management processes at all levels of SPH, ensures that risks at various levels are being managed and monitored, and allows significant risks to be surfaced for review at enterprise level.