

# CORPORATE GOVERNANCE

The Board of Directors and Management are committed to uphold the SCMP Group's obligations to shareholders and the community. We regard the promotion and protection of shareholders' interests as one of our priorities.

Over the years, the SCMP Group has evolved sound corporate governance mechanisms to ensure it adheres to the highest ethical and business standards. The key test of corporate governance mechanisms is whether they align the interests of management with those of shareholders to adequately protect and promote shareholder interests. We will review these guidelines periodically to ensure they remain relevant in today's fast changing business environment.

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Non-executive Directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Bye-Laws.

The following section sets out our business philosophy and framework of governance.

## THE BOARD OF DIRECTORS

The Board of Directors sets the strategic direction and oversees the performance of the SCMP Group's business and management. Senior management is responsible for presenting strategic plans to the Board for review and approval, and for executing business strategy. Apart from its statutory duties, the Board reviews and approves strategic plans, key operational initiatives, annual budgets, major funding and investment proposals, and significant transactions. In addition, the Board discusses major operating issues, evaluates opportunities and business risks, and considers corporate communications and human resources issues. The Board, with the assistance of the Audit Committee, is also responsible for the integrity of the financial statements, and ensures compliance with laws and regulations.

The Board of Directors consists of eight Directors of which three are Independent Non-executive Directors. Each Director brings years of business experience to the Board. Combined the Directors' complementary knowledge, expertise and experience are extremely useful in overseeing the SCMP Group's business. We ensure that the Board is able to exercise its powers by providing all relevant information about business developments at a reasonable time before each Board meeting. The Board holds four meetings annually, at which Directors actively participate and hold informed discussions.

The Board has established two committees to assist in carrying out some of its responsibilities. Each Committee reports regularly to the Board, summarising any significant issues considered and actions taken.

## AUDIT COMMITTEE

The Audit Committee comprises two Independent Non-executive Directors with relevant professional qualifications and experience in financial matters. The Audit Committee assists the Board by:

- Reviewing the completeness, accuracy and fairness of interim and full year financial statements
- Reviewing the external auditors' qualifications, independence and performance
- Reviewing and approving the services to be rendered by the external auditors and the associated fees
- Reviewing the system of internal controls in place
- Acting as a communication channel between management, external auditors and the Board

The Audit Committee highlights any significant issues and makes recommendations to the Board. Two meetings between members of the Audit Committee and the external auditors were held in 2003. The attendance record of Audit Committee members at meetings held was 100% in 2003 and 84% in 2002.

The Audit Committee comprises Messrs Peter Lee Ting Chang and Ronald J. Arculli.

## REMUNERATION COMMITTEE

The SCMP Group needs to attract and retain the best people to consistently deliver the best products and services. The Remuneration Committee reviews human resources policies, particularly compensation programs, including the grant of share options under the employees' Share Option Scheme, and retirement benefits. The Remuneration Committee comprises three Directors, two of whom are Independent Non-executive Directors.

In 2003, the Remuneration Committee recommended granting share options to selected employees based on their performance and outstanding contributions.

The Remuneration Committee comprises Messrs Peter Lee Ting Chang, Ronald J. Arculli and Kuok Khoon Ean.

## MANAGEMENT COMMITTEE

The Management Committee comprises the Chairman, Mr. Kuok Khoon Ean, and heads of the SCMP Group's divisions and key subsidiaries. Meetings are held regularly to:

- Ensure business activities are coordinated and profitable
- Discuss major operating issues
- Evaluate business and operating risks
- Review and propose strategic plans to achieve long term growth and profitability
- Review and approve major expenditures
- Approve partnerships, ventures and disposals of significant assets

The SCMP Group's subsidiaries and key divisions hold weekly operational meetings, the minutes of which are circulated to the Management Committee.

## SHAREHOLDER RELATIONS

The Board and senior management recognise their responsibility to look after the interests of the shareholders. Shareholder relations play an integral part in corporate governance. The SCMP Group keeps shareholders informed of its performance, operations and significant business developments in a number of ways.

We report on financial and operating performance to shareholders bi-annually through interim and annual reports. We give shareholders the opportunity to raise concerns at annual general meetings. Our external auditor is requested to attend to answer questions about the external audit and the audit report. Shareholders may visit our website ([www.scmpgroup.com](http://www.scmpgroup.com)) for up-to-date financial and other information about the SCMP Group and its activities.

We host analyst briefings twice a year after the interim and final results are released. In addition, senior management meets regularly with investors to provide information about the SCMP Group's performance and business activities. During 2003, senior management held twenty group and one-on-one investor meetings.

We have appointed a contact person, set out in the Corporate Information section of this Annual Report on page 79, whom shareholders and other interested parties can contact to obtain information not available from our website or annual reports.

We promote fair disclosure of information to all our investors.



Staff of the *South China Morning Post* in the early 1970s.

## CORPORATE DISCLOSURE POLICY

We have a corporate disclosure policy that ensures full and timely disclosure of material information and to give all shareholders an equal opportunity to access such information.

In the event of any material information that is required for public release in accordance with the law or the Listing Rules, the corporate disclosure policy ensures that the SCMP Group notifies the public through company announcements published in English and Chinese newspapers. The Board will review potential disclosures and decide what information should be disclosed. Only the Board is authorised to approve, on behalf of the SCMP Group, any announcements before release by the Legal and Corporate Secretarial department.

In addition to statutory reporting obligations, we provide timely information about corporate affairs by issuing press releases through the Corporate Communications department.

## DEALINGS IN SECURITIES

We have an internal code, which conforms with the provisions of the Code of Best Practice in the Listing Rules, that guide Directors and staff about dealing in the Company's securities. In addition, we will be adopting the newly amended Model Code for Securities Transactions by Directors of Listed Issuers issued by the Hong Kong Stock Exchange. Apart from information obtained from the disclosures made by the Directors under the Securities and Futures Ordinance, we have a system of reporting Directors' securities dealings to the Chairman and the Chairman's securities dealings to a designated Director, that has been implemented to effectively monitor Directors' dealings in the Company's securities.

## CODE OF CONDUCT

We pride ourselves on our integrity and ethical standards. Our reputation is a priceless business asset and fundamentally depends upon the fair and honest practices of all employees. We have adopted a Company Code of Conduct ("Code") to ensure that all Directors, managers and employees act with integrity. Employees are expected to share the responsibility of maintaining the Company's good name, and their own, by performing their duties with objectivity, accuracy, fairness, and by strict compliance with all relevant laws of any applicable jurisdiction and the Code. Journalists are also expected to comply with the Hong Kong Journalists Association's Code of Ethics.