

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

Focusing on Asia and beyond, with its commitment to creating sustainable long-term growth and enhancing shareholder value, Fraser and Neave, Limited (“**F&N**” or the “**Company**”) is strongly committed to a high standard of corporate governance.

This Report describes the Company’s corporate governance framework and practices, with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (“**Code 2005**”). In areas where the Company deviates from the Code 2005, the rationale is provided.

## Board Matters

### Principle 1: The Board’s Conduct of Affairs

F&N is led by an effective Board working closely with Management for the success of the Company. During the financial year 2006/2007, the Board reached its full strength of 12, with the appointments of Mr Simon Israel on 11 January 2007, and Mr Lee Hsien Yang on 6 September 2007:

Dr Michael Fam <sup>1</sup>	Chairman, Non-Executive Director
Mr Lee Hsien Yang <sup>1</sup>	Non-Executive Director and Chairman-Designate
Dr Han Cheng Fong (resigned) <sup>2</sup>	Group Chief Executive Officer
Mr Timothy Chia Chee Ming	Non-Executive Director
Mr Ho Tian Yee	Non-Executive Director
Mr Simon Israel <sup>3</sup>	Non-Executive Director
Mr Koh Beng Seng	Non-Executive Director
Mr Stephen Lee	Non-Executive Director
Mr Lee Ek Tieng <sup>4</sup>	Non-Executive Director
Dr Lee Tih Shih <sup>5</sup>	Non-Executive Director
Mr Nicky Tan Ng Kuang	Non-Executive Director
Mr Anthony Cheong Fook Seng <sup>6</sup>	Executive Director
Mr Patrick Goh Yong Chian <sup>7</sup>	Alternate to Dr Han Cheng Fong <sup>2</sup>
Mr Soon Tit Koon <sup>8</sup>	Alternate to Dr Lee Tih Shih

Note:

- (1) Dr Michael Fam stepped down as Chairman of the Board and retired as a Director on 14 October 2007, continuing as a Consultant for a limited period, in accordance with his service contract. Mr Lee Hsien Yang was appointed Non-Executive Director and Chairman-Designate on 6 September 2007, and with effect from 15 October 2007 as Consultant for the F&N Group. Mr Lee succeeds Dr Fam as Non-Executive Chairman with effect from 15 October 2007 (Please refer to Note (1) under Guideline 2.2).
- (2) Dr Han Cheng Fong ceased employment as Group Chief Executive Officer with the Company with effect from 5 October 2007, and on the same date he resigned as a Director of the Company.
- (3) Mr Simon Israel was appointed to the Board as a Non-Independent Non-Executive Director on 11 January 2007.
- (4) Mr Lee EK Tieng will be retiring at the Company’s Annual General Meeting on 31 January 2008 (“**AGM**”), pursuant to section 153 of the Companies Act (Cap 50). He will not be offering himself for re-election.
- (5) Dr Lee Tih Shih will be retiring by rotation at the Company’s AGM on 31 January 2008, pursuant to Article 117 of the Company’s Articles of Association. He will not be offering himself for re-election.
- (6) Mr Anthony Cheong Fook Seng will be retiring by rotation at the Company’s AGM on 31 January 2008, pursuant to Article 117 of the Company’s Articles of Association, and will not be offering himself for re-election. He continues as the Group Company Secretary.
- (7) Mr Patrick Goh Yong Chian is on a 3-year consultancy service contract with the Company. He ceased to be an Alternate Director upon the resignation of Dr Han Cheng Fong.
- (8) Mr Soon Tit Koon was appointed Alternate Director to Dr Lee Tih Shih on 15 May 2007.

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Board Matters (cont'd)

### Principle 1: The Board's Conduct of Affairs (cont'd)

---

The Board, among other matters, sets strategic aims, and ensures that the necessary financial and human resources are in place to meet its objectives. The Board reviews Management performance, directs the Company's values and standards, and objectively takes decisions in the best interest of the Company and the F&N Group.

Under the visionary and entrepreneurial leadership of Dr Michael Fam, the F&N Group has grown from strength to strength, driving value for the Company and its shareholders. With Dr Fam's retirement from the F&N Board with effect from 14 October 2007, after more than 29 years of sterling service with the Company, F&N stands on the threshold of a new era under its new Chairman, Mr Lee Hsien Yang.

### Guideline 1.3 Delegation of Authority on certain Board matters

The Board has delegated decisions on certain Board matters to the following specialised Board Committees, to assist it in its tasks:

- Board Executive Committee
- Audit Committee
- Remuneration & Staff Establishment Committee
- Nominating Committee
- Risk Management Committee

Minutes of the Board Committee meetings are available to all Board members.

### Board Executive Committee ("Board Exco")

The Board Exco comprises the following members:

Dr Michael Fam*	Chairman
Mr Ho Tian Yee	Member
Mr Simon Israel**	Member
Mr Stephen Lee	Member
Mr Lee Ek Tieng	Member

Note:

\* The Board Exco was reconstituted on 15 October 2007, to appoint Mr Lee Hsien Yang to replace Dr Michael Fam.

\*\* Mr Simon Israel was appointed as a Member on 25 January 2007.

Except for certain reserved matters, the Board Exco has the authority of the Board, when the Board does not meet, to formulate for the F&N Group, strategic development initiatives, to provide direction for new investments and material financial and non-financial matters, to secure the achievement of its desired performance objectives and enhancement of long-term shareholder value. It also oversees the F&N Group's conduct and corporate governance structure.

## Board Matters (cont'd)

### Guideline 1.4 Meetings of the Board and of Specialised Board Committees

The Board and the specialised committees constituted by the Board meet regularly and as may be deemed appropriate by Board members. The Company's Articles of Association provide for telephonic, video conferencing or any other forms of electronic or instantaneous communication meetings. The number of meetings and attendance by Board members are set out in the table below:

	Board	Board Exco	Audit Committee	Remuneration & Staff Establishment Committee	Nominating Committee	Risk Management Committee
<b>Meetings held during financial year ended 30 September 2007</b>	<b>9</b>	<b>13</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>3</b>
Dr Michael Fam <sup>1</sup>	9/9	13/13			2/2	
Mr Lee Hsien Yang <sup>1</sup>	1/1					
Dr Han Cheng Fong (resigned) <sup>2</sup>	9/9					2/3
Mr Timothy Chia Chee Ming <sup>3</sup>	9/9					3/3
Mr Ho Tian Yee	7/9	12/13		2/3	2/2	
Mr Simon Israel <sup>4</sup>	7/7	8/8				
Mr Koh Beng Seng	6/9					3/3
Mr Stephen Lee	8/9	13/13	5/5	3/3	2/2	
Mr Lee Ek Tieng	9/9	12/13	5/5	3/3		
Dr Lee Tih Shih <sup>5</sup>	6/8				1/2	
Mr Nicky Tan Ng Kuang	8/9		4/5			2/3
Mr Anthony Cheong Fook Seng	9/9					
Mr Patrick Goh Yong Chian <sup>6</sup>						
(Alternate Director to Dr Han Cheng Fong <sup>2</sup> )						3/3
Mr Soon Tit Koon <sup>7</sup>						
(Alternate Director to Dr Lee Tih Shih with effect from 15 May 2007)	1/1					

**Key:** ■ Chairman ■ Members ■ Not applicable

Note:

- (1) Dr Michael Fam stepped down as Non-Executive Chairman of the Board and retired as Director on 14 October 2007. Mr Lee Hsien Yang was appointed Non-Executive Director and Chairman-Designate on 6 September 2007.
- (2) Dr Han Cheng Fong ceased employment as Group Chief Executive Officer with the Company, with effect from 5 October 2007, and on the same date he resigned as a Director from the Board.
- (3) Mr Timothy Chia Chee Ming was appointed a member of the Nominating Committee with effect from 1 February 2007.
- (4) Mr Simon Israel was appointed to the Board on 11 January 2007. He was appointed a member of the Board Exco on 25 January 2007.
- (5) Dr Lee Tih Shih resigned as a Member of the Nominating Committee on 26 January 2007.
- (6) Mr Patrick Goh Yong Chian ceased to be an Alternate Director following the resignation of Dr Han Cheng Fong as Director of the Company with effect from 5 October 2007.
- (7) Mr Soon Tit Koon was appointed Alternate Director to Dr Lee Tih Shih on 15 May 2007.

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Board Matters (cont'd)

### Guideline 1.5 Chart of Authority

The Company has adopted a Chart of Authority, setting out the levels of authorisation required for specified transactions, including those that require Board approval.

Orientation programmes are conducted for new Directors, and to update all Directors on the F&N Group's facilities and operations, and major new projects. Arrangements are made for Directors to visit key operations overseas.

As part of the compliance programme, courses are conducted for Senior Management and Directors on new laws that may affect the Company's businesses. Upon any new appointment of Directors, a formal letter is given to each Director, setting out, among other matters, the Director's duties and obligations. Directors and Senior Management are encouraged to attend courses organised by the Singapore Institute of Directors and receive journal updates to keep abreast and updated of changes in laws and regulations that may affect the Company.

### Principle 2: Board Composition and Guidance

---

The Board is able to exercise objective judgment on corporate affairs independently, in particular from Management, as there is a strong and independent element on the Board, with independent Directors making up more than one-third of the Board.

### Guideline 2.2 Nature of Director's Relationship

The independence of each Director is reviewed annually by the Nominating Committee based on the guidelines set out in the Code 2005. For the financial year ended 30 September 2007, the Non-Executive Directors considered by the Nominating Committee to be non-independent are as follows:

- Mr Lee Hsien Yang is considered non-independent in view of his position as Consultant for the F&N Group, which took effect from 15 October 2007. Mr Lee's terms of reference as a Consultant include assisting with the overall strategic planning for the F&N Group.

Note (1):

With a view to simplifying matters, it has been mutually agreed that the consultancy arrangement with Mr Lee will be dissolved on 31 January 2008, following the conclusion of the 109th Annual General Meeting of the Company. All payments to Mr Lee under the consultancy arrangement will be incorporated into Directors' fees to be paid to Mr Lee, and accordingly will be subject to approval of shareholders at each annual general meeting of the Company. (Please refer to Note (1) on page 65) The incorporation of Mr Lee's consultancy fee into his Director's fee, is on the basis that the duties that were contemplated by the consultancy arrangement, be subsumed with his role as Non-Executive Chairman and Non-Executive Director of the Board. The requirements of Mr Lee's role remain the same. This recognises that the complexity of the business and the involvement of Mr Lee as Non-Executive Chairman in relation to the overall strategic planning for the Company and the F&N Group, including management of relationships with the F&N Group's business partners, and succession planning, will require a certain commitment of time.

- Dr Lee Tih Shih is considered non-independent in view of his position as a non-executive director on the board of Oversea-Chinese Banking Corporation Limited ("**OCBC**"), and his relationship with one non-executive director on the board of OCBC who is also a member of the OCBC Executive Committee. OCBC is a controlling shareholder\* of F&N, with which the F&N Group has a business relationship, under normal commercial terms.

Note (2):

\* A controlling shareholder is one who holds directly or indirectly 15 percent or more of the voting shares in the Company.

## Board Matters (cont'd)

### Guideline 2.2 Nature of Director's Relationship (cont'd)

- Mr Simon Israel is considered non-independent in view of his being a nominee of Seletar Investments Pte Ltd (“**Seletar**”) which is a substantial shareholder\*\* of the Company. Seletar is a subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”). Mr Israel is also an executive director on the Board of Temasek. Temasek is deemed a substantial shareholder of the Company.

Note (3):

\*\* A substantial shareholder is one which has, or is deemed to have, 5 percent or more interest in the voting shares of the Company.

- Mr Nicky Tan Ng Kuang is considered non-independent in view of nTan Corporate Advisory Pte Ltd (“**nTan Corporate**”) having acted as advisor to the Company in connection with the placement to Seletar on 11 January 2007, of an aggregate 205,500,000 new shares in the Company representing approximately 14.9 percent of the enlarged share capital of the Company. nTan Corporate is a company in which Mr Tan is a director and the major shareholder.

Taking into account the scope and nature of the operations of the Company, the size and composition of the Board effectively serve the F&N Group. With the core competencies of members of the Board in various fields of finance, business, industry and strategic planning, their stature, and wealth of international business experience, F&N is well positioned to chart new frontiers for the F&N Group. The Directors actively participate and engage Management in strategic planning and setting goals and objectives for the Company and the F&N Group.

### Principle 3: Chairman and Chief Executive Officer

---

The Chairman and the Group Chief Executive Officer are separate persons to ensure an appropriate balance of power and authority, and a clear division of responsibilities and accountability.

The Chairman leads the Board, ensures Directors receive timely information, fosters effective communication with shareholders, encourages constructive relations between the Board and Management, and among Directors, and promotes high standards of corporate governance.

Note:

The Group Chief Executive Officer ceased employment with the Company with effect from 5 October 2007, and on the same date, he resigned as a Director of the Company. Pending the appointment of a successor and as a temporary measure, the Chairman is overseeing management of the F&N Group.

### Guideline 3.1 Relationship Between the Chairman and Group Chief Executive Officer

The Chairman and the Group Chief Executive Officer are not related to each other, nor is there any other business relationship between them.

### Principle 4: Board Membership

---

#### Guideline 4.1 Composition of Nominating Committee

##### Nominating Committee

The Nominating Committee, through a formal and transparent process, makes recommendations to the Board on all board appointments. The responsibilities of the Nominating Committee are described in its written terms of reference.

Members of the Nominating Committee are Non-Executive Directors, the majority of whom, including the Chairman, are independent. The Chairman is not directly associated<sup>1</sup> with a substantial shareholder<sup>2</sup>:

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Board Matters (cont'd)

### Guideline 4.1 Composition of Nominating Committee (cont'd)

Note:

- (1) A Director will be considered "directly associated" to a substantial shareholder when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.
- (2) A shareholder will be considered "substantial shareholder" when the shareholder has 5% or more interest in the voting shares of the Company.

Mr Ho Tian Yee	Chairman
Dr Michael Fam*	Member
Mr Timothy Chia Chee Ming**	Member
Mr Stephen Lee	Member

Note:

\* The Nominating Committee was reconstituted on 15 October 2007, to appoint Mr Lee Hsien Yang to replace Dr Michael Fam.

\*\* Mr Timothy Chia Chee Ming was appointed a member with effect from 1 February 2007, replacing Dr Lee Tih Shih who resigned as a member with effect from 26 January 2007.

Members of the Committee comprise persons of stature, integrity and accountability, who would be able to exercise independent judgment in the performance of their duties.

The role of the Nominating Committee includes responsibility for re-nomination of directors who retire by rotation. At the Company's annual general meeting, at least one-third of the Directors shall retire from office. In recommending to the Board any re-nomination and re-election of existing Directors, the Nominating Committee takes into account the Directors' contribution and performance at Board meetings (including attendance, preparedness, participation and candour).

The Nominating Committee, having considered the guidelines set out in the Code, has confirmed the status of the following Non-Executive Directors:

Dr Michael Fam*	Non-Independent
Mr Lee Hsien Yang**	Non-Independent
Mr Timothy Chia Chee Ming	Independent
Mr Ho Tian Yee	Independent
Mr Simon Israel	Non-Independent
Mr Koh Beng Seng	Independent
Mr Stephen Lee	Independent
Mr Lee Ek Tieng	Independent
Dr Lee Tih Shih	Non-Independent
Mr Nicky Tan Ng Kuang	Non-Independent

Note:

\* Dr Michael Fam stepped down as Non-Executive Chairman of the Board on 14 October 2007.

\*\* Mr Lee Hsien Yang was appointed Non-Executive Director and Chairman-Designate on 6 September 2007. He succeeds Dr Fam as Non-Executive Chairman with effect from 15 October 2007.

The Nominating Committee is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company, devoting sufficient time and attention to the affairs of the Company.

### Guideline 4.5 Description of Search and Nomination Process for New Directors

The Nominating Committee, following identification of skills required, uses search companies, contacts and recommendations under normal selection process, in order to cast its net as wide as possible to select the right candidates for the appointments of new directors.

## Board Matters (cont'd)

### Principle 4: Board Membership (cont'd)

#### Guideline 4.6 Key Information regarding Directors

Key information regarding the Directors is set out on pages 69 to 71.

### Principle 5: Board Performance

---

#### Guideline 5.1 Process of Assessing Effectiveness of the Board and Each Director

The evaluation of Board performance is based on objective performance criteria, and includes Directors' attendance and contributions during Board meetings, as well as consideration of the factors set out in the Guidelines to Principle 5 of the Code 2005.

### Principle 6: Access to Information

---

Board members are provided, and Management supports the Board, with complete adequate and timely information prior to board meetings, and on an on-going basis. Information provided includes background or explanatory materials relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

The Board has separate and independent access to the Company's Senior Management, including the Group Company Secretary, who attends all Board meetings. The role of the Group Company Secretary is clearly defined and includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Group Company Secretary ensures good information flows within the Board and its committees, and between Senior Management and Non-Executive Directors, facilitates orientation and assists with professional development.

Directors may, in the furtherance of their duties, take independent professional advice at the Company's expense.

## Remuneration Matters

### Principle 7: Remuneration Matters

---

#### Remuneration & Staff Establishment Committee

The Remuneration and Staff Establishment Committee comprises entirely Non-Executive Directors, all of whom, including the Chairman, are independent:

Mr Stephen Lee	Chairman
Mr Ho Tian Yee	Member
Mr Lee Ek Tieng	Member

There is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director is involved in deciding his own remuneration.

The Remuneration & Staff Establishment Committee submits for the endorsement of the entire Board, their recommendations for the framework of remuneration and the specific remuneration packages for each Executive Director. In respect of Senior Management, the Committee reviews their remuneration as well as succession planning, and administers the F&N Executives Share Option Scheme (the "F&N ESOS").

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Remuneration Matters (cont'd)

### Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Remuneration & Staff Establishment Committee considers the level of remuneration to attract, retain and motivate Executive Directors, and to align their interests with those of shareholders. A proportion of Executive Directors' remuneration is structured to link rewards to the performance of the F&N Group as a whole, as well as individual performance.

The remuneration of Non-Executive Directors is set at a competitive level, appropriate to their level of contribution, taking into account attendance and time spent, and their respective responsibilities.

Service contracts, if any, for Executive Directors, are for a fixed appointment period, are not excessively long, and all contracts do not contain onerous removal clauses.

The Company has a long term incentive scheme under the F&N ESOS. Executive Directors and employees above a certain salary classification are eligible for the grant of options under the F&N ESOS. They are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

### Principle 9: Disclosure on Remuneration

The remuneration policy of the Company is based on an annual appraisal system using the criteria of core values, competencies, key result areas, performance rating, and potential. Rewards are linked with corporate and individual performance.

### Guidelines 9.1 & 9.2 Remuneration of Directors and Top 5 Key Executives

Disclosure of the remuneration of Directors and the top 5 key executives (who are not also directors), is made annually. This enables investors to understand the nexus between remuneration of Directors, key executives, and performance.

Directors of the Company	Remuneration \$	Fee %	Salary <sup>7</sup> %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Dr Han Cheng Fong (resigned) <sup>1</sup>	4,737,397	-	31.7	44.3	3.8	20.2	100
Dr Michael Fam <sup>2</sup>	2,331,123	22.9	77.1	-	-	-	100
Mr Anthony Cheong Fook Seng	1,795,386	-	30.8	28.1	4.6	36.5	100
Mr Patrick Goh Yong Chian <sup>3</sup>	653,617	-	100	-	-	-	100
Mr Lee Hsien Yang <sup>4</sup>	8,250	100	-	-	-	-	100
Mr Timothy Chia Chee Ming	89,000	100	-	-	-	-	100
Mr Ho Tian Yee	189,500	100	-	-	-	-	100
Mr Simon Israel	103,250	100	-	-	-	-	100
Mr Koh Beng Seng	90,000	100	-	-	-	-	100
Mr Stephen Lee	172,000	100	-	-	-	-	100
Mr Lee Ek Tieng	168,000	100	-	-	-	-	100
Dr Lee Tih Shih	87,000	100	-	-	-	-	100
Mr Nicky Tan Ng Kuang <sup>5</sup>	99,000	100	-	-	-	-	100
Mr Soon Tit Koon <sup>6</sup> (Alternate Director to Dr Lee Tih Shih)	-	-	-	-	-	-	-



## Remuneration Matters (cont'd)

### Guidelines 9.1 & 9.2 Remuneration of Directors and Top 5 Key Executives (cont'd)

Note:

- (1) Dr Han Cheng Fong ceased employment with the Company as Group Chief Executive Officer with effect from 5 October 2007, and on the same date he resigned as a Director of the Company. In addition to the remuneration paid to Dr Han as set out in the table above, Dr Han was paid a further \$5.05 million, being the aggregate of (i) all salary and benefits to which he was entitled under his employment contract up to (and including) 5 October 2007, and (ii) the consideration for various covenants and agreements on Dr Han's part (non-compete and non-solicitation covenants) in connection with the cessation of his employment. This amount will be included in the financial statements for the financial year ending 30 September 2008.
- (2) Dr Michael Fam stepped down as Chairman of the Board and retired as a Director of the Company on 14 October 2007.
- (3) Mr Patrick Goh Yong Chian ceased to be an Alternate Director following the resignation of Dr Han Cheng Fong as Director of the Company on 5 October 2007.
- (4) Mr Lee Hsien Yang was appointed a Director of the Company on 6 September 2007 and, with effect from 15 October 2007, Chairman of the Board and a consultant to the Company. (Please refer to Note (1) under Guideline 2.2 above.)
- (5) A professional fee of \$3 million has been paid to nTan Corporate for its services as advisor. (Please refer to Guideline 2.2 under "Mr Nicky Tan Ng Kuang" above.)
- (6) Mr Soon Tit Koon was appointed as an Alternate Director to Dr Lee Tih Shih on 15 May 2007.
- (7) The term "salary" in respect of Dr Michael Fam and Mr Patrick Goh Yong Chian refers to fees paid to them as consultants.

Shareholders' approval will be sought at the 109th Annual General Meeting ("AGM") of the Company on 31 January 2008 for the payment of Directors' fees amounting to \$2,525,000 comprising the following:

Items comprising Directors' Fees	FY2007/08 Proposed	FY2006/07 Approved by Shareholders
• Non-Executive Chairman	\$1,250,000 <sup>1</sup>	\$250,000
• Non-Executive Directors' Fees @ \$75,000 each (last year: \$75,000 each)	\$750,000	\$650,000
• Attendance Allowances for Board meetings	\$110,000	\$80,000
• Board Committee Fees	\$415,000 <sup>2</sup>	-
To be approved at the AGM of the Company	\$2,525,000	\$980,000 <sup>3</sup>

For financial year 2007/2008, the Directors' fees amounting to \$2,525,000 to be approved by shareholders at the AGM shows an increase of \$1,545,000 as compared with the Directors' fees approved by shareholders for financial year 2006/2007. The difference comprises the following:

• Incorporation of Mr Lee's consultancy fee of \$1,000,000 into Directors' fees <sup>1</sup>	\$1,000,000	
• Board Committee fees <sup>2</sup>	\$415,000	
• Intended increase in number of Directors to fill vacancies	\$130,000	\$1,545,000

Note:

- (1) Upon the dissolution of the consultancy arrangement with Mr Lee Hsien Yang on 31 January 2008 (please refer to Note (1) under Guideline 2.2 above), the Director's fees of \$1,250,000 incorporates the consultancy fee payable to Mr Lee amounting to \$1,000,000 under the dissolved consultancy arrangement, as well as the Director's fees of \$250,000 to be paid to Mr Lee. Additionally, Mr Lee receives a Director's fee of \$150,000, in his capacity as Non-Executive Chairman of Frasers Centrepoint Limited.
- (2) With effect from financial year 2007/2008, the Board Committee fees will be included in the Directors' fees for shareholders' approval at each annual general meeting of the Company. In financial year 2006/2007, an amount of \$327,000 (approved in financial year 2006/2007: \$340,000) was paid to Directors as Board Committee Fees as approved by Directors under Article 92(2) of the Company's Articles of Association. The increase in Board Committee fees from \$340,000 in financial year 2006/2007 to \$415,000 in financial year 2007/2008 reflects the allowance made for Board vacancies to be filled, an expected increase in the number of meetings, as well as size of the respective Board Committees, all at the same rates as last year.
- (3) For financial year 2006/2007, the total amount of Directors' fees approved by shareholders was \$980,000. Of this amount, the actual spent was \$915,000.

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Remuneration Matters (cont'd)

### Guidelines 9.1 & 9.2 Remuneration of Directors and Top 5 Key Executives (cont'd)

Key Executives of the F&N Group	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Mr Koh Poh Tiong	3,768,962	-	31.9	62.5	1.2	4.4	100
Mr Lim Ee Seng	2,980,148	-	33.4	46.5	0.6	19.5	100
Mr Tan Ang Meng	808,663	-	65.7	28.5	2.7	3.1	100
Dato' Ng Jui Sia	880,488	-	49.8	18.2	6.0	26.0	100
Mr Wang Eng Chin	501,433	-	46.0	13.7	8.3	32.0	100

### Guideline 9.4 Details of Employee Share Option Scheme

Information on the F&N ESOS is set out in the Directors' Report on page 77. Information on key executives is set out on page 72.

## Accountability and Audit

### Principle 10: Accountability and Audit

The Board presents, on a quarterly basis, a balanced and understandable assessment of F&N's performance, position and prospects, and other price sensitive public reports, as may be required in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited.

Monthly, Management provides to members of the Board, management accounts containing a balanced and understandable assessment of F&N's performance, position and prospects.

### Principle 11: Audit Committee

#### Audit Committee

The Audit Committee, in accordance with its written terms of reference, which clearly sets out its authority and duties, reviews the scope and results of the internal and external audit and the cost effectiveness, significant financial reporting issues, and adequacy, of the Company's internal controls, as well as the effectiveness of the Company's internal audit function.

### Guideline 11.8 Disclosure of Names of Members of Audit Committee & their Activities

The majority of the Non-Executive Directors who constitute the Audit Committee, including the Chairman, are independent Directors:

Mr Lee Ek Tieng	Chairman
Mr Stephen Lee	Member
Mr Nicky Tan Ng Kuang	Member

## Accountability and Audit (cont'd)

### Guideline 11.8 Disclosure of Names of Members of Audit Committee & their Activities (cont'd)

Members of the Audit Committee are appropriately qualified to discharge their responsibilities, possessing the related accounting and financial management expertise and experience.

The Audit Committee has the authority to investigate any matter within its terms of reference, and has full access to, and the co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly.

Annually, and as deemed appropriate, the Audit Committee meets with the internal and external auditors, without the presence of Management.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors, the nomination of the external auditors for re-appointment. The Audit Committee reviewed the level of non-audit services provided by the external auditors and is satisfied that their independence as external auditors of the Company is not affected.

The Audit Committee has reviewed and the Board has approved the Whistle-Blowing Policy, for the F&N Group. This Policy serves to provide a channel to employees to report in good faith and in confidence, concerns about possible improprieties in financial reporting or other matters. This ensures independent investigation of such matters, and the assurance that employees will be protected to the extent possible, from reprisals for reports made in good faith.

### Principle 12: Internal Controls

---

The Board ensures that Management maintains a sound system of internal controls to safeguard shareholders' investments and the assets of the Company. Annually, supported by the internal and external auditors, the Audit Committee reviews the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by Management.

### Guideline 12.2 Internal Controls, including Financial Operational and Compliance Controls, and Risk Management

#### Risk Management Committee

In 2006, the Risk Management Committee was constituted to assist the Board in exercising its oversight of the corporate and financial risk profile of the F&N Group, to safeguard shareholders' investments and the assets of the F&N Group.

The Risk Management Committee comprises the following Board members:

Mr Koh Beng Seng	Chairman
Mr Timothy Chia Chee Ming	Member
Mr Nicky Tan Ng Kuang	Member
Dr Han Cheng Fong (resigned)*	Member
Mr Patrick Goh Yong Chian*	Member

Note:

\* Dr Han Cheng Fong and Mr Patrick Goh Yong Chian are members from Management. Dr Han Cheng Fong was the Group Chief Executive Officer. He resigned from the Board with effect from 5 October 2007. Mr Patrick Goh is the Group Financial Controller and was Alternate Director to Dr Han.

The Risk Management Committee reviews and guides Management to ensure the timely identification, mitigation, control and management of key material risks that may have a material impact on the F&N Group, its profit and loss, and balance sheet, taking into account the mission and vision of the F&N Group, its risk appetite and risk profile. The management of such risks includes business continuity plans and the transfer/mitigation of certain risks, using among others, insurance as a tool.

# CORPORATE GOVERNANCE REPORT

year ended 30 September 2007

## Accountability and Audit (cont'd)

### Guideline 12.2 Internal Controls, including Financial Operational and Compliance Controls, Risk Management (cont'd)

Enterprise-wide risk management ("ERM") continues to be operationalised and embedded into divisional, operational and process levels within the F&N Group, in Singapore and overseas. Key risks, control measures and management actions are continually identified, updated and tracked by Business Units, with annual validation by Senior Management, endorsed by the Risk Management Committee, the Audit Committee and the Board.

The Audit Committee, with the assistance of the internal and external auditors, has reviewed, and the Board is satisfied with, the adequacy of F&N's internal controls, including financial, operational and compliance controls, and risk management systems.

#### Principle 13: Internal Audit

---

The Internal Audit Department of the F&N Group is independent of the activities it audits. The Head of Internal Audit is a certified public accountant and complies with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Internal Auditor's primary line of reporting is to the Chairman of the Audit Committee, with an administrative line of reporting to the Director & Group Company Secretary. The Internal Audit function is adequately resourced, and has appropriate standing within the F&N Group.

Annually, the Audit Committee reviews, and is satisfied with the adequacy of the Internal Audit function.

## Communication with Shareholders

#### Principle 14: Communication with Shareholders

---

F&N communicates regularly and effectively with its shareholders, conveying material price sensitive and other pertinent information on a timely basis. Dialogues are held with investors, analysts, fund managers and the press. Material information is simultaneously disseminated to SGX, the press and posted on the Company's website at [www.fraserandneave.com](http://www.fraserandneave.com).

#### Principle 15: Communication with Shareholders

---

Annually, at the Company's annual general meeting, shareholders are given opportunity to communicate their views on matters relating to F&N, with the Chairpersons of the Audit, Nominating and Remuneration & Staff Establishment Committees, as well as the external auditors in attendance.

#### Code of Business Ethics and Conduct

---

The Company's Code of Business Ethics and Conduct sets the standards and ethical conduct expected of employees of the F&N Group. Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with the law and the regulations, and company policies.

#### Listing Rule 1207 sub-Rule (18) on Dealings in Securities

---

The F&N Group issues a quarterly circular to its Directors, officers and employees prohibiting dealings in listed securities of the F&N Group from one month or two weeks, as the case may be, before the announcement of F&N's quarterly, half-year and full-year financial results, and at any time they are in possession of unpublished material price sensitive information. This is in line with Listing Rule 1207 (18) on Dealings in Securities.

18 December 2007

# CORPORATE GOVERNANCE REPORT

particulars of Directors as at 30 September 2007

Name of Director	Age	Academic & Professional Qualifications	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment whether Executive or Non-Executive Whether considered by NC to be Independent	Due for re-election at next AGM
Dr Michael Fam	80	BBM, PJG, DUBC, DUNU (1st Class), Hon LLD, Hon D Eng, Hon D Litt, Bachelor of Engineering with 1st Class Hons in Civil Engineering, Hon Fellow of The Institution of Engineers, Australia	Chairman: Board Executive Committee Member: Nominating Committee	16.08.1978 25.01.2007	Non-Executive Non-Independent	Retired: 14.10.2007
Mr Lee Hsien Yang	50	Bachelor of Arts, Cambridge University, UK (Double First) M Sc. In Management Science, Stanford University, California, USA	Nil	06.09.2007	Non-Executive Non-Independent	Article 122: Appointed during the year
Mr Timothy Chia Chee Ming	56	Bachelor of Science cum laude in Management, Fairleigh Dickinson University, USA	Member: Risk Management Committee Member: Nominating Committee	26.01.2006	Non-Executive Independent	Retirement by rotation
Dr Han Cheng Fong	65	Bachelor of Science (Hons) (1st Class) in Physics, National University of Singapore Master of Science, Doctor of Philosophy, University of Birmingham, UK	Nil	01.04.2002 26.01.2006	Executive Non-Independent -Group Chief Executive Officer	Resigned: 05.10.2007
Mr Ho Tian Yee	55	Bachelor of Arts (Hons) Economics (CNA), Portsmouth University, UK Executive Program, Carnegie-Mellon University, USA	Chairman: Nominating Committee Member: Board Executive Committee Member: Remuneration & Staff Establishment Committee	01.12.1997 25.01.2007	Non-Executive Independent	-
Mr Simon Israel	53	Diploma, Business Studies, The University of The South Pacific	Member: Board Executive Committee	11.01.2007 25.01.2007	Non-Executive Non-Independent	-

# CORPORATE GOVERNANCE REPORT

particulars of Directors as at 30 September 2007

Name of Director	Age	Academic & Professional Qualifications	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment whether Executive or Non-Executive Whether considered by NC to be Independent	Due for re-election at next AGM
Mr Koh Beng Seng	55	Bachelor of Commerce (1st Class Hons) Nanyang University, Singapore MBA, Columbia University, New York, USA	Chairman: Risk Management Committee	26.01.2006	Non-Executive Independent	-
Mr Stephen Lee	60	DSO, MBA, Northwestern University, Evanston, USA	Chairman: Remuneration & Staff Establishment Committee Member: Board Executive Committee Member: Audit Committee Member: Nominating Committee	01.07.1997 25.01.2007	Non-Executive Independent	-
Mr Lee Ek Tieng	74	DSO, PJG, Bachelor of Engineering Diploma in Public Health Engineering Fellow, Institution of Civil Engineers, UK Fellow, Chartered Institution of Water & Environmental Management, UK Hon Fellow, Institution of Engineers, Singapore Member, Institution of Engineers, Malaysia	Chairman: Audit Committee Member: Remuneration & Staff Establishment Committee Member: Board Executive Committee	08.01.2001 25.01.2007	Non-Executive Independent	Retirement pursuant to S153(6) of the Companies Act (Cap 50). Not offering for re-election
Dr Lee Tih Shih	44	Doctor of Medicine, Yale University Master of Business Administration with Distinction (London)	Nil	01.12.1997 26.01.2006	Non-Executive Non-Independent	Retirement by rotation. Not offering for re-election

# CORPORATE GOVERNANCE REPORT

particulars of Directors as at 30 September 2007

Name of Director	Age	Academic & Professional Qualifications	Board Committees as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment whether Executive or Non-Executive Whether considered by NC to be Independent	Due for re-election at next AGM
Mr Nicky Tan Ng Kuang	49	Member of The Institute of Chartered Accountants in England and Wales Certified Public Accountant, Institute of Certified Public Accountants of Singapore	Member: Audit Committee Member: Risk Management Committee	21.10.2003 29.01.2004	Non-Executive Independent	-
Mr Anthony Cheong Fook Seng	53	Member of The Institute of Chartered Accountants in England & Wales and The Institute of Certified Public Accountants of Singapore	Nil	01.02.2005 26.01.2006	Executive Non-Independent -Group Company Secretary	Retirement by rotation. Not offering for re-election
Mr Patrick Goh Yong Chian	63	Fellow of The Association of Chartered Certified Accountants of UK Associate of The Chartered Institute of Management Accountants of UK, and Member of The Institute of Certified Public Accountants of Singapore	Nil	15.11.2002	Alternate Director to Dr Han Cheng Fong	Ceased: 05.10.2007
Mr Soon Tit Koon	55	Master of Business Administration, University of Chicago, USA Bachelor of Science, National University of Singapore (Hons) Advance Management Program, Harvard Business School, USA	Nil	15.05.2007	Alternate Director to Dr Lee Tih Shih	-

Note:

- (1) Directors' shareholdings in the Company and its related Companies: please refer to pages 75 and 76.
- (2) Directorships or Chairmanships in other listed Companies and other major appointments, both present and over the preceding 3 years: please refer to pages 16 to 19.

# CORPORATE GOVERNANCE REPORT

particulars of Key Management Staff as at 30 September 2007

Name	Age	Academic & Professional Qualifications	Working Experience	Area of Responsibility
Koh Poh Tiong	61	Bachelor of Science, National University of Singapore	1985 – 1991 General Manager, Asia Pacific Breweries Limited 1991 – 1993 Deputy Group General Manager, Asia Pacific Breweries Limited	Director and Chief Executive Officer Asia Pacific Breweries Limited (Date appointed: 01.10.1993)
Lim Ee Seng PBM	56	Bachelor of Engineering (Civil), National University of Singapore Master of Science (Project Management), National University of Singapore	1982 – 1989 Project Manager, Singapore Land Ltd 1989 – 1996 General Manager (Property Division), First Capital Corporation Ltd 1996 – 2004 Managing Director, MCL Land Ltd	Director and Chief Executive Officer Fraser's Centrepoint Limited (Date appointed: 15.10.2004)
Dato' Ng Jui Sia	55	Bachelor of Business Administration, National University of Singapore Associate, Institute of Chartered Accountants in England and Wales	1978 Investment Officer, Board of Commissioner of Currency of Singapore 1978 – 1980 Audit Assistant, Michael Fenton and Co. 1982 – 1985 Audit Senior/Audit Manager, Price Waterhouse Singapore 1985 – 1989 Regional Financial Controller, MK Electric SEA Pte Ltd 1989 – 1995 General Manager (Hong Kong & South China), Carnaud Metalbox Asia Pacific Sept 1995 – June 1999 General Manager, Fraser and Neave Limited/ F&N Coca-Cola (Singapore) Pte Ltd June 1999 – July 2006 Managing Director, F&N Coca-Cola (Malaysia) Sdn Bhd	Director Times Publishing Limited (Date appointed: 31.08.2006) Chief Executive Officer Times Publishing Limited (Date appointed: 15.07.2006)
Tan Ang Meng	52	Certified Public Accountant Member of The Malaysian Institute of Certified Public Accountants	1983 – 1991 Financial Controller, Guinness Anchor Berhad 1991 – 2001 Regional Director, Asia Pacific Breweries Limited	Director and Chief Executive Officer Fraser & Neave Holdings Bhd (Date appointed: 24.05.2001)
Wang Eng Chin	48	Bachelor of Business Administration and Master of Business Administration, University of Mississippi, USA	1987 – 1988 Corporate Development Executive, Cold Storage (S) Pte Ltd 1988 – 1991 Manager, Plain Heaven, Cold Storage (S) Pte Ltd Oct 1991 – Sep 1997 General Sales Manager, F&N Foods Pte Ltd Oct 1997 – Sep 2003 Deputy General Manager, F&N Foods Pte Ltd/ F&N Dairies (M) Sdn Bhd Oct 2003 – Sep 2006 General Manager, F&N Foods Pte Ltd/ F&N Vietnam Foods Company Limited	Acting Chief Executive Officer, Food & Beverage, Fraser and Neave Group (Date appointed: 01.10.2006)