

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. Whilst we are not required to comply with the revised Code of Corporate Governance (2018), we have where possible adhered to its spirit and intent.

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. The 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 comprises Dr Lee Boon Yang (Chairman), Mr Bahren Shaari, Mr Quek See Tiat and Mr Ng Yat Chung.

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 at least on a quarterly basis and as warranted by particular circumstances. The Board met seven times in the financial year ended 31 August 2018 ("FY2018"), of which four were the regular quarterly meetings and three 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 93. 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 duties and obligations. A comprehensive orientation and induction programme, including site visits to the Group's operating centres, is organised for new Directors to familiarise them with the Group's business, operations, organisation structure and corporate policies. They are also briefed on the Company's corporate governance practices, the prevailing 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 its businesses. As part of the Directors' ongoing training, Directors are informed and encouraged to attend, at the Company's expense, relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange, and other business and financial institutions and consultants.

For FY2018, Directors were provided with training in the areas of audit committee duties, disruptive technologies, digital strategies and cybersecurity trends, in addition to updates on regulatory and reporting requirements such as the Singapore Exchange Securities Trading Limited ("SGX") Listing Manual, Companies Act, Code of Corporate Governance and financial reporting standards.

Directors may, at any time, request for further explanation, 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.

## Board Composition and Guidance

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

As at the date of this report, the Board comprises nine Directors, all of whom, except for the CEO, are non-executive and independent Directors. Each Director has been appointed on the strength of his/her calibre and experience.

SPH is committed to building an open, inclusive and collaborative culture, and recognises the benefits of having a Board with diverse backgrounds and experience. It has adopted a Board Diversity Policy which recognises that a diverse Board will enhance the decision-making process by utilising the variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board so that, as a whole, it reflects a range of different perspectives, complementary skills and experiences, which is likely to result in better decision-making. Such diversity will provide a wider range of perspectives, skills and experience, which will allow Board members to better identify possible risks, raise challenging questions, and contribute to problem-solving.

The NC will, in reviewing and assessing the composition of the Board and recommending the appointment of new directors to the Board, consider candidates on merit against the objective criteria set and with due regards for the benefits of diversity on the Board.

The Board and NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, gender, knowledge and competencies such as accounting, finance, legal, information and digital technology, business or management experience, industry knowledge and strategic planning experience.

The Directors have, with the concurrence of the NC, decided that the optimum size of a Board for effective deliberation and decision making should not exceed 12, taking into account the nature and scope of the operations of the Company, the requirements of the Company's businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

### 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).

There is a strong independence element in the Board, with the NC considering eight out of its current nine Directors to be independent. The NC has ascertained that for the period under review, all the non-executive Directors are independent. For transparency, the NC has set out its determination of the independence of Mr Andrew Lim and Ms Janet Ang.

The NC (save for Mr Andrew Lim who abstained from deliberation in this matter) noted that Mr Andrew Lim, who was appointed to the Board of the Company on 1 January 2017, is a partner of Allen & Gledhill LLP, which is one of the law firms providing legal services to the Group. Mr Lim had declared to the NC that he did not have a 5% or more stake in Allen & Gledhill LLP, which received total fees and disbursements exceeding S\$200,000 from the Group in FY2018 for the provision of legal services. The NC also took into account Mr Lim's actual performance on the Board and Board Committees and agreed that Mr Lim has at all times discharged his duties with professionalism and objectivity, and exercised strong independent judgment in the best interests of the Company, and should therefore continue to be deemed an independent Director.

The NC noted that Ms Janet Ang is the Vice-President, IBM Asia Pacific, which has business dealings with the Group. Ms Ang had declared to the NC that she did not have a 5% or more stake in IBM and as an employee of IBM, did not participate in the negotiation of contracts or business dealings between SPH and IBM, which had transactions of more than S\$200,000 in FY2018. The NC also took into account Ms Ang's actual performance on the Board and Board Committees and agreed that Ms Ang has at all times discharged her duties with professionalism and objectivity, and exercised strong independent judgment in the best interests of the Company, and should therefore continue to be deemed an independent Director.

For the above reasons, the NC has determined Mr Lim 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 18 to 25 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 interests of the Group.

To facilitate open discussions and the review of the performance and effectiveness of Management, the independent and non-executive Directors regularly meet without the presence of Management or the executive Director for informal discussions. This includes a continual review of the performance and effectiveness of Management in meeting agreed goals and objectives, and succession planning and leadership development.

### **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, and that the Chairman is not 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, diversity, and company and industry knowledge.

The NC comprises Mr Bahren Shaari (Chairman), Dr Lee Boon Yang, Ms Chong Siak Ching and Mr Andrew Lim, all of whom are non-executive and independent Directors.

The functions of the NC include the following:

- (a) To identify candidates for nomination and make recommendations to the Board on all board appointments;
- (b) To 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.
- (c) To determine annually whether a director is independent;

- (d) To review the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, and its size and composition.
- (e) To develop and recommend to the Board a process for evaluation of the performance of the Board, Board Committees and directors;
- (f) To assess the effectiveness of the Board, the Board Committees and the contribution by each individual director to the effectiveness of the Board;
- (g) To review and recommend to the Board the succession plans for directors, in particular, the Chairman and the Chief Executive Officer;
- (h) To review and recommend the training and professional development programmes for the Board; and
- (i) To 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.

### 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, 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 have 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 is satisfied that in FY2018, despite their other listed company board representations and 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 116 of the Company's Constitution requires one-third of the Directors for the time being, or if their number is not a multiple of three, 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.

### 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, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

## 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 a process for assessing the effectiveness of the Board as a whole and 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 the performance of the Board and Board Committees, 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, based on performance criteria (determined by the NC and approved by the Board), such as 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 Management. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code.

### Individual Director Evaluation

The Company 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 Company Secretary and given to the Board Chairman, who assesses the performance of the individual Directors, and will discuss with each individual Director if necessary.

## 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 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.

### 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 Constitution provides 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 comprises Dr Lee Boon Yang (Chairman), Ms Tan Yen Yen, Ms Chong Siak Ching and Mr Tan Chin Hwee, 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, 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 to 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 2016 which was approved by shareholders at the Annual General Meeting on 1 December 2016 ("Share Plan"). The RC also reviews the remuneration framework (covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, 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 avoid rewarding poor performance.

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. WillisTowersWatson Consulting (Singapore) Pte Ltd and Mercer (Singapore) Pte Ltd, the consultants engaged to advise on staff remuneration matters in FY2018, do not have such relationship with the Company.

## Level and Mix of Remuneration

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

The Company takes into account its long term interests and risk policies and has structured remuneration packages on measured performance indicators, taking into account financial and non-financial factors. The details are set out under Principle 9.

## 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, such that the independence of the non-executive Directors is not compromised by their compensation.

The Directors' fee structure for service on the Board and Board Committees remains unchanged from that of FY2017, with the scale of fees payable to the non-executive Directors held flat since 2007, and is as follows:

	S\$
Non-executive Chairman	115,000
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

Each of the non-executive Directors (including the Chairman) will receive 75% of his total Directors' fees in cash ("Cash Component") and 25% in the form of SPH shares ("Remuneration Shares") (both amounts subject to adjustment as described below). The actual number of Remuneration Shares, to be purchased from the market for delivery to the respective non-executive Directors, will be based on the market price of the Company's shares on the SGX on the date of the purchase. The actual number of Remuneration Shares will be rounded down to the nearest thousand and any residual balance will be paid in cash. Such incorporation of an equity component in the total remuneration of the non-executive Directors is intended to achieve the objective of aligning the interests of the non-executive Directors with those of the shareholders' and the long-term interests of the Company. The aggregate Directors' fees for non-executive Directors is subject to shareholders' approval at the Annual General Meeting. The Chairman and the non-executive Directors will abstain from voting in respect of this resolution.

A breakdown, showing the level and mix of each Director's remuneration payable for FY2018 is as follows:-

Executive Director	Base/Fixed Salary %	Variable Bonus %	Benefits in Kind %	Total Cash & Benefits (\$)
Ng Yat Chung	50.37	49.62	0.01	1,900,000

Performance shares granted, vested and lapsed for Mr Ng as at 31 August 2018 are as follows:

Performance Share Plan							
		Vested		Lapsed		Released	
Awards	Granted (no of shares)	Estimated Value of Shares (\$) <sup>(1)</sup>	(no of shares)	(no of shares)	Date	(no of shares)	Value of Shares Vested <sup>(2)</sup> (\$)
2018 Awards	93,000	272,490			13.1.2019		
					13.1.2020		
					13.1.2021		
2018 Awards	285,600	634,032			13.1.2021		

Notes:

- Based on the fair values of performance shares granted in FY2018, as at date of grant.
- Based on the market price of the shares when the shares are credited into the employee's CDP account. As at 31 August 2018, no awards under the 2016 Share Plan have been vested or released.

Independent Directors	Base/Fixed Salary (\$)	Variable or Bonuses (\$)	Benefits-in-Kind (\$)	Directors' Fees (\$)		Total Remuneration (\$)
				Cash Component*	Shares Component*	
Lee Boon Yang (Chairman)	-	-	-	158,500	51,500	210,000
Janet Ang Guat Har	-	-	-	85,250	26,750	112,000
Bahren Shaari	-	-	-	96,625	27,875	124,500
Chong Siak Ching	-	-	-	77,750	24,250	102,000
Andrew Lim Ming-Hui	-	-	-	106,125	32,375	138,500
Quek See Tiat	-	-	-	108,875	34,625	143,500
Tan Chin Hwee	-	-	-	84,250	27,750	112,000
Tan Yen Yen	-	-	-	78,750	24,250	103,000

\* The amounts stated may be adjusted as indicated in the foregoing paragraph.

### 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.

The Board is of the view that, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Company operates and the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place, it is in the best interests of the Company to not disclose the names of the Company's top five key management personnel (who are not Directors or the CEO). The remuneration of the CEO is set out above. The remuneration of the top five key management personnel (who are not Directors or CEO) of the Company as at the end of the financial year are set out below in remuneration bands of \$250,000.

	No. of Executives	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Share-based * (%)	Total (%)
Between \$1,250,000 to \$1,499,999	1	38.75%	27.42%	0.27%	33.56%	100%
Between \$750,000 to \$999,999	1	49.35%	28.29%	0.09%	22.27%	100%
Between \$500,000 to \$749,999	1	72.03%	27.89%	0.08%	0.00%	100%
Between \$0 to \$249,999	2	83.83%	16.17%	0.00%	0.00%	100%

\* Based on the fair values of performance shares granted in FY2018, as at date of grant.

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 the Company's and individual performance.

The annual aggregate remuneration paid to the top five key management personnel of the Company (excluding the CEO) for FY2018 is S\$3,163,000. This does not represent their remuneration for the full financial year as some of these personnel had joined the Company or assumed their current position in the course of the financial year. Their remuneration for the full financial year will be reflected in the following year's report.

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.

The Company has also, in respect of selected key executives, provided that any component of their remuneration may be revoked in the event of a breach of the terms of their employment, misstatement of financial results, or any misconduct which results in financial loss to the Company.

### Long Term Incentive Plan

The above remuneration bands include performance shares granted to staff under the Share Plan. The Share Plan 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 condition relates to Relative Total Shareholder Return against ST All-Share Index. Non-market conditions include Media Business Free Cash Flow, distributable income of SPH REIT, market competitiveness, quality of returns including sales, efficiency, productivity and profit, and business and productivity growth.

The Share Plan contemplates the award of fully paid 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.

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 a profit-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.

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

Under 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 Company recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Hence, 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. The Company also provides the Board with monthly reports on its financial performance.

## 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 Group to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group'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 comprises Mr Andrew Lim (Chairman), Ms Tan Yen Yen, Ms Janet Ang and Mr Ng Yat Chung, the majority of whom are independent and non-executive Directors. Mr Lim 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 and sustainability frameworks and management systems;
- (b) Review and guide Management in the formulation of the Group's risk and sustainability strategies and policies, risk appetite, and materiality principles of Environmental, Social and Governance ("ESG") issues;
- (c) Review the capabilities and effectiveness of the Group's risk and sustainability management systems and to identify, assess and manage existing and emerging key risks taking into account ESG factors; and
- (d) Report risk and sustainability activities and performance, including whether key risks, including ESG risks, are managed within acceptable levels set to the Board or breach of Key Risk Indicators or ESG targets and their proposed mitigations to the Board.

The Enterprise Risk Management 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 BRC also oversees the SPH Sustainability Reporting Framework that impacts the Company's performance and the long term sustainability of its business.

The Risk Management Report is found on page 94. The Sustainability Report is found on page 50.

The Internal Audit Division ("IAD") has an annual audit plan, which focuses on material internal control systems including financial, operational, IT and compliance controls, and the risk management processes. 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 2018 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 and mitigated against 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.

### **Audit Committee**

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

The AC currently comprises Mr Quek See Tiat (Chairman), Mr Tan Chin Hwee, Ms Janet Ang and Mr Andrew Lim, all of whom are independent and non-executive Directors.

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, has 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 potential 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 whistleblowing arrangements and whistleblowing 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.

During the financial year, the following significant matters that impact the financial statements were reviewed by the AC in relation to their materiality and appropriate methodology/assessment. These matters were also discussed with Management and the external auditors.

Significant matters	How the AC reviewed these matters
Valuation of investment properties	The AC considered the valuation methodologies adopted by the external valuers. It reviewed the key assumptions used in the valuations against available industry data, taking into consideration comparability and market factors.
Valuation of goodwill and intangible assets	The AC considered the approach and methodology that were applied in the valuation of goodwill and intangible assets. It reviewed the reasonableness of the assumptions used in the cashflow forecasts including the terminal growth rates and discount rates, taking into consideration macroeconomic and sector trends and conditions.
Valuation of unquoted investments	The AC considered the appropriateness of the valuation techniques and the key valuation inputs used to determine the fair value of unquoted investments.

The AC concluded that the Group’s accounting treatment and estimates in each of the significant matters were appropriate. All the key audit matters (“KAMs”) that were raised by the external auditors for the financial year ended 31 August 2018 have been addressed by the AC and covered in the above commentary. The KAMs in the auditors’ report for the financial year ended 31 August 2018 can be found on pages 104 to 106 of this Annual Report.

### 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 FY2018, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 168.

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 Dealings in Securities

The Group has in place a Code of Dealings in SPH's 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.

### Codes of Conduct and Practices

The Board has adopted a Code of Conduct and Ethics (including Conflicts of Interest) for Directors. This guides Directors in the discharge of their duties, requiring them to adhere to the highest standards of integrity and accountability. This Code covers key areas such as conflicts of interest, duty of confidentiality, loans to directors, directors' declaration of interest under the Companies Act, external appointments and dealings in shares.

The Group also 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. Codes of conduct and practices covering data protection and workplace health and safety are also posted on the website.

### 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 Group adopts a zero-tolerance to corruption. 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 seven audit executives, including the Head of Internal Audit. Most of the IAD staff have professional qualifications, and are members of the Institute of Singapore Chartered Accountants and/or Institute of Internal Auditors ("IIA"). Some are Certified Information Systems Auditor (CISA). All IAD staff have to adhere to a set of code of ethics adopted from the 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 is guided by the International Professional Practices Framework issued 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 internal audit 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.

## 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.

A shareholder who is not a "relevant intermediary" may appoint up to two proxies during his absence, to attend, speak and vote on his behalf at general meetings, provided that a shareholder holding management shares may appoint more than two proxies in respect of the management shares held by him. Shareholders who are "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings.

## Communication with Shareholders

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

The Company holds analysts' briefings of its quarterly results and a media briefing of its full year results. The quarterly financial results are published through the SGXNET, via media releases and on the Company's corporate website, to ensure fair dissemination to shareholders. 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 page 47. 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. SPH also makes available speeches and presentations given by the Chairman, CEO and senior Management, and other information considered to be of interest to shareholders.

Following the amendments to the Listing Manual to allow listed companies to send documents to shareholders, including circulars and annual reports, using electronic communications, the Company also makes available a digital format of the Annual Report for FY2018 ("Annual Report"). The Annual Report, as well as the Company's Letter to Shareholders, are published on the Company's corporate website, [www.sph.com.sg](http://www.sph.com.sg). All shareholders of the Company will receive the notice of AGM, proxy form and request form to request for hard copies of the Annual Report and/or Letter to Shareholders.

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 general meetings

The Company is in full support of shareholder participation at general meetings. The general meeting procedures allow shareholders to raise questions relating to each resolution tabled for approval, and to participate, engage and openly communicate their views on matters relating to SPH.

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.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution. The results of the electronic poll voting are announced instantaneously at the meeting. The outcome of the general meeting is promptly announced on SGXNET after the general meeting.

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. The AGM is held four months after the close of the financial year.

### Directors' attendance at Board and Board Committee Meetings (for the financial year ended 31 August 2018)

Name of Director	Board	Executive Committee	Audit Committee	Remuneration Committee	Nominating Committee	Board Risk Committee
Lee Boon Yang (Chairman)	5 out of 6 <sup>1</sup>	5 out of 5	-	3 out of 3	2 out of 2	-
Ng Yat Chung (CEO)	6 out of 6	5 out of 5	-	-	-	3 out of 3
Bahren Shaari	5 out of 6	5 out of 5	-	-	2 out of 2	-
Chong Siak Ching	6 out of 6	-	-	3 out of 3	2 out of 2	-
Quek See Tiat	6 out of 6	5 out of 5	4 out of 4	-	-	-
Tan Chin Hwee	5 out of 6	-	4 out of 4	2 out of 2 <sup>2</sup>	-	1 out of 1 <sup>3</sup>
Tan Yen Yen	6 out of 6	-	-	3 out of 3	-	3 out of 3
Janet Ang Guat Har	5 out of 6	-	4 out of 4	-	-	3 out of 3
Andrew Lim Ming-Hui	6 out of 6	-	4 out of 4	-	2 out of 2	3 out of 3

#### Notes:

- <sup>1</sup> Dr Lee Boon Yang recused himself from one meeting.
- <sup>2</sup> Mr Tan Chin Hwee was appointed a Member of the Remuneration Committee on 1 December 2017.
- <sup>3</sup> Mr Tan Chin Hwee stepped down as a Member of the Board Risk Committee on 1 December 2017.