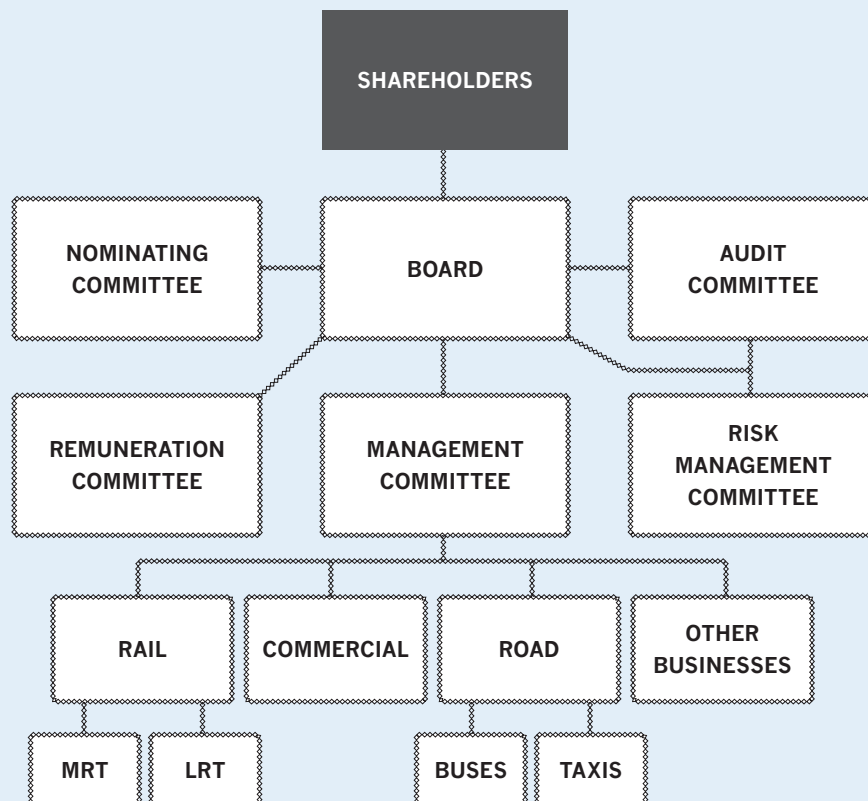


CORPORATE GOVERNANCE

This Corporate Governance section describes the Group's corporate governance processes, activities and achievements for FY2006, which is structured along the lines of the principles of the Code of Corporate Governance ("2001 Code").

The Group with the guidance of its Board, is dedicated to ensuring that it is a transparent organisation with sound policies and internal controls that protect shareholders' investment and create shareholder value whilst committing to constantly raising its standards of corporate governance. Our efforts in the pursuit of good corporate governance were recognised at the Securities Investors Association of Singapore's 2005 Investors' Choice Awards where we were awarded second place for Corporate Governance.

Although the Code of Corporate Governance 2005 ("2005 Code") only applies to Annual General Meetings held on or after 1 January 2007, the Group has taken steps to adopt the recommendations of the 2005 Code, wherever practicable. The diagram below illustrates the Group's Corporate Governance Structure.



The Board's Conduct of its Affairs (Principle 1)

The Board oversees the overall strategy and business direction of the Group. Apart from its statutory duties, the Board:

- provides entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be assessed and managed;
- sets, challenges and contributes to the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews Senior Management performance;
- determines the appropriate levels of remuneration of executive directors and has a prime role in succession planning; and
- sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Group has adopted internal guidelines, which are found in its Financial Procedures Manual ("FPM"), setting forth matters that require the Board's approval. The FPM was updated in the financial year ended 31 March 2006 to meet the evolving business needs of the Group especially in non fare growth areas such as commercial and taxis businesses. The FPM documents the levels of approvals necessary for matters such as the annual budget, capital expenditure and operating expenses.

CORPORATE GOVERNANCE

Board meetings are held on a quarterly basis to coincide with the announcement of the Group's quarterly results. Towards the end of the financial year, an "off-site" Board meeting is held for Directors to discuss the Group's strategies and plans together with Management. A Board meeting is also held at the end of each financial year for Directors to consider the Group's annual budget for the following year. During the year under review, the Board held two additional ad hoc meetings to consider certain issues which required the Board's guidance and approval.

The Directors are free to debate openly on proposals that are raised to the Board for consideration and approval. The Board also meets without the presence of Management to discuss, inter-alia, the strategic direction of the Group. Board meetings are open and constructive and the non-executive Directors regularly meet without the presence of Management. For the financial year ended 31 March 2006, the non-executive Directors had three meetings without Management's presence.

The Members of the Board receive monthly management and financial reports on the performance of each business unit including status updates on important projects and achievements in relation to key performance indicators, and business units are required to keep the Board apprised on any significant developments to ensure there are no surprises.

The Company's Articles of Association allow Board meetings to be conducted via telephonic and videoconference meetings.

The Board members' attendance at Board meetings and Board Committee meetings are shown on page 68. The attendance rate for Board and Board Committee meetings is above 90% and this demonstrates the commitment of Members. In addition, the Members of the Board constantly engage in ad hoc discussions amongst themselves and with Management on specific issues relating to the matters raised as agenda items and otherwise.

Upon appointment, a Director will receive a letter of appointment from the Board Chairman explaining, inter alia, his role, duties and obligations as a Member of the Board. A Director who has been appointed onto a Board Committee will also be provided with a copy of the charter of that Board Committee.

To give newly appointed Directors a better understanding of the Group's strategies and principal business activities so that they can make informed and effective business decisions, the Group has developed an orientation programme which comprises presentations by the President & Chief Executive Officer ("CEO") and the Vice Presidents of the various business units on their business plans for the year and visits to the Group's operation centres such as its headquarters, bus depots, train stations and a walk through its train tunnels. From time to time, the Company Secretary will arrange for the Directors to attend conferences and seminars on relevant laws and corporate governance issues. One of the seminars organised for Directors in the year under review was an update on the Companies (Amendment) Act 2005 conducted by a law firm.

Board and Management Committees

The Board is supported by the following Board Committees which have been established to assist the Board in discharging its responsibilities and enhancing the Group's corporate governance framework:

AUDIT COMMITTEE

The Audit Committee ("AC") is chaired by Daniel Ee Hock Huat, and includes members Koh Kheng Siong, Paul Ma Kah Woh and Engelin Teh Guek Ngor, all of whom are non-executive and independent. The activities of the Audit Committee are described under Principle 11 in the subsequent paragraphs. During the year under review, the AC Charter was reviewed and updated.

NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises three members: Engelin Teh Guek Ngor (Chairman), Choo Chiau Beng and Niam Chiang Meng. All members of the NC are independent and non-executive Directors. The NC Chairman, is also not directly associated with Temasek Holdings (Private) Limited, which is the Company's substantial shareholder. The primary function of the NC is to review the composition of the Board regularly, assist the Board in determining a formal and transparent process for the appointment of new directors to the Board; to ensure that there is a formal assessment of the effectiveness of the Board as a whole and of the contribution made by each Director to the effectiveness of the Board, and oversee the succession plans of the Group.

The NC's terms of reference is defined in its Charter which also sets out, amongst other things, its authority, composition, conduct of meetings and responsibilities. During the year under review, the NC Charter was reviewed and updated. The activities of the NC are explained in detail in the sections under Principles 2, 3, 4 and 5 in the subsequent paragraphs. The NC met twice during the year under review and conducted several ad hoc meetings to identify and interview suitable candidates for appointment to the Board.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The members of the Remuneration Committee (“RC”) are Choo Chiau Beng (Chairman), Koh Kheng Siong, Nithiah Nandan s/o Arumugam, Daniel Ee Hock Huat and Edmund Koh Kian Chew, the last two of whom were appointed during the year under review on 15 March 2006. All the members of the RC are independent and non-executive Directors. The primary function of the RC is to assist the Board in fulfilling its duties in developing formal and transparent policies on remuneration matters in the Company. During the year under review, the RC Charter was reviewed and updated, and the RC’s functions were expanded to include the approval of all appointments, promotions and removals of Senior Management holding the title Vice President and above. The functions of the RC are explained in detail in the sections under Principles 7, 8, and 9 in the subsequent paragraphs. The RC met three times during the year under review.

MANAGEMENT COMMITTEE

The Management Committee (“MC”) is not a Board Committee. It is chaired by the President & CEO and comprises Senior Management and Heads of Department. The MC facilitates the communication of the Board’s decisions to the respective departments in the organisation. It meets fortnightly to review the status of various projects and deliberates on proposed strategic objectives, key policies and operational issues for the Board’s consideration.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (“RMC”), which is not a Board Committee, is chaired by the President & CEO and comprises the heads of all the Group’s business functions. The RMC meets regularly to consider the Group’s risk management policies and systems established by Management. The activities of the RMC are set out in the section under Principle 12.

Board Composition and Guidance (Principle 2)

The Board comprises nine Directors, all of whom are independent and non-executive, except for Saw Phaik Hwa who is the President & CEO, as shown on page 68.

The NC determines annually whether a Director is independent according to the definition as set out in the 2001 Code. Every year, each Director is required to confirm his independence by completing and returning the Director’s Independence Checklist to the NC. The Checklist is drawn up based on the guidance provided in the 2001 Code. For the year under review, the NC has determined that, with the exception of the President & CEO, who is an executive Director, all the other eight Directors, who are non-executive, are independent.

The NC also examines the size and composition of the Board, the core competencies of its members and the skills that are helpful to the Board and the Board Committees. In this regard, the NC takes into account factors such as the scope and nature of the Group’s operations, the balance of skills and experience of Directors, and the balance of executive and non-executive Directors. The NC is responsible for reviewing the retirement and re-election of Directors on an annual basis having regard to the Directors’ contribution, performance as well as the number of years of service on the Board.

The Board also considers the extent to which its size and composition are appropriate for effective decision-making. Within the current Board, the Directors provide core competencies in areas such as business, accounting, audit, finance, management and law. In addition, the vast work experience of the Directors spans the areas of risk management, strategic planning and customer relations. The Directors’ academic and professional qualifications are shown on pages 69 to 72.

Chairman and Chief Executive Officer (Principle 3)

The roles of the Chairman, Choo Chiau Beng, and the President & CEO, Saw Phaik Hwa, are kept distinct through a clear division of responsibilities. The Chairman, who is independent and non-executive, does not have any relationship with the executive management of the Group that could materially affect or interfere with his independent judgement and decision-making. He facilitates the effective contribution of non-executive Directors by encouraging open discussions and by having meetings without the presence of Management. The Chairman manages the business of the Board and ensures its effectiveness in its role. To encourage constructive relations between the Board and Management, the Chairman ensures that discussions held with Management at Board meetings are candid and practical, and that presentations made by Management to the Board at Board meetings are concise and comprehensive. The Chairman also chairs the Group’s General Meetings and ensures effective communication with shareholders at these meetings.

The CEO manages the business of the Group and, together with Management, implements the Board’s decisions.

Board Membership (Principle 4)

Board Performance (Principle 5)

The Group has a formal and transparent process for the appointment and re-appointment of Directors.

CORPORATE GOVERNANCE

Pursuant to the Company's Articles of Association, one-third of the Board of Directors, including the President & CEO who also sits on the Board, are required to retire and are subject to re-election at every Annual General Meeting ("AGM") of the Company. In accordance with the Company's Articles of Association, a newly appointed Director must also subject himself for retirement and election at the AGM immediately following his appointment.

With effect from FY2007, the Board decided against fixing a term of office for Directors. Accordingly, the NC will regularly review the Board's composition to ensure the appointment of Directors who can make valuable contributions to the Group's business objectives.

Process for Selection, Appointment and Re-appointment of Directors

The NC reviews and considers the retirement and re-election of Directors and makes the relevant recommendations to the Board for shareholder approval at the AGM. In its review, the NC takes cognizance of the Director's contribution and performance, such as attendance, preparedness, participation and candour. The NC will also review the size and composition of the Board and identify its needs, in particular the range of expertise, skills and attributes, taking into account the evolving business needs of the Group.

When the need for a new Director arises, whether as a replacement for a retiring Director or as an addition to the Board, the NC will prepare a shortlist of candidates with the appropriate profile. Where necessary, the NC may seek assistance from external search consultants, such as the Singapore Institute of Directors, for selection of potential candidates. After the NC has interviewed and selected a suitable candidate, the NC will recommend him to the Board for appointment as Director.

Key information regarding Directors such as academic and professional qualifications and directorships are set out on pages 69 to 72.

Evaluation of Board Performance

The NC has adopted the following ways of evaluating Board performance and has set objective performance criteria for each type of evaluation:

A) EVALUATION OF THE BOARD AS A WHOLE

Each Director is required to annually assess the Board's effectiveness as a whole by completing a Board Evaluation Questionnaire. The Board Evaluation Questionnaire takes into consideration factors such as the Board's composition, the Board's proceedings and the Board's relationship with Management. The Board Evaluation Questionnaire submitted by each Director is then submitted to the Board for deliberation.

B) DIRECTOR'S SELF-ASSESSMENT

Directors are also required to assess themselves once a year. The Director's Self-Assessment Form takes into account a Director's attendance at Board meetings, his willingness to devote time to the Company, his contribution to the development of strategy and risk management, his independence of view, his knowledge and skills, and his communication with fellow Directors. The Director's Self Assessment Form submitted by each Director is reviewed by the NC for the purpose of considering the re-nomination of retiring Directors.

C) EVALUATION OF DIRECTORS BY THE BOARD CHAIRMAN

The Board Chairman also assesses the Board's effectiveness by evaluating the performance of each Director every year. The criteria taken into consideration in Chairman's evaluation of Directors includes the degree of preparedness, the value of contribution to the development of strategy and risk management and the Director's knowledge and experience.

In addition to the abovementioned, the NC also sets objective performance criteria for the President & CEO for the purpose of evaluation by the Board. Every year, the Directors will evaluate the President & CEO and provide feedback on her performance. The Chairman will then compile the results of the evaluation and conduct an open assessment with the CEO.

The NC assesses the independence of Directors as mentioned under Principle 2 above.

The NC also reviews whether each Director has given sufficient time and attention to the affairs of the Group. Internal guidelines have been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards. For the year under review, the NC is of the view that although some Directors hold several directorships in other companies, all Directors have contributed sufficient time to fulfil the expectations of their role as Directors as can be seen from their excellent attendance record as set out on page 68. The NC has also determined that the Directors have allocated adequate time to fulfil their duties as Board and Board Committee members.

CORPORATE GOVERNANCE

Access to Information (Principle 6)

To assist the Board in discharging its duties, Management provides the Board with timely, balanced and understandable key operational and financial reports on the Group's performance and prospects on a monthly basis. Board and Board Committee meeting agenda and papers are sent to Directors several days in advance of meetings for their prior reading. Directors have separate and independent access to the President & CEO, the Company's Senior Management, the Company Secretary and the Internal and External Auditors via telephone, e-mail and face-to-face meetings.

The role of the Company Secretary is clearly defined. She attends all Board meetings. As Secretary for the Audit, Nominating and Remuneration Committees she also attends the meetings of these committees.

The Company Secretary assists the Chairman and the Chairmen of Board Committees in scheduling Board meetings and Board Committee meetings respectively. The Company Secretary also prepares agenda papers for Board and Board Committee meetings in consultation with the Chairman and the President & CEO. Every month, the Company Secretary will circulate the Group's financial and operational progress reports to all Directors, thus keeping the Board updated on the Group's affairs on a timely and on-going basis. In addition, any Director may in the furtherance of his duties take independent professional advice at the Company's expense by notifying the Chairman.

Procedures for Developing Remuneration Policies (Principle 7)

The Board appointed the RC to develop the Group's remuneration policies as recommended by the 2001 Code. With the expansion of its terms of reference effective 17 February 2006, the RC also has responsibility for overseeing the development of leadership and management talent.

Level and Mix Of Remuneration (Principle 8)

Non-executive Directors are paid Directors' fees comprising a basic fee and additional fees for appointments on other Board Committees. As an executive Director, the President & CEO does not receive Directors' fees.

The RC has established that the Compensation Strategies for the Group should meet the following criteria:

- 1) Compensation must be flexible and adaptable to market conditions, critical for future success;
- 2) There must be a strong link between payouts and results-based corporate and strategic business units (SBU)/divisional performance achievement and individual performance;
- 3) Inculcate individual accountability and innovation, whilst fostering teamwork;
- 4) Ensure market competitiveness to attract and retain key talents; and
- 5) Emphasize long term focus through longer term incentives subject to future performance to focus on shareholder value creation.

The RC reviews remuneration taking into consideration the Group's strategic business units and individual performance.

Disclosure on Remuneration (Principle 9)

The report on Directors' remuneration and the remuneration of the top five paying key executives are shown on page 151. There is no employee whose remuneration exceeded S\$150,000 during the financial year ended 31 March 2006 who is an immediate family member of a Director or the President & CEO.

Details of the SMRT Corporation Employee Share Option Plan, SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan can be found on pages 91 to 95 of the Annual Report.

Accountability (Principle 10)

The Board presents a balanced and understandable assessment of the Group's performance, position and prospects to the public via the release of its quarterly and full year financial results. The Board will review and approve the results before its release and for the release of the Group's full year results, Management will also provide a certification to the Board on the integrity of the Group's financial statements and internal control systems.

Audit Committee (Principle 11)

The AC comprise members who are non-executive, independent and appropriately qualified to discharge their responsibilities. Both the Chairman, Daniel Ee Hock Huat, and another member, Koh Kheng Siong, have accounting and/or related financial management expertise. As regards the other members, Paul Ma Kah Woh has accounting, auditing and risk management knowledge whilst Ms Engelin Teh Guek Ngor has experience in legal and business issues.

CORPORATE GOVERNANCE

The AC met six times during the year under review. The President & CEO, Executive Vice-President (Finance), Chief Internal Auditor & Vice President (Audit Division), Company Secretary and the external auditors are usually invited to attend the meetings. During the financial year, the AC met with the external auditors twice, and with the internal auditors once, without the presence of Management. These meetings enable the auditors to raise issues encountered in the course of their work directly to the AC.

The AC Charter provides guidance for the effective operation of the AC by setting out, amongst other things, the AC's terms of reference, authority, composition, conduct of meetings and responsibilities.

During the year under review, the AC:

- reviewed and recommended to the Board the release of the quarterly and full year financial statements;
- considered and approved the Audit Strategy and Planning Memorandum prepared by the external auditors and the Internal Audit Plan prepared by the Internal Audit Division;
- reviewed the scope and results of both internal and external audits, the adequacy of the internal audit function and the risk management processes within the Group;
- reviewed and recommended to the Board, the revisions to the Group Financial Procedures Manual which governs authority limits and procedures which was updated to cover the changes to its businesses; and
- reviewed the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them.

Prior to the re-appointment of the external auditors, the AC conducts an annual review of their independence based on the guidelines provided by the Accounting and Corporate Regulatory Authority. Having reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice their independence and objectivity, the AC has recommended their re-appointment.

The Group has since March 2005 adopted a formal Code of Business Ethics and Conduct ("Ethics Code"), which includes an Ethics Hotline that serves as an avenue for any party to channel their concerns in confidence and for appropriate investigation and follow up action. In this connection, the AC has full authority and mandate to conduct or authorise any investigations into any matters within its terms of reference and with the full cooperation of Management. The AC Charter was also updated to provide more clarity on the AC's responsibilities with regard to ensuring that arrangements are in place for the independent investigation of any issues raised by the Group's staff in confidence, and for appropriate follow up action.

Internal Controls (Principle 12)

The Board believes that the Group's framework and system of internal controls and procedures maintained by the Company's Management, and set in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Group in the current business environment. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group manage the risk of failure to achieve business objectives, rather than to eliminate it.

At the beginning of each financial year, the Internal Audit Division prepares an Audit Plan to review the adequacy and effectiveness of the Group's system of internal controls and compliance. Upon completion of the review, the Internal Audit Division issues a report on its findings with appropriate recommendations to the AC, the President & CEO and the Chairman of the Board. A copy of this report is also given to the Heads of Department for their follow up action, and to the external auditors for information.

The AC reviews the effectiveness of the Group's internal controls (including financial, operational and compliance controls) and risk management, and consults the external auditors on their views on these matters. The processes used by the AC to review the effectiveness of the system of internal controls and risk management include:

- risk assessment and management processes;
- audit processes;
- review of internal and external audit plans; and
- review of significant issues arising from internal and external audits.

CORPORATE GOVERNANCE

The key elements of the Group's system of controls are as follows:

Operating Structure

The Group has a clearly defined operating structure with lines of responsibility and delegated authority, as well as adequate reporting mechanisms to Senior Management and the Board.

Policies, Procedures and Practices

Controls are detailed in formal procedures, instructions and manuals. Internal auditors and ISO 9001 auditors verify compliance with these controls.

Since March 2005, the Group has adopted a structured ethics programme to provide legal and ethical guidance in situations where ethical decisions have to be made. Values which Directors and employees of the Group are expected to adhere to (namely Integrity, Honesty, Care, Accountability, Timeliness and Fairness) are enumerated in the Group's Ethics Code. Effective communication channels, including an Ethics intranet website and an Ethics Hotline direct to the President & CEO (for reporting of suspected cases of non-compliance or violations) have been established and these communication procedures are set out in the Ethics Code. Briefing sessions are held to help new employees understand and apply the Ethics Code.

Financial Reporting

The Board approves the annual budget under a planning and budgeting system that is applied Group-wide. The reporting of actual performance against budget and revised forecasts to the Board is conducted monthly while the reporting to the shareholders in accordance with the requirements of the SGX-ST is conducted on a quarterly basis.

Financial Management

Management reviews the performance of each strategic business unit and corporate function on a monthly basis to instill financial and operational discipline at all levels of the organisation.

To achieve greater efficiency and synergy in the management of its financial resources, the Group centralised its Treasury function. All banking facilities and activities are consolidated at the Group level to leverage on the Company's financial strength.

Audit

Internal Audit performs continuous monitoring to ensure compliance with company policies, internal controls and procedures designed to manage risks and safeguard the business and assets of the Group. Internal Audit reports its findings to the President & CEO, the AC and the Chairman of the Board.

Our external auditors from KPMG provide an independent perspective in the course of their statutory audit of the Group and annually report their findings to the AC.

Risk Management

The Risk Management Committee ("RMC") adopts and implements an Enterprise Risk Management ("ERM") Framework in the organisation with the following objectives:

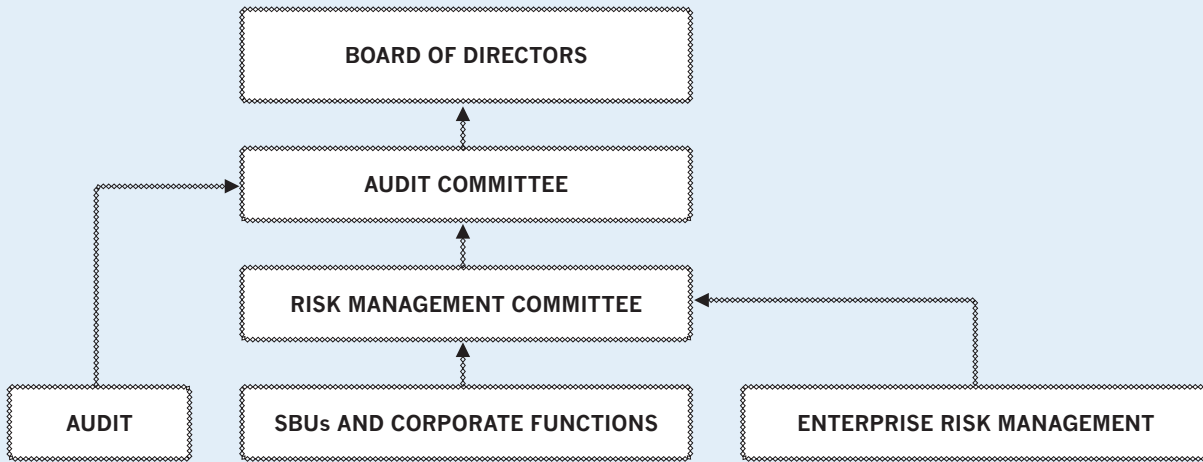
- provide a consistent risk management framework for management and staff to apply in decision making and strategy setting;
- establish a risk reporting mechanism;
- promote a holistic management of risk across all Strategic Business Units ("SBUs") and corporate functions; and
- create a risk awareness culture.

Supported by the ERM function, the RMC is responsible for leading the development and implementation of ERM throughout the Group and spearheading risk management initiatives.

CORPORATE GOVERNANCE

Risk Management Structure

The Risk Management structure of the Group is illustrated below:



The roles and responsibilities of each function in the structure are as follows:

Functions	Roles and Responsibilities
Audit Committee	<ul style="list-style-type: none"> – Takes responsibility for overseeing the Group’s risk management process through reviewing the adequacy and effectiveness of the risk management process, policy, methodology, tools, practices, strategies and treatments.
Risk Management Committee	<ul style="list-style-type: none"> – Leads the direction of ERM initiatives in the Group through initiating risk management policy, methodology, tools, practices, strategies and treatments. – Reviews and monitors Group level strategic risks.
ERM function	<ul style="list-style-type: none"> – Supports the RMC through developing and implementing risk management policy, methodology, tools, practices, strategies and treatments. – Facilitates the risk management process throughout the Group. – Builds and strengthens the risk culture through carrying out risk awareness initiatives.
SBU's and Corporate Functions	<ul style="list-style-type: none"> – Has responsibility for managing and monitoring the SBU/Corporate Function day-to-day risks in the business/operations. – Ensures compliance and promotes internalisation of risk management process, policy, methodology, tools, practices, strategies and treatments. – Determines and reports risks faced by business/operations.
Audit Division	<ul style="list-style-type: none"> – Takes on an independent role in evaluating effectiveness of the Group’s ERM framework.

Risk Management Process

The Risk Management Process is a structured and continuous process comprising the following steps:

1. Identification of objectives and risks of SBU/Corporate Functions
2. Assessment of the inherent risks
3. Identification and assessment of countermeasures
4. Assessment of the residual risks
5. Development of action plans to manage the residual risks
6. Continuous monitoring of risks and action plans

CORPORATE GOVERNANCE

Risk Assessment Exercises

Three levels of risk assessment exercises are conducted in the Group which are detailed below:

a) Strategic Risk Assessment Exercise at RMC level

An annual Strategic Risk Assessment Exercise is conducted at RMC level which focuses on group level strategic risks that have a significant impact on the long term financial health or survival of a company. These risks would impair the Group from achieving the Group's strategic objectives. The RMC carried out its annual review of the Group's strategic objectives and risks to derive the Group's risk profile in the second quarter of FY2006.

Countermeasures were identified and assessed. Action plans were developed to better manage the strategic risks identified during this exercise. For each risk highlighted at the Group level, a risk owner, who is part of the RMC, was assigned to manage the risk. Existing countermeasures were developed and assessed at the RMC level for its effectiveness and compliance. A second review was conducted in the fourth quarter of FY2006 to establish the progress of the action plans developed earlier and to assess the risk levels of the strategic risks.

b) Risk Identification Exercise at Business Unit and Corporate Function level

Annual risk assessment exercises were also carried out at corporate and business unit levels to derive the risk profile of the business units and corporate functions.

During the fourth quarter of FY2006, all business units and corporate functions carried out their annual risk review to identify and assess their risks. The risks that were identified and assessed comprised strategic, operational, regulatory and financial risks. Current countermeasures were identified and assessed. Action plans were developed to better manage the risks identified in their risk profile. Risks at business unit or corporate function levels are reported to the RMC for review. The above strategic risks identified at the Group level were communicated to the business unit or corporate function levels and were also identified in the business unit risk profiles where applicable. This signifies alignment in risk concerns at both the Group and business unit or corporate function levels.

c) Project Risk Assessment and Management

Investment projects are subject to formal authorisation procedures with designated levels of authority as set out in the Group Financial Procedures Manual. Major projects are subject to the Board's review and approval. For each major project, a comprehensive risk assessment exercise is conducted through interactive discussion sessions. Project teams will go through the risk management process to identify the projects' objectives and risks, develop action plans to mitigate the risks and monitor the risks. Risk assessments are conducted at various stages of the project and are reported to the RMC. During FY2006, project risk assessments were carried out on a number of overseas and local projects at various stages of the projects. The risk profiles of the projects are reported to the RMC for review.

Risk Management Initiatives

Details on the risk management initiatives implemented in this financial year are detailed out in the operating and financial review section.

Control Self-Assessment Programme

The Group has also initiated a Control Self-Assessment programme ("CSA Programme") which is a structured system for management and staff to identify and assess strengths and weaknesses within their own risk and control systems and environment.

In the coming year, our Internal Audit Department will spearhead efforts to rollout the CSA Programme which aims to increase awareness of key process controls amongst line management and staff.

Internal Audit (Principle 13)

The Internal Audit Division is an independent function that reports directly to the Chairman of the AC, and administratively to the President & CEO. In line with leading practice, the Group's Internal Audit mission statement and charter requires it to provide an independent, objective assessment and consulting services that add value and enhance the Group's operations as well as assist the Strategic Business Units in achieving their business objectives in terms of risk management, control and governance processes.

The Division adopts a risk-based approach to formulating the annual audit plan to ensure that all risk-rated auditable areas are reviewed for proper coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing nature of the business and the risk environment.

CORPORATE GOVERNANCE

The Internal Audit Division carries out its audits in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors (“IIA”). In line with the IIA’s requirements, the Internal Audit Division has established a quality assurance programme comprising internal and external assessments to provide reasonable assurance to the various stakeholders that the audit activities are performed in accordance with its charter and in an effective and efficient manner so as to add value to the stakeholders as well as to improve the operations of the organisation.

Communication with Shareholders (Principle 14 and 15)

The Group believes in open and regular communication with its shareholders and the investing public to provide clear, balanced and useful information on a timely basis about the Group’s performance, financial position and prospects. Its communication with shareholders and investors is guided by principles, policies and practices that adhere to the Code of Corporate Governance and Corporate Disclosure Policies of the SGX-ST Listing Manual. The Group ensures that it understands and responds to the feedback and needs of the investment community by constantly improving on its investor relations programme and the way it communicates with shareholders and investors.

Dissemination of Material Information

In disseminating material information, the Group observes the basic principle of making material information available to all shareholders and investors on a timely and non-selective basis.

Dissemination of material information takes the form of quarterly reporting of the Group’s financial results, monthly reporting of MRT ridership data via its corporate investor relations website, as its MRT operations account for more than half of the Group’s annual revenue, and mid-quarter updates of any material information. Such updates also include announcements issued by external parties that have impact on the Group and the market’s assessment of the Company.

All material information about the Group is disseminated through media releases or announcements via SGXNET, which is accessible from www.sgx.com. The information is also uploaded on the corporate website at www.smrt.com.sg to enable all other stakeholders equal access to the information. It is broadcasted to analysts, shareholders and investors on its investor relations mailing list and those who have registered for company updates.

Release of Financial Results

The Group reports its quarterly financial results promptly within one month of the close of the quarter and its audited results within a month of the financial year ending 31 March. The financial results are released via SGXNET onto the SGX-ST website after trading hours.

For the release of its half year and full year results, combined media and analyst conferences are organised with Senior Management, comprising the President & CEO and Executive Vice President (Finance). For the release of its first and third quarter results, teleconferences with the media and analysts are held to brief on the Group’s performance. Feedback from analysts indicate that the frequency of disclosure forums is currently adequate for their reporting and research purposes.

During the conferences and teleconferences, the Group provides, amongst other things, the operating results and metrics of each business segment, a clear breakdown of cost components and guidance for the next quarter or year. Such information would also be released via SGXNET.

To further enhance fairness and transparency in disclosure, the Group has, since FY2005, provided live audio webcasts of its media and analysts conferences for its half and full year results. This allows shareholders and the investor public to easily access the discussions at the conferences.

Staying Engaged with Investors

The Group is committed to cultivating long-term investor relationships and observes an open policy in its relations with shareholders and the investor public. The investor relations department organises meetings to engage with the investment community either individually or in groups to update on the Company’s development, address their concerns and to obtain feedback.

The Group also participates in investor conferences and roadshows organised by institutional brokers. At the same time, it stays in touch with retail investors through proxies such as the Securities Investors Association (Singapore) (“SIAS”), which has an established presence among retail investors. To support investor education for retail investors, the Company also sponsored SIAS’ investor education programmes.

CORPORATE GOVERNANCE

All the meeting platforms allow shareholders and investors to interact with the Group's Senior Management to gain a better understanding of its strategies, businesses, outlook and prospects. They also enable Senior Management to better appreciate the investment community's views about the Group. Furthermore, issues raised by shareholders and investors are conveyed to the Board on a monthly basis.

In addition to face-to-face meetings, the Investor Relations department also engages in regular telephone and email communication to update analysts on developments and to stay in touch with the market.

A dedicated Investor Relations section on the Group's corporate website, www.smrt.com.sg, provides easy access to the Group's operating data, financial information, Annual Reports and significant announcements. Shareholders and investors who require more information can also contact the Investor Relations department through the phone or via email.

The Group remains committed to sharing information with all individuals and groups in a fair and equitable manner. Care is taken to ensure that no previously disclosed material information is divulged to any class of shareholders or investors selectively. If material information is inadvertently disclosed, a media release or announcement will be issued immediately.

Encouraging Shareholder Participation at Annual General Meetings

The Group regards the AGM as an opportunity to communicate directly with shareholders. To encourage more shareholders to participate in the AGM, the meeting is held at a centrally located venue that is easily accessible by public transport.

The Chairman, President & CEO, Chairman of each Board Committee, the Chief Financial Officer and members of Senior Management attend the AGM to take questions and feedback from shareholders. Shareholders can also clarify or pose questions on issues pertaining to the proposed resolutions before they are voted on. The external auditors are present to address queries by shareholders relating to the financial accounts.

The Group treats shareholders' issues, particularly those that require shareholders' approval, such as re-election of Directors and approval of Directors' fees, as distinct subjects and submits them to the AGM as separate resolutions.

Shareholders' requests are also fairly assessed. In response to a shareholder's request at the last AGM, the Group has disclosed the actual remuneration amounts for the Directors of the Company in this Annual Report, although such disclosures are not a statutory requirement.

Voting in absentia by mail or electronic means has yet to be introduced because such voting methods will need to be carefully reviewed for feasibility to ensure no compromise to either the integrity of the information or proper authentication of the identity of shareholders.

The Company has not amended its Articles of Association to allow shareholders to appoint any number of proxies. Nevertheless, CPF investors who have duly submitted their requests to attend the Company's shareholders meetings as observers can do so.

The minutes of General Meetings prepared by the Company include substantial comments or queries from shareholders and the responses from the Chairman, Board Members and Management.

Dealings in Securities

The Group has an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities. In accordance with the Group's internal code, Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of the Group's financial results (i.e. the quarterly and full year results) and ending on the date of the announcement of the relevant results.

Directors and employees are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

CORPORATE GOVERNANCE

Directors & Board Committee Meetings & Attendance from 1 April 2005 to 31 March 2006

Board Of Directors	Board		Audit		Board Committees Remuneration		Nominating	
	A	B	A	B	A	B	A	B
Choo Chiau Beng (Chairman)	8	8			3	3	2	2
Saw Phaik Hwa (President & CEO)	8	8						
Daniel Ee Hock Huat	8	8	6	6				
Edmund Koh Kian Chew	4	3						
Koh Kheng Siong	8	7	6	6	3	3		
Paul Ma Kah Woh	5	5	4	4				
Niam Chiang Meng	8	5					2	2
Nithiah Nandan s/o Arumugam	8	4			3	1		
Engelin Teh Guek Ngor	8	8	6	6			2	2

Column A: number of meetings held while a member.

Column B: number of meetings attended.

Board of Directors & Composition of Board Committees

Name of Director	Board Appointments – Executive or Non-Executive Director – Independent or Non-Independent Director	Board Committees As Chairman or Member		
		Audit	Nominating	Remuneration
Choo Chiau Beng (Chairman)	Non-Executive/Independent		Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-Independent			
Daniel Ee Hock Huat	Non-Executive/Independent	Chairman		Member
Edmund Koh Kian Chew	Non-Executive/Independent			Member
Koh Kheng Siong	Non-Executive/Independent	Member		Member
Paul Ma Kah Woh	Non-Executive/Independent	Member		
Niam Chiang Meng	Non-Executive/Independent		Member	
Nithiah Nandan s/o Arumugam	Non-Executive/Independent			Member
Engelin Teh Guek Ngor	Non-Executive/Independent	Member	Chairman	

CORPORATE GOVERNANCE

Particulars of Directors

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Choo Chiau Beng 58 yrs	– Bachelor of Science (Naval Architecture) 1 st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) – Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom – Completed Programme for Management Development, Harvard Business School – Member of Wharton Society of Fellows	01.05.2003	Ambassador	Brazil
		17.07.2003	(Non-Resident)	
			Chairman & Chief Executive Officer	Keppel Offshore & Marine Ltd
			Chairman	Keppel FELS Limited
			Chairman	Singapore Petroleum Company Limited
			Chairman	Singapore Refining Company Pte Ltd
			Senior Executive Director	Keppel Corporation Limited
			Director	Keppel Land Limited
			Director	k1 Ventures Limited
			Director	EDB Investments Pte Ltd
	Board Member	Maritime & Port Authority of Singapore		
	Director	Singapore Maritime Foundation Limited		
Saw Phaik Hwa 51 yrs	– Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003	Director	Singapore Tourism Board
		17.07.2003	Member	Board of Trustees, Singapore Management University
			Member	Board of Trustees, Tan Tock Seng Hospital Community Charity Fund
			Director	Changi Airport Managers And Partners (Singapore) Pte Ltd (from 1 May 2005 to 31 March 2006)
			Regional President	DFS Venture Singapore (Pte) Ltd (1985 to 2002)

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Daniel Ee Hock Huat 53 yrs	– Bachelor of Science (Systems Engineering) 1 st Class Hons, University of Bath (Colombo Plan Scholar) – Master of Science (Industrial Engineering), National University of Singapore	17.04.2000	Director	Citibank Singapore Limited
		15.07.2004	Director	Pacific Healthcare Holdings Ltd
			Director	Surface Mount Technology (Holdings) Limited
			Chairman	Gas Supply Pte Ltd
			Director	Changi Airport Managers And Partners (Singapore) Pte Ltd (from November 2004 to March 2006)
			Director	Kyosha Holdings (Singapore) Limited (from 14 February 2000 to 1 April 2004)
			Director	Darco Water Technologies Limited (from 20 June 2002 to 30 April 2005)
			Board Member	Civil Aviation Authority of Singapore (from 1 September 1995 to 31 August 2005)
Edmund Koh Kian Chew 46 yrs	– Bachelor of Science, University of Toronto	15.08.2005	Managing Director and Head, Regional Consumer Banking Group	DBS Bank Ltd
			Board Member	Housing & Development Board
			Director	SNP Corporation Limited
			Director	DBS Vickers Securities Holdings Pte Ltd
			Director	DBS Vickers Securities Online Holdings Pte Ltd
			Director	International Medical Insurers Pte Ltd
			Director	Hutchison DBS Card Ltd (Hong Kong)
			Director	Capital OK Company Ltd (Thailand)
			Council Member	Singapore Sports Council
	Director	The Old Parliament House Ltd (from 11 December 2002 to 31 March 2006)		

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Edmund Koh Kian Chew 46 yrs (cont'd)			Council Member	Council on Governance of Institution of Public Character (from 1 January 2004 to 31 December 2005)
Koh Kheng Siong 58 yrs	– Bachelor of Science (Economics) Hons, University of London – Master of Business Administration (Finance), University of Chicago Graduate School of Business	07.03.2000 15.07.2004	Director Financial Controller	SIA Engineering Company Ltd ExxonMobil Asia Pacific Pte Ltd (retired in August 2005)
Paul Ma Kah Woh 58 yrs	– Fellow of the Institute of Chartered Accountants in England and Wales – Member of the Institute of Certified Public Accountants of Singapore	15.07.2005	Director Chairman Director Director Director Director Director Trustee	Mapletree Investments Pte Ltd Mapletree Logistics Trust Management Limited Golden Harvest Entertainment (Holdings) Limited Asia General Holdings Limited The Asia Life Assurance Society Limited The Asia Insurance Company Limited Capitaland China Development Fund Pte Ltd Ascott Residence Trust Management Limited Hwa Hong Corporation Limited Board of Trustees, National University of Singapore
Niam Chiang Meng 48 yrs	– Bachelor of Social Science, Hons, 2 nd Class Upper, Economics, National University of Singapore – Master of Public Administration, Harvard University	20.03.2003 17.07.2003	Permanent Secretary Director Chairman and Director (ex-officio) Chairman	Ministry of Community Development, Youth and Sports Keppel Land Limited Singapore Sports School Ltd Board of Trustees for the Community Assistance Fund

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years
Niam Chiang Meng 48 yrs (cont'd)			Member (ex-officio) Singapore Totalisator Board
			Member Bioethics Advisory Committee
			Member Council on Governance of Institutions of Public Character (IPCs)
			Chairperson Board of Trustees for the Sporting Singapore Fund
			Member ComCare Fund Supervisory Committee
			Chief Executive Officer Housing & Development Board (January 2002 to December 2004)
Nithiah Nandan s/o Arumugam 56 yrs	– Diploma in Industrial Relations	20.03.2003 17.07.2003	Vice President NTUC Central Committee
			Executive Secretary Union of Power and Gas Employees
			Director NTUC Media Co-operative
			Director NTUC Childcare Co-operative
			Member Government Feedback Panel
			Nominated Member Parliament (July 2002 to December 2004)
			Director SPRING Singapore (April 2002 to March 2004)
Director NTUC Income Board (June 1991 to May 2003)			
Engelin Teh Guek Ngor 51 yrs	– LLB (Hons), University of Singapore – Fellowship of the Singapore Institute of Arbitrators – Fellow, Singapore Institute of Directors – Senior Counsel	01.08.2001 14.07.2005	Managing Director Engelin Teh Practice LLC
			Director Singapore Power Limited (January 2002 to July 2005)
			Director SP PowerAssets Limited (October 2003 to July 2005)