Annex

REPORT OF THE AUDIT & RISK COMMITTEE
16 June 2023

1. BACKGROUND

1.1 On 20 January 2023, SPH Media Trust issued a media statement stating that: (a) following a review conducted during the period between September 2020 and March 2022, circulation numbers of the news publications of SPH[1] were found to be overstated; and that (b) the Board of SPH Media Holdings Pte Ltd, the holding company of SPH Media Limited, had tasked its Audit and Risk Committee ("ARC" or "Committee") to investigate the issues more fully, and consider what further steps, if any, need to be taken.

1.2 The Committee's Terms of Reference (Circulation Data) are as follows:

In respect of the findings set out in the Deloitte investigation report dated 2 November 2022 and SPH Media Audit & Risk Division report (last updated on 17 January 2023) for the review period from 1 September 2020 to 31 March 2022 (the "Preliminary Findings"):

1. *to further investigate and appoint third party professional advisors (including but not limited to legal advisors) to assist in this regard. The ARC will assess the legal and risk implications in connection with or arising from the Preliminary Findings, in particular, whether the instances of overstatement of circulation numbers identified in the Preliminary Findings were in contravention of any Singapore law; and*
2. *to report the conclusions and recommendations, including the appropriate steps to be taken by SPH Media Limited, to the Board.*

1.3 The Committee commissioned legal advisors, Allen & Gledhill LLP ("A&G") to assist in the investigations. Deloitte was appointed by A&G on behalf of the ARC to assist with the forensic discovery and analysis of relevant data.

1.4 A glossary of key terms is found at the end of this report.

2. KEY FINDINGS FROM A&G'S INVESTIGATIONS

2.1 A&G has completed their investigations and have reported their findings to the Committee on 15 June 2023. A summary of their findings and conclusions in respect of the various areas is set out below.

[1] "SPH" refers to both Listco (pre-transfer of the media business) and SPH Media Group (post-transfer of the media business) insofar as any practices or matters referred to spanned across both the pre-transfer and post-transfer period.

Reporting of circulation numbers

2.2 The daily average circulation copies for SPH print and digital news publications were reported by Listco in its Annual Reports (until FY 2021), and in biannual and annual submissions to IMDA and SingStat, respectively[2].

Bulk copies

2.3 The general understanding of the interviewees was that 'bulk copies' comprise copies of (non-subscription based) news publications which are typically sold and distributed at a discounted rate and/or distributed for free in large numbers (in contrast to full priced subscription copies and those sold to retail stores, corporate and individual subscribers). These copies would either be purchased or sponsored by corporate customers or paid for out of the NIE Fund at a heavily discounted rate. The 'bulk copies' practice appear to be common knowledge within Listco, even at the board level[3].

The NIE Fund

2.4 The interviewees generally understood the NIE Fund to be a fund originally set up within Listco to pay for the distribution of newspaper samples to students, needy families, halfway houses and charities[4]. Owing to the passage of time and lack of records, the details of when and by whom the NIE Fund was established could not be confirmed. From the interviews conducted, the NIE Fund could date back to as early as 2000. The existence of the NIE Fund and the use of the NIE Fund to purchase NIE Bulk Copies were matters that were within the knowledge of Listco senior management [*redacted*].

2.5 [*Redacted*] had overall control of the NIE Fund. [*Redacted*] would approve heavily discounted charge out rates for the NIE Bulk Copies that were charged out from the NIE Fund. [*Redacted*] managed the day-to-day operations of the NIE Fund which included deciding on what is to be booked into the NIE Fund (although this would also be approved by [*redacted*] and sometimes [*redacted*] where there was uncertainty) and approving charge outs for sums less than six figures.

2.6 Since in or around 2013, arising from changes in Listco's billing system, inflows and outflows in the NIE Fund have been recorded under a specific general ledger account.

2.6.1 The monies recorded into the NIE Fund comprise revenue from, *inter alia*: (i) the "print + digital" packages sold under an education deal; (ii) a third party contract; (iii) sale of PSLE Oral Guidebooks and/or journalism workshops conducted for

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[2] Up to the transfer of Listco's media business to the SPH Media Group in December 2021, daily average digital copies would be included in Listco's submissions to IMDA and SingStat. After SPH Media Group took over in December 2021, reports on circulation numbers for SPH digital news publications submitted to the aforesaid authorities were based on the number of paid digital subscriptions instead of the number of daily average digital copies.

[3] The management reports prepared by the Circulation Division and presented to [*redacted*] referred to "bulk" and "booster" copies. The general understanding of "booster" appears to be that these were copies used to increase circulation numbers.

[4] Newspaper sampling involves using the NIE Fund to pay for NIE Bulk Copies at highly discounted charge out rates, which would be distributed to certain target groups of recipients for free to increase readership of SPH publications.

schools; (iv) editorial write-ups for smaller advertisers; and (v) roadshows and/or promotional events for smaller advertisers.

2.6.2 [*Redacted*] would process and approve the booking of monies into the NIE Fund[5]. There is evidence to suggest that some clients were not aware that monies they had paid to Listco would be used for the purposes of purchasing Bulk Copies. [*Redacted*] the Listco Board did not appear to be aware of the operational aspects of the NIE Fund, and knowledge of the source of monies paid into the NIE Fund is generally limited to the Circulation Division[6].

2.7 The NIE Fund was used to pay for NIE Bulk Copies used to shore up the circulation numbers in the Listco Annual Reports, cushion the fall in print circulation numbers and to meet KPI targets in respect of circulation numbers for the Circulation Division. The KPI targets in respect of circulation numbers were prepared by [*redacted*] at the start of each financial year, approved by [*redacted*], discussed with Listco senior management[7] and ultimately approved by [*redacted*] as part of Listco's annual budget.

2.8 The number of NIE Bulk Copies added would usually be the highest in the month of August (the last month in Listco's financial year) as the August circulation numbers would be used for Listco's Annual Report. The number of NIE Bulk Copies to be added to the August figures would be approved by [*redacted*].

2.9 In recent years, more digital NIE Bulk Copies (which cost less than print copies) were added to cushion the fall in print circulation numbers, and to maintain circulation numbers. The aggregate amount that was charged out from the NIE Fund for Bulk Copies (and recorded as circulation revenue) during the Review Period was approximately S$748,000. The NIE Fund was closed in May 2022, following the discovery of the overstatement issue in March 2022. The journal entries for the NIE Fund were reversed in respect of the financial year ended 31 August 2022 and the surplus funds of S$1.8 million in the NIE Fund at the time it was closed was recognised as part of the media restructuring gain arising from the transfer of business to SPH Media Group.

School copies

2.10 SPH supplied news publications to schools under two principal arrangements: (a) a CCE deal; and (b) reading corner copies, which are print and digital copies of SPH news publications that are sponsored by the SPH Foundation and placed in tertiary school reading corners.

2.11 Various noteworthy matters arising from paragraph 2.10 above, include the following:

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[5] [*Redacted*] would approve the booking of monies into the NIE Fund by signing memos addressed to the Depot Billings Team in the Circulation Division specifying the account that the payment would be booked under.
[6] This includes the following key individuals: [*redacted*].
[7] [*Redacted*].

2.11.1 First: Under the CCE deal, SPH supplied secondary schools with a print + digital package comprising: (a) IN Paper print copy; (b) IN Paper digital copy; (c) Straits Times print copy; and (d) Straits Times digital copy. For FY 2020, [*redacted*] directed the Circulation Division to cease printing and delivering the Straits Times print copies to schools (pursuant to their request), but to continue reporting these copies as part of the Straits Times print circulation numbers. This was notwithstanding that no Straits Times print copies were in fact printed or delivered under the CCE deal from FY 2020 onwards. The revenue from the CCE deal was also booked into the NIE Fund prior to FY 2021.

2.11.2 Second: In 2021, the package for the CCE deal was revised to comprise: (a) IN Paper print copy; (b) IN Paper digital copy; and (c) Straits Times digital copy, leading to a reduction of 1,900 daily circulation numbers for Straits Times print copies (which were no longer part of the package). [*Redacted*] instructed the Circulation Division to use the NIE Fund to print more Straits Times print copies (as part of the NIE Bulk Copies) to plug the gap in the circulation targets for that financial year[8].

2.11.3 Third: The Circulation Division continued to print copies of the IN Paper when schools requested to only be provided with IN Paper digital copy. Instead of being delivered to schools, the IN Paper printed copies were delivered to KKB and disposed of. [*Redacted*] was aware of this practice, which was approved by [*redacted*].

2.11.4 Fourth: During the Covid-19 pandemic, schools generally requested that delivery of print reading corner copies be paused due to school closures (referred to as the "**temporary stops**"). During the temporary stops, the reading corner copies were still printed, sent to KKB and either disposed of, or stored and re-distributed to schools subsequently when the schools re-opened. These school copies printed during the temporary stops were included in Listco's reported circulation numbers notwithstanding that some of these copies were not distributed.

2.12 Of the documents sighted, there were none which set out the total number of such copies that were sent to KKB during the temporary stops and subsequently disposed of. There is no available evidence to suggest that the Listco Board or its senior management (other than [*redacted*]) had knowledge of the issues surrounding the school copies.

Avatar copies

2.13 The general understanding amongst the interviewees who were aware of the term 'Avatar' was that it meant "*throw away*". This referred to NIE Bulk Copies and the reading corner copies which were not distributed during the temporary stops, but were instead delivered to "*c/o print centre*" and "*c/o KKB*" respectively and subsequently disposed of.

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[8] [*Redacted*].

2.13.1 The NIE Bulk Copies would be stacked and stored in the print centre and on the instructions of the Circulation Division [*redacted*]: (i) discarded[9]; (ii) delivered to a client at a later date; or (iii) delivered to halfway houses and charities in case of audit checks.

2.13.2 The reading corner copies were printed during the temporary stops and delivered to KKB [*redacted*]. Some of these copies were eventually disposed of.

2.14 Due to limited records available, it could not be conclusively determined: (a) when the practice of disposing print copies first started due to conflicting responses from the interviewees[10]; (b) the number of print copies that were not delivered and were instead disposed of[11]; or (c) the number of print copies that were delivered to clients, halfway houses and/or charities. Further, there is no evidence that the digital NIE Bulk Copies were either distributed or accessed[12].

2.15 Knowledge of “Avatar” and the practice of disposing print copies was limited to employees within the Circulation Division. This included: [*redacted*][13]. There is no evidence to suggest that the Listco Board [*redacted*] were aware of the practice of disposing print copies or of the term ‘Avatar’.

X Barter Deal

2.16 Barter arrangements are not, in and of themselves, improper and can be appropriately recorded as long as they satisfy specified recognition criteria. The original intention behind barter deals was to: (a) expand SPH news publications’ outreach and distribute such publications in other jurisdictions at zero or low (real) cost; (b) promote SPH news publications in Singapore by bundling SPH subscriptions with complimentary subscriptions to other foreign news publications. According to [*redacted*], barter deals were also for the purpose of boosting circulation numbers to cushion the drop in circulation numbers from the print decline. Whilst the Listco Board was aware of the existence of barter deals (which were referenced in the management reports), there is no available evidence that the Listco Board was apprised of the operational details of these deals.

2.17 The X Barter Deal was a barter (or contra) arrangement between X and SPH wherein X provided X E-paper digital subscriptions to SPH in exchange for 15,000 Straits Times and Business Times digital subscriptions[14]. The amounts to be paid by X to SPH and vice versa were offset against each other, and no real cash changed hands under this

[9] Copies were discarded by shredding using a bailing machine. The shredded waste would thereafter be sold to a third-party waste collector appointed by [*redacted*].

[10] The responses received during the interviews in the further investigations generally suggest that this practice has been in place for many years.

[11] The SPH employees did not keep records of the number of newspaper copies that were disposed of and pulped.

[12] A&G was informed that access codes for digital NIE Bulk Copies used to be printed on the print copies distributed to readers. However, this ceased at some unknown point and A&G has not seen any evidence to demonstrate that digital bulk codes were generated or distributed during the Review Period.

[13] [*Redacted*].

[14] This comprises 10,000 Straits Times and 5,000 Business Times digital copies. The same number of copies of each of the aforesaid publications were provided under the 2018 and 2020 X Barter Agreements.

arrangement. 15,000 circulation copies arising from this arrangement were included in SPH's reported circulation numbers.

2.18 From the available documents, the X Barter Deal dates back to 2013. The latest agreement for the X Barter Deal lapsed on 26 December 2022 and was not renewed. Key observations are as follows:

2.18.1 The X Barter Deal was managed primarily by [*redacted*], who was responsible for determining the value of the Listco subscriptions under the deal and negotiating the contractual terms for the deal. [*Redacted*] was responsible for determining whether to renew the X Barter Deal – seeking approval from [*redacted*] as appropriate.

2.18.2 None of the interviewees (as they were not involved in negotiating the terms of the deal) were able to explain the basis for and the variations in the value and number of X E-paper subscriptions and the administrative fee payable when the 2018 X Barter Agreement was renewed in 2020[15]. There was no definitive explanation as to why there was no corresponding administrative fee payable by X to Listco[16].

2.18.3 The negligible activation of digital access codes for Straits Times and Business Times digital copies under the X Barter Agreements[17] indicates that there were limited efforts to distribute the digital access codes under the X Barter Deal during the Review Period (no evidence of such distribution was sighted). [*Redacted*] were aware of the activation rates under the X Barter Deal[18].

Y Deal

2.19 Under the Y Deal [*redacted*], Y paid SPH royalty fees of [*redacted*] each month and was granted an exclusive limited license to print and distribute 5,000 daily copies of Straits Times [*redacted*] from 2013 to 31 March 2022. These 5,000 daily copies were reported as part of SPH's circulation numbers, even after printing under the Y Deal stopped in February 2021 [*redacted*]. On [*redacted*] instructions, Y was charged a nominal sum of [*redacted*] under the Y Deal from November 2021 onwards, in order to allow the 5,000 copies under the Y Deal to continue being reported in SPH's circulation numbers.

Airline Copies

2.20 Since October 2018, an airline had an arrangement with SPH where it paid SPH [*redacted*] each month for unlimited digital downloads of various SPH media and news

[15] [*Redacted*].

[16] [*Redacted*] opined during their interviews that the inclusion of the administrative fee was to ensure that the costs incurred by either party under the X Barter Agreements would be netted off and no actual cash amounts would be payable by either party under the agreement. [*Redacted*] posited that X had split their infrastructure and subscription costs, while Listco chose not to.

[17] For instance, only 7 digital codes for the Straits Times and Business Times digital subscriptions were accessed as of 29 July 2022 (the first 18 months of the X Barter Deal).

[18] From [*redacted*] perspective, the arrangement was for a legitimate purpose and did not have any impact on Listco's financials given that it was a "contra" deal. From [*redacted*] perspective, the Straits Times and Business Times digital subscriptions could be counted in circulation numbers since they had been paid for.

titles[19]. A fixed number of digital copies of SPH news publications (totalling approximately 2,500 daily copies across the publications) was reported in SPH's circulation numbers notwithstanding that the actual number of downloads (which the airline was able to track and provide to SPH) was significantly lower, leading to elevated circulation numbers being reported[20].

Agency subscriptions

2.21 SPH had an arrangement with two agencies for the period from 1 October 2019 to 30 September 2022, where SPH supplied approximately 4,500 digital coupon passes to each agency for a 3-year access to the Straits Time Online on the smartphone app and web browser, at a price of [*redacted*] per month per pass.

2.22 Due to constraints in the CRSM system, two subscription codes were created for each digital coupon pass, with one subscription recorded at full price and the other at 100% discount, resulting in the double counting of digital copies reported in the circulation numbers.

All-in-One packages

2.23 AIO packages (ie. print + digital copies) were introduced in 2011. In or around 2016, some AIO package subscribers requested that print copies not be delivered but still paid the same price for the package. SPH continued to print these copies (which were likely disposed of) and report these print copies in its circulation numbers[21].

3. ANALYSIS OF KEY FINDINGS

Bulk copies practice and overstatement of circulation numbers

3.1 The practice of printing and distributing Bulk Copies to third parties appears to be an acceptable practice in the newspaper industry and is not, in and of itself, illegal or prohibited under the ABC Rules[22]. However, copies cannot be counted under the ABC Rules if they are returned, unsold or undelivered[23]. Accordingly, the circulation numbers in Listco's Annual Reports for FY 2020 and 2021, and the submissions to IMDA and SingStat were inflated, in light of the issues highlighted in paragraphs 2.10 to 2.23 above.

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[19] This includes The Straits Times, The Business Times, The Sunday Times, Lianhe Wanbao, Shin Min Daily News, Lianhe Zaobao, Berita Harian, Tamil Murasu and Berita Minggu.

[20] The actual number of digital downloads during the Review Period was in the range of approximately 110 to 220 daily copies.

[21] An interviewee identified [*redacted*] as the person who approved the printing and counting (as part of SPH's circulation numbers) of AIO package copies that subscribers requested not to be delivered despite the same having been paid for.

[22] Under the ABC Rules, bulk copies can be included in reported circulation numbers subject to certain conditions being fulfilled. For instance, multiple copies sold to a single party on a one-off or an irregular basis can be reported as part of circulation numbers subject to conditions (including evidence of distribution), as 'multiple copy sales'. Similarly, publications that are delivered in bulk to distribution points for onward free transmission to or pick up by readers can also be included in circulation numbers (as part of bulk distribution, where evidence of distribution similarly needs to be verified).

[23] See page 8 and page 10 of the ABC 2016 Handbook for print and digital copies respectively. Similar standards apply under the 2023 UK Audit Bureau of Circulations Reporting Standards for ABC Bulk Distribution and the 2022 Canada Alliance for Audited Media's By-Laws and Rules.

3.2 The persons who were involved in the overstatement of circulation numbers (and in particular, had knowledge that copies that were not delivered were included in the reported circulation numbers) were from the Circulation Division. There has been no evidence sighted to suggest that the Listco Board or its senior management (save for [*redacted*]) were involved in this.

Improper accounting of revenue recorded as liabilities under the NIE Fund

3.3 FRS 115 (Revenue from Contracts with Customers) requires that an entity recognise revenue as and when it satisfies its performance obligations under a contract with a customer. As mentioned above, certain monies earned from customers (pursuant to contracts with SPH for the supply of goods or services) were booked into the NIE Fund as liabilities instead of as revenue. This would appear to contravene the principles of FRS 115[24]. On the flip side, circulation revenue should not have been recognised in relation to the NIE Bulk Copies which were not sold or distributed pursuant to a transaction with a third party.

X Barter Deal – possible questionable arrangement

3.4 Although barter deals between media organisations are legitimate and long-established practices and are not, in and of themselves, improper, the X Barter Deal could potentially have evolved into a questionable arrangement entered into for the sole purpose of inflating circulation numbers and revenue, without a genuine intention to execute the arrangement. The red flags in relation to the X Barter Deal include unexplained variances in the terms and conditions of the X Barter Deal and absence of evidence showing distribution of the digital activation codes. If the X Barter Deal were not a genuine arrangement, the corresponding revenue and expenses should not have been recognised and the corresponding circulation numbers should not have been counted.

4. CONCLUSION

4.1 Based on A&G's findings and information available to the Committee, the Committee's conclusions are set out below.

4.2 The best-estimate impact of the matters described above as it relates to Listco for the financial year ended 31 August 2021 is as follows:

4.2.1 Financial numbers - on the basis that the inputs/outputs re: the NIE Fund are proper and accurate, the net debit/credit movements of the NIE Fund for any particular year represents the overstatement and understatement of profits for that financial year. For the financial year ended 31 August 2021, this amounted to approximately S$110,000 understatement of profits. Also, the X Barter Deal revenues and expenses for the financial year ended 31 August 2021 amounting

[24] Various interviewees acknowledged that monies booked into the NIE Fund ought to have been recognised as revenue at the time goods and services were provided under contracts with SPH.

to about S$1.2 million (with no impact to the profit and loss) should not be recorded.

4.2.2 Circulation numbers – overstatement of circulation numbers amounting to approximately 82,600 average daily copies for the month of August 2021 broken down as follows:

(a) Bulk copies via the NIE Fund reported but not distributed: 49,000;

(b) Y Deal copies: 5,000;

(c) School, Airline, Agency and All-in-One copies: 13,600 (comprising 1,900 for School, 2,300 for Airline, 9,000 for Agency and 400 for All-in-One); and

(d) X Barter Deal copies: 15,000.

4.3 As the X Barter Deal may not have been a genuine arrangement, there was an overstatement of revenue and expense of approximately S$830,000 (but no impact on profit and loss) in the financial statements of SPH Media Group for the financial year ended 31 August 2022. This was previously not adjusted as investigations had not commenced as to the substance of the arrangement. The accounting impact is not deemed to be material to the financial statements of SPH Media Group for the financial year ended 31 August 2022 taken as a whole.

4.4 The Committee noted A&G's view that the matters described in paragraphs 3.1 to 3.4 above potentially constitute certain offences [*redacted*]. In connection with this, A&G has recommended that a police report should be filed so that further investigations can be undertaken. This recommendation is made in full cognizance of prosecutions in other jurisdictions for cases with similar facts.

4.5 On the employees, A&G's comment was that the actions taken against the employees / ex-employees identified were reasonably justified in the circumstances and in compliance with SPH Media Group's policies[25].

4.6 In relation to the employees who were involved in the various matters as set out but who remain in the employment of SPH Media Group, the Committee noted A&G's comment that they were at all times acting under the instructions of their superiors and had

[25] In particular: (a) SPH Media Group's Fair Employment Policy recommends termination of employment where *inter alia* a statutory offence is committed, there are serious breaches of any company policies or the SPH Media Group code of conduct or grave reputational damage is caused to SPH Media Group; (b) Clause 4.5 of SPH Media Group's Fraud Risk Management Policy states that every employee has the responsibility to uphold and inculcate ethical behaviour in the workplace, with the heads of divisions, CEO and Board of Directors taking the lead; (c) Clause 2.4 of SPH Media Group's Workplace Conduct Policy states that unacceptable attitude and performance at work, fraudulent acts and misconduct are just causes for disciplinary action. Such acts include falsifying information or company records and any conduct that misrepresents or damages the corporate brand or reputation of SPH Media Group; and (d) Clause 4.5 of SPH Media Group's Workplace Conduct Policy provides that disciplinary action must be commensurate with the seriousness of the offense and with due consideration of the employee's performance record.

appeared to have operated under the mistaken belief that the practices directed by these superiors were accepted practices in SPH.

4.7 There is no evidence of the involvement of the journalism and editorial departments in the overstatement of the circulation numbers.

5. RECOMMENDATIONS

5.1 Taking into account the findings of A&G, the Committee sets out its recommendations below.

5.2 The Committee concurs with the recommendation of A&G in paragraph 4.4 above that a police report be filed, as it is for the police to determine if there is any offence arising from the matters reported herein.

5.3 In relation to the ongoing rebasing exercise to formulate a methodology to report readership numbers, the methodology should be: (a) benchmarked to internationally accepted standards; (b) audited by an external independent third party, if possible; (c) clearly recorded in guidelines that are thereafter made available to all SPH Media Group employees; and (d) reviewed on a regular basis to ensure compliance with international standards for reporting circulation numbers.

5.4 SPH Media Group should take the opportunity to evaluate its risk culture, enhance its risk management practices and continually improve its internal controls and processes.

Risk culture

5.4.1 Risk culture is an organization's behaviors, attitudes and values as it relates to risk awareness, risk taking and risk management. It is a key indicator of (a) how widely an organization's risk management policies and practices have been adopted; (b) how appropriate risk-based decisions are made; and (c) how risk is managed within an organization, especially when under stress or when it fails to meet key performance indicators.

5.4.2 All organizations need to take risks to achieve their strategic objectives. Risk culture significantly impacts the capability to take strategic risk decisions and deliver on performance promises. An inappropriate risk culture translates to certain individuals and teams undertaking various activities which the rest of the organization ignores, condones or is blindsided on.

5.4.3 Together with a performance and teaming culture, SPH Media Group should embrace and adopt a robust risk culture, the key characteristics of which include:

(a) Leadership setting the tone for a quality and risk-oriented culture which balances commercial considerations with risk management. Well-informed risk decisions are made, with appropriate risk taking linked to performance and rewards.

(b) People's individual interests, values and ethics are aligned with the organization's risk appetite, strategy, tolerance and approach.

(c) Risk considerations are pervasive across the entire organization's range of activities and people understand and articulate the value that effective risk management brings.

(d) People take personal responsibility for managing risks, are committed to accountability and proactively seek to involve others in making appropriate risk-based decisions.

(e) People are comfortable in openly talking about risk and challenging others, including personnel with authority, who should then positively address concerns raised.

Corporate governance and risk management

5.4.4 Corporate governance is the system of rules, practices and processes by which an organization is directed, operated and controlled. It refers to the way in which organizations are governed and to what purpose. It includes the processes through which an organization's objectives are set and pursued in the context of the market, regulatory and social environment.

5.4.5 Corporate governance ensures that organizations have appropriate business practices, with decision making processes and controls established such that the interests of all its stakeholders are balanced and aligned.

5.4.6 Enterprise risk management is about identifying, analyzing, prioritizing and addressing the potential events that represent risks to the organization in the achievement of strategic objectives or to opportunities to drive competitive advantage.

5.4.7 SPH Media Group should critically review its corporate governance practices as well as comprehensively update its enterprise risk registers to assess likelihood and impact. Risk mitigation practices must be pervasive and in place whilst ensuring robust and effective implementation.

Internal controls

5.4.8 Internal controls are the rules and procedures implemented by an organization to ensure the integrity of financial and accounting information, improve operational efficiency, comply with laws and regulations, promote accountability, protect assets and minimize errors and fraud.

5.4.9 Key tenets of internal controls should include:

(a) Segregation of duties – the segregation of incompatible duties is critical to ensuring effective functioning and preventing fraud;
(b) Authorization of transactions – appropriate approval levels to prevent invalid transactions;
(c) Reconciliations – a mechanism to verify that transactions and activities are for the correct purposes and amounts;
(d) Data and assets security and safeguards;
(e) Documentation – records to ensure accuracy and completeness of transactions;
(f) Supervision and monitoring – top level reviews for checks and balances;
(g) Information technology and cybersecurity controls and checks.

5.4.10 SPH Media Group has a legacy of operating within individual departments given the specialized nature of each operation/function. It should perform a comprehensive review of its control environment and practices to balance operational effectiveness and efficiency with its expected standards of conduct and accountability.

Glossary of Terms

S/No.	Abbreviation	Description
1.	A&G	Allen & Gledhill LLP
2.	ABC	Audit Bureau of Circulations, Singapore
3.	ABC Rules	Guidelines issued by the ABC in 2016, regarding the reporting of circulation numbers
4.	AIO	All-in-One
5.	ARC / Committee	Audit and Risk Committee
6.	CCE	Character and Citizenship Education
7.	Circulation Division	Consumer Division in SPH Media Group (formerly known as the Circulation Division in Listco)
8.	Deloitte	Deloitte & Touche Financial Advisory Services Pte Ltd
9.	FRS	Singapore Financial Reporting Standards
10.	IMDA	Info-communications Media Development Authority, Singapore
11.	IN Paper	The special edition SPH news publications which were printed and distributed to all secondary schools in Singapore pursuant to the CCE deal
12.	KKB	SPH warehouse in Kaki Bukit, Singapore
13.	KPI	Key Performance Indicator
14.	Listco	Singapore Press Holdings Limited
15.	Listco Board	Listco Board of Directors
16.	MCI	Ministry of Communications and Information, Singapore
17.	NIE	Newspapers in Education
18.	NIE Bulk Copies	Bulk copies (print and digital) paid for using the NIE Fund at a highly discounted charge out rate
19.	NIE Fund	Newspapers in Education Fund
20.	Review Period	The period from 1 September 2020 to 31 March 2022
21.	SingStat	Singapore Department of Statistics
22.	SPH Media Group	SPH Media Trust and its subsidiaries
23.	X Barter Agreements	Agreements entered into by SPH in relation to the X Barter Deal for the period between 2013 and 2022
24.	X Barter Deal	Barter arrangement between SPH and X for exchange of digital copies of Straits Times and Business Times and X E-Paper
25.	Y Deal	Printing and distribution license arrangement between SPH and Y pursuant to which Y paid SPH a fee in exchange for an exclusive limited license to print and distribute The Straits Times print copies [*redacted*]

<u>Relevant SPH employees / ex-employees</u>

[*Redacted*]