

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

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

SPH has received recognition in the form of accolades and awards from the investment community for its good corporate governance practices and transparency in management and reporting (please refer to page 42 for details).

BOARD OF DIRECTORS

Board's Conduct of its Affairs

The principal responsibilities of the Board are:

1. Reviewing and approving the corporate policies, strategies, budgets and financial plans of the Company;
2. Monitoring financial performance including approval of the annual and interim financial reports;
3. Reviewing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
4. Approving the nominations of Directors and appointment of senior management, and determining and reviewing their remuneration levels;
5. Approving major funding proposals, investments, acquisitions and divestment proposals; and
6. Assuming responsibility for corporate governance.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Articles allow a board meeting to be conducted by way of a tele-conference. The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings, is disclosed on page 72. A Director will not be nominated by the Nominating Committee for re-appointment and will be deemed to have resigned, if he fails to attend three Board or Board Committee meetings consecutively, without good reason.

The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the Chief Executive Officer (CEO). The Chairman reviews all board papers before they are presented to the Board

and ensures that board members are provided with complete, adequate and timely information. As a general rule, board papers are sent to Directors at least one week in advance in order for Directors to be adequately prepared for the meeting. Senior management staff are invited to attend board meetings to answer any queries that the Directors may have on the Group's operations. The Directors may from time to time, also request to meet without Management's presence. In the last financial year, the Board had met without the CEO and other management staff's presence.

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

Access to Information

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

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

Board Composition

Currently, the Board comprises 12 Directors, all of whom, except for the CEO, are non-executive and independent directors. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 14 to 19 of the annual report.

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

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

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. As a result of the NC's review of the independence of each Director for this financial year, the NC is of the view that the non-executive Directors are independent directors and further, that no individual or small group of individuals dominate the Board's decision making process.

Chairman and CEO

The Company has a separate Chairman and CEO. The Chairman is a non-executive and independent director.

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

Board Membership and Renewal Process

The NC recommends all appointments and re-appointments of Directors to the Board and the Board Committees. As a media company, all new appointments to the Board are subject to the approval of the Media Development Authority (MDA).

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

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

Board Performance

The NC evaluated the Board's performance as a whole, and that of individual Directors, in this year based on performance criteria set by the Board. The performance criteria included an evaluation of size and composition of the Board, the Board's access to information, Board processes, Board performance in relation to discharging its principal functions and fiduciary duties, and communication with top management, attendance record, and intensity and quality of participation at meetings.

Director Training

Directors are kept informed about the relevant training available either inhouse or organised externally. A comprehensive orientation programme will be organized for new Directors to familiarize them with the Group's operations, organization structure and corporate policies. The objective of the orientation programme is to give new Directors a better understanding of SPH's business and the media industry, and to help them settle into their new roles.

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

BOARD COMMITTEES

To facilitate effective management, certain functions have been delegated by the Board to various Board Committees. Members of the Board and each Board Committee during the financial year are set out on page 73.

Executive Committee (EC)

The EC comprises six members, four of whom are independent non-executive directors. The EC is chaired by the Chairman of the Board.

The EC's principal responsibilities are:

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

Audit Committee (AC)

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

The AC performs the following main functions:

1. To review annual audit plans and audit reports of external and internal auditors;
2. To review the auditors' evaluation of the system of internal accounting controls;
3. To review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account of the Group before they are submitted to the Board for its approval;
4. To review the scope, results and adequacy of the internal audit function, procedures and its cost effectiveness;
5. To review any interested person transactions as defined under the Singapore Exchange Listing Manual;
6. To review the independence, objectivity and cost effectiveness of the external auditors and the nature and extent of non-audit services supplied by the external auditors so as to balance the maintenance of objectivity and value for money; and
7. To recommend to the Board the appointment of external auditors.

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

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

Internal Controls

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

The Internal Audit 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.

Enterprise Risk Management

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

SPH institutionalized its risk management practices under a formal enterprise risk management framework in 2004. External consultants were appointed to advise SPH on the ERM framework. With the ERM framework, SPH aims to better manage the uncertainties and adverse threats as it realises potential opportunities and creates value. The SPH ERM framework incorporates a continuous and iterative 4-step process for enhancing risk awareness and enabling a culture of risk management across the organisation:

- **Identification.** Workshops were conducted by external ERM consultants at both management and divisional levels, to communicate the risk management objectives and approach. Significant risks, in the broad areas of strategic, regulatory, operational, and financial were systematically identified, evaluated and prioritised based on consequence and likelihood of occurrence. Key stakeholders such as shareholders, partners, customers and employees were considered.
- **Treatment.** Risk treatment plans were determined for the prioritised risks, with appropriate risk owners identified. Cross-divisional teams were formed to drive the implementation of the treatment plans.
- **Monitoring.** The ERM Unit provides the EC, with six-monthly reports and updates on major risks faced by SPH, and progress of risk treatment plans. Any new risk of significance will be reported for review accordingly. The progress is reported to the Board.
- **Review.** An annual review of the risks will be conducted to evaluate the risk profile, strategies and adequacy and effectiveness of the risk treatment plans.

Internal Audit

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

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

Interested Person Transactions

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

Nominating Committee (NC)

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

The NC's principal functions are:

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

Remuneration Committee (RC)

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

The head of the Human Resources Division is secretary to the RC, whilst the Company Secretary is the administrator of the Group's share option schemes.

The RC's principal responsibilities are:

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

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

DISCLOSURE ON REMUNERATION**Directors' Remuneration**

The CEO's remuneration package includes a variable bonus element which is performance-related, and also stock options which have been designed to align his interests with those of the shareholders. As an executive director, the CEO does not receive directors' fees. Non-executive directors have no service contracts.

Non-executive directors, including the Chairman, are paid Directors' fees, subject to approval at the AGM. A breakdown, showing the level and mix of each individual Director's remuneration payable for this financial year is as follows:

Name of Director	Directors' Fees (%)	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
Executive Directors					
\$750,000 to \$999,999					
Chan Heng Loon Alan	–	66.48%	29.58%	3.94%	100%
Independent Directors					
Below \$250,000					
Lim Chin Beng (Chairman)	92.23%	–	–	7.77%	100%
Cham Tao Soon (appointed on 1.3.2004)	100%	–	–	–	100%
Willie Cheng Jue Hiang (appointed on 1.3.2004)	100%	–	–	–	100%
Cheong Choong Kong	100%	–	–	–	100%
Michael Y.O. Fam	100%	–	–	–	100%
Lee Ek Tieng	100%	–	–	–	100%
Ngiam Tong Dow	100%	–	–	–	100%
Philip Pillai (appointed on 5.12.2003)	100%	–	–	–	100%
Sum Soon Lim (appointed on 5.12.2003)	100%	–	–	–	100%
Tang I-Fang	100%	–	–	–	100%
Yeo Ning Hong	100%	–	–	–	100%
Lee Hee Seng (retired on 5.12.2003)	100%	–	–	–	100%
Wee Cho Yaw (retired on 5.12.2003)	100%	–	–	–	100%

Remuneration of Executives

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

Remuneration Bands	No. of Executives
\$1,000,000 to \$1,249,999	1
\$750,000 to \$999,999	–
\$500,000 to \$749,999	1
\$250,000 to \$499,999	3
Total	5

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

The remuneration of Directors and Executives shown in the above tables excludes value of stock options granted and income derived from stock options exercised during the financial year under the Company's relevant share option schemes. Only executive directors may participate in the Company's share option scheme. Non-executive directors are not eligible to do so under the scheme rules.

The Singapore Financial Reporting Standard (FRS) 102 on Share-based Payment requires an entity to reflect in its profit or loss and financial position the effects of share-based transactions, including expenses associated with transactions in which share options are granted to employees. This standard will apply to the Group from the financial year beginning 1 September 2005, whereby the value of stock options granted and income derived from stock options will be reflected in the Group's financial statements and disclosures.

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

COMMUNICATIONS WITH INVESTORS AND SHAREHOLDERS

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 MASNET, news releases and the Company's corporate website.

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

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

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

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

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

CODE OF BUSINESS ETHICS

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

DEALINGS IN SECURITIES

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

with the guidelines, Directors and key staff of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's securities during the periods commencing two weeks before the announcement of the Group's first and third quarter financial results and one month before the announcement of the Group's half year and full year financial results, and ending on the date of the announcement of such results respectively, or when they are in possession of unpublished price-sensitive information on the Group. A system of reporting of securities dealings by Directors to the Company Secretary and by key staff to the Head of Human Resources Division, has also been established to effectively monitor the dealings of these parties in the securities of the Company.

DIRECTORS' ATTENDANCE RECORD FOR BOARD AND BOARD COMMITTEE MEETINGS

Name	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Lim Chin Beng (Chairman)	6 out of 6	8 out of 8	–	3 out of 3	4 out of 4
Cham Tao Soon (Dy Chairman) [appointed on 1.3.04]	3 out of 3	5 out of 5	–	–	–
Chan Heng Loon Alan (CEO)	6 out of 6	8 out of 8	–	3 out of 3	–
Willie Cheng [appointed on 1.3.04]	3 out of 3	–	2 out of 2	–	–
Cheong Choong Kong	5 out of 6	–	3 out of 4	–	–
Michael Y.O. Fam	6 out of 6	8 out of 8	–	3 out of 3	4 out of 4
Lee Ek Tieng	6 out of 6	–	3 out of 4	1 out of 2 ⁼	–
Ngiam Tong Dow	6 out of 6	8 out of 8	1 out of 1 [#]	3 out of 3	4 out of 4
Philip Pillai [appointed on 5.12.03]	5 out of 5	–	–	–	3 out of 3
Sum Soon Lim [appointed on 5.12.03]	5 out of 5	–	3 out of 3	–	–
Tang I-Fang	6 out of 6	–	4 out of 4	–	–
Yeo Ning Hong	6 out of 6	–	–	–	4 out of 4
Lee Hee Seng [up to 5.12.03]	1 out of 1	–	–	1 out of 1	1 out of 1
Wee Cho Yaw [up to 5.12.03]	1 out of 1	–	–	–	–
Lim Kim San (non-director member of ExCo)	–	7 out of 8	–	–	–

Notes:

Audit Committee

Mr Ngiam Tong Dow resigned as member on 5.12.2003.

= Nominating Committee

Mr Lee Ek Tieng appointed as member on 5.12.2003.

BOARD AND BOARD COMMITTEES MEMBERSHIP

Name of Director	Main Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Independent					
Lim Chin Beng	Chairman	Chairman	–	Member	Member
Cham Tao Soon (appointed on 1.3.2004)	Deputy Chairman	Member	–	–	–
Willie Cheng Jue Hiang (appointed on 1.3.2004)	Member	–	Member	–	–
Cheong Choong Kong	Member	–	Member	–	–
Michael Y.O. Fam	Member	Member	–	Chairman	Chairman
Lee Ek Tieng	Member	–	Member	Member ¹	–
Ngiam Tong Dow	Member	Member	Member ²	Member	Member
Philip Pillai (appointed on 5.12.2003)	Member	–	–	–	Member
Sum Soon Lim (appointed on 5.12.2003)	Member	–	Member	–	–
Tang I-Fang	Member	–	Chairman	–	–
Yeo Ning Hong	Member	–	–	–	Member
Lee Hee Seng (retired on 5.12.2003)	Member	–	–	Member	Member
Wee Cho Yaw (retired on 5.12.2003)	Member	–	–	–	–
Executive					
Chan Heng Loon Alan	Member	Member	–	Member ³	–
Lim Kim San	–	Member ⁴	–	–	–

Notes:

1. Mr Lee Ek Tieng was appointed to the Nominating Committee on 5.12.2003.

2. Mr Ngiam Tong Dow resigned from the Audit Committee on 5.12.2003.

3. Mr Alan Chan Heng Loon will step down as a member of the Nominating Committee following the Annual General Meeting on 6 December 2004.

4. Mr Lim Kim San is a non-director member of the Executive Committee.