

# Corporate Governance Report

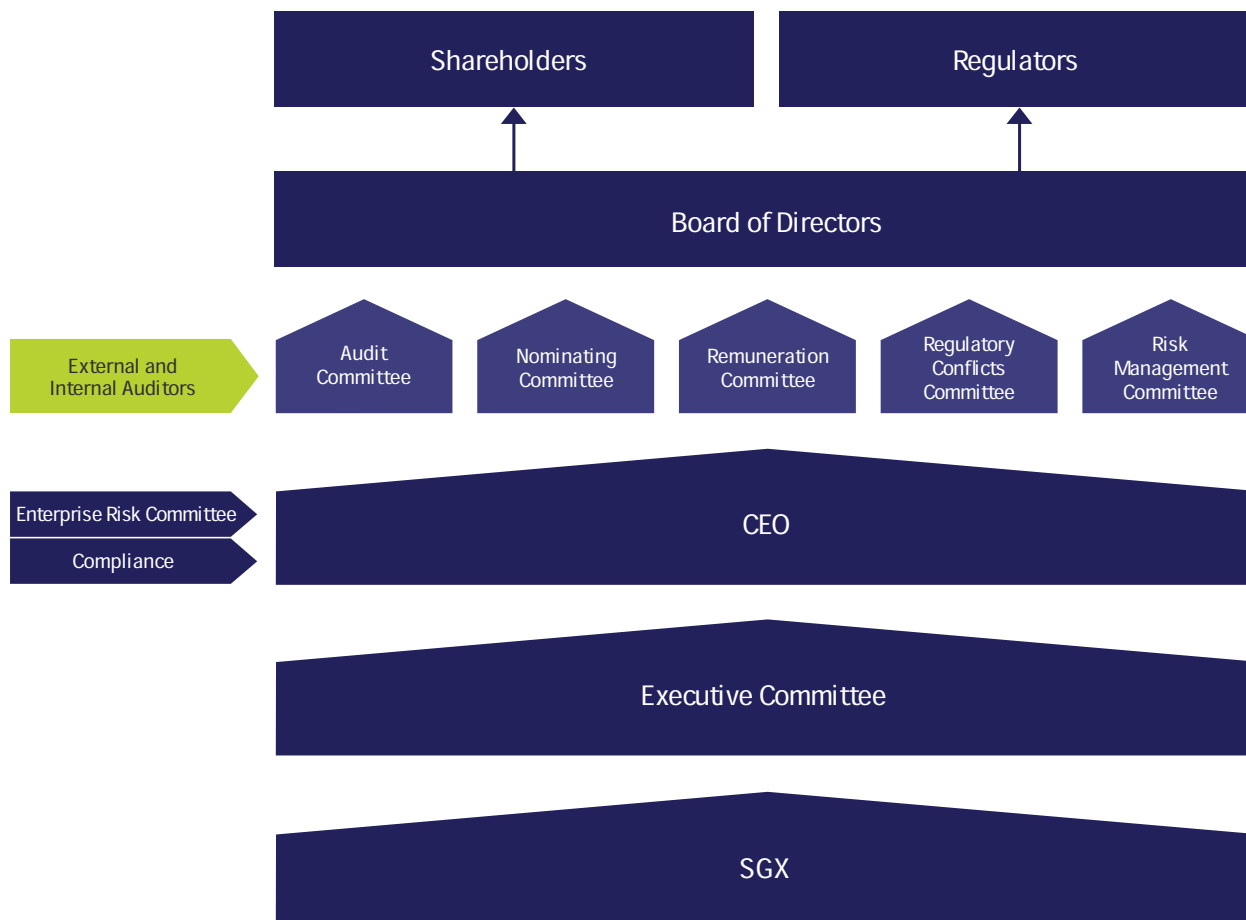
## Compliance with Code of Corporate Governance 2005 (Code)

Singapore Exchange (SGX) is committed to high standards of corporate governance, business integrity and professionalism in all its activities. SGX's corporate governance practices conform to the Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005 (SFR 2005). SGX has complied with all provisions of the Code throughout the financial year ended 30 June 2012.

## Self-Regulatory Organisation Governance

This report is to be read in conjunction with the SRO Governance Report, which sets out SGX's corporate governance as a self-regulatory organisation. Unless specified otherwise, references to the independence of directors are references to independence as defined under SFR 2005, which are generally more stringent than the requirements of independence as set out in the Code.

## Corporate Governance Framework





## Highlights

### Awards and Accolades

- Ranked 2nd in the Governance & Transparent Index 2012, launched by the Business Times, CPA Australia and the Centre for Governance, Institutions and Organisations (CGIO) of NUS Business School, National University of Singapore.

### Transparency

- Quarterly financial reports.
- Quarterly briefings to analysts and media webcasted.
- Daily updates of volumes and values of Singapore Securities Market displayed on website.
- Monthly publications on volumes and values traded on key products provide guidance to our final financial results.

### Strong Risk Management

- Risk tolerance levels for all SGX's key risks are endorsed by the Board.
- Please refer to section on 'Risk Management Report'.

### Shareholders' Rights

- Voluntarily limits the percentage of share capital to be offered other than on a pro-rata basis to not exceed 10%.

### Board Performance

- Independent Board evaluation reflected high scores on "Board Processes", "Committee Self Evaluation" and "Overall Perception of the Board".

### Board Succession Planning

- Board renewal and refreshment
  - Proposed appointment of new independent and non-executive directors.
  - Retirement of long-serving directors Mr Loh Boon Chye and Ms Euleen Goh.

## Board Matters

### Board's Conduct of its Affairs Principle 1

#### Principal Duties of the Board

The Board oversees SGX's affairs and is accountable to shareholders for the management of SGX business and its performance.

The principal duties of the Board include:

- approving the appointment of the CEO, directors and succession planning process;
- approving broad policies, strategies and objectives of SGX;
- approving annual budgets, major funding proposals, investment and divestment proposals;
- approving the adequacy of internal controls, risk management, financial reporting and compliance;
- approving the policy for managing and/or mitigating perceived or actual conflicts of interest between SGX's regulatory accountabilities and commercial interests; and
- considering sustainability issues of policies and proposals.

#### Independent Judgement

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of SGX. In determining the independence of directors, SGX's definition of independence adheres to the more stringent requirements under the SFR 2005, which includes independence from corporations that carry out significant transactions with SGX.

#### Delegation by the Board

Board committees, namely the Audit Committee (AC), Nominating Committee (NC), Regulatory Conflicts Committee (RCC), Remuneration Committee (RC) and Risk Management Committee (RMC), have been constituted to assist the Board in the discharge of specific responsibilities. Clear written Terms Of References (TOR) set out the duties, authority and accountabilities of each committee as well as qualifications for committee membership, in line with the SFR 2005 and the Code. The TORs are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance. The detailed

TORs of Board committees are available on SGX's website at [www.sgx.com](http://www.sgx.com).

The RCC has been appointed by the Board to supervise the management of SGX's SRO conflicts. Please refer to the 'SRO Governance Report' in the Annual Report (AR) for more information on the activities of the RCC.

Please refer to Principles 4 to 5, 7 to 9, 11 and 12 in this Report, for further information on the activities of the AC, NC, RC and RMC respectively.

#### Key Features of Board Processes

The schedule of all Board and Board committees meetings and Annual General Meeting (AGM) for the next calendar year is planned well in advance, in consultation with the directors. The Board meets at least four times a year at regular intervals. Telephonic attendance at Board meetings is allowed under SGX's Articles of Association (Articles). The Board and Board committees may also make decisions by way of circulating resolutions.

Meeting		No. of Meetings Held	No. of Meetings Attended					
			Chew Choon Seng	Magnus Böcker	Thaddeus Beczak	Jane Diplock	Euleen Goh	Lee Hsien Yang
1) Annual General Meeting	Scheduled	1	1	1	1	1	1	1
2) Extraordinary General Meeting	Scheduled	1	1	1	1	1	1	1
3) Board Meeting	Scheduled	4	4	4	4	4	4	4
a) Nominating Committee Meeting	Scheduled	2	2	2 <sup>#</sup>	-	-	-	2 <sup>*</sup>
	Ad hoc	2	2	1 <sup>#</sup>	-	-	-	1 <sup>*</sup>
b) Remuneration Committee Meeting	Scheduled	2	2	2 <sup>#</sup>	-	-	-	2
	Ad hoc	2	2	2 <sup>#</sup>	-	-	-	2
c) Audit Committee Meeting	Scheduled	4	3 <sup>#</sup>	4 <sup>#</sup>	-	-	-	4
d) Regulatory Conflicts Committee Meeting	Scheduled	2	2 <sup>#2</sup>	2 <sup>#</sup>	-	2 <sup>*</sup>	1 <sup>*</sup>	-
e) Risk Management Committee Meeting	Scheduled	3	2 <sup>#</sup>	3 <sup>#</sup>	3 <sup>*</sup>	-	3	-
	Ad hoc	1	1 <sup>#</sup>	1 <sup>#</sup>	-	-	1	-

<sup>#</sup> By invitation

<sup>\*</sup> Appointed on 6 October 2011

<sup>^</sup> Stepped down on 1 April 2012

<sup>1</sup> Stepped down on 6 October 2011

<sup>2</sup> Appointed on 1 April 2012

Besides the scheduled Board meetings, the Board meets on an ad hoc basis as warranted by particular circumstances.

#### Board Approval

SGX has adopted and documented internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved to the Board for approval are:

- a) matters involving a conflict of interest for a substantial shareholder or a director;
- b) material acquisitions and disposal of assets;
- c) corporate or financial restructuring;
- d) share issuances, interim dividends and other returns to shareholders;
- e) matters which require Board approval as specified under SGX's interested person transaction policy; and
- g) any investments or expenditures exceeding \$10 million in total.

For expenditures of \$10 million and below, SGX has internal guidelines which set out, among others, the authorisation limits granted

to management for approval of capital and operating expenditures, specified financial transactions and supplementary budgets.

While matters relating to SGX's objectives, strategies and policies require the Board's direction and approval, management is responsible for the day-to-day operation and administration of SGX.



	Liew Mun Leong	Loh Boon Chye	Ng Kee Choe	Robert Owen	Quah Wee Ghee	Davinder Singh	Ho Tian Yee <sup>1</sup>	Low Cheek Kian <sup>1</sup>	Total No. of Meetings Held
	1	1	1	1	1	1	1	0	1
	1	1	1	1	1	1	1	0	1
	4	4	4	4	3	2	1	1	4
	-	2	2	-	-	0	-	-	4
	-	2	2	-	-	1	1	1	
	2	-	2	-	1 <sup>^</sup>	-	-	1	4
	1	-	2	-	2 <sup>^</sup>	-	-	-	
	4	3 <sup>^</sup>	4	-	-	-	-	-	4
	-	-	-	2	-	1 <sup>^</sup>	-	-	2
	-	3	-	3	3	-	-	-	4
	-	1	1 <sup>1</sup>	1	-	-	1	-	



SGX conducts a comprehensive orientation programme, which is presented by senior management, to familiarise new directors with its business and governance practices.

### Board Orientation and Training

A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the amount of time commitment required, the scope of duties and the director's obligations. The new director will also receive a manual containing Board and SGX policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving SGX, prohibition on dealings in SGX's securities and restrictions on the disclosure of price-sensitive information.

SGX conducts a comprehensive orientation programme, which is presented by CEO and senior management, to familiarise new directors with its business and governance practices. The orientation programme gives directors an understanding of SGX's businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management. The newly appointed directors for FY2012, Mr Quah Wee Ghee and Mr Davinder Singh, were given a detailed and in-depth briefing and

induction into SGX by the CEO as well as senior management. The directors underwent the newly formalised induction programme, with presentations by senior management to introduce them to every aspect of the SGX business. The proposed new directors will undergo the same induction programme upon their appointments.

The directors are provided with continuing briefings and updates in areas such as directors' duties and responsibilities, corporate governance and changes in financial reporting standards, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to SGX's business.

### Briefings and updates provided for directors in FY2012

- At every AC meeting, the external auditors, PricewaterhouseCoopers, briefed the AC members on developments in accounting and governance standards.

- The NC was briefed on the Proposed Revised Code of Corporate Governance on 10 May 2012. The revised Code will take effect on 1 November 2012.
- The CEO updates the Board at each meeting on business and strategic developments in the global exchange and clearing house industry.
- Head of Derivatives briefed the Board on High-Frequency Trading, highlighting the salient issues and mechanisms involved, as well as the risk management considerations for SGX markets.
- An external consultant, Mr Robert Nottle, was invited to present to the RCC and RMC the International Organisation of Securities Commissions' initiatives and exchange-wide global regulatory trends and implications.

The directors may also attend other appropriate courses, conferences and seminars, at SGX's expense. These include programmes run by the Singapore Institute of Directors.

Directors can request for further explanations, briefings or information on any aspect of SGX's operations or business issues from management.

## Board Composition and Guidance

### Principle 2

#### Board Independence

The SFR 2005 provides that an independent director is one who is independent from any management and business relationship with SGX, and also independent from any substantial shareholder of SGX. Even under this stricter definition, more than half of the Board is still considered independent.

Under the SFR 2005, it is mandatory for the Nominating Committee (NC) to determine annually whether a director is independent.

At the recommendation of the NC, Mr Ng Kee Choe, who will have served

as a non-executive, independent director for nine years as at the AGM, will be seeking re-election at the AGM in order to pace the retirement of our directors with institutional memory. Mr Loh Boon Chye and Ms Euleen Goh, who will have served for nine years and six years, respectively, are retiring and will not be standing for re-election at the AGM. The NC believes Mr Ng will continue to contribute as an independent director on the Board.

#### Board Composition and Size

Each year, the NC reviews the size and composition of the Board and Board committees and the skills and core competencies of its members to ensure an appropriate balance of skills and experience. These competencies include banking, finance, accounting,

business acumen, management experience, exchange industry knowledge, familiarity with regulatory requirements and knowledge of risk management. The directors are also continually updated on company affairs by Management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern SGX effectively.

Taking into account the nature and scope of SGX's businesses and the number of Board committees, the Board considers a board size of between 10 to 12 members as appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient and effective decision-making.

#### Assessment of Independence of Individual Directors

All references to Regulations are a reference to the SFR 2005, which can be obtained from [www.agc.gov.sg](http://www.agc.gov.sg)

All references to guidelines are a reference to the Code of Corporate Governance 2005, which can be obtained from [www.mas.gov.sg](http://www.mas.gov.sg)

Name of Directors	Independence status under the Code	Independence status under the SFR 2005	Reg 3(1)(a) Independent from management relationship	Reg 3(1)(b) Independent from business relationship	Reg 4 Independent from substantial shareholder
1. Chew Choon Seng	Yes	Yes	Yes	Yes	Yes
2. Magnus Böcker	No <sup>1</sup>	No <sup>2</sup>	No	Yes	Yes
3. Euleen Goh	Yes	No <sup>3</sup>	Yes	No	Yes
4. Lee Hsien Yang	Yes	Yes	Yes	Yes	Yes
5. Liew Mun Leong	Yes	Yes	Yes	Yes	Yes
6. Loh Boon Chye	Yes	No <sup>4</sup>	Yes	No	Yes
7. Ng Kee Choe	Yes	Yes	Yes	Yes	Yes
8. Robert Owen	Yes	Yes	Yes	Yes	Yes
9. Thaddeus Beczak	Yes	Yes	Yes	Yes	Yes
10. Jane Diplock	Yes	Yes	Yes	Yes	Yes
11. Quah Wee Ghee <sup>5</sup>	Yes	No <sup>6</sup>	Yes	No	Yes
12. Davinder Singh <sup>7</sup>	No <sup>8</sup>	No <sup>9</sup>	Yes	No	Yes

<sup>1</sup> As CEO of SGX, Magnus Böcker is considered employed by SGX and deemed non-independent by virtue of Guideline 2.1(a).

<sup>2</sup> As CEO of SGX, Magnus Böcker is non-independent from management relationship.

<sup>3</sup> Euleen Goh is deemed non-independent by virtue of Regulation 3(3)(c)(ii), due to her directorship held with DBS Bank Ltd, an SGX member firm.

<sup>4</sup> Loh Boon Chye is non-independent by virtue of Regulation 3(1)(b) as he is employed by Deutsche Bank Group which wholly owns Deutsche Futures Singapore Pte Ltd, an SGX member firm.

<sup>5</sup> Quah Wee Ghee was appointed as a non-executive and independent director on 6 October 2011.

<sup>6</sup> Quah Wee Ghee is deemed non-independent by virtue of Regulation 3(3)(c)(ii), due to his directorship held with OCBC Ltd, which is a related corporation of SGX member firm (with effect from 9 January 2012).

<sup>7</sup> Davinder Singh was appointed as a non-executive and independent director on 6 October 2011.

<sup>8</sup> Davinder Singh is deemed non-independent by virtue of Guideline 2.1(d), due to Drew & Napier LLC's engagement to advise SGX on the judicial review on the issuance of a public reprimand against a director of a listed company (with effect from 9 March 2012).

<sup>9</sup> Davinder Singh is deemed non-independent by virtue of Regulation 3(3)(a), due to Drew & Napier LLC's engagement as disclosed above.

The Chairman promotes an open environment for debate, and ensures NEDs are able to speak freely and contribute effectively.



#### Board Guidance

An effective and robust Board, whose members engage in open and constructive debate and challenge management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives.

For this to happen, the Board, and Non-Executive Directors (NEDs) in particular, must be kept well informed of SGX's businesses, and be knowledgeable about the exchange industry. To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management. NEDs also receive periodic information papers and board briefings on latest market developments and trends, and key business initiatives. Regular informal meetings are held for management to brief directors on prospective deals and potential developments at an early stage, before formal Board approval is sought. Board papers are provided to directors on a timely basis to afford the directors time to review them. When directors are unable to attend any Board or Board committee meetings, they may provide their comments to the Chairman or relevant Board committee Chairman, separately.

An annual Board strategy session is also organised for in-depth discussions on strategic issues and directions for SGX.

#### Meeting of Directors without Management

Formal sessions are arranged twice a year for the NEDs to meet without the presence of management or executive directors.

#### Chairman and Chief Executive Officer Principle 3

##### Separation of the Role of Chairman and the Chief Executive Officer

The roles of Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

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. He approves the

agendas for the Board meetings and ensures sufficient allocation of time for thorough discussion of agenda items. He promotes an open environment for debate, and ensures NEDs are able to speak freely and contribute effectively. He exercises control over the quality, quantity and timeliness of information flow between the Board and management. In addition, he provides close oversight, guidance, advice and leadership to the CEO and management.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

The CEO manages and develops the businesses of SGX and implements the Board's decisions. He chairs the Executive Committee (EXCO). EXCO, which comprises senior management executives, and meets weekly to discuss, review and approve the day-to-day operations and administration of SGX.

Board interaction with, and independent access to, senior management is encouraged. EXCO members are invited to attend all Board meetings and relevant Board committee meetings.

## Board Membership Principle 4

### Continuous Board Renewal

The Board reviews the composition of the Board and Board committees annually, having regard to the performance and contribution of each individual director. Board composition is also evaluated to ensure diversity of skills and experience is maintained within the Board committees.

The Board committees are reconstituted every year after the AGM based on the NC's assessment of independence of each individual director and his or her relevant expertise. In addition, directors are rotated in the Board committees to give them maximum exposure to SGX's internal processes.

### NC Composition

The NC is chaired by Mr Ng Kee Choe, and comprises Mr Chew Choon Seng, Mr Lee Hsien Yang, Mr Loh Boon Chye and Mr Davinder Singh. In compliance with the SFR 2005 requirements, the NC has five members (including the NC Chairman), three of whom are independent directors.

### Recommendation of Directors

The NC is responsible for reviewing and recommending all nominations and/or re-nominations of directors and Board committee members, taking into account the Monetary Authority of Singapore's (MAS) fit and proper criteria for such appointments, the director's independence status, his or her participation and contributions during and outside board meetings, the SFR 2005, Code and other relevant factors as may be determined by the NC. All directors of SGX are approved by MAS, based on its fit and proper criteria, before they are appointed by the Board or at the AGM (as the case may be).

SGX's Articles provide that, at each AGM, one third of the directors, including the CEO who also serves on the Board (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. Effectively, this results in all directors having to retire at least once in three years or even earlier. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM.

### Annual Review of Directors' Independence in 2012

Under the SFR 2005, it is mandatory for the NC to conduct an annual review of each director's independence, based on the SFR 2005 requirements. The NC has ascertained that a majority of the Board members are independent according to these criteria. If, at any time, the MAS is not satisfied that a director is independent, notwithstanding any determination by the NC, it may direct SGX to rectify the composition of the Board or Board committees, as the case may be.

Mr Loh Boon Chye is deemed non-independent under the SFR 2005, as he is employed by Deutsche Bank Group, which wholly-owns Deutsche Futures Singapore Pte Ltd, an SGX member company. He is also involved in the activities of this SGX member company. Ms Euleen Goh is also deemed non-independent as she is a director of DBS Bank Ltd, which is a Singapore Exchange Derivatives Clearing Limited (SGX-DC) Clearing Member for Over-The-Counter (OTC) Clearing of Financial Derivatives.

## Composition Requirements for the Board and Board Committees as per the SFR 2005

Board/Board Committee		SFR 2005 Reg No.	Composition Requirements				
			Independent from management and business relationships	Independent Directors*	Independent from any single substantial shareholder	Additional requirements	Composition requirements fulfilled
1.	Board of Directors	6	Majority	One Third	Majority	N.A.	Yes
2.	Risk Management Committee	7	N.A.	One Third	Majority	N.A.	Yes
3.	Nominating Committee	9	Majority (including NC Chairman)	One Third	Majority	Must comprise at least five directors	Yes
4.	Audit Committee	14	All	Majority (including AC Chairman)	N.A.	Must comprise at least three directors	Yes
5.	Regulatory Conflicts Committee	15	All	N.A.	Majority (including RCC Chairman)	Must comprise at least three directors	Yes
6.	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 all directors	Yes

\* Independent from management and business relationships, and from any substantial shareholder.

Since November 2011, a new policy was implemented whereby directors must consult the Chairman of the Board and the NC Chairman prior to accepting new director appointments.

#### Annual Review of Directors' Independence in 2012 (continued)

As part of the Board's annual review at the beginning of 2012, the Board announced the cessation of independence of:

- Mr Quah Wee Ghee, who was appointed as a director of Overseas-Chinese Banking Corporation Limited, which is an SGX-DC OTC Financial Derivatives Clearing Member; and
- Mr Davinder Singh, who was appointed to represent Singapore Exchange Securities Trading Limited in relation to the judicial review on the issuance of a public reprimand against Mr Yeap Wai Kwong, the then independent director of China Sky Chemical Fibre Company Limited.

Since November 2011, a new policy was implemented whereby directors must consult the Chairman of the Board and the NC Chairman prior to accepting new director appointments. Directors must also immediately report any changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence status under the SFR 2005. This ensures that directors continually meet the stringent requirements of independence under the SFR 2005.

#### Directors' Time Commitments

The NC also considers whether directors, who have multiple board representations, are able to and have been devoting sufficient time

to discharge their responsibilities adequately. The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive. A sufficient safeguard, which already exists, is requiring each director annually, to confirm to the NC his ability to devote sufficient time and attention to SGX's affairs, having regard to all his/her other commitments.

The NC is satisfied that all directors have discharged their duties adequately for FY2012, and will continue to do so in FY2013.

#### Succession Planning for the Board and Senior Management

Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.

#### Criteria and Process for Nomination and Selection of New Directors

SGX adopts a comprehensive and detailed process in the selection of new directors. Candidates are first sourced through an extensive network of contacts and identified based on the needs of SGX and the relevant expertise required. After the NC Chairman, the SGX Chairman and the other NC members have interviewed the candidates, the candidates are further shortlisted for the NC's formal consideration for appointment to the Board.

The NC complies with the following SFR 2005 criteria when reviewing a nomination for a proposed Board appointment:

- (a) a determination of the candidate's independence;
- (b) his/her appointment will not result in non-compliance with any of the

SFR 2005 composition requirements for the Board and Board Committees; and

- (c) whether the candidate is a fit and proper person in accordance with MAS' fit and proper guidelines, taking into account his/her track record, age, experience and capabilities and such other relevant experience as may be determined by the NC.

The MAS' fit and proper guidelines broadly take into account the candidate's honesty, integrity and reputation; his or her competence and capability; and financial soundness.

Adopting this rigorous selection process, the Board recommends that the shareholders approve the appointment of two proposed new directors, Mr Kwa Chong Seng and Mr Kevin Kwok, at the AGM 2012.

Mr Kwa was the Chairman and Managing Director of ExxonMobil Asia Pacific Private Limited till he retired in October 2011. He has held various roles in Logistics, Marketing, Supply, Trading and Investment Planning. He is currently the Deputy Chairman of Temasek Holdings (Private) Limited and Chairman of Neptune Orient Lines Limited. He also serves on the Public Service Commission in Singapore and was awarded the Singapore Public Service Star in 2005.

Mr Kwok was a Senior Partner of Ernst & Young LLP in Singapore, and retired recently after 35 years with the firm. He headed up the firm's Assurance Services in Singapore and ASEAN. In his 35 years with the firm, he has had broad experience in audits, M&A activities, public listings and other fund-raising activities, both locally as well as overseas. He is a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of the Singapore Institute of Directors.

Please refer to the Notice of AGM for the resolutions put forth for the proposed appointments of the new directors.

### Key Information on Directors

Please refer to the 'Board of Directors' section in the AR for key information on the directors and proposed directors. The Notice of AGM sets out the directors proposed for re-election, appointment or re-appointment at the AGM. Key information on directors is also available at [www.sgx.com](http://www.sgx.com).

## Board Performance Principle 5

### Board Evaluation Policy

The Board has implemented a process 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. Please refer to the Board Evaluation Policy, which is available at [www.sgx.com](http://www.sgx.com).

### Board Evaluation Process

- a) 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; and
- b) Every two years, independent consultants will be appointed to assist in the Board evaluation process. This process includes a questionnaire designed to assess the performance of the Board and enhance the overall effectiveness of directors. The Board and Board committees' performance will be evaluated by each director and each EXCO member.

The Board believes that the use of an external independent consultant greatly enhances the quality and objectivity of the evaluation.

The Board engaged an external independent consultant to conduct SGX's Board Evaluation for FY2012. The external consultant had no connection with SGX or the Board. Questionnaires were developed through incorporating the best practices in the market on board evaluation and revised based on key issues and areas the Board wanted to focus on.

Separate questionnaires were then administered to the EXCO and to the Board. For example, the questionnaire (for the Board) included the evaluation of factors such as board composition, managing company's performance, board processes, committee effectiveness, risk management and succession planning. The EXCO questionnaire focused on evaluation of factors such as the board's development and monitoring of strategy, working with management, and management of risk.

The Board evaluation results were presented to the NC and to the Board. "Board processes" received the highest rating, and SGX's strategy development, business risk management and talent management priorities were found to be consistent with global trends.

### Board Performance Criteria

The Board reviews its performance against qualitative and quantitative targets on an annual basis. This remains unchanged from the previous year.

The Board is required to ensure that a proper balance is maintained between its commercial objectives and its regulatory responsibilities. Therefore, the Board performance criteria include a measure to capture the performance of its regulatory responsibilities as an SRO.

In line with the Code's recommendation of using quantitative financial indicators, the Board has adopted performance measures which align its interests with shareholders' interests, such as (a) Return on Equity, (b) absolute minimum SGX Total Shareholder Return (TSR), and (c) SGX's TSR performance against the TSR of the FTSE/MV Exchanges Index, which is an index of 18 listed exchanges, in order to benchmark its relative performance against other exchanges.

### Individual Director Evaluation

There is an individual assessment of each NED's 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 in and outside meetings, the quality of directors' interventions and special skills and contributions made by directors.

The performance of individual directors is taken into account in their re-appointment or re-election. Specific needs which arise from time to time are taken into account in any appointment of new directors.

The assessment of the CEO's performance is undertaken by the RC, together with the NC Chairman, and the results are reviewed by the Board. The NEDs, led by the NC Chairman, assess the Chairman's performance, and the NC Chairman provides the feedback to the Chairman.

## Access to Information Principle 6

### Complete, Adequate and Timely Information

Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. To allow directors sufficient time to prepare for the meetings, all Board and Board committee papers are distributed a week in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, expected outcomes, conclusions and recommendations. Any material variance between any projections and the actual results of budgets is disclosed and explained to the Board. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings.

### Complete, Adequate and Timely Information (continued)

To facilitate direct and independent access to senior management, directors are also provided with the names and contact details of the management team. Draft agendas for Board and Board committee meetings are circulated to the EXCO and Board committee chairmen respectively, in advance, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

In order to keep directors abreast of sell-side analysts' views on SGX's performance, the Board is updated twice a year on the market view, which includes a summary of analysts' feedback and recommendations following the full-year and half-year results. A monthly financial performance report is also provided to the Board. This report includes the financial and management accounts, accompanied by an analysis of SGX's performance and supporting data. It also contains operational metrics and identifies SGX's key risks.

Quarterly financial statements are reviewed and approved by the AC except for the financial year-end statements, which are approved by the Board. In addition, the RMC members receive monthly risk reports on clearing, credit and market risk.

### Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed, and that SGX's memorandum and articles of association, relevant rules and regulations, including requirements of the SFA, Companies Act and Listing Manual, are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring that good information flows within the Board and

its committees and between senior management and NEDs, as well as in facilitating orientation and assisting with professional development as required. As primary compliance officer for SGX's compliance with its listing rules, the Company Secretary is responsible for training, designing and implementing a framework for management's compliance with the Listing Rules, including advising management to ensure that material information is disclosed on a prompt basis. The Company Secretary attends and prepares minutes for all Board meetings. As Secretary to all the other Board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board committees and management. The Company Secretary assists the Chairman, the Chairman of Board committees and management in the development of the agendas for the various Board and Board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board's approval as a whole.

### Independent Professional Advice

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at SGX's expense.

## Remuneration Matters

### Procedures for Developing Remuneration Policies

#### Principle 7

#### Remuneration Committee

The RC is chaired by Mr Chew Choon Seng, an independent non-executive director, and comprises four members (including the RC Chairman), all of whom are independent non-executive directors based on the Code's criteria. The members are Mr Lee Hsien Yang, Mr Liew Mun Leong and Mr Ng Kee Choe. The Board considers that Mr Chew Choon Seng, who has many years of experience in senior management positions and on various boards dealing with remuneration issues, is well

qualified to chair the RC, and that the members of the RC collectively have strong management experience and expertise on remuneration issues.

No member of the RC is involved in deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

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 the annual salary increment pool and total incentive pool for distribution to staff of all grades. The RC's recommendations are submitted for the Board's discussion or, as the case may be, approval.

The RC Chairman, together with the NC, reviews and recommends to the Board the specific remuneration packages for executive directors and the CEO upon recruitment. Subsequently, annual increments, variable bonuses, performance share grants and other incentive awards or benefits in kind, will be reviewed by the RC for recommendation to the Board. Please refer to 'Remuneration Report' in the AR for further information on SGX's compensation philosophy and actual performance targets for the award of long-term incentives.

The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings. The RC may seek expert advice inside and/or outside SGX on remuneration of directors and staff.

### Level and Mix of Remuneration

#### Principle 8

The RC administers the Performance Share Plan (PSP). The performance-related elements of remuneration are designed to align the interests of executive directors, EXCO and staff with those of shareholders, and link rewards to corporate and individual performance. Details of SGX's compensation philosophy and the compensation framework including

the PSP awards made thereunder, and the performance conditions for the vesting of the awards, are found under 'Remuneration Report' in the AR.

### Non-Executive Directors' Remuneration

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for NEDs remains unchanged from FY2011. The fee structure was last revised in FY2011, and the Basic fee and Attendance fee have remained unchanged since FY2008.

The SGX Chairman receives fees for being Chairman of the Board, together with the provision to him of a car with a driver, as approved by a separate resolution at each AGM. Director fees and additional fees for serving on Board committees and attendance fees are paid to the NEDs in accordance with the following framework:

Fee Structure	FY2012
NED—Basic Fee	\$55,000
Audit Committee—Chairman	\$40,000
Audit Committee—Member	\$30,000
Other Committee—Chairman	\$30,000
Other Committee—Member	\$20,000
Attendance Fee (per meeting)	\$1,500

Since 2008, SGX has been seeking shareholders' approval to pay the directors' fees on a current-year basis, at the AGM. SGX thus pays the NED fees on a quarterly basis in arrears, instead of 16 months after the past financial year. The NED fees, which are paid on a current year basis, will be payable to the directors if they are in service at the end of the current year quarter, or if the term of appointment ends within the quarter. Overseas directors are reimbursed for out-of-pocket travelling and accommodation expenses in Singapore.

### Executive Directors' Remuneration

Executive directors do not receive directors' fees.

The CEO's contract stipulates a three-year fixed term, which was recently renewed. The contract does not contain onerous removal clauses. The renewed terms of the contract were disclosed publicly via an SGXNET announcement at the time of renewal.

### Long-term Incentive Scheme

Please refer to the 'Remuneration Report' and 'Directors' Report' in the AR for further information on the long-term incentive scheme.

### Disclosure of Remuneration Principle 9

For disclosure of the remuneration of the executive and non-executive directors and the five top-earning

executives and a breakdown of the fees payable to each director, please refer to 'Remuneration Report' in the AR. SGX has also disclosed in the Remuneration Report the remuneration of the five top-earning executives in actual figures, in line with best practices, with a breakdown in terms of fixed pay, variable bonus, long-term incentive and benefits-in-kind. The Remuneration Report also discloses the employee share schemes that SGX has in place, and how remuneration paid is varied according to SGX's performance.

None of the current employees are related to the directors.

## Accountability and Audit

### Accountability Principle 10

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 22 days from the end of the quarter. Annual results are released within 30 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of SGX's position and prospects.



Since 2008, SGX has been seeking shareholders' approval to pay the directors' fees on a current-year basis, at the AGM.

## Accountability

### Principle 10 (continued)

For the financial year under review, the CEO and the Chief Financial Officer (CFO) have provided assurance to the Board on the integrity of the financial statements for SGX and its subsidiaries. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the Listing Rules. For the full-year financial statements, the Board provides an opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate. This is based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board. This, in turn, is supported by a negative assurance statement from the CEO and CFO. Management provides directors with a monthly financial performance report, either within 10 business days from month-end or on the day when the annual or quarterly financial results are released.

SGX also provides to its regulator, MAS, an annual report on the RCC's activities in relation to SGX's SRO conflicts management, and an annual self-assessment report of its discharge of its responsibilities as an exchange and a clearing house. MAS conducts an annual on-site inspection of SGX.

## Audit Committee

### Principle 11

#### Composition of the AC

The AC is chaired by Mr Lee Hsien Yang and comprises three members (including the AC Chairman), all of whom are independent NEDs based on the Code's criteria. The other two members are Mr Liew Mun Leong and Mr Ng Kee Choe.

In compliance with the requirements of SFR 2005, all members of the AC

are independent directors<sup>1</sup> who are free from management and business relationships, and from any substantial shareholder.

The Board considers that Mr Lee Hsien Yang, who has extensive and practical financial management knowledge and experience, is well qualified to chair the AC.

The members of the AC, collectively, have strong accounting and related financial management expertise and experience.

#### Authority and Duties of the AC

The AC's primary role is to investigate any matter within its TOR. It has full access to, and the cooperation of, management and full discretion to

### The AC recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors.

invite any director or officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC reviews the scope and results of audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors. The AC also undertakes quarterly 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.

The AC meets on a quarterly basis to review the integrity of the financial

statements including the relevance and consistency of the accounting principles adopted. 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.

The AC reviews and assesses the adequacy and effectiveness of SGX's system of internal controls and regulatory compliance through discussions with management, the Head of Internal Audit, the Head of Compliance and the external auditor, at its quarterly AC meetings.

The AC met four times during the financial year under review. The Chairman, CEO, CFO, Co-Presidents<sup>2</sup>, Chief Information Officer, Heads of Operation, Internal Audit, Compliance, and the external auditors were invited to attend these meetings. The AC considered and reviewed with management, the Head of Internal Audit and the Head of Compliance (where applicable) the following:

- a) significant internal audit observations and management's responses thereto;
- b) regulatory breaches;
- c) planned scope of the annual internal and external audit plans to ensure that the plans covered sufficiently a review of the internal controls of SGX;
- d) planned scope of the annual compliance plans; and
- e) budget and staffing for Internal Audit and Compliance functions.

#### External Auditors

The AC recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors

<sup>1</sup> Mr Loh Boon Chye has since stepped down from the AC with effect from 1 April 2012

<sup>2</sup> Mr Gan Seow Ann relinquished his role as Co-President in SGX in May 2012

is always subject to shareholder approval at SGX's annual general meeting.

During the financial year, the external auditors held a meeting with the AC, and separately with the AC Chairman, without the presence of management. The AC reviewed the independence and objectivity of the external auditors through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditors during the financial year under review. Based on this information, the AC is satisfied that the financial, professional and business relationships between SGX and the external auditors will not prejudice their independence and objectivity. Accordingly, the AC has recommended the re-appointment of the external auditors at the coming AGM.

In the review of the financial statements for the financial year ended 30 June 2012, the AC discussed with management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board the release of the full-year financial statements.

The total fees paid to our external auditor, PricewaterhouseCoopers LLP, are as disclosed in the table below.

External Auditor Fees for FY2012	\$'000	% of total audit fees
Total Audit Fees	329	-
Total Non-Audit Fees	112	34%
Total Fees Paid	441	-

SGX has complied with Rule 712 and Rule 715 in the appointment of its auditor.

### Whistle-blowing Policy

SGX has a whistle-blowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. SGX will protect employees, who have acted in good faith, from victimisation and harassment by their colleagues. SGX will treat all information received confidentially and protect the identity and the interest of all whistle-blowers.

Anonymous disclosures will be accepted and anonymity honoured. Reports can be lodged by calling the hotline at 62368585 or via email at [whistleblowing@sgx.com](mailto:whistleblowing@sgx.com).

During the year, the coverage of the whistle-blowing policy was extended to vendors. The policy allows a single, confidential line to report concerns about possible improprieties to the Head of Internal Audit, in good faith and in confidence. The policy defines the processes clearly to ensure independent investigation of such matters and appropriate follow-up action, and provides assurance that staff will be protected from reprisals.

There have been no reported incidents pertaining to whistle-blowing for FY2012.

### Interested Person Transactions Policy

SGX has procedures in place to comply with the Listing Manual requirements relating to interested person transactions. All new directors are briefed on the relevant provisions that they need to comply with. All interested person transactions are reported to and monitored by the Finance department, and reviewed by the AC.

There were no Interested Person Transactions in FY 2012.

### Material Contracts (Rule 1207(8) of the listing Manual)

Except as disclosed above, there were no material contracts entered into by SGX or any of its subsidiaries involving interests of any Director or controlling shareholder during FY2012.

## Internal Controls Principle 12

### Internal Audit

On an annual basis, Internal Audit prepares and executes a risk-based audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the system of internal controls of SGX. These include operational, financial and compliance controls. In addition, the external auditors will highlight any material internal

control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at AC meetings. Internal Audit follows up on all recommendations by internal and external auditors to ensure management has implemented them in a timely and appropriate fashion and reports the results to the AC every quarter.

### Compliance

The Compliance function executes an annual risk-based compliance programme, focusing on regulatory risk arising from SGX's own obligations to comply with applicable laws and regulations. The program comprises a combination of regulatory risk assessments and responses, compliance training (including mandatory annual e-learning), monitoring and testing through functional self-assessments and independent compliance reviews, and regular reporting to senior management, the Audit Committee and regulators on breaches, significant compliance issues and relevant action plans. Compliance is independent of the business and reports directly to the CEO. However, Compliance remains an integral part of overall management, and is actively engaged to provide compliance advice across all SGX businesses and support functions, including formal training as required.

### Risk Management Committee

The RMC assists the Board in the oversight of risk management in SGX. Its responsibilities include reviewing and recommending to the Board the type and level of business risk that SGX undertakes on an integrated basis to achieve its business objectives, and the appropriate framework and policies for managing risks that are consistent with SGX's risk appetite. The RMC reviews for the Board the adequacy of the SGX's long-term technology strategy and the adequacy of resources required to carry out its risk management functions effectively.

SGX has in place an enterprise-wide risk management framework to enhance its risk management capabilities.

## Risk Management Committee (continued)

This is administered by the Enterprise Risk Management team (ERM), which reports to the Chief Regulatory and Risk Officer. The key risks facing SGX have been identified and action plans are in place to mitigate these risks. In addition, the key risks at the process level have been identified via risk self-assessment exercises. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. Please refer to the 'Risk Management Report' in the AR for further information on the identification and management of these risks.

Based on the internal controls established and maintained by SGX, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that SGX's internal controls, addressing financial, operational and compliance risks, are adequate as at 30 June 2012.

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

## Internal Audit Principle 13

### Line of Reporting and Activities

Internal Audit is an independent function within SGX. The Head of Internal Audit reports directly to the AC and administratively to the CEO. The AC approves matters relating to the Internal Audit Charter, risk assessment and related audit plans and results, and follows up on internal audit

activities. The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The AC Chairman meets the Head of Internal Audit at least four times a year, without the presence of management. Internal Audit has unfettered access to all of SGX's documents, records, properties and personnel, including the Chairman and the AC.

Internal Audit operates within the framework stated in its Internal Audit Charter which is approved by the AC. The primary role is to assist the Board and senior management to meet the strategic and operational objectives of SGX, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes.

All audit reports are circulated to the AC, the CEO, the external auditors and relevant senior management representatives. The progress of corrective actions on outstanding audit issues is monitored through a company-wide issue management system. Information on outstanding issues is categorised according to severity and quarterly reports are sent to senior management and AC. High-risk outstanding issues are escalated to senior management to ensure timely resolution.

### Adequacy of the Internal Audit Function

Internal Audit's annual plan is established in consultation with, but independent of, management and is aligned with the risk management framework of SGX. The plan is submitted to and approved by the AC. The AC is satisfied that Internal Audit has adequate resources to perform its functions, and has appropriate standing within SGX.

### Professional Standards and Competency

Internal Audit is a member of The Institute of Internal Auditors (IIA) and has adopted the Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. SGX Internal Audit continues to meet or

exceed the requirements of the IIA Standards in all key aspects. Quality assessment reviews are carried out at least once in five years by external qualified professionals. The next review will be due by 31 December 2012.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. Internal Audit is staffed with suitably qualified experienced professionals with diverse operational and financial experience, who are at the level of Assistant Vice President and above.

## Communication with Shareholders Principle 14

### Disclosure of Information on a Timely Basis

SGX is committed to disclosing as much relevant information as is possible, in a timely, fair and transparent manner, to its shareholders. Material information is disclosed on a comprehensive, accurate and timely basis via SGXNET. The release of such timely and relevant information is central to good corporate governance, and enables shareholders to make informed decisions in respect of their investments in SGX.

SGX adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media. Such channels include news releases, annual reports, shareholder circulars, shareholders' meetings and direct announcements.

SGX notifies investors in advance of the date of release of its financial results, through an SGXNET announcement and a media release. Results for the first three quarters are released to shareholders within 22 days from the end of the quarter. Annual results are released within 30 days from the financial year-end.

Briefings to present quarterly and full-year results are held for the media and analysts. "Live" video webcasts of the



SGX also makes available speeches and presentations given by the Chairman, CEO, and senior management, and a range of other information considered to be of interest to investors.

briefing, accessible by the public, is also available on [www.sgx.com](http://www.sgx.com).

#### Interaction with Shareholders

Investor Relations Open Day was held where shareholders were briefed on the performance and prospects of SGX, and were given the opportunity to meet with senior management. The last Investor Relations Open Day was held in November 2011.

The Investor Relations (IR) team presents to the SGX Board an information paper, providing an overview of market feedback (including investors' concerns), updates on the shareholder register, share price performance and other IR matters, on an annual basis.

#### Dividend Policy

The Board aims to declare a base dividend of 4 cents per share every quarter. For each financial year, the Board aims to pay, as dividend, an amount which is no less than (a) 80% of the annual net profit after tax; or (b) 16 cents per share, whichever is higher. The difference between the targeted dividend and the interim base dividends will be declared and paid as final dividend of each financial year. This policy continues to apply for FY2013.

#### Corporate Website

SGX adopts transparent, accountable and effective communication practices as key means to enhance standards

of corporate governance. It aims to provide clear and continuous disclosure of its Corporate Governance practices through efficient use of technology. SGX's website has much to offer its shareholders and other stakeholders. The following information can be accessed from SGX's corporate website:

1. Board of Directors and Executive Committee profiles
2. Minutes and Summary of Proceedings of AGM and Extraordinary General Meetings (EGMs)
3. Audiocast of AGM & EGM
4. Annual Reports
5. Circulars to Shareholders
6. Company announcements
7. Press releases
8. Notice to Substantial Shareholders
9. Financial Results
10. Calendar of Events

The latest AR, financial results (including webcasts of the quarterly and full-year results briefings for media and analysts and press releases) and company announcements are posted on the website following their release to the market, to ensure fair and equal dissemination to shareholders. SGX also makes available speeches and presentations given by the Chairman, CEO, and senior management, and a range of other information considered to be of interest to investors.

SGX's website has a clearly dedicated 'Shareholders' link, which features

prominently the latest and past financial results and related information. The contact details of the IR team are available on the dedicated link, as well as in the AR, to enable shareholders to contact SGX easily. IR has procedures in place for addressing investors' queries or complaints as soon as possible.

#### Greater Shareholder Participation Principle 15

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. The AGM procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage, and openly communicate their views on matters relating to SGX to the directors. The Chairman of each of the AC, NC, RC, RCC and RMC, external auditors, management and legal advisors (where necessary), are also present to address shareholders' queries.

SGX's articles allow a shareholder to appoint up to two proxies to attend and vote in his/her place at general meetings. SGX also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend the AGMs as observers without being constrained by the two-proxy rule, subject to availability of seats.

## Greater Shareholder Participation

### Principle 15 (continued)

As the authentication of shareholder identity information and other related security issues still remain a concern, SGX has decided, for the time being, not to implement voting in absentia by mail, email or fax.

SGX provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single-item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the AR.

The Company Secretary prepares minutes of shareholder meetings, a summary of the substantial comments and queries from shareholders, and responses to them from the Board and management. These documents are publicly available at [www.sgx.com](http://www.sgx.com).

With effect from 2009 AGM, SGX has conducted electronic poll voting for all the resolutions passed at the AGM and EGMs, for greater transparency in the voting process. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders immediately at the meeting. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

## Securities Dealing

To guard against insider trading, SGX's Code of Dealing in Securities (Code of Dealings) adopts a "black-out" policy similar to that prescribed in the Listing Manual. The Code of Dealings prohibits dealings in SGX's securities by its directors and staff and their "related persons" for a period of two weeks before the announcement of its quarterly or half-yearly financial results, and one month before the announcement of year-end results.



SGX issues a quarterly circular to its directors and officers informing them that SGX and its officers must not deal in SGX's securities before the release of results and at any time they are in possession of unpublished material price-sensitive information.

In addition to the black-out policy on SGX shares, staff and their "related persons" who want to trade securities of any company listed on Singapore Exchange Securities Trading Limited must seek prior approval from management. Directors and staff are prohibited at all times from trading if they are in possession of material non-public information. Staff are also discouraged from dealing in SGX securities on short-term considerations.

Since 2009, all SGX employees are required to complete an annual online refresher module as part of SGX's mandatory compliance training and submit a certification of their understanding and compliance with the Code of Dealing.

The Board and management believe that SGX has complied also with not just the Listing Manual, but with industry best practices.

## Other Codes

### Code of Confidentiality

The SGX group of companies deals with confidential information on a daily basis. Hence, protecting the confidentiality of information is of paramount importance to creating and maintaining the trusted marketplace envisaged in SGX's Mission. SGX is also obligated by law under the SFA to maintain confidentiality of user information, which refers to transaction information of a member or its customer. SGX has a Code of Confidentiality which aims to provide clear guidance to its staff on the proper management, use and disclosure of the different types of confidential information.

### Code of Conduct & Ethics for Employees

SGX has a Code of Conduct & Ethics for Employees (Code of Conduct & Ethics) that sets the standards and ethical conduct expected of employees. The Code of Conduct & Ethics covers all aspects of the business operations of SGX such as confidentiality of information, related party transactions, gifts, gratuities or bribes and dishonest conduct. Employees are required to observe and maintain high standards of integrity, as well as compliance with laws and regulations, and company policies.