

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Fraser and Neave, Limited (“**F&N**” or the “**Company**”) remains committed to establishing, implementing and maintaining sound policies and practices which promote corporate transparency. The Company believes that high standards of corporate governance is critical to its overall business integrity and performance, and enables the Company to achieve its strategic objectives whilst maximising and delivering returns for Shareholders.

F&N’s commitment to good corporate governance and corporate transparency is spearheaded by a highly-qualified Board, buttressed by an experienced Management team, and built upon the principles and guidelines of the Code of Corporate Governance 2005 (“**Code 2005**”) and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Singapore Companies Act and the Guidebook for Audit Committees in Singapore issued in October 2008.

This report provides insight into F&N’s corporate governance framework and its key corporate governance policies and practices.

Board Matters

Board’s Conduct of its Affairs

Principle 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

As at 30 September 2010, the Board comprises eight Directors, all of whom are non-executive Directors. They are:

Mr Lee Hsien Yang (Chairman)
 Mr Timothy Chia Chee Ming
 Ms Maria Mercedes Corrales⁽¹⁾
 Mr Ho Tian Yee
 Mr Koh Beng Seng
 Mr Soon Tit Koon
 Mr Tan Chong Meng
 Mr Nicky Tan Ng Kuang

Note:

- (1) Ms Maria Mercedes Corrales was appointed as an independent non-executive Director on 8 September 2010.
- (2) Mr Simon Israel resigned from the Board on 31 March 2010.
- (3) Mr Ng Yat Chung was appointed as a non-executive Director on 3 March 2010. He resigned from the Board on 29 July 2010.
- (4) Mr Hirotake Kobayashi was appointed as a non-independent non-executive Director on 13 December 2010.

The appointment of Ms Maria Mercedes Corrales was part of an ongoing, continuing search by the Company for fresh, relevant perspectives and transnational, multi-disciplinary skill sets and industry knowledge, so as to augment the collective expertise and experience of its Board members.

Overseeing the business performance and affairs of the Group, the Board also provides entrepreneurial leadership, sets strategic directions, establishes values and standards of corporate governance, reviews Management’s performance and ensures that the necessary financial and human capital resources are available for the Group to meet its objectives. Meetings of the Board are held regularly, allowing Directors to participate actively in discussions and assessments of matters relating to corporate governance, business operations and risks (including acquisitions and disposals), and the financial performance of the Company.

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Board Matters (cont'd)

Delegation of Authority on certain Board Matters

In discharging its oversight functions, the Board is supported by five Board Committees to which specific areas of responsibilities are delegated. These are the Board Executive Committee, the Audit Committee, the Nominating Committee, the Remuneration & Staff Establishment Committee, and the Food & Beverage Board Committee. Each Board Committee is governed by Terms of Reference approved by the Board and adopted by the Committee, and the minutes of all Board Committee meetings are circulated to Board members.

The Company has adopted a framework of delegated authorisations in its Manual of Authority ("**MOA**"). Among other things, the MOA defines the procedures and levels of authorisation required for specified transactions, and also sets out approval limits for operating and capital expenditure as well as the acquisition and disposal of investments. In addition, there is a schedule of matters that are reserved specifically for the Board's decision. These include approval of financial statements, business strategy and major investments or disposals. Appropriate delegation of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency. Where necessary and expedient, the Board has taken steps to address possible conflicts of interest that may arise between Directors' interests and those of the Group, including requiring such Directors to refrain from participating in such parts of the meetings or discussions, and/or abstain from voting, on any matter in which they are so interested or conflicted.

Board Executive Committee ("**Board EXCO**")

The Board EXCO comprises the following members:

Mr Lee Hsien Yang	Chairman
Mr Ho Tian Yee	Member
Mr Soon Tit Koon	Member
Mr Nicky Tan Ng Kuang ⁽¹⁾	Member

Note:

- (1) Mr Nicky Tan Ng Kuang was appointed a member of the Board EXCO on 14 May 2010.
- (2) Mr Simon Israel resigned from the Board EXCO on 31 March 2010.
- (3) Mr Ng Yat Chung was appointed a member of the Board EXCO on 14 May 2010. He resigned on 29 July 2010.

Providing oversight of the business affairs of F&N, the Board EXCO is empowered to exercise the full powers and authority of the Board when the Board does not meet except in respect of matters that specifically require the decision of the Board or any Board Committee.

Food & Beverage ("**F&B**") Board Committee

This Committee oversees the F&N Group's F&B strategy and strategic plans for the Group's non-beer F&B business. Strategic plans and proposals devised and developed by the F&B Management are presented to the Committee, which also serves as a forum for discussion and/or debate before such plans and proposals are tabled to the Board. The members of the F&B Committee are:

Mr Lee Hsien Yang	Chairman
Mr Soon Tit Koon	Member
Mr Nicky Tan Ng Kuang	Member

Note:

Mr Simon Israel resigned from the F&B Board Committee on 31 March 2010.

Activities of other Board Committees are described elsewhere in this report.

Board Matters (cont'd)

Meetings of the Board and Board Committees

The Board and its various Committees meet regularly, and as necessitated by business requirements or if the members of the Board deem it appropriate to do so. For the financial year ended 30 September 2010, the Board met seven times and held an offsite strategic review meeting in conjunction with one of the Board meetings.

The annual Board strategic review meeting is held off-site at one of the Group's key business operations for Directors and Management to discuss and review the Group's strategies and plans. This also provides an invaluable platform for the Board to familiarise itself and interact with key members of the Management team. In addition, site visits and meetings with business partners, where appropriate, are included as part of the ongoing process for Directors to better acquaint themselves with the F&N Group's key business operations.

The Directors are also given direct access to the Management team through presentations at Board and Board Committee meetings. Pursuant to the Company's Articles of Association, Board members, if unable to attend physical meetings, may participate through telephone conference, video-conference or any other forms of electronic or instantaneous communication facilities.

The number of Board meetings and Board Committee meetings held in the financial year ended 30 September 2010 and the attendance of Directors at these meetings are as follows:

	Board	Board EXCO	Audit Committee	Remuneration & Staff Establishment Committee	Nominating Committee	F&B Board Committee
Meetings held for the financial year ended 30 September 2009	7	5	5	2	3	1
Mr Lee Hsien Yang	7/7	5/5	–	–	–	1/1
Mr Timothy Chia Chee Ming	7/7	–	4/5	2/2	3/3	–
Ms Maria Mercedes Corrales ⁽¹⁾	2/2	–	–	–	–	–
Mr Ho Tian Yee	7/7	5/5	–	2/2	3/3	–
Mr Koh Beng Seng	7/7	–	5/5	–	–	–
Mr Soon Tit Koon	7/7	5/5	–	2/2	–	0/1
Mr Tan Chong Meng	7/7	–	4/5	–	–	–
Mr Nicky Tan Ng Kuang	7/7	2/2	5/5	–	3/3	1/1

Note:

- (1) Ms Maria Mercedes Corrales was appointed as an independent non-executive Director on 8 September 2010.
- (2) Mr Simon Israel (Attendance – Board 3/3, Board EXCO 2/2 and F&B Board Committee 1/1) resigned on 31 March 2010.
- (3) Mr Ng Yat Chung (Attendance – Board 2/2 and Board EXCO 1/1) was appointed a non-executive Director on 3 March 2010. He resigned on 29 July 2010.
- (4) Mr Hirotake Kobayashi was appointed as a non-independent non-executive Director on 13 December 2010.

A formal letter which sets out the Director's duties and obligations, amongst other things, is given to each Director upon appointment. The Group also conducts a comprehensive orientation programme for new appointees to familiarise themselves with its business activities, strategic directions, policies and corporate governance practices. This programme allows new Directors to get acquainted with senior Management, thereby facilitating interaction with Management.

Directors are continually and regularly updated on the Group's businesses and the regulatory and industry-specific environments in which the entities of the Group operate. These updates may be disseminated by way of written briefings or presentations on relevant legal, regulatory and technical updates and developments, such as in the area of competition law in Singapore. They are also encouraged to be members of the Singapore Institute of Directors ("SID") and for them to receive journal updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements, and business environment and outlook.

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Board Composition and Guidance

Principle 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The F&N Board comprises eight non-executive Directors, with a clear majority of six being independent Directors. An annual review of the size and composition of the Board is conducted to ensure that both aspects continue to meet the needs of the Group. The Board is of the view that its current size and composition is appropriate for the scope and nature of the F&N Group's operations, and for facilitating effective discussion and decision-making. No individual or group dominates the Board's decision-making process. The Board proactively seeks to maintain an appropriate balance of expertise, skills and attributes among the Directors, thereby enabling Management to benefit from the diverse and objective perspectives and breadth of experience of its members.

There is a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, and takes into account the long-term interests of F&N and its Shareholders.

The Directors are provided with accurate and timely information, and have direct, unrestricted access to Management. This is so that the Directors are effective in carrying out their duties, and are given sufficient time and attention to critically consider the affairs of the Company, thereby enabling them to discharge their oversight function efficaciously.

The Nominating Committee is of the view that there is an appropriate balance of expertise and skills amongst the Directors. Collectively, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business management, industry and strategic planning. They are also instrumental in driving the Group forward and achieving its goals, thereby contributing significantly to the effectiveness and success of the Group.

The Nominating Committee determines the independence of each Director annually based on the definitions and guidelines of independence set out in the Code 2005. In respect of the financial year ended 30 September 2010, the Nominating Committee performed a review of the independence of the Directors. The Committee has determined that the following non-executive Directors are non-independent:

- *Mr Lee Hsien Yang*: Non-independent. Mr Lee is non-independent by virtue of his chairmanship of the Company's Management Committee and the Executive Committee of Frasers Centrepoint Limited ("**FCL**"), a wholly owned subsidiary of the Company.
- *Mr Soon Tit Koon*: Non-independent. Mr Soon is a nominee of, and holds the position of Chief Financial Officer at, Oversea-Chinese Banking Corporation ("**OCBC**"), a substantial shareholder⁽¹⁾ of the Company. He is also a director of certain OCBC subsidiaries.

Note:

(1) A substantial shareholder is one which has, or is deemed to have, five percent (5%) or more interest in the voting shares of the Company.

Chairman and Chief Executive Officer

Principle 3:

There should be a clear division of responsibilities at the top of the company, the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and the CEOs of each of the Group's three business units are separate persons to ensure an appropriate balance and separation of power and authority, and clear division of responsibilities and accountability. The Chairman's Office, with the support of F&N's Corporate Services, co-ordinates the reporting lines of each of the CEOs to the Board. The Chairman is also not related to any of the CEOs of the three business units, nor is there any other business relationship between him and any of these CEOs. Likewise, the CEOs are not related to each other, and there is also no other business relationship between or among them.

The Chairman, who is non-executive, provides leadership to the Board, steering effective, productive and comprehensive discussions amongst members of the Board and Management on strategic, business and other issues pertinent to the Group. He ensures that Directors are provided with clear and timely information in order to make sound decisions.

The Chairman also encourages active and effective engagement, participation by and contribution from all Board members, and facilitates constructive relations among and between the Board and Management. Promoting high standards of corporate governance and transparency, he also ensures overall effective communications to and with Shareholders on the overall performance of the Group. In turn, each of the CEOs of the Group's three business units is responsible for the execution of the Group's strategies and policies, and accountable to the Board for the conduct and performance of the respective business operations under his charge.

Board Membership

Principle 4:

There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee comprises the following Directors:

Mr Ho Tian Yee	Chairman
Mr Timothy Chia Chee Ming	Member
Mr Nicky Tan Ng Kuang	Member

All members of this committee are independent non-executive Directors. Its Chairman is neither a substantial shareholder nor directly associated⁽¹⁾ to any substantial shareholder.

Note:

(1) A Director will be considered "directly associated" to a substantial shareholder when he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of such substantial shareholder.

The Nominating Committee is guided by written Terms of Reference approved by the Board and which set out the duties and responsibilities of the Committee. It reviews the structure, size and composition of the Board, identifies the balance of skills, knowledge and experience on the Board and nominates candidates to meet the needs and requirements of the Group.

Each year, the Committee also evaluates the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board.

The Nominating Committee reviews and makes recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees. This is to ensure an appropriate mix of core competencies to fulfill the Board's roles and responsibilities.

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Board Membership (cont'd)

A formal process for the search and selection of new Directors is also in place to ensure transparency in the identification and evaluation of suitable nominees. The Nominating Committee leads this process and sources for candidates who would be able to contribute to the discussions, deliberations and/or activities of the Board. In the search and selection process, the Nominating Committee reviews the composition of the Board – including the mix of expertise, skill set and attributes of existing Board members – so as to identify needed and/or desired competencies to supplement the Board's existing attributes. In doing so, where necessary or appropriate, the Nominating Committee may tap on its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting candidates.

The Company's Articles of Association provides that at least one-third of its Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. The Committee is satisfied that the Directors who are retiring in accordance with the Articles of Association at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and contribution. Newly appointed Directors must also submit themselves for retirement and re-election at the next AGM immediately following their appointment. The Shareholders approve the appointment or re-appointment of Board members at the AGM.

In its annual review for the year ended 30 September 2010, the Nominating Committee assesses the independence of each Director. The Nominating Committee has determined the status of each Director as follows:

Mr Lee Hsien Yang	Non-independent
Mr Timothy Chia Chee Ming	Independent
Ms Maria Mercedes Corrales	Independent
Mr Ho Tian Yee	Independent
Mr Koh Beng Seng	Independent
Mr Soon Tit Koon	Non-independent
Mr Nicky Tan Ng Kuang	Independent
Mr Tan Chong Meng	Independent

Note:

Mr Hirotake Kobayashi was appointed as a non-independent non-executive Director on 13 December 2010.

Key Information regarding Directors

Key information on the Directors is set out on pages 10 to 15.

Board Performance

Principle 5:

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board has established and implemented a formal process for assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

An independent consultant has also been engaged to facilitate the implementation of a process for evaluating the effectiveness of the Board as a whole and the Board Committees. Engaging an independent party ensures objectivity and independence in the process. All Directors are required to complete a questionnaire designed to assess the performance of the Board and the Board Committees, covering areas such as Board composition, Board processes, management of the Company's performance, Board Committee effectiveness, and any specific areas where improvements may be made.

The external consultant collates and analyses the feedback from the completed questionnaires. Its findings of the performance evaluation (including the comments from the Directors) are then reviewed by the Nominating Committee, in consultation with the Chairman of the Board.

Following the review, the Board is of the view that the Board and its Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6:

In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Management provides the Board with detailed Board papers particularising relevant information and justifications for each proposal for which Board approval is sought. Such information include relevant financial forecasts, new opportunities, risks analyses, mitigation strategies, feasibility studies and key commercial issues for the Board's attention and consideration. Reports on major operational matters, business development activities, financial performance, potential investment opportunities and budgets are also circulated to the Board.

A calendar of activities is scheduled for the Board a year in advance, with Board papers and agenda items despatched to the Directors a week before scheduled meetings. This is to give Directors sufficient time to review and consider the matters being tabled and/or discussed so that discussions can be more meaningful and productive. Senior Management is requested to attend Board meetings to provide additional insights into matters being discussed, and to respond to such queries as the Directors may have. The Board also has separate and independent access to the Company's senior Management and the Group Company Secretary.

The Company Secretary attends all Board meetings, ensures that Board procedures are complied with, and provides advice and guidance on corporate governance and regulatory compliance. Under the direction of the Chairman, the Group Company Secretary facilitates the smooth flow of information to and within the Board and its various Committees, as well as between and with senior Management. The Group Company Secretary also consolidates Directors' feedback and evaluation, facilitates orientation programmes for new Directors and assists with their professional development as required. The Group Company Secretary is the Company's primary channel of communication with the SGX-ST.

The Directors – whether collectively or individually – may, at the Company's expense, seek and obtain independent professional advice where necessary to discharge its or their duties effectively.

Remuneration Matters

Principle 7:

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

Remuneration & Staff Establishment Committee ("RSEC")

The RSEC is made up of non-executive Directors, the majority of whom, including its Chairman, are independent Directors. It comprises the following members:

Mr Timothy Chia Chee Ming	Chairman
Mr Ho Tian Yee	Member
Mr Soon Tit Koon	Member

The RSEC reviews and makes recommendations on the remuneration framework for the Board and senior Management. It ensures that a formal and transparent procedure is in place for developing policy on executive remuneration and development, and for determining remuneration packages and service terms of individual Directors and senior Management.

On an annual basis, the RSEC also reviews the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes. In doing so, the RSEC takes into consideration the performance of the Company and that of individual employees. It also approves salary reviews, performance bonus and incentives for senior Management.

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Remuneration Matters (cont'd)

The RSEC conducts an annual review of the development and succession plans for senior Management and the leadership pipeline for the Company, and aligns the CEOs' leadership with the Company's strategic objectives and key challenges. It also sets performance targets for the CEOs and evaluates their performances annually.

The RSEC may from time to time, and where necessary or required, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management.

Level and Mix of Remuneration

Principle 8:

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In recommending the level and mix of remuneration, the RSEC seeks to build, motivate and retain Directors and key Management. It ensures that competitive remuneration policies and practices are in place to attract, motivate and retain high-performing executives so as to drive the Group's businesses to greater growth and profitability. In its deliberation, the RSEC takes into consideration industry practices and benchmarks against relevant industry players to ensure that its remuneration and employment terms are competitive.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicia such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests to maximise long-term Shareholder value.

Long Term Incentive Plans

The RSEC also administers the Company's share-based remuneration incentive plans, namely, the F&N Executive Share Option Scheme ("**F&N ESOS**"), Restricted Share Plan ("**RSP**") and Performance Share Plan ("**PSP**").

At an Extraordinary General Meeting of the Company held on 22 January 2009, the Company adopted the RSP and PSP in lieu of the F&N ESOS. The last grant under the F&N ESOS was made on 25 November 2008. Options granted prior to the expiry of the F&N ESOS will continue to be valid and be subject to the terms and conditions of the F&N ESOS.

Through the RSP and PSP, the Company seeks to foster a greater ownership culture within the F&N Group by aligning more directly the interests of key senior Management and senior executives with the interest of Shareholders, and for such employees to participate and share in the Group's growth and success.

The RSP is available to a broader base of senior executives compared to the PSP. Its objectives are to increase the Company's flexibility and effectiveness in its continuing efforts to attract, motivate and retain talented senior executives and to reward these executives for the performance of the Company and that of the individual. The PSP targets senior Management in key positions who shoulder the responsibility of the Company's performance and who are able to drive the growth of the Company through superior performance. It serves as further motivation to key senior Management in striving for excellence and delivering long-term Shareholder value.

Under the RSP and PSP, the Company grants share-based awards ("**Base Awards**") conditional upon pre-determined targets being met. Pre-determined targets for RSP and PSP are set over a two-year and a three-year performance period respectively. The Awards represent the right to receive fully paid shares, their equivalent cash value or combinations, free of charge, provided certain prescribed performance conditions are met. The final number of shares to be released will depend on the achievement of the pre-determined targets at the end of the performance period. If such targets are met and/or exceeded, more shares than the Base Awards could be delivered, subject to a maximum percentage of the Base Awards. The first grant of Base Awards was made in December 2009.

The maximum number of Company shares which could be released, when aggregated with the number of new shares issued pursuant to the vesting of awards under the RSP and PSP (excluding shares exercised under the F&N ESOS) will not exceed ten percent (10%) of the issued share capital of the Company.

Remuneration Matters (cont'd)

Disclosure on Remuneration

Principle 9:

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Remuneration of Directors and Top Five Key Executives

Information on the remuneration of Directors of the Company and key executives of the Group is set out below.

Directors of the Company	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Mr Lee Hsien Yang	1,545,200 ⁽¹⁾	100	–	–	–	–	100
Mr Timothy Chia Chee Ming	123,000	100	–	–	–	–	100
Ms Maria Mercedes Corrales ⁽²⁾	6,791	100	–	–	–	–	100
Mr Ho Tian Yee	196,000	100	–	–	–	–	100
Mr Simon Israel ⁽³⁾	167,500	100	–	–	–	–	100
Mr Koh Beng Seng	122,000	100	–	–	–	–	100
Mr Ng Yat Chung ⁽⁴⁾	37,637	100	–	–	–	–	100
Mr Soon Tit Koon	114,000	100	–	–	–	–	100
Mr Tan Chong Meng	113,500	100	–	–	–	–	100
Mr Nicky Tan Ng Kuang	123,726	100	–	–	–	–	100

Note:

- (1) Includes payment of \$79,200 in lieu of company car entitlement.
- (2) Ms Maria Mercedes Corrales was appointed as an independent non-executive Director on 8 September 2010.
- (3) Mr Simon Israel resigned from the Board on 31 March 2010.
- (4) Mr Ng Yat Chung was appointed as a non-executive Director on 3 March 2010. He resigned from the Board on 29 July 2010.
- (5) Mr Hirotake Kobayashi was appointed as a non-independent non-executive Director on 13 December 2010.

Key Executives of the F&N Group	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Mr Koh Poh Tiong	3,002,684	–	40	24	3	33	100
Mr Lim Ee Seng	2,934,272	–	38	35	3	24	100
Mr Roland Pirmez	2,260,608	–	48	48	4	–	100
Mr Anthony Cheong	1,267,783	–	49	26	4	21	100
Dato Ng Jui Sia ⁽¹⁾	836,594	–	39	19	7	35	100

Note:

- (1) Includes payments while Dato Ng Jui Sia was CEO of Times Publishing Limited. He resigned on 30 June 2010 to take up appointment as CEO Designate of Fraser & Neave Holdings Bhd on 1 July 2010.

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Remuneration Matters (cont'd)

Directors' Fees

The remuneration of non-executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. Non-executive Directors are paid basic Directors' fee, additional fees for appointments to Board Committees and attendance fees for Board and Board Committee meetings. No Director decides his own fees.

A review of the Directors' fees was undertaken, in which such fees were benchmarked against the amounts paid by other major listed companies. The review showed that the current Directors' fees for participation in Board Committees appeared low in comparison. The Company also envisages that there will be more Board Committee meetings for the financial year ending 30 September 2011, involving greater participation by the Directors. It is therefore proposed that adjustments be made to Board Committee fees with effect from the next financial year. Directors' basic fees remain unchanged.

Shareholders' approval will be sought at the 112th AGM of the Company on 27 January 2011, for the payment of Directors' fees proposed for the financial year ending 30 September 2011 amounting to \$2,700,000. This represents an increase of \$145,000 – a five-point-seven percent (5.7%) increase – from the \$2,555,000 approved by Shareholders for the financial year ended 30 September 2010, of which \$2,201,855 was actually spent.

For better alignment with Shareholders' interests, Directors are encouraged to purchase the Company's shares from the open market and to hold the equivalent of one year's fees in such shares while they remain on the Board, subject to compliance with applicable laws and regulations.

Accountability and Audit

Principle 10:

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

F&N prepares its financial statements in accordance with the Singapore Financial Reporting Standards ("SFRS") prescribed by the Accounting Standards Council. The Board provides Shareholders with quarterly and annual reports, and releases its quarterly and full year financial results through announcements to the SGX-ST, press releases and media and analysts' briefings. In doing so, the Company seeks to present a balanced and clear assessment of the Company's performance, position and prospects.

Audit Committee

Principle 11:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee, on behalf of the Board, undertakes the monitoring and review of the system of internal controls. Its main responsibilities are to assist the Board in the discharge of its oversight responsibilities in the areas of internal controls, financial and accounting practices, operational and compliance controls, and corporate and financial risk management. Significant findings are reported to the Board.

The Audit Committee is guided by written Terms of Reference endorsed by the Board and which clearly set out its duties and responsibilities. It is duly authorised to investigate any matter within such Terms of Reference, and has full access to and the co-operation of Management, as well as the full discretion to invite any Director or executive officer to attend its meetings.

The Audit Committee comprises the following four members:

Mr Koh Beng Seng	Chairman
Mr Timothy Chia Chee Ming	Member
Mr Tan Chong Meng	Member
Mr Nicky Tan Ng Kuang	Member

All the members, including its Chairman, are independent non-executive Directors. The members of the Audit Committee are appropriately qualified. Their collective wealth of experience and expertise on accounting and financial management enables them to discharge their responsibilities competently. The Audit Committee has reasonable resources to enable it to discharge its functions effectively.

Accountability and Audit (cont'd)

During the year, the key activities of the Audit Committee included the following:

- Reviewing the quarterly and full-year financial results and related SGX-ST announcements, including significant financial reporting issues and assessments, to safeguard the integrity in financial reporting, and to ensure compliance with the requirements of the SFRS.
- Approving, on behalf of the Board, the 1st and 3rd quarter financial results and corresponding SGX-ST announcements.
- Recommending, for the approval of the Board, the half-year and annual financial results and related SGX-ST announcements.
- Reviewing and evaluating with internal and external auditors, the adequacy and effectiveness of the system of internal controls, including financial, operational and compliance controls, and risk management policies and framework.
- Reviewing and approving the internal and external audit plans to ensure the adequacy of the scope of such audit.
- Reviewing with internal and external auditors, the audit report and their recommendations, and monitoring the timely and proper implementation of any required corrective or improvement measures and the assistance given by Management.
- Reviewing the adequacy and effectiveness of the Group's internal audit function, including the adequacy of internal audit resources and its appropriate standing within the Group.
- Reviewing whistle-blowing investigations within the Group and ensuring appropriate follow-up actions, if required.

The Audit Committee also meets with internal and external auditors without the presence of Management at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems.

The Audit Committee recommends to the Board for approval by Shareholders, the appointment, re-appointment and removal of the Company's external auditors, and approves the remuneration and terms of engagement of the external auditors.

During the year, the Committee conducted a review of the scope and results of audit by the incumbent auditors and its cost effectiveness, as well as the independence and objectivity of the auditors. It also reviewed all non-audit services provided by the incumbent auditors and is satisfied that neither their independence nor their objectivity is at risk. Accordingly, the Committee has recommended the re-appointment of the external auditors at the AGM of the Company.

The Board – through the Audit Committee – reviews the adequacy of the Group's risk management framework to ensure that robust risk management and internal controls are in place. The Company has adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. Financial and operational key risk indicators are in place to track key risk exposures. In addition, each significant transaction is comprehensively analysed to understand the risks involved before it is embarked upon.

Periodic updates are provided to the Audit Committee on the Group's risk profile. These updates include the assessment of the Group's key risks by major business units, risk categories, and the status and changes in plans undertaken by Management to manage key risks.

An outline of the ERM framework and progress report is set out on page 64.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Accountability and Audit (cont'd)

Internal Controls

Principle 12:

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Company maintains a sound internal control system with a view to safeguard its assets and Shareholders' investments.

The Audit Committee, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Company's system of controls, including financial, operational and compliance controls, and risk management policies and systems established by Management. In assessing the effectiveness of internal controls, the Audit Committee ensures primarily that key objectives are met, material assets safeguarded and financial information prepared in compliance with applicable internal policies, laws and regulations.

The Board is satisfied that the Company's framework of internal controls is adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding its assets and Shareholders' investments. Such framework serves to provide reasonable assurance against material misstatement or loss.

Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy which provides an independent feedback channel through which staff may, in confidence and in good faith, raise matters of concern about possible improprieties in matters of financial reporting or other matters without fear of reprisal. Details of this policy have been disseminated and made available to all employees of the Company. All matters which are raised are then independently investigated and appropriate actions taken. The Audit Committee ensures that independent investigations and any appropriate follow-up action is carried out.

Other Policies

During the year, to further enhance internal controls within the Group, the Company implemented the following policies:

- *Policy for disclosure and approval of purchase of property projects of FCL:* This sets out the process and procedure for disclosure and approval relating to the purchase of property projects of the Company's property business unit by interested persons as defined in the SGX-ST Listing Manual, the CEO of FCL, Directors and employees of the Group.
- *Policy guidelines for external appointments to directorship on board of directors/trustees:* These guidelines prescribe the process and procedure for employees of the Group to make relevant disclosures and obtain internal clearances in respect of any external appointment as a director or a trustee of entities outside the Group.

Accountability and Audit (cont'd)

Internal Audit

Principle 13:

The company should establish an internal audit function that is independent of the activities it audits.

The Internal Audit Department is an independent function within the Company. It conducts objective and independent assessments on the adequacy and quality of the Group's system of internal controls. The Head of Internal Audit, who is a Certified Public Accountant, reports directly to the Chairman of the Audit Committee and administratively, to the Group Company Secretary.

The Head of Internal Audit and most of the internal audit staff are members of the Institute of Internal Auditors, Singapore and the department has adopted and complied with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. To ensure that the internal audits are effectively performed, it recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills. Key staff members of the Internal Audit Department also receive relevant technical training and seminars organised by the Institute of Internal Auditors, Singapore and other professional bodies.

The Internal Audit Department operates within the framework stated in its Terms of Reference, which is approved by the Audit Committee. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks across the F&N Group. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with the Company's policies, procedures and regulatory responsibilities.

During the year, the Internal Audit Department conducted its audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to Management who would respond on the actions to be taken. Each quarter, the Internal Audit Department would submit to the Audit Committee a report on the status of the audit plan and on audit findings and actions taken by Management on such findings. Key findings were highlighted at the Audit Committee meetings for discussions and follow-up action. The Audit Committee monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by Management.

The Audit Committee is satisfied that that the Internal Audit Department has adequate resources and appropriate standing within the Company to perform its function effectively.

Communication with Shareholders

Principle 14:

Companies should engage in regular, effective and fair communication with shareholders.

The Company prides itself on its high standards of disclosure and corporate transparency. It aims to provide relevant, comprehensive and timely information regarding the Group's performance and progress to Shareholders and the investment community to enable them to make informed investment decisions. The Investor Relations team is tasked with and dedicated to facilitating communications between the Company and Shareholders, as well as with the investment community.

The Investor Relations team communicates regularly with Shareholders and the investment community, with timely disclosures of material and other pertinent information, through regular dialogues and announcements to SGX-ST. The team undertakes road shows (together with key senior Management), investor seminars and conferences to keep the market and investors apprised of the F&N Group's corporate developments and financial performance. The aim is to provide Shareholders and investors with prompt disclosure of relevant information, to enable them to have a better understanding of the Company's businesses and performance. Briefings for the half-yearly and full year results are also conducted for analysts and the media following the release of such results. The Company makes available all its briefing materials to analysts and the media, its financial information, its annual reports and all announcements to the SGX-ST on its website at www.fraserandneave.com.

At the Investors' Choice Awards 2010, the Company received affirmation for its continuing efforts in attaining high standards of corporate governance. It was named runner-up for the Most Transparent Company Award 2010 in the Multi-Industry/ Conglomerates category.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Communication with Shareholders (cont'd)

Greater Shareholder Participation

Principle 15:

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board supports and encourages active Shareholder participation at AGMs. It believes that general meetings serve as an opportune forum for Shareholders to meet the Board and senior Management, and to interact with them.

The Company's Articles of Association allow all Shareholders the right to appoint a proxy to attend and vote on their behalf in Shareholders' meetings. A copy of the Annual Report and notice of AGM is sent to all Shareholders. Separate resolutions are proposed on each substantially separate issue at the meeting. Shareholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed.

Board members and appropriate senior Management are present at each Shareholders' meeting to respond to any questions from Shareholders. The Company's external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

For greater transparency, F&N introduced electronic poll voting at its last AGM, during which Shareholders were invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands). This allowed all Shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. The Company will continue to use the electronic poll voting system at the forthcoming AGM.

Code of Business Conduct

F&N has in place a Code of Business Conduct which sets out the business practices, standards and ethical conduct expected of all employees in the course of their employment with the F&N Group. This code is distributed to all employees for compliance, and covers such aspects of the business operations of the Group as conflicts of interests and dealings with government officials, government employees, and suppliers and customers of the Company. In addition, Directors, officers and employees are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities, and to comply with laws and regulations, and the Company's policies.

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

In line with Listing Rule 1207 sub-Rule (18) of the SGX-ST Listing Manual, the Group issues quarterly reminders to its Directors, officers and employees on the restrictions on dealings in listed securities of the Group two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and one month before the announcement of full year results. Directors, officers and employees are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished material or price sensitive information and to refrain from dealing in the Group's securities on short-term considerations.

Particulars of Key Management Staff as at 30 September 2010

Name of Key Executive	Age	Academic & Professional Qualifications	Working Experience	Area of Responsibility
Mr Anthony Cheong Fook Seng	56	Associate, The Institute of Chartered Accountants in England and Wales Member, Institute of Certified Public Accountants of Singapore	1982 – 1989 Manager, Corporate Recovery Services, Ernst & Young 1989 – 2001 Company Secretary, CarnaudMetalbox Asia Ltd 2001 Corporate General Manager, Finance Times Publishing Limited	Group Company Secretary Fraser and Neave Group <i>(Date appointed: 1 April 2002)</i>
Mr Koh Poh Tiong	64	Bachelor of Science, University of Singapore	1985 – 1991 General Manager, Asia Pacific Breweries Limited 1991 – 1993 Deputy Group General Manager, Asia Pacific Breweries Limited 1993 – 2008 Chief Executive Officer, Asia Pacific Breweries Limited	Chief Executive Officer, Food & Beverage Fraser and Neave, Limited <i>(Date appointed: 1 October 2008)</i>
Mr Lim Ee Seng, PBM	59	Bachelor of Engineering (Civil), University of Singapore Master of Science (Project Management), National University of Singapore Member, The Institution of Engineers, 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 <i>(Date appointed: 15 October 2004)</i>
Dato' Ng Jui Sia	58	Bachelor of Business Administration, University of Singapore Associate, The Institute of Chartered Accountants in England and Wales	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), CarnaudMetalbox Asia Pacific 1995 – 1999 General Manager, Fraser and Neave, Limited/F&N Coca-Cola (Singapore) Pte Ltd 1999 – 2006 Managing Director, F&N Coca-Cola (Malaysia) Sdn Bhd 2006 – 2010 Chief Executive Officer, Times Publishing Limited	Chief Executive Officer Fraser & Neave Holdings Bhd <i>(Date appointed: 1 August 2010)</i>
Mr Roland Pirmez	50	Master's degree in Brewing, University of Louvain-la-Neuve, Belgium Engineering degree in Agriculture, University of Louvain-la-Neuve, Belgium	1995 – 1998 Managing Director, Heineken Angola 1998 – 2002 Managing Director, Thai Asia Pacific Brewery 2002 – 2008 Chief Executive Officer, Heineken Russia	Director and Chief Executive Officer, Asia Pacific Breweries Limited <i>(Date appointed: 1 October 2008)</i>