

## CORPORATE GOVERNANCE REPORT

The Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) requires all listed companies to describe, in their Annual Reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (Code). This report deals with our corporate governance as a listed company and is to be read in conjunction with the SRO Governance Report, which sets out our corporate governance as a self-regulatory authority.

**We have applied all the principles and comply with all the guidelines of the Code.**

The Corporate Governance Report (Report) is structured in a tabular form, stipulating each principle and guideline of the

Code in running order. Alongside the guidelines we have indicated whether we have complied with the recommendation and elaborated on our corporate governance procedures where necessary.

Unless specified otherwise, references to independence of directors, are references to independence as defined under the Code.

The independence requirements under the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005) are also set out in tabular form in this Report for ease of reference.

**PRINCIPLE 1: Board's conduct of its affairs**

Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the success of the company. The board works with management to achieve this and the management remains accountable to the board.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
1.1 The board's role is to:		The board oversees the company's business affairs. The key matters for board oversight include:
(a) Provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the company to meet its objectives;	✓	(a) approving broad policies, strategies and objectives of the company;
(b) Establish a framework of prudent and effective controls which enables risk to be assessed and managed;	✓	(b) monitoring management performance;
		(c) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
		(d) approving annual budgets, major funding proposals, investment and divestment proposals; and
		(e) assuming responsibility for corporate governance.
		See Principle 12 on internal controls and risk management.
(c) Review management performance; and	✓	The Remuneration Committee reviews, on an annual basis, management performance to determine the award of variable bonus and other incentive schemes as set out in the Remuneration Report.
(d) Set the company's values and standards and ensure that obligations to shareholders and others are understood and met.	✓	The board approves the Mission Statement and the appropriate balance between SGX's regulatory and commercial objectives. It has appointed the Conflicts Committee to manage the supervision of SGX's SRO conflicts. Please refer to the SRO Governance Report.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
1.2 All directors must objectively take decisions in the interests of the company.	✓	
1.3 The company should disclose any delegation of authority by the board to any board committee to make decision on certain board matters.	✓	Please refer to the Terms of Reference of board committees at <a href="http://www.sgx.com">www.sgx.com</a> .
1.4 (a) The board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members.	✓	
(b) The company is encouraged to amend the Articles of Association to provide for telephonic and videoconference meetings.	✓	Article 106(B) of the Company's Articles of Association.
(c) The company should disclose the number of board and board committee meetings held in the year as well as the attendance of every board member at these meetings in the company's annual report.	✓	Please refer to the Directors' Meeting Attendance Report.
1.5 The company should adopt internal guidelines setting forth matters that require board approval and specify in the corporate governance disclosures the type of material transactions that require the board approval under such internal guidelines.	✓	<p>Matters which are specifically reserved to the board for approval are:</p> <ul style="list-style-type: none"> <li>(a) matters involving a conflict of interest for a substantial shareholder or a director;</li> <li>(b) material acquisitions and disposal of assets;</li> <li>(c) corporate or financial restructuring;</li> <li>(d) share issuances, dividends and other returns to shareholders;</li> <li>(e) matters which require board approval as specified under the company's interested person transaction policy; and</li> <li>(f) any investments or expenditures exceeding \$10 million in total.</li> </ul>
1.6 Every director should receive appropriate training <sup>1</sup> , particularly on relevant new laws, regulations and changing commercial risks and including duties as a director and how to discharge such duties, when he/she is first appointed to the board.	✓	We conduct a comprehensive orientation programme to familiarise new directors with the company's business and governance practices. The aim of the orientation programme is to give directors a better understanding of our businesses and allow them to assimilate into their new roles.

<sup>1</sup> The training should include an orientation programme to ensure that incoming directors are familiar with the company's business and governance practices.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
1.7 Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	✓	Please refer to paragraph 4.6(b).
1.8 The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.	✓	Each director is provided with an annually updated manual containing board and company policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the company, prohibition on dealings in our securities and restrictions on the disclosure of price-sensitive information. Directors are also informed of regulatory changes initiated by or affecting us. We have an ongoing training budget for directors to receive further relevant training of their choice in connection with their duties. Relevant courses include programmes run by the Singapore Institute of Directors. Directors are also welcome to request further explanations, briefings or information on any aspect of our operations or business issues from management.

**PRINCIPLE 2: Board Composition and Guidance**

There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
2.1 The company should have at least one-third of the board comprising independent directors <sup>2</sup> .	✓	<p>The board comprises 12 directors. The Chairman and the CEO are the only executive directors while the remaining 10 directors are non-executive directors. In compliance with the requirements of the SFR 2005, 8 of the 12 directors are independent from management and business relationships and are independent directors as defined under the SFR 2005. Ten of the 12 are independent from substantial shareholders as defined under the SFR 2005.</p> <p>A table setting out each director's independence under the Code and under the SFR 2005 is included in this Report.</p>

<sup>2</sup> An "independent" director is one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the company. A related company in relation to a corporation includes its subsidiary, fellow subsidiary or parent company.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code, which would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	✓	Under the SFR 2005, it is mandatory for the nominating committee (NC) to determine if a director is independent. If the NC considers a director independent notwithstanding that he is deemed non-independent under the SFR, the NC must write to MAS with an explanation of its decision as to why the director should be considered independent. MAS may object to the NC's decision to find the director independent and may require a change to the composition of the board or relevant board committee.
2.3 The board should, taking into account the scope and nature of the operations of the company, examine the size and decide on what it considers an appropriate size for the board, which facilitates effective decision-making.	✓	The board considers that the present board size (12) and number of board committees facilitate effective decision-making. The board feels that 10 to 13 directors will provide sufficient diversity of expertise without interfering with efficient decision-making.
2.4 The board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	✓	The board considers that its directors possess the necessary competencies to lead and govern SGX effectively.
2.5 Non-executive directors:-		
(a) Constructively challenge and help develop proposals on strategy; and	✓	Once a year, a formal executive session is arranged for the non-executive directors (NEDs) to meet without the presence of management or executive directors to review any matters that must be raised privately. The session is chaired by the chairman of the NC who is also the lead independent director (LID). The terms of reference of the LID are available at <a href="http://www.sgx.com">www.sgx.com</a> .
(b) Review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	✓	The RC comprising only NEDs, reviews management's performance and determines the rewards for such performance.
2.6 NEDs are encouraged to meet regularly without management presence.	✓	The LID co-ordinates informal meeting sessions for NEDs to meet.

**PRINCIPLE 3: Chairman and Chief Executive Officer**

There should be a clear division of responsibilities at the top of the company – the working of the board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
3.1 (a) The Chairman and Chief Executive Officer ("CEO") should be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision-making.	✓	
(b) The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing and agreed by the board.	✓	<p>The Chairman manages the business of the board and the board committees, and monitors the translation of the board's decisions and wishes into executive action. The Chairman approves the agendas for board and board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management.</p>
		<p>The CEO manages the businesses of the company and implements the board's decisions. The CEO has appointed an executive committee (EXCO), comprising senior management executives, to assist him. The CEO is chairman of the EXCO. The CEO and the EXCO are responsible for the day-to-day operation and administration of the company.</p>
(c) The company should disclose the relationship between the Chairman and CEO where they are related to each other.	✓	There is no relationship between the Chairman and CEO.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
3.2 The Chairman should:-		
(a) Lead the board to ensure effectiveness on all aspects of its role and set the agenda;	✓	The Chairman approves the agendas for the board. Agendas for board committees are approved by Chairman together with the chairmen of the board committees.
(b) Ensure that the directors receive accurate, timely and clear information;	✓	The Chairman exercises control over the quality, quantity and timeliness of information flow between the board and management.
(c) Ensure effective communication with shareholders;	✓	Please refer to Principles 14 and 15.
(d) Encourage constructive relations between the board and management;	✓	Board interaction with, and independent access to, senior management is encouraged. We organise a directors' off-site with senior management annually. EXCO members are invited to attend board meetings. In addition, board members have the contact details of each EXCO member.
(e) Facilitate the effective contribution of NEDs in particular;	✓	This role is performed by the Chairman and the LID.
(f) Encourage constructive relations between executive directors and NEDs; and	✓	This role is performed by the Chairman and the LID.
(g) Promote high standards of corporate governance.	✓	The Chairman is committed to SGX complying with the Code, and in some areas going beyond the Code. See for example the Code on Share Dealing and Interested Person Transactions Policy at paragraph 16.
3.3 The company may appoint an independent NED to be <b>Lead Independent Director</b> where the Chairman and the CEO is the same person or related by closed family ties or part of the executive management team.	✓	The board appointed Mr Low Check Kian as LID in May 2006 to lead and co-ordinate the activities of the NEDs of the company. The LID aids the NEDs to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

**PRINCIPLE 4: Board Membership**

There should be a formal and transparent process for the appointment of new directors to the board.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
4.1 The company should:-		
(a) establish a nominating committee ("NC") comprising at least three directors, a majority of whom including the Chairman, are independent of any substantial shareholder <sup>3</sup> ; and	✓	<p>The NC is chaired by Mr Low Check Kian, who is the IID. Mr Low is not associated with any substantial shareholder. Mr Low is also independent from management and business relationships as defined under the SFR 2005.</p> <p>The majority of the NC members are independent. In compliance with the requirements of the SFR 2005, the NC has five members. Three of the five are independent from business and management relationships and are independent directors as defined under the SFR 2005. All five are independent from any substantial shareholder as defined under the SFR 2005.</p>
(b) disclose the membership in the annual report.	✓	Please refer to the Corporate Information section in the Annual Report.
The NC should have written terms of reference that describe the responsibilities of NC members.	✓	Please refer to the NC terms of reference at <a href="http://www.sgx.com">www.sgx.com</a>
4.2 The NC should be responsible for re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) as an independent director.	✓	
All directors are required to submit themselves for re-nomination and re-election at regular interval and at least every three years.	✓	We place importance on the board renewal process. Since our listing in 2000, only three members of the original board remain. Our articles provide that at each Annual General Meeting, 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) shall retire from office by rotation.

<sup>3</sup> A substantial shareholder is a shareholder with interest of 5% or more in the voting shares of the company.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
4.3 The NC should be responsible for determining annually if a director is independent. If the NC determines that a director, who has one or more of the relationships, mentioned in Guideline 2.1 can be considered independent, the company should make a disclosure as stated in Guideline 2.2.	✓	<p>The NC conducts an annual review of director independence. The NC also considers the length of a director's tenure to determine their independence. Based on the Code's criteria for independence, all the NEDs are independent.</p> <p>We are also required to comply with MAS's more stringent requirements of independence as set out in the SFR 2005. We have had the requisite number of independent directors as defined in the SFR 2005 sitting on the board and board committees since the 2006 Annual General Meeting (AGM).</p> <p><u>SFR2005 Director's Independence</u></p> <p>To be independent as defined under the SFR 2005, a director must be non-executive, and independent of certain business and management relationships with the company and its subsidiaries. A director cannot have connections with our member firms or related companies of our member firms to be deemed independent. The director must not be connected to any substantial shareholder of the company. The NC has ascertained that a majority of the board members are independent according to this criterion. A table setting out the independence requirements for the board under the SFR 2005, and our compliance, is set out in this Report.</p>
4.4 The NC should decide if a director, who has multiple board representations, is able to and has been adequately carrying out his/her duties as a director of the company.	✓	The NC considers whether directors who serve on many boards are able to commit the necessary time to discharge their responsibilities.
4.5 A description of the process for the selection and appointment of new directors, including disclosure on the search and nomination process, to the board should be disclosed.	✓	The policy and procedures for the appointment of NEDs are posted on our website, including a description on the search and nomination process.



Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
4.6 The following information should be disclosed in the company's annual report:-		
(a) Key information of directors:-		
• academic/professional qualifications;	✓	Please refer to Board of Directors section of the Annual Report.
• shareholding in the company and its subsidiaries;	✓	Please refer to directors' interests in the Directors' Report section of the Annual Report.
• board committees, date of first appointments & date of last re-election; and	✓	Please refer to Board of Directors and Corporate Information sections of the Annual Report.
• directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments.	✓	Please refer to Board of Directors section of the Annual Report.
(b) Corporate governance, which directors are executive, non-executive or considered to be independent.	✓	Please refer to the table setting out the independence status of the individual directors in this Report.
The names of the directors submitted for election or re-election should also be accompanied by details and information to enable shareholders to make informed decisions.	✓	Generally all new directors are proposed for election by shareholders at the Annual General Meetings with sufficient details of their Curriculum Vitae to enable shareholders to make an informed choice. Subsequently, a formal letter of appointment is provided. The formal letter of appointment indicates the amount of time commitment required and the scope of duties.

**PRINCIPLE 5: Board Performance**

There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
5.1 Every board should implement a process to be carried out by the NC for assessing the effectiveness of the board as a whole and for assessing the contribution by each individual director to the effectiveness of the board. This assessment process should be disclosed in the annual report.	✓	

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
5.2 The NC should decide how the board's performance may be evaluated and propose objective performance criteria.	✓	This year, the NC reviewed the process for evaluation of the board as a whole. The NC will assess and discuss the performance of the board as a whole every year, and will ascertain key areas for improvement and requisite follow-up actions. Every two years, independent consultants will be appointed to assist in the board evaluation process. Board and board committee performance will be evaluated by each director and EXCO member.
Performance criteria, which allow for comparison with industry peers, should be approved by the board and address how the board has enhanced long-term shareholders' value and should not be changed from year to year.	✓	The board performance targets include a measure aligned with shareholders' interests, as well as a measure to capture its regulatory responsibilities as a self-regulatory organisation. The board is required to ensure that a proper balance is maintained between our commercial objectives and our regulatory responsibilities. Please refer to the SRO Governance Report.
5.3 The performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index (STI) and a benchmark index of its industry peers.	✓	The board has adopted the recommendation of using quantitative financial indications. Performance is assessed on a 3–5 year rolling average basis. The measures are: (i) an absolute Total Shareholder Return (TSR); (ii) SGX's TSR against the STI TSR; and (iii) SGX's TSR against the STI TSR compared to other regional peer exchanges' TSR performance against their respective home indices TSRs.
5.4 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties).	✓	There is an individual assessment of each NED's effective contribution by the Chairman, and the results of the assessment are discussed with the NC chairman.  Some factors considered in the individual review are directors' attendance and participation at meetings, the quality of directors' interventions and special skills and contributions made by directors.  The assessment of the Chairman's and the CEO's performance is undertaken by the RC together with the chairman of the NC and the results are reviewed by the board.
5.5 The Chairman of the board should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the board or seek the resignation of directors, in consultation with the NC.	✓	
5.6 Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.	✓	

**PRINCIPLE 6: Access to Information**

Board members should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
6.1 Management has an obligation to supply the board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the board should have separate and independent access to the company's senior management.	✓	Proposals to the board for decision or mandate sought by management are in the form of memos that give the facts, analysis, resources needed, expected outcomes, conclusions and recommendations. Board and board committee papers are distributed a week in advance of the meeting to directors. Staff who can provide additional insight into matters to be discussed will be present at the relevant time during the board and board committee meetings. Draft agendas for board and board committee meetings are circulated to EXCO and board committee members respectively, in advance, in order for them to add items to the agenda.
6.2 Information provided should include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	✓	Analyst reports on SGX are forwarded to the board every quarter in order for directors to keep abreast of analysts' views on our performance. Monthly financial management reports are also provided to the board. Please refer to paragraph 10.2.
6.3 Directors should have separate and independent access to the Company Secretary. The role of the Company Secretary should be clearly defined and should include responsibility for ensuring 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 flows within the board and its committees and between senior management and NEDs, as well as facilitating orientation and assisting with professional development as required.	✓	
The Company Secretary should attend all board meetings.	✓	

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
6.4 The appointment and the removal of the Company Secretary should be a matter for the board as a whole.	✓	
6.5 The board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.	✓	

**PRINCIPLE 7: Procedures for Developing Remuneration Policies**

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
7.1 The board should set up a remuneration committee ("RC") comprising entirely of NEDs, the majority of whom, including the chairman, should be independent, to minimise the risk of any potential conflict of interest.	✓	<p>Mr Ng Kee Choe, an independent director, chairs the RC. Mr Ng has many years of experience in senior management positions in a leading Singapore commercial bank, including dealing with remuneration issues. He has also chaired or sat on the remuneration committees of other listed companies.</p> <p>All four RC members are independent non-executive directors. No RC member is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him. All four directors are independent as defined under the SFR 2005.</p>

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
7.2 The RC:-		
(a) Will recommend to the board a framework of remuneration, and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire board.	✓	The RC reviews matters concerning remuneration of the board, CEO and senior management. The RC approves the framework of remuneration for the entire organisation including the structuring of the long-term incentive plans. The RC also approves annual salary increment pool and variable bonus pool for distribution to employees of all grades.
(b) Should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits-in-kind.	✓	The RC chairman together with the NC, review and recommend to the board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonus, performance share grants and other incentive awards, will be reviewed by the RC for recommendation to the board. The RC also reviews the remuneration of senior management annually. Our compensation philosophy and actual performance targets for the award of long-term incentives is set out in the Remuneration Report section of the Annual Report.
7.3 The RC should seek expert advice inside and/or outside the company on remuneration of all directors.	✓	The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings.

**PRINCIPLE 8: Level and Mix of Remuneration**

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully and a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
8.1 The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance.	✓	The RC administers the Performance Share Plan (PSP). Details of the PSP, including awards made thereunder and the performance conditions for the vesting of the awards are found in the Remuneration Report section of the Annual Report.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
8.2 The remuneration of NEDs should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over compensated.	✓	<p>NEDs are remunerated under a framework of basic and attendance fees for serving on the board and board committees.</p> <p>The parameters for directors' fees are as follows:</p> <p>(a) Basic fee – \$40,000 per annum;</p> <p>(b) Attendance fee – \$1,200 per meeting;</p> <p>(c) Committee fees as follows:-</p> <p>(i) AC chairman – \$20,000;</p> <p>(ii) AC member – \$10,000;</p> <p>(iii) Other committee chairman – \$15,000; and</p> <p>(iv) Other committee member – \$8,000.</p>
8.3 There should be a fixed appointment period, which is not excessively long, for all service contracts for executive directors and there are no onerous removal clauses or early termination clauses.	✓	CEO's contract stipulates a fixed term while Chairman's appointment is for as long as he remains director. Chairman is re-elected each year at the Annual General Meeting. Their service contracts do not contain onerous removal clauses or early termination clauses.
8.4 The RC should encourage long-term incentive schemes and review whether directors should be eligible to participate as well as the costs and benefits of the schemes.	✓	There is in place a long-term incentive scheme for executive directors and staff, which includes share options and performance shares. Please refer to the Remuneration Report for details.
Offer of shares or granting of options or other forms of deferred remuneration should vest over a period of time with vesting schedules, whereby only a portion of benefits can be exercised each year.	✓	Under the company's Share Option Plan, Participants can exercise their options to purchase Company's shares two years after grant. Under the company's Performance Share Plan, performance shares vest in accordance with a vesting schedule only if the performance targets are met.
Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.	✓	Under the company's Performance Share Plan, Participants are required to retain 50% of shares released to them for at least one calendar year from vesting date.
8.5 The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.	✓	The company's compensation is made up of four components – fixed pay, short-term incentives, long-term incentives and benefits. The fixed salary is pegged to the 50th percentile of the reference market in the Singapore banking and financial services.
8.6 Notice periods in service contracts should be set at a period of six months or less.	✓	All executive directors have in their service contracts notice periods of six months or less.

**PRINCIPLE 9: Disclosure of Remuneration**

The company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedures for setting remuneration in the company's annual report to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
9.1 The company should, as best practice, disclose in the annual report, the remuneration of each individual director and at least five top key executives (who are not directors) of the company.	✓	Please refer to the Remuneration Report section of the Annual Report for disclosure of the remuneration of the executive directors and the five top-earning executives.
9.2 The annual report should set out the names of directors and at least the top five key executives (who are not also directors) earning remuneration which falls within bands of \$250,000, with a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/ bonuses, benefits-in-kind, and stock options granted and other long-term incentives. Companies are encouraged, as best practice, to fully disclose the remuneration of each individual director.	✓	Our Remuneration Report sets out all the details of the remuneration of key executives and directors.  Previously we disclosed the remuneration of the top key executives in bands of \$150,000. From this year, we are disclosing the remuneration of the five top-earning executives in actual figures, with a breakdown in terms of fixed pay, bonus, long-term incentive and benefits-in-kind.
9.3 The annual report should disclose, on a no-name basis with clear indication of which director or the CEO the employee is related to, remuneration details of employees who are immediate family members <sup>4</sup> of a director or the CEO whose remuneration exceeds \$150,000 during the year.	✓	Based on disclosures and checks conducted, none of the current employees/directors are related to each other.
9.4 The annual report should also contain details of employee share schemes to enable shareholders to assess the benefits and potential cost to the company.	✓	The details of employee share schemes are contained in the Directors' Report.
The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.	✓	The details of employee share schemes are contained in the Directors' Report.

<sup>4</sup> As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, step-child, brother, sister and parent.

**PRINCIPLE 10: Accountability**

The board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
10.1 The board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports and reports to regulators (if required).	✓	The board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 30 days of the end of the quarter. Annual results are released within 45 days of the financial year-end. In presenting our annual and quarterly financial statements to shareholders, the board aims to provide shareholders with a balanced and clear assessment of the company position and prospects.
10.2 Management should provide all members of the board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	✓	Management provides directors with a monthly financial management report which includes the management accounts, other financial statements and an analysis of the company's performance. The report is submitted within 20 days of the month-end.

**PRINCIPLE 11: Audit Committee**

The board should establish an audit committee ("AC") with written terms of reference which clearly set out its authority and duties.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
11.1 The AC should comprise at least three directors, all non-executive, the majority of whom, including the chairman, should be independent.	✓	The AC is chaired by Mr Ho Tian Yee and comprises four members, all of whom are independent NEDs based on the Code's criteria. In compliance with the requirements of the SFR 2005, at least three members of the AC are independent from management and business relationships, and a majority are independent directors as defined under the SFR 2005.
11.2 The board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience.	✓	The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.



Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
11.3 The AC should have explicit authority to investigate any matter within the terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend AC meetings, and reasonable resources to enable to discharge the functions properly.	✓	The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.
11.4 The duties of the AC should include:-		
(a) Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;	✓	The AC reviews the scope and results of audit work carried out by external auditors, the cost effectiveness of the audit, and the independence and objectivity of the external auditors. The AC also undertakes regular reviews of the nature, extent and costs of non-audit services provided by the external auditors, seeking to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money services.
(b) Review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;	✓	The AC meets on a quarterly basis to review the quarterly and audited annual financial statements and related disclosures, integrity of financial reporting of the company including accounting principles. The AC approves, on behalf of the board, each of the first three quarterly financial statements and corresponding SGXNET announcements. The AC recommends to the board for approval, the annual financial results and related SGXNET announcements.
(c) Review the adequacy of the company's internal controls;	✓	The AC reviews and assesses the adequacy and effectiveness of the company's system of internal controls and management information systems through discussions with management, the Head of Internal Audit and the external auditor at its quarterly AC meetings.
(d) Review the effectiveness of the company's internal audit functions;	✓	<p>The AC considers and reviews with management and the Head of Internal Audit:</p> <ul style="list-style-type: none"> <li>significant internal audit observations and management's responses thereto;</li> <li>any changes required in the planned scope of the Head of Internal Audit annual audit plans and any difficulties encountered in the course of the reviews, including any restrictions on the scope of Internal Audit's work or access to required information; and</li> <li>the Internal Audit's budget and staffing.</li> </ul>

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
(e) Make recommendations to the board on the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor.	✓	The AC recommends to the board the appointment, reappointment and removal of the external auditors, and approves the remuneration and terms of engagement of the external auditors.
11.5 The AC should meet with the external auditors and the internal auditors, without the presence of the company's management, at least annually.	✓	At least once a year, the AC meets with the internal and external auditors without the presence of management to review any matter that might be raised privately.
11.6 The AC should review the independence of the external auditors annually.	✓	The AC has received the requisite information from the external auditors evidencing the latter's independence. It has also reviewed the volume and nature of non-audit services provided by the external auditors during the current financial year. Based on this information, the AC is satisfied that the financial, professional and business relationships between the company and the external auditors will not prejudice the independence and objectivity of the external auditors.
11.7 The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up action.	✓	We have in place a whistleblowing framework where staff of the company can access the Chairman, CEO, AC chairman, members of the EXCO, the Head of Internal Audit and the Head of Human Resources to raise concerns about improprieties. Contact details of these persons have been made available to all staff.
11.8 The board should disclose the names of AC members and the details of the AC's activities in the company's annual report.	✓	In the review of the financial statements for the year ended 30 June 2007, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore accounting standards in all material aspects.

**PRINCIPLE 12: Internal Controls**

The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
12.1 The AC should, with the assistance of internal and/or public accountants <sup>5</sup> , review the adequacy of the company's internal financial controls, operational and compliance controls and risk management policies and systems established by the management at least annually.	✓	Internal and external auditors conduct regular reviews of the system of internal controls and significant internal control weaknesses are brought to the attention of the AC and to senior management for remedial action. Additionally the Risk Management Committee ("RMC") would be notified of deficiencies in the risk management processes.
12.2 The board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.	✓	The RMC reviews and approves the appropriate risk appetite for the company to achieve its business strategy. We have in place an enterprise-wide risk management framework to enhance its risk management capabilities. The key risks facing the company have been identified and action plans have been put in place to attempt to mitigate these risks. Risks have been identified at the process levels and controls have been put in place to mitigate these risks. Additional controls will be implemented where necessary. Awareness and ownership of risks and controls by the relevant business and support functions are continuously instilled. In accordance with the approved Internal Audit year plan, our Internal Audit (IA) will perform independent reviews of the risks and controls identified to provide reasonable assurance to management and the AC that the risks and controls have been adequately addressed.

<sup>5</sup> Provided the public accountant is also the external auditor of the company.

**PRINCIPLE 13: Internal Audit**

The company should establish an internal audit function that is independent of the activities it audits.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
13.1 The Internal Auditor's ("IA") primary line of reporting should be to the chairman of the AC although the IA would also report administratively to the CEO.	✓	IA is an independent function within the company which reports direct to the AC on audit matters, and to the CEO on administrative matters.
13.2 The IA should meet or exceed the standards set out by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	✓	Based on the review conducted by a qualified and independent external reviewer, IA meets all the 46 International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.
13.3 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	✓	<p>IA operates within the framework stated in its Internal Audit Charter which is approved by the AC. Its mission is to provide independent, objective assurance and consulting services designed to add value and improve our operations. It helps us achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.</p> <p>The AC is satisfied that IA has adequate resources to perform its functions, and has appropriate standing within the company.</p>
13.4 The AC should, at least annually, ensure the adequacy of the internal audit function.	✓	IA plans its internal audit schedules annually in consultation with, but independent of, management and its plan is submitted to and approved by the AC.

**PRINCIPLE 14: Communication with Shareholders**

Companies should engage in regular, effective and fair communication with shareholders.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
14.1 The company should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. Information should be descriptive, detailed and as forthcoming as possible and avoid boilerplate disclosures.	✓	<p>We adopt the practice of regularly communicating major developments in our businesses and operations through SGXNET and where appropriate, also direct to shareholders, other investors, analysts, the media, the public and our employees.</p> <p>We also hold annual Investor Relations open days where shareholders are briefed on the performance prospects of the company and are given the chance to meet with SGX senior management.</p>
14.2 The company should disclose information on a timely basis. Investors (retail and institutional) should be entitled to the same level of communication and disclosure. If information is inadvertently disclosed to one group, it should be made public as soon as possible.	✓	<p>We issue announcements through SGXNET and news releases on an immediate basis where required under the Listing Manual.</p> <p>We do not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released either before, or concurrently with, such meetings. All materials on our quarterly financial results, and webcasts of our half-year and full-year results briefings for analysts and media, are available on our website.</p> <p>For details on our communication with shareholders, please refer to Investor Relations in the Operating and Financial Review section of the Annual Report.</p>

**PRINCIPLE 15: Greater Shareholder Participation**

The company should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
15.1 Shareholders should have the opportunity to participate effectively and to vote at AGMs, whether in person or in absentia.	✓	Our Articles of Association allow a shareholder to appoint up to two proxies to attend and vote in his place at general meetings. Prior to each AGM, a shareholders' forum is made available on our website to facilitate communication between shareholders on matters that concern them. Our AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval.
The company is encouraged to make the appropriate provisions in the Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.	✓	
15.2 There should be separate resolutions at general meetings on each substantially separate issue.	✓	See the agenda items in the Notice of Annual General Meeting.
The company should avoid bundling resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the company should explain the reasons and material implications.	✓	All our resolutions at our general meetings are single item resolutions.
15.3 The chairpersons of the AC, NC and RC should be present and available to address questions at general meetings.	✓	The board and management are on hand at general meetings to address questions by shareholders.
The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	✓	The external auditors are present to assist the board and address shareholders' queries.

Guidelines of the 2005 Code	Compliance	SGX Corporate Governance practices related to principle
15.4 The company is encouraged to amend the Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	✓	We do not have a specific limit in our Articles of Association on the number of proxy votes for nominee companies. However, there is a limit for the number of proxies for all shareholders to two. This is because we cannot create separate classes of rights for shareholders. Also, under current law, on a show of hands, only one vote is counted per shareholder. As and when the law allows for nominee companies to have more than one vote on a show of hands, SGX will increase the number of proxies for nominee companies to more than two.
15.5 The company is encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the board and make the minutes or notes available to shareholders upon their request.	✓	All minutes of general meetings, and a summary of the questions and answers raised at general meetings are publicly available on our website.  In our 2006 AGM/EGM we announced (at the meeting) the number of proxy votes for and against each resolution, after each vote by hand. In our May 2007 EGM, we went one step further by making an SGXNet announcement of proxy vote results, which we shall continue to do. Disclosure of results of proxy votes acknowledges the views of shareholders and enhances the quality of disclosure to shareholders.
The company is encouraged to adopt best practices set out in the Operating and Financial Review (OFR) Guide and disclose information when preparing the operating and financial review in the annual reports. This will be effective for all AGMs held on or after 1 January 2007.	✓	

## 16: Code on Share Dealing and Interested Person Transactions policy

This is not a requirement under the Code.

- 16.1 SGX has adopted internal codes which prohibit dealings in SGX's securities by directors and employees and their "connected persons" for a period of just over one month before the announcement of SGX's quarterly or half-yearly financial results. For year-end results, the period of prohibition is just over two months. Staff or their "connected persons" who want to trade securities of any company listed on SGX-ST must seek prior approval from management. The board and management believe that SGX has not only complied with the SGX-ST Best Practices Guide but with industry best practices.

**Composition Requirements for Board and Board Committees and Compliance with Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005**

No.	Board/Committee	SFR Reg No.	Composition Requirements				Are composition requirements currently fulfilled
			Independent from management and business relationships	Independent Directors*	Independent from any single substantial shareholder	Additional requirements	
1.	Board of Directors	6	Majority	One-third	Majority	N.A.	Yes
2.	Audit Committee	14	3 directors	Majority (including AC chairman)	N.A.	Must comprise at least 3 directors	Yes
3.	Nominating Committee	9	Majority	One-third	Majority	Must comprise at least 5 directors	Yes
4.	Remuneration Committee	13	Majority (including RC chairman)	One-third	Majority	Matters referred to in regulation 3(3)(c), (d) and (e) do not apply to at least 3 directors	Yes
5.	Risk Management Committee	7	N.A.	One-third	Majority	N.A.	Yes
6.	Conflicts Committee	15	3 directors	N.A.	Majority	Must comprise at least 3 directors	Yes

\* independent from management and business relationships, and from any substantial shareholder



**ASSESSMENT OF INDEPENDENCE OF INDIVIDUAL DIRECTORS**

All references to Regulations are a reference to the regulations of the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 ("SFR 2005")

The SFR 2005 can be obtained from [www.agc.gov.sg](http://www.agc.gov.sg)

No.	Name of Director	Independence status under SFR 2005	Independence status under Code of Corporate Governance 2005	Reg 3(1)(a) Independent from management relationship	Reg 3(1)(b) Independent from business relationship	Reg 4 Independent from substantial shareholder
1.	J Y Pillay	Non-independent	Non-independent	Management	Management	Yes
2.	Hsieh Fu Hua	Non-independent	Non-independent	Management	Management	Yes
3.	Low Check Kian	Independent	Independent	Yes	Yes	Yes
4.	Chew Choon Seng	Independent	Independent	Yes	Yes	Yes
5.	Euleen Goh Yiu Kiang	Independent	Independent	Yes	Yes	Yes
6.	Ho Tian Yee	Independent	Independent	Yes	Yes	Yes
7.	Lee Hsien Yang	Independent	Independent	Yes	Yes	Yes
8.	Loh Boon Chye	Non-independent <sup>1</sup>	Independent	Yes	No	Yes
9.	Ng Kee Choe	Independent	Independent	Yes	Yes	Yes
10.	Olivia Lum Ooi Lin	Independent	Independent	Yes	Yes	Yes
11.	Robert Owen	Independent	Independent	Yes	Yes	Yes
12.	Tang Wee Loke	Non-independent <sup>2</sup>	Independent	Yes	No	Yes

**Notes:**

<sup>1</sup> Loh Boon Chye is non-independent by virtue of Reg 3(1)(b) as he is employed by Deutsche Bank Group which wholly owns Deutsche Futures Singapore Pte Ltd., an SGX member firm.

<sup>2</sup> Tang Wee Loke is non-independent by virtue of Reg 3(1)(b) as he is employed by UOB Kay Hian Pte Ltd, an SGX member firm.

**DIRECTORS' MEETING ATTENDANCE REPORT**

Name of Director	SGX Board		Audit Committee		Nominating Committee		Remuneration Committee		Risk Management Committee		Conflicts Committee	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
J Y Pillay	7	6	4	3 *	3	3	2	2 *	4	3 *, 1	2	2 *
Hsieh Fu Hua	7	7	4	4 *	3	3 *	2	2 *	4	4 *, 1	2	2 *
Low Check Kian	7	3	–	–	3	3	2	2	–	–	2	1
Chew Choon Seng	7	7	–	–	–	–	2	2	–	–	–	–
Euleen Goh Yiu Kiang <sup>2</sup>	7	6	–	–	–	–	–	–	4	2	2	2
Ho Tian Yee	7	7	4	4	3	3	–	–	4	3	–	–
Lee Hsien Yang	7	7	4	4	3	1 <sup>3</sup>	–	–	–	–	–	–
Loh Boon Chye	7	4	4	4	3	3	–	–	4	4	–	–
Olivia Lum Ooi Lin	7	1	4	4	3	1 <sup>3</sup>	2	2	–	–	2	1
Ng Kee Choe	7	7	–	–	3	3	2	2	4	4	–	–
Robert Owen	7	3	–	–	3	1 <sup>3</sup>	–	–	4	3	2	2
Tang Wee Loke	7	7	4	1 <sup>4</sup>	–	–	–	–	4	3 <sup>4</sup>	–	–
Mr Geoffrey Wong Ee Kay <sup>5</sup>	7	0	4	1	–	–	2	1	–	–	–	–

**Notes:**

\* By invitation

<sup>1</sup> Resigned from Risk Management Committee on 29 September 2006<sup>2</sup> Appointed to the SGX Board, Conflicts and Risk Management Committee on 29 September 2006<sup>3</sup> Attended Nominating Committee meeting in May 2007 by invitation<sup>4</sup> Resigned from the Audit Committee and appointed to the Risk Management Committee on 29 September 2006<sup>5</sup> Resigned from the SGX Board, Audit and Remuneration Committee on 29 September 2006