

# Corporate Governance Report

SPH is committed to achieving high standards of corporate governance, to promote corporate transparency and to enhance shareholder value. It firmly believes that good corporate governance is essential to the sustainability of the Company's business and performance. SPH is pleased to confirm that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). In so far as any guideline has not been complied with, the reason has been provided.

The Annual Report should be read in totality for SPH's full compliance.

## BOARD MATTERS

### Board's Conduct of its Affairs

#### *Principle 1: Board's Leadership and Control*

The Board is collectively responsible for providing overall strategy and direction to the Management and the Group. Through the Board's leadership, the Group's businesses are able to achieve sustainable and successful performance.

The principal functions of the Board are as follows:

- (a) decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- (b) oversee the business and affairs of the Company, establish with Management the strategies and financial objectives to be implemented by Management, and monitor the performance of Management;
- (c) oversee processes for evaluating the adequacy and effectiveness of internal controls and risk management systems;
- (d) set the Company's values and standards (including ethical standards); and
- (e) consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Matters requiring the Board's decision and approval include:

1. Major funding proposals, investments, acquisitions and divestments including the Group's commitment in terms of capital and other resources;
2. Annual budgets and financial plans of the Group;
3. Annual and quarterly financial reports;
4. Internal controls and risk management strategies and execution; and
5. Appointment of directors and key management staff, including review of their performance and remuneration packages.

The Group has in place, financial authorisation limits for matters such as operating and capital expenditure, credit lines and acquisition and disposal of assets and investments, which require the approval of the Board.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. However, to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to various Board Committees, which would submit its recommendations or decisions to the Board. The Board Committees constituted by the Board are the Executive Committee ("EC"), Audit Committee ("AC"), Remuneration Committee ("RC"), Nominating Committee ("NC") and Board Risk Committee ("BRC"). Each of these Board Committees has its own terms of reference.

The EC is chaired by Dr Lee Boon Yang, and comprises Mr Lucien Wong, Mr Bahren Shaari, Mr Quek See Tiat and Mr Chan Heng Loon Alan.

The EC's principal responsibilities are as follows:-

- (a) review, with Management, and recommend to the Board the overall corporate strategy, objectives and policies of the Group, and monitor their implementation;
- (b) consider and recommend to the Board, the Group's five year plan and annual operating and capital budgets;
- (c) review and recommend to the Board proposed investments and acquisitions of the Group which are considered strategic for the long-term prospects of the Group;
- (d) approve the Company's asset allocation strategy, appointment and termination of external fund managers and investment/ divestment of securities and review investment guidelines, treasury management and investment performance;
- (e) act on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board; and
- (f) carry out such other functions as may be delegated to it by the Board.

Details of other Board Committees are as set out below:

1. Audit Committee (principle 12);
2. Remuneration Committee (principle 7);
3. Nominating Committee (principle 4); and
4. Board Risk Committee (principle 11).

### Board Attendance

The Board meets on a quarterly basis and as warranted by particular circumstances. The Board met six times in the financial year ended 31 August 2015 ("FY2015"), of which four were the regular quarterly meetings and two were meetings to discuss other important and strategic matters. A Director who is unable to attend any meeting in person may participate via tele-conference. The attendance of the Directors at meetings of the Board and Board Committees, and the frequency of such meetings, is disclosed on page 95. A Director who fails to attend three Board meetings consecutively, without good reason, will not be nominated by the NC for re-appointment and will be deemed to have resigned.

### Training for Directors

Upon the appointment of a Director, he is provided with a formal letter setting out his key responsibilities.

A comprehensive orientation and induction programme, including site visits to the Group's operations centres, is organised for new Directors to familiarise them with the Group's business, operations, organisation structure and corporate policies. They are briefed on the Company's corporate governance practices, regulatory regime and their duties as Directors. Directors are updated regularly on changes in relevant laws and regulations; industry developments; business initiatives and challenges; and analyst and media commentaries on matters related to the Company and the media industry.

Directors are informed of and encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange Limited, and business and financial institutions and consultants.

For FY2015, Directors were provided with training in the areas of audit committee duties, cyber security and the digital media market, in addition to updates on internal controls and regulatory requirements such as the Companies (Amendment) Act 2014 and the Personal Data Protection Act.

Directors may, at any time, request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from Management.

They are also informed about matters such as the Code of Dealings in the Company's shares as they are privy to price sensitive information.

# Corporate Governance Report

## Board Composition and Guidance

### *Principle 2: Strong and Independent Board*

Currently, the Board comprises 10 Directors, all of whom, except for the Chief Executive Officer (“CEO”), are non-executive and independent Directors. Each Director has been appointed on the strength of his/her calibre and experience. As a group, the Directors possess core competencies such as accounting, finance, legal, business or management experience, industry knowledge and strategic planning experience. The Directors have decided that as a guide, the Board should have a maximum of 12 Directors, given that the optimum size of a Board for effective deliberation and decision making is between 10 and 12.

There is a strong and independent element on the Board, with the NC considering 9 out of 10 Directors to be independent. The independence of each Director is assessed by the NC in accordance with Guideline 2.3 of the Code.

In relation to Mr Lucien Wong, the NC has determined that even though the total fees billed by Allen & Gledhill (of which Mr Wong is a partner) to the Group in FY2015 exceeded S\$200,000, his independence had not been compromised as this amount did not constitute a significant proportion of the law firm’s total legal fees.

Ms Janet Ang is Vice-President of Systems of Engagement & Smarter Cities, IBM Asia Pacific. It was noted that IBM had transactions with SPH of more than S\$200,000 in the last financial year, but that her independence had not be compromised as SPH was not amongst IBM’s top 30 accounts and IBM’s business with SPH did not represent a significant portion of IBM’s total revenue.

For the above reasons, the NC has determined Mr Wong and Ms Ang to be independent Directors.

Key information regarding the Directors, including directorship and chairmanship both present and those held over the preceding three years in other listed companies, and other principal commitments, are set out in the Board of Directors’ section and on pages 26 to 29 which provide further information on them.

The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of strategic objectives. All Board members are supplied with relevant, complete and accurate information on a timely basis and non-executive Directors may challenge Management’s assumptions and also extend guidance to Management, in the best interest of the Group.

Non-executive Directors meet regularly without the presence of Management.

## Chairman and Chief Executive Officer

### *Principle 3: Clear division of responsibilities between Chairman and Chief Executive Officer to ensure a balance of power and authority*

The Chairman and CEO of the Company are separate persons. The Chairman is a non-executive and independent Director and also chairs the EC and the RC. He sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive Directors, and ensures effective communications with shareholders. He takes a lead role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Chairman and the CEO are not related. The CEO bears executive responsibility for the Group's business and implements the Board's decisions. The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Company does not have any lead independent Director given that the Chairman and CEO are not the same person and are not immediate family members; the Chairman is not a part of the management team and is an independent Director.

## Board Membership

### *Principle 4: Formal and transparent process for appointment and re-appointment of directors*

The Board reviews the composition of the Board and Board Committees periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

To ensure that the governance and business needs of the Group are adequately addressed, the NC regularly reviews the capabilities of the Directors collectively by taking into account their skills, experience, gender, and company and industry knowledge.

The NC is chaired by Mr Ng Ser Miang and comprises Dr Lee Boon Yang, Ms Chong Siak Ching and Mr Lucien Wong.

The functions of the NC include the following:

- (a) identify candidates for nomination and make recommendations to the Board on all board appointments;
- (b) re-nominate directors, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. As a principle of good corporate governance, all directors are required to submit themselves for re-nomination and re-election at regular intervals and at least every three years;
- (c) determine annually whether a director is independent;
- (d) review the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, and its size and composition;
- (e) develop and recommend to the Board a process for evaluation of the performance of the Board, Board Committees and directors;
- (f) assess the effectiveness of the Board, the Board Committees and the contribution by each individual director to the effectiveness of the Board;
- (g) review and recommend to the Board the succession plans for directors, in particular, the Chairman and the Chief Executive Officer;
- (h) review and recommend the training and professional development programmes for the Board; and
- (i) review the succession plans and the development programmes for key executive/editorial positions.

The NC reviews the size of the Board and recommends that the optimum board size should not exceed 12. The NC regularly reviews the balance and mix of expertise, skills and attributes of the Directors in order to meet the business and governance needs of the Group.

# Corporate Governance Report

## Process for selection of new Directors

The NC shortlists candidates with the appropriate profile for nomination or re-nomination and recommends them to the Board for approval. It looks out for suitable candidates to ensure continuity of Board talent. Some of the selection criteria used are integrity, independent mindedness, diversity of competencies, ability to commit time and effort to the Board, track record of good decision-making, experience in high-performing companies and financial literacy. The Committee may seek advice from external search consultants where necessary.

The appointment of Directors is also in accordance with Section 10 of the Newspaper and Printing Presses Act (Cap 206).

The Board does not appoint alternate directors, as recommended by Guideline 4.5 of the Code.

## Directors' time commitment

The NC has adopted internal guidelines addressing competing time commitments that arise when Directors serve on multiple boards and have other principal commitments. As a guide, Directors should not have more than six listed company board representations and other principal commitments.

The NC monitors and determines annually whether Directors who have multiple board representations and other principal commitments, are able to give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director and his actual conduct on the Board, in making this determination.

The NC was satisfied that in FY2015, despite their other listed company board representations and/or other principal commitments, each of the Directors was able to give sufficient time and attention to the affairs of the Company, and was able to adequately carry out his duties as a Director of the Company.

## Re-nomination of Directors

As a matter of corporate governance, all Directors are required to submit themselves for re-nomination and re-election at regular intervals, and at least once every three years. Article 111 of the Company's Articles of Association ("Articles") requires one-third of the Directors, or the number nearest to but not less than one-third, to retire by rotation at every annual general meeting ("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.

## Succession Planning

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors and the CEO to ensure the progressive and orderly renewal of the Board.

## Review of Directors' Independence

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director bearing in mind the Code's definition of an "independent director" and guidance as to the relationships, the existence of which would deem a Director not to be independent (Guideline 2.3).

The NC has ascertained that for the period under review, all non-executive Directors are independent and that Directors have devoted sufficient time and attention to the Group's affairs.

## Board Performance

*Principle 5: Formal assessment of the effectiveness of the Board, Board Committees and contribution of each director*

The NC reviews the performance of the Board, Board Committees and individual Directors on an annual basis, based on performance criteria as agreed by the Board, and decides how this may be evaluated.

The Board has implemented a process for assessing the effectiveness of the Board as a whole, its Board Committees and for assessing the contribution by the Chairman and individual Directors to the effectiveness of the Board.

## Board Evaluation Process

The Board evaluation process involves having Directors complete a Questionnaire seeking their views on various aspects of Board performance, such as Board composition, information, process and accountability. The Company Secretary compiles Directors' responses to the Questionnaire into a consolidated report. The report is discussed at the NC meeting and also shared with the Board. The NC assessed the performance of the Board as a whole, taking into account the Board's composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of the Board's principal functions and fiduciary duties, and guidance to and communication with the Management.

## Individual Director Evaluation

As from FY2015, the Board also conducted a peer and self evaluation to assess the performance of individual Directors. Performance criteria include factors such as the Director's attendance, preparedness, candour, participation and contribution at Board meetings, industry and business knowledge, functional expertise, and commitment and dedication. The results of the peer and self evaluation are compiled by the Group Company Secretary and given to the Board Chairman, who assesses the performance of the individual Directors, and will discuss with each individual Director if needed.

## Access to Information

*Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis*

### Complete, adequate and timely information

The Board is provided with quarterly financial accounts, other financial statements and progress reports of the Group's business operations, as well as analysts' reports on the Company. The quarterly financial results and annual budget are presented to the Board for approval. The monthly internal financial statements are made available to members of the Board. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period. The Board also receives regular updates on the industry and technological developments. Such reports enable Directors to keep abreast of key issues and developments in the industry, as well as challenges and opportunities for the Group.

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 attends Board meetings to answer any query from the Directors. The Directors also have unrestricted access to the Company Secretary and Management at all times. Directors are entitled to request from Management and provided with such additional information as needed to make informed and timely decisions.

# Corporate Governance Report

## Company Secretary

The Company Secretary works closely with the Chairman in setting the agenda for Board meetings. She attends all Board meetings and ensures that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flow within the Board and its Board Committees, and between Management and non-executive Directors. The Company Secretary also organises orientation and training for new Directors, as well as provides updates and advises Directors on all governance matters. The Articles provide that the appointment and removal of the Company Secretary is subject to the approval of the Board.

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 relevant advice. The cost of such professional advice will be borne by the Company.

## Remuneration Matters

### *Principle 7: Formal and transparent procedure for fixing remuneration packages of directors*

The RC is chaired by Dr Lee Boon Yang and comprises Mr Lucien Wong, Ms Tan Yen Yen and Ms Chong Siak Ching, all of whom are non-executive and independent Directors.

The functions of the RC include the following:

- (a) review and recommend to the Board of Directors a framework of remuneration for the Board, Chief Executive Officer ("CEO") and key executives;
- (b) review and recommend to the Board the specific remuneration packages for each director, the CEO and key executives;
- (c) review all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;
- (d) review and administer the share and other incentive scheme(s) adopted by the Group and decide on the allocations to eligible participants under the said scheme(s); and
- (e) review the Company's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC sets the remuneration guidelines of the Group for each annual period, including the structuring of long-term incentive plans, annual salary increases and variable and other bonuses for distribution to employees. It administers the SPH Performance Share Plan ("Share Plan") and the Singapore Press Holdings Group (1999) Share Option Scheme ("1999 Scheme"). The RC also reviews the remuneration framework (covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind) and specific remuneration packages of Directors including that of the CEO, and key management and submits its recommendations to the Board for endorsement. The RC reviews any overly-generous obligation on the part of the Company in the event of termination, to ensure that such contracts contain fair and reasonable termination clauses. The RC also aims to be fair and avoids rewarding poor performance.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the top five key management personnel in FY2015.

The RC may seek expert advice inside and/or outside of the Company on remuneration of Directors and staff. It ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. In FY2015, Carrots Consulting was engaged to advise on staff remuneration matters; they do not have such relationships with the Company.

### Level and Mix of Remuneration

*Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management*

The level and mix of remuneration for Directors and key management is set out under Principle 9. The Company takes into account its long term interests and risk policies and has structured remuneration packages on measured performance taking into account financial and non-financial factors.

### Disclosure on Remuneration

*Principle 9: Clear disclosure on remuneration policy, level and mix*

#### Directors' Remuneration

For the period under review, the CEO's remuneration package includes a variable bonus element and performance share grant, which are based on the Company's and individual performance and 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, including the Chairman, are paid Directors' fees, subject to the approval of shareholders at the AGM. Directors' fees comprise a basic retainer fee, fees in respect of service on Board Committees, attendance fees, and, where appropriate, fees for participation in special projects, adhoc committees and subsidiary boards. The Directors' fees are appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors.

The Directors' fee structure for service on the Board and Board Committees is as follows:

	S\$
Non-executive Chairman	115,000
Deputy Chairman	78,000
Non-executive Director	60,000
Audit Committee Chairman	37,500
Audit Committee Member	22,500
Nominating/Remuneration/Board Risk Committee Chairman	22,500
Nominating/Remuneration/Board Risk Committee Member	12,500
Executive Committee Chairman	40,000
Executive Committee Member	25,000

The attendance fees payable to Directors for attendance at each Board and Board Committee meeting are as follows:

	S\$
Board meeting	2,000
Board Committee or adhoc committee meeting	1,000



# Corporate Governance Report

A breakdown, showing the level and mix of each individual Director's remuneration payable for FY2015 is as follows:-

Name of Director	Directors' Fees S\$	Base/Fixed Salary %	Variable or Bonuses %	Benefits in Kind %	Share-Based* %	Total S\$
<b>Executive Director</b>						
Chan Heng Loon Alan (CEO)	-	31.33%	34.52%	1.20%	32.96%	2,920,000

\* Based on the fair value of performance shares granted in FY2015.

<b>Independent Directors Below S\$250,000</b>						
Lee Boon Yang (Chairman)	212,000	-	-	-	-	212,000
Janet Ang <sup>1</sup>	89,750	-	-	-	-	89,750
Bahren Shaari	138,375	-	-	-	-	138,375
Chong Siak Ching	103,500	-	-	-	-	103,500
Ng Ser Miang	91,000	-	-	-	-	91,000
Quek See Tiat	145,750	-	-	-	-	145,750
Tan Chin Hwee	113,000	-	-	-	-	113,000
Tan Yen Yen	101,000	-	-	-	-	101,000
Lucien Wong Yuen Kuai	127,875	-	-	-	-	127,875
Cham Tao Soon (Deputy Chairman) <sup>2</sup>	35,375	-	-	-	-	35,375
Sum Soon Lim <sup>3</sup>	35,000	-	-	-	-	35,000

Notes:

1. Ms Janet Ang was appointed as a Director on 17 October 2014.
2. Prof Cham Tao Soon resigned as a Director on 2 December 2014.
3. Mr Sum Soon Lim resigned as a Director on 2 December 2014.

### Remuneration of Key Management Personnel

The Company adopts a remuneration system that is responsive to the market elements and performance of the Company and business divisions respectively. Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the names of the Company's top five executives. The remuneration of the CEO is set out above. The remuneration of the top five executives of the Company in each remuneration band for this financial year is set out below.

### Key Management Personnel

Remuneration Bands	No. of Executives	Base/Fixed Salary %	Variable or Bonuses %	Benefits in Kind %	Share-Based* %	Total %
Between \$1,500,000 to \$1,749,999	1	38.07%	32.34%	0.04%	29.55%	100%
Between \$1,000,000 to \$1,249,999	2	35.44%	35.90%	0.87%	27.79%	100%
Between \$750,000 to \$999,999	2	46.60%	28.34%	5.99%	19.07%	100%

\* Based on the fair value of performance shares granted in FY2015.

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 include club and car benefits. The RC approves the bonus for distribution to staff based on individual performance.

The annual aggregate remuneration paid to the top five key management personnel of the Company (excluding the CEO) for FY2015 is S\$5,310,000

No employee of the Group was an immediate family member of any Director or the CEO and whose remuneration exceeded S\$50,000 per annum, during this financial year.

### Long Term Incentive Plan

The above remuneration bands include performance shares granted to staff under the Share Plan. The Share Plan was approved by shareholders at an Extraordinary General Meeting held on December 5, 2006 and is administered by the RC.

Staff who participate in the Share Plan are a selected group of employees of such rank and service period as the RC may determine or as selected by the RC. Awards initially granted under the Share Plan are conditional and based on performance assessed over a multi-year performance period. The conditions for such awards were chosen as they reflect medium to longer-term corporate objectives and include both market and non-market conditions. Market conditions include Absolute Total Shareholder Return versus cost of equity and Relative Total Shareholder Return against ST All-Share Index. Non-market conditions include Newspaper Business Free Cash Flow, market competitiveness, quality of returns including sales, efficiency, productivity and profit, and business and productivity growth.

The Share Plan contemplates the award of fully-priced shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions are met, and upon expiry of the prescribed vesting periods.

# Corporate Governance Report

Senior executives are encouraged to hold a minimum number of shares under the share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

Furthermore, under an Economic-Value-Added or EVA-driven performance bonus scheme for senior executives, a notional variable bonus bank account is set up for each participating senior executive, into which the annual performance bonus earned by him each year is credited. 1/3 of the total variable bonus bank account, which includes the balance brought forward from the previous year, is paid out, with the balance 2/3 carried forward to the next year. Key senior executives in the Group have been on this EVA-driven performance bonus scheme since the mid-2000s.

Further details on the 1999 Scheme and the Share Plan and the incentives issued, can be found in the Directors' Statement and Notes to the Financial Statements.

Under the 1999 Scheme and the Share Plan, the RC has the discretion to determine if an executive is involved in misconduct, resulting in the forfeiture or lapse of the incentive components of his remuneration or awards, to the extent that such incentive or award has not been released or disbursed.

## Accountability and Audit

### *Principle 10: Board presents the company's performance, position and prospects*

The Board announces its quarterly and full-year financial results which present a balanced and informed assessment of the Company's performance, position and prospects via public announcements and through the SGXNET.

The Board takes adequate steps through the establishment of appropriate internal policies to ensure compliance with legislative and regulatory requirements, including requirements under the SGX Listing Manual.

The Management provides the Board with management accounts and such explanation and information on a regular basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

## Risk Management and Internal Controls

### *Principle 11: Sound system of risk governance and internal controls*

The BRC assists the Board in overseeing the risk governance in the Company to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets.

It also determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The BRC is made up of four non-executive and independent Directors, namely, Mr Quek See Tiat (Chairman), Mr Tan Chin Hwee, Ms Tan Yen Yen and Ms Janet Ang. Mr Quek, Mr Tan and Ms Ang are members of both the BRC and the AC. The BRC's objectives include the following:

- (a) Oversee and advise the Board on the Group's risk exposure, risk appetite and risk strategy;
- (b) Review and guide Management in the formulation of the Group's risk policies and in the execution of risk assessment processes and mitigation strategies; and
- (c) Provide the Group with appropriate direction in identifying the risks which may arise when in pursuit of the goals and strategies and determining measures to mitigate the risks.

The Risk Management Department implements the Group's risk management policies and processes, and develops the framework to assist the operating units in identifying, monitoring and managing the risks within the Group. The framework strengthens the Group's capability to recognise and capitalise on new challenges and opportunities so as to add value to Management's decision-making, business planning, resource allocation and operational management. The BRC reviews the Group's risk appetite framework and risk tolerance for the enterprise risks. Using qualitative and quantitative measures, risks are calibrated so that balanced control processes are matched against the strategic objectives of each business unit.

The Risk Management Report is found on pages 96 to 98.

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 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. 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 CEO and Chief Financial Officer at the financial year-end have provided assurances on the integrity of the financial records/statements, as well the effectiveness of the Company's risk management and internal control systems.

Such assurances include the following:

- internal controls were established and maintained; and
- the Company's internal controls were effective as at the end of the financial year.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and regular reviews performed by Management, the Board and relevant Board Committees, the AC and the Board are of the opinion that the Group's risk management systems and internal controls were adequate and effective as at 31 August 2015 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

### Code of Dealings in Securities

The Group has in place a Code of Dealings in SPH securities, which prohibits dealings in SPH securities by all Directors of the Company and its subsidiaries, and certain employees, within certain trading periods. The "black-out" periods are two weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month prior to the announcement of the Company's full year financial statements. Directors and employees are also reminded to observe insider trading laws at all times, and not to deal in SPH securities when in possession of any unpublished price-sensitive information regarding the Group, or on short-term considerations. The Company issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealings in listed securities of the Group as set out above, in compliance with Rule 1207(19) of the SGX Listing Manual.

# Corporate Governance Report

## AUDIT COMMITTEE

### *Principle 12: Establishment of an Audit Committee with written terms of reference*

The AC currently comprises four members, all of whom are independent non-executive Directors. The Chairman of the AC is Mr Bahren Shaari and its members are Mr Quek See Tiat, Mr Tan Chin Hwee and Ms Janet Ang.

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 given their experience as directors and/or senior management in accounting and financial fields. The AC performs the functions as set out in the Code, including the following:

- (a) review the annual audit plans and audit reports of external and internal auditors;
- (b) review the balance sheet and profit and loss accounts of the Company and the consolidated balance sheet and profit and loss accounts of the Group before they are submitted to the Board for approval;
- (c) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (d) review the auditors' evaluation of the system of internal accounting controls;
- (e) review the adequacy and effectiveness of the Company's internal controls;
- (f) review the scope, results and effectiveness of the internal audit function;
- (g) review the scope, results and effectiveness of the external audit, and the independence and objectivity of the external auditors annually, and the nature and extent of non-audit services supplied by the external auditors so as to maintain objectivity;
- (h) make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (i) review the Company's whistle-blowing policy, and to ensure that arrangements are in place for concerns about possible improprieties in matters of financial reporting or other matters to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (j) oversee any internal investigation into cases of fraud and irregularities;
- (k) review any interested person transaction;
- (l) approve the hiring, removal, evaluation and compensation of the head of the internal audit function; and
- (m) ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

The AC has the authority to investigate any matter within its terms of reference, full access to and co-operation by Management, and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets with the external and internal auditors, in each case, without the 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 SGX Listing Manual.

Quarterly financial statements and the accompanying announcements are reviewed by the AC before presentation to the Board for approval, to ensure the integrity of information to be released.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the auditors' evaluation of the system of internal accounting controls; the adequacy and effectiveness of the Company's internal controls; the annual audit plan of the external and internal auditors and the results of the audits performed by them; and the list of interested person transactions. It also reviewed the scope, results and effectiveness of the internal audit and external audit functions; the independence and objectivity of the

external auditors and the non-audit services rendered by them; and the re-appointment of the external auditors and their remuneration. Management's assessment of fraud risks, adequacy of the whistle-blower arrangements and whistle-blower complaints are reviewed by the AC.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants.

#### External Auditors

The AC has conducted an annual review of the performance of the external auditor and 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. Details of the aggregate amount of fees paid to the external auditors for FY2015, and a breakdown of the fees paid in total for audit and non-audit services, respectively, can be found on page 183.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX Listing Manual.

None of the AC members is a former partner of the Group's existing auditing firm.

#### Code of Business Ethics and Employee Conduct Policy

The Group has an existing Code of Business Ethics and Employee Conduct Policy ("Ethics Code"), which is posted on the Company's intranet website, to regulate the ethical conduct of its employees.

#### Whistleblowing Policy

The Group also has a Whistleblowing Policy & Procedure which is posted on the SPH Corporate website, to allow staff and external parties such as suppliers, customers, contractors and other stakeholders, to raise concerns or observations in confidence to the Company, about possible irregularities for independent investigation and appropriate follow up action to be taken. Such concerns include dishonesty, fraudulent acts, corruption, legal breaches and other serious improper conduct; unsafe work practices and any other conduct that may cause financial or non-financial loss to the Group or damage to the Group's reputation. The Whistleblowing Policy encourages staff and external parties to identify themselves whenever possible to facilitate investigations, but will also consider anonymous complaints, in certain circumstances. It makes available to staff and external parties the contact details of the Receiving Officer, who may also forward the concern to the respective Heads of Division, CEO, AC Chairman and/or Chairman.

#### Internal Audit

*Principle 13: Establishment of an internal audit function that is independent of the functions it audits*

IAD is staffed by nine audit executives, including the Head of Internal Audit. Most of the IAD staff have professional qualifications, and are members of the Institute of Internal Auditors, Inc. ("IIA"). Some are qualified IT auditors and/or Certified Fraud Examiners. All IAD staff have to adhere to a set of code of ethics adopted from The Institute of Internal Auditors, Inc. 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 the recruitment of suitably qualified and experienced staff, provision of formal and on-the-job training, and appropriate resource allocation in engagement planning.

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

The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function and she is provided with access to the AC.

# Corporate Governance Report

## Shareholder Rights & Responsibilities

### *Principle 14: Fair and equitable treatment of shareholders*

The Group encourages shareholder participation, and ensures that shareholders have the opportunity to participate effectively at general meetings.

All SPH shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights.

To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Shareholders are also informed of rules, including voting procedures that govern the general meeting.

Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. The Company's Articles also allow any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

## Communication with Shareholders

### *Principle 15: Regular, effective and fair communication with shareholders*

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. A webcast of the half-year and full-year results briefing is also available on the website. The date of release of the results is announced through SGXNET two weeks in advance. The Company also conducts analysts' briefings and investor roadshows to maintain regular dialogue with shareholders as well as to solicit and understand the views of shareholders. Information disclosed is as descriptive, detailed and forthcoming as possible. Details are set out on pages 70 and 71. The SPH investor relations team, together with senior management, communicate with investors.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released through SGXNET, either before the Company meets with any 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](http://www.sph.com.sg).

SPH has been declaring dividends at half-year and final year-end. Any payouts are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results.

## Conduct of Shareholder Meetings

### *Principle 16: Greater shareholder participation at AGMs*

The Articles allow a shareholder to appoint one or two proxies to attend and vote instead of the shareholder. The Company does not allow a shareholder to vote in absentia at general meetings, except through the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their vote in their stead.

Resolutions are, as far as possible, structured separately and may be voted on independently. All polls are conducted in the presence of independent scrutineers. The Company also conducts electronic poll voting to ensure greater transparency and efficiency in the voting procedures. The results of the electronic poll voting are published instantaneously at the meeting.

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.

The Company prepares minutes of general meetings and makes these minutes available to shareholders upon their request.

All Directors, including the chairmen of the EC, AC, NC, RC and BRC, 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 also 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.

### Directors' attendance at Board and Board Committee Meetings (for the financial year ended 31 August 2015)

Name of Director <sup>1</sup>	Board	Executive Committee	Audit Committee	Remuneration Committee	Nominating Committee	Board Risk Committee
Lee Boon Yang (Chairman)	5 out of 5	6 out of 6	-	3 out of 3	3 out of 3	-
Cham Tao Soon <sup>1</sup> (Deputy Chairman)	1 out of 1	1 out of 1	-	-	1 out of 1	-
Chan Heng Loon Alan (CEO)	4 out of 5	6 out of 6	-	-	-	-
Bahren Shaari	5 out of 5	4 out of 5 <sup>2</sup>	4 out of 4	1 out of 1 <sup>2</sup>	-	-
Chong Siak Ching	5 out of 5	-	1 out of 1 <sup>3</sup>	2 out of 2 <sup>3</sup>	3 out of 3	-
Ng Ser Miang	4 out of 5	-	-	-	3 out of 3	-
Quek See Tiat	5 out of 5	5 out of 5 <sup>4</sup>	4 out of 4	-	-	3 out of 3
Tan Chin Hwee	5 out of 5	1 out of 1 <sup>5</sup>	4 out of 4	-	-	3 out of 3
Sum Soon Lim <sup>1</sup>	1 out of 1	1 out of 1	1 out of 1	-	-	1 out of 1
Tan Yen Yen	5 out of 5	-	-	3 out of 3	-	3 out of 3
Lucien Wong Yuen Kuai	5 out of 5	6 out of 6	-	3 out of 3	2 out of 2 <sup>6</sup>	-
Janet Ang Guat Har	4 out of 4 <sup>7</sup>		2 out of 3 <sup>7</sup>			1 out of 2 <sup>7</sup>

Notes:

1. Prof Cham Tao Soon and Mr Sum Soon Lim resigned as directors on 2 December 2014.
2. Mr Bahren Shaari was appointed as a member of the Executive Committee and resigned as a member of the Remuneration Committee on 2 December 2014.
3. Mr Chong Siak Ching resigned as a member of the Audit Committee and was appointed as a member of the Remuneration Committee on 2 December 2014.
4. Mr Quek See Tiat was appointed as a member of the Executive Committee on 2 December 2014.
5. Mr Tan Chin Hwee is not a member of the Executive Committee but was invited to attend a meeting on 19 June 2015.
6. Mr Lucien Wong was appointed as a member of the Nominating Committee on 2 December 2014.
7. Ms Janet Ang was appointed as a Director on 17 October 2014 and was appointed as a member of the Audit Committee and as a member of the Board Risk Committee on 2 December 2014.