SINGAPORE PRESS HOLDINGS LIMITED
(Registration No. 198402868E)
Incorporated in the Republic of Singapore

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN ADVANCE OF ANNUAL GENERAL MEETING

Singapore Press Holdings Limited ("**SPH**") would like to thank Securities Investors Association (Singapore) (**"SIAS"**) for submitting their questions on SPH's Annual Report 2020 in advance of our Annual General Meeting ("**AGM**") which will be convened and held by way of electronic means on 27 November 2020 at 2.30 p.m. (Singapore time).

Our responses to the questions from SIAS are set out below.

In addition, we have also received a number of questions relating to the impact of COVID-19 on our business segments. Mr Ng Yat Chung, our Group CEO, will discuss these topics in greater details through his presentation during the AGM.

The presentation slides for the Group CEO's presentation will be made available on SPH's website at the URL https://investor.sph.com.sg/agm2020.html and will also be made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements, before the AGM.

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Q1 (i) (a) **Media and Digital: Can the board clarify if it has only started exploring options to ensure the sustainability of its media business due to the pandemic?**

Response: The media industry, including print advertising, has seen secular decline in face of digital disruption for some time now. SPH has initiated efforts to transform its media business for some years already, focusing on growing its digital platform, increasing the proportion of subscription revenue in the overall revenue mix and cost control.

This precedes the current Covid-19 pandemic. If anything, the pandemic has validated and underscores the need to press on with the transformation efforts.

Q1 (i) (b) **Media and Digital: Would the board help shareholders understand what they envisage the media business to be in 5 years and in 10 years' time?**

Response: SPH aims to be a sustainable media business offering quality products and content across multiple platforms. With a streamlined cost base, underpinned by strong data capabilities, SPH is focused on growing the audience across platforms which will bring in stable advertising and subscription revenue.

It plans to achieve this through an "audience-first, customer-centric" strategy which has three key elements:

Compelling Content: We will continue to invest in content-creation capabilities and innovate new product offerings to serve. We also aim to grow our younger audience base through targeted products and innovative storytelling.

Data First: We will continue to strengthen our data capabilities to engage and retain our audiences, as well as grow subscribers on digital platforms. On top of that, we will innovate the way advertising inventory is sold to clients and help advertisers better target their desired audiences.

Customer-centricity: We will also continue to improve our customer service platforms to be more efficient, to better serve subscribers and advertisers.

Q1 (ii) **Print and digital circulation: Can management clarify if there is significant overlap in the print and in the digital circulation? If so, what is the estimated circulation (without overlap)?**

Response: There are some subscribers who have subscribed for both print newspaper and digital subscriptions of the same title, but they do not constitute a big proportion of the overall total subscriber base. What is important is that many of these subscribers do consume content actively from both print and digital platforms.

In line with the Group's efforts to digitalise its Media business, there has been a 52.5% growth in digital circulation year-on-year. Most of the new subscriptions acquired this past year have been digital-only packages (including tablets).

Q1 (iii) (a) **Advertisement revenue: Can management help shareholders understand how they intend to recapture the advertisement revenue as the economy recovers?**

Response: Despite the headwinds in the economy and soft advertising market, SPH is in the unique position of being able to offer integrated marketing solutions to advertisers across multiple platforms with multi-language messaging.

With the demand for performance-based advertising solutions in the market, SPH has invested in key areas such as data analytics which allow us to provide information on advertising campaigns to help advertisers gauge their ROI.

We have proactively pushed out efforts to help advertisers in the current situation, e.g. the Shop For Good initiatives where retailers could utilise our digital platforms to offer discounted vouchers to potential customers. We will also be working with several key retailers this Black Friday on a coordinated sales campaign to reach customers using our digital, print and voice platforms.

Q1 (iii) (b) **Advertisement revenue: What are the advantages of the group's media advertisement compared to niche targeting advertising offered by social media platforms?**

Response: SPH has multiple platforms of print, online, radio/voice, online video and outdoor media (including in-lift advertising), enabling it to provide effective cross-channel advertising solutions to clients.

SPH's audience has higher spending power and willingness to pay for news.

In comparison, social media and other online platforms offer one-dimensional exposure to audiences on largely mobile devices. Large numbers can be reached in this way, but the quality of the interaction may be fleeting.

Q1 (iv) **The Woodleigh Residences: The group has sold about 56% of total units (667) of The Woodleigh Residences. Has the sales progress met management's expectations? Has the construction been delayed due to the pandemic?**

Response: As at 20 November 2020, about 60% of total units have been sold at an average price of approximately S$1,908.

Sales have been encouraging since the lifting of the Circuit Breaker, with about 190 units sold as at 20 November 2020. This was aided by a revamped sales and marketing strategy with launch of fresh advertising campaign.

The construction progress has been affected by the Covid-19 pandemic. The government has announced additional temporary relief measures on 8 October 2020, extending project completion by a further six months, which comes on top of the six-month extension announced on 6 May 2020.

Q2 (i - ii) **Has the board evaluated the performance of management? If so, is the board satisfied with the operational and financial performance of the group in the past 3 years, 5 years and 10 years?**

What are the key performance indicators used to assess the performance of management?

Response: SPH adopts a balanced scorecard framework which measures management by both financial and non-financial Key Performance Indicators (KPIs).

Financial KPIs include various measurements such as group operating profits, EBIT from various segments of businesses, total shareholders' returns, return on equity and earnings per share.

Non-financial KPIs include digital growth, cost optimization, customer engagement and organizational development.

All KPIs and target setting are reviewed annually by the Remuneration Committee with management. Remuneration consultants are also engaged to provide their independent and expert advice.

Q2 (iii) **Given that the board's role is to provide entrepreneurial leadership and to set strategic objectives (with appropriate focus on value creation, innovation and sustainability), can the board, especially the chairman, help shareholders understand their contribution and their effectiveness as directors?**

Response: The Board meets regularly and when necessary, to discuss the Group's operations which are significant in nature and to provide overall strategy and direction, guidance and oversight over a more complex range of issues as SPH diversifies its businesses.

The Board has a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by the Chairman and individual Directors. The performance of the Board, Board Committees and individual Directors are reviewed on an annual basis, based on agreed performance criteria. Each Director contributes to the Board deliberations with their respective areas of expertise in media, property, investments, business, technology, law and finance.

Q3 (i) **Can management provide shareholders with a holistic overview of how it makes its investment and divestment decisions? What is the targeted optimal capital allocation by sector and by geography?**

Response: The Board and management adopt a disciplined and prudent approach towards evaluating new investments, taking into account potential operational synergies and shareholder value enhancement. Aligned with the investment strategy approved by the Board, the Group is focused on making strategic investments that support the transformation of the Media business, and grow its recurring income through investments in defensive, cash-yielding assets that benefit from long-term secular trends.

The objective is to invest and grow the selected asset class to a sizeable platform of scale with the relevant operating capabilities in order to contribute positively to the Group's recurring income.

As part of our diversification strategy, SPH has started to invest outside of Singapore in developed economies undergirded by an established legal and regulatory framework. This may be seen with its investments in the UK, Australia and Japan.

On divestments, the Group constantly reviews its portfolio of investments to unlock value strategically and recycle capital into existing core businesses to enhance capital management and create shareholder value.

Q3 (ii) **Has management evaluated the group's track record for its investments? Has the board estimated the cost of capital to the group?**

Response: The Group regularly evaluates its investments against expected returns, available liquidity and leverage and cost of capital, with adjustments made to reflect risk of the relevant industry and market.

Q3 (iii) **What is the investment hurdle required for its investments?**

Response: The Board and management adopt a disciplined and prudent approach towards evaluating new investments, taking into account potential operational synergies and shareholder value enhancement. Internal hurdle rates are applied for each investment based on its respective risk profiles.

Q3 (iv) **Can management help shareholders understand if it has a robust framework to evaluate and to value its potential acquisitions? Even before COVID, the group has had to impair nearly $100 million in goodwill.**

Response: The Group has a robust framework for the financial evaluation of investments, taking into account, amongst others, expected return, available liquidity and leverage and cost of capital, with adjustments made to reflect risk of the relevant industry and market.

Short term cash-on-cash returns, medium to long-term return-on-investment are financial parameters used for assessing investments.

As with any investment, there is potential for positive and negative returns depending on market conditions, which can be volatile and uncertain. While the group has taken some impairments, the group has also exited investments with a total gain of S$293million since FY2017 ((details in Q3 (vi)).

Q3 (v) **What guidance has the board given to management to avoid overpaying for its acquisitions?**

Response: The Board and management adopt a disciplined and prudent approach towards evaluating new investments taking into account potential operational synergies and shareholder value enhancement. Recommendations for significant investments and divestments are submitted to the Executive Committee and the Board for discussion and approval.

Q3 (vi) **Can management identify which of its investments have positively contributed to the group?**

Response: Over the years, the Group have made numerous investments that have contributed positively to the financial performance. We successfully exited our retail properties via the IPO of SPH REIT and continue to receive regular distributions from SPH REIT.

The investment in PBSA has also returned a cumulative operating profit of approximately S$20 million since December 2018.

As announced in our financial statements, we have also made several divestments which amounted to a total gain of approximately S$293 million. (See breakdown below)

Financial Year	Investment Exited / Divested	Gain (S$ mil)
FY2017	701Search	149.7
FY2018	T&I portfolio (divestment of portfolio investments)	70.0
	Qoo10	9.1
FY2019	Chinatown Point	24.3*
FY2020	AXA Tower	13.9
	Media Centre	25.7

** Comprised of S$13.9 million fair value gain and S$10.4 million divestment gain*

Q3 (vii) **Has management considered returning excess capital to shareholders if they are unable to invest profitably?**

Response: The Group always aims to have a sustainable dividend payout from our operating profit. The Group has a track record of returning dividends to return capital to shareholders. In certain years when the situation permits, the Board also returned additional capital to shareholders in the form of special dividends. From FY2015 to FY2019, SPH paid out a total of S$306.5 million in special dividends.

In line with our corporate strategy, the Group constantly reviews its portfolio of investments to unlock value strategically and recycle capital into existing core businesses to enhance capital management and create shareholder value. From FY2017 to FY2019, SPH paid out dividends in excess of recurring operating income as a result of cash proceeds generated from our divestments [Refer to Question Q3 (vi) for more details].

The Board has declared a final dividend of 1 Singapore cent per share, subject to approval by shareholders at the upcoming AGM on 27 November 2020. SPH has also paid out an interim dividend of 1.5 Singapore cents on 5 May 2020.

Q4 (i - iii) **Can the board, especially the remuneration committee, help shareholders understand the specific performance indicators (including key financial and operational metrics) used to determine the variable bonuses of the executive director and the KMPs?**

Given the performance of the group in all its segments, can the board elaborate further on how the current remuneration framework aligns the interests of the executive directors with the interests of shareholders?

Has the board considered using more holistic measures, such as total shareholder returns, return on equity etc as the performance measure?

Response: The Remuneration Committee (RC) and the Board in determining the level and structure of remuneration of senior management will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account its strategic objectives, short term and long term interests and risk policies.

RC engages independent remuneration consultants to provide expert advice on staff remuneration matters.

Remuneration packages for key management are structured on measured performance indicators, taking into account financial and non-financial factors.

Financial KPIs include various measurements such as group operating profits, EBIT from various segments of businesses, total shareholders’ returns, return on equity and earnings per share.

Non-financial KPIs include digital growth, cost optimization, customer engagement and organizational development.

Long-term performance shares plans are structured to align the interest of CEO and key management personnel with the interest of shareholders and to motivate them for the long term success of the Group. These plans are conditional and based on performance assessed over a multi-year performance period. The conditions for such awards were chosen to reflect medium to longer-term corporate objectives.

Q4 (iv) **Would the board consider a 30-50% reduction in the director fees to help the group tide over this challenging period and to show solidarity with all the stakeholders?**

Response: The scale of the Directors' fees has not changed since 2007. The fees are benchmarked to industry peers, based on the calibre, expertise and experience of the Directors on the Board. With the increased demands as a result of the complicated and challenging business environment, directors' fees have to be sufficient to retain Directors with the requisite expertise and experience required to propel the Group forward. The amount of Directors' fees has fallen from S$1,400,000 for FY2020, to S$1,350,000 for FY2021.

Q4 (v) **To show the board's belief in and the commitment to the group, would the board consider taking up to 75-90% of their fees in the form of SPH shares? This would also further align the directors with minority shareholders.**

Response: Payment of 25% of Directors' fees in the form of shares is reasonable and similar to market practice, to achieve the objective of aligning the Directors' interest with that of shareholders and the long term interest of the Company.

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in SPH (“Shares”).

The value of shares and the income derived from them may fall as well as rise. Shares are not obligations of, deposits in, or guaranteed by, SPH or any of its affiliates. An investment in Shares is subject to investment risks, including the possible loss of the principal amount invested. The past performance of SPH is not necessarily indicative of its future performance.

This announcement may also contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.