

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Setting and maintaining high standards of corporate governance and constantly striving to surpass such standards is core to the culture of Fraser and Neave, Limited (“**F&N**” or the “**Company**”). Putting this into practice, the F&N Group has in place sound corporate policies and business practices, as well as a rigorous system of internal controls, all of which individually and collectively, serve to strengthen corporate transparency. It is the F&N Group’s firm belief that its overall business integrity and performance has to be grounded on a foundation of good governance, so that we can maintain sustainable growth and deliver value to Shareholders.

To attain this aim, our highly-qualified Board works hand in hand with our experienced Management team, drawing upon and ensuring close adherence to the principles and guidelines of the Code of Corporate Governance 2005 (“**Code 2005**”) and other applicable laws, rules and regulations. For its efforts, the Company has garnered some accolades from the investment community, brief particulars of which are set out in the section entitled “Communication with Shareholders”.

This report sets out F&N’s key corporate governance policies and practices against the principles and guidelines of Code 2005.

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.

The Board sets the benchmark and is responsible for F&N’s corporate governance standards and policies. Its primary responsibilities entail overseeing the Group’s business performance and affairs, providing F&N with entrepreneurial leadership, and setting its strategic direction and performance objectives. The Board also reviews annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals, and monitors the performance of the Group (including financial performance as well as Management’s performance), and ensures compliance by the Group with relevant laws and regulations. The Board meets regularly. During Board meetings, our Directors actively participate, discuss, deliberate and appraise the matters requiring its attention and decision.

As at 30 September 2011, the Board comprises ten directors, all of whom are non-executive directors. They are:

Mr Lee Hsien Yang (Chairman)
 Mr Timothy Chia Chee Ming
 Ms Maria Mercedes Corrales
 Mr Ho Tian Yee
 Mr Hirotake Kobayashi⁽¹⁾
 Mr Koh Beng Seng
 Dr Seek Ngee Huat⁽²⁾
 Mr Soon Tit Koon
 Mr Tan Chong Meng
 Mr Nicky Tan Ng Kuang

Note:

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

(2) Dr Seek Ngee Huat was appointed as an independent non-executive Director on 26 September 2011.

The addition of Dr Seek to the Board, following the appointment of Ms Maria Mercedes Corrales in September 2010, is part of the Company’s continual drive to inject fresh perspectives into Board discussions. It also enlarges the collective pool of expertise, adding on to an already impressive array of transnational, multi-disciplinary skill set and industry knowledge of our Directors. There has been a growing global trend for greater female representation in the board room. Ms Corrales’ appointment attests to the Company’s recognition of the importance of gender diversity for its Board. It is also consistent with the inclusion of gender representation as a criterion for board composition in the recently promulgated proposed changes to Code 2005.

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Board Matters (cont'd)

Delegation of Authority on certain Board Matters

In order for the Board to more efficaciously discharge its oversight functions, it delegates specific areas of responsibilities to five Board Committees namely, 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 clear terms of reference which have been approved by the Board. Minutes of all Board Committee meetings are circulated to Board members so that they are kept abreast of proceedings and matters discussed at such meetings.

The Company adopts a framework of delegated authorisations in its Manual of Authority ("**MOA**"). The MOA defines the procedures and levels of authorisation required for specified transactions. It also sets out approval limits for operating and capital expenditure as well as acquisitions and disposals of investments. Furthermore, there is a schedule of matters reserved specifically for the Board's decision. These include approval of financial statements, business strategy and major investments or divestments. Below the Board level, there are appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency. To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to refrain from participating in meetings or discussions (or relevant segments thereof), in addition to abstaining 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	Member

The Board EXCO has oversight of the business affairs of F&N, and 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. The Group's F&B Management devises and develops strategic plans and proposals which are then presented to the Committee. This 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 Board Committee are:

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

The activities and responsibilities of other Board Committees are described in the following sections of this report.

Meetings of the Board and Board Committees

The Board and its various Board 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 2011, the Board met eight times, including an annual offsite strategic review meeting in conjunction with one of the Board meetings.

This annual off-site Board strategic review meeting is usually held at one of the Group's key business operations for Directors and Management to discuss and review the Group's strategies and plans. This presents an invaluable platform for the Board to familiarise itself and interact with key members of the Management team. Site visits and meetings with business partners, where appropriate, are also included as part of the ongoing process for Directors to have an intimate understanding of the F&N Group's key business operations. This year's off-site retreat was held in March 2011 in Kuala Lumpur, where our Bursa-listed Malaysia F&B subsidiary Fraser & Neave Holdings Bhd, is headquartered.

Board Matters (cont'd)

The Directors are also given direct access to the Management team of the Group's three business divisions through presentations at Board and Board Committee meetings. The Company's Articles of Association provide for Board members who are unable to attend physical meetings to 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 2011 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 2011	8	5	5	2	1 ⁽³⁾	Nil
Mr Lee Hsien Yang	8/8	5/5	–	–	–	Nil
Mr Timothy Chia Chee Ming	8/8	–	5/5	2/2	1/1	–
Ms Maria Mercedes Corrales	8/8	–	–	–	–	–
Mr Ho Tian Yee	8/8	5/5	–	2/2	1/1	–
Mr Hirotake Kobayashi ⁽¹⁾	7/7	–	–	–	–	–
Mr Koh Beng Seng	8/8	–	5/5	–	–	–
Dr Seek Ngee Huat ⁽²⁾	1/1	–	–	–	–	–
Mr Soon Tit Koon	8/8	5/5	–	2/2	–	Nil
Mr Tan Chong Meng	8/8	–	4/5	–	–	–
Mr Nicky Tan Ng Kuang	8/8	5/5	5/5	–	1/1	Nil

Note:

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

(2) Dr Seek Ngee Huat was appointed as an independent non-executive Director on 26 September 2011.

(3) Besides this meeting, all other matters during the year requiring the Nominating Committee's approval were either dealt with via circular resolutions or discussions at Board meetings.

Upon appointment, each new Director is issued with a formal letter of appointment setting out his or her duties and obligations. A comprehensive orientation programme is also conducted to familiarise new appointees with the business activities, strategic directions, policies and corporate governance practices of the F&N Group. This programme allows new Directors to get acquainted with senior Management, so as to foster better rapport thereby facilitating communication 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. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings or presentations. During the year, briefings on directors' disclosure obligations, recent developments in the laws relating to insider trading, and the proposed changes to Code 2005, were conducted for the Board. Our Directors 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 the 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 ten non-executive Directors, with a clear majority of seven being independent directors. F&N conducts an annual review of the size and composition of the Board to ensure that both aspects continue to meet the needs of the Group. The Nominating Committee 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. In line with the proposed changes to Code 2005, the Nominating Committee is also of the view that its current size is not so large as to be unwieldy, or as would interfere with efficient 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, and this is also reflected in the diversity of backgrounds and competencies of our Directors. Such competencies include banking, finance, accounting and other relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This benefits Management as it allows them to tap on the broad range of views and perspectives and the breadth of experience of our Directors.

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, complete and timely information and have direct and unrestricted access to Management. This is to give them sufficient time to critically consider issues pertinent to the Company and its business and operations, so that our Directors can effectively carry out their duties and discharge their oversight function.

The Nominating Committee is of the view that there is an appropriate balance of expertise and skills amongst the Directors. Together, the Directors bring with them a broad range of industry knowledge, expertise and experience. The recent addition of Dr Seek is a boon to the Board, and further fortifies its collective ability to spur the F&N Group onwards and forward towards its goals.

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 2011, the Nominating Committee performed a review of the independence of the directors. The Nominating 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 Oversea-Chinese Banking Corporation ("**OCBC**"), a substantial shareholder⁽¹⁾ of the Company.
- *Mr Hirotake Kobayashi*: Non-independent. Mr Kobayashi is a nominee of, and holds the position of Managing Director at Kirin Holdings Company, Limited ("**Kirin**"), a substantial shareholder⁽¹⁾ of the Company. He is also a director of certain Kirin 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 divisions 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 divisions. Neither 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, complete 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. With the full support of the Board, Company Secretary and Management, the Chairman leads the charge in the Company's drive to promote, attain and maintain high standards of corporate governance and transparency. He also ensures overall effective communications to and with Shareholders on the performance of the Group. In turn, each of the CEOs of the Group's three business divisions 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. The 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 this Committee. It reviews the structure, size and composition of the Board, identifies the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively and nominates candidates to meet the needs and requirements of the Group.

The Nominating Committee evaluates, on an annual basis, the independence of each Director. It also evaluates annually, 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 ensures an appropriate mix of core competencies to fulfill the Board's roles and responsibilities.

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Board Membership (cont'd)

The Nominating Committee also leads the process for the search, identification, evaluation and selection of suitable candidates for new directorship. In its search and selection process, the Nominating Committee considers factors such as the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board. The Nominating Committee also reviews the composition of the Board – including the mix of expertise, skills and attributes of existing Directors – 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 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 Nominating 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, the Nominating Committee assesses and affirms 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 Hirotake Kobayashi	Non-Independent
Mr Koh Beng Seng	Independent
Dr Seek Ngee Huat	Independent
Mr Soon Tit Koon	Non-Independent
Mr Tan Chong Meng	Independent
Mr Nicky Tan Ng Kuang	Independent

Key Information regarding Directors

Key information on the Directors is set out on pages 18 to 25.

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 is 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 third party ensures objectivity and independence in the process. All Directors are required to assess the performance of the Board and the Board Committees. Their assessment covers areas such as Board composition, Board processes, managing the Company's performance, Board Committee effectiveness, and any specific areas where improvements may be made.

Through interviews conducted on the Directors, feedback and comments received are then collated and analysed by the consultant. Its findings of the performance evaluation (including such feedback and comments received 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, specifying 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 dispatched 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 any queries that the Directors may have. In addition to the forum of Board meetings, the Board also has separate and independent access to the Company's senior Management and the 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 on legal and regulatory compliance. Under the direction of the Chairman, the Company Secretary facilitates and acts as a channel of communications for the smooth flow of information to and within the Board and its various Committees, as well as between and with senior Management. The Company Secretary also solicits and consolidates Directors' feedback and evaluation from time to time, and arranges for and facilitates orientation programmes for new Directors and assists with their professional development as required. The Company Secretary is the Company's primary channel of communication with the Singapore Exchange Securities Trading Limited ("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 the 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 key responsibility of the RSEC is to assist the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. Such policies are submitted to the Board for approval. The RSEC also determines remuneration packages and service terms of individual Directors and the CEOs of the Company's three business divisions. In discharging its duties, the RSEC reviews and makes recommendations on the remuneration framework for the Board 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 undertaking such reviews, the RSEC takes into consideration the performance of the Company and that of individual employees. It also reviews and approves the framework for salary reviews, performance bonus and incentives for senior Management of the F&N Group.

The RSEC conducts an annual review of the development and succession plans for senior Management and the leadership pipeline for the Company, and aligns – through appropriate remuneration and benefits policies and long-term incentive schemes – 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.

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Remuneration Matters (cont'd)

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, so that the Company remains competitive in this regard.

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 draw and motivate high-performing executives so as to drive the Group's businesses to greater growth, efficiency 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 conditions 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 indicators 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 and Performance Share Plan.

At an Extraordinary General Meeting of the Company held on 22 January 2009, the Company adopted the Restricted Share Plan ("**RSP**") and Performance Share Plan ("**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 a combination thereof, 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 can 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 can 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	1,550,200 ⁽³⁾	100	0	0	0	0	100
Mr Timothy Chia Chee Ming	127,500	100	0	0	0	0	100
Ms Maria Mercedes Corrales	82,000	100	0	0	0	0	100
Mr Ho Tian Yee	198,500 ⁽⁴⁾	100	0	0	0	0	100
Mr Hirotake Kobayashi ⁽¹⁾	66,081	100	0	0	0	0	100
Mr Koh Beng Seng	123,000	100	0	0	0	0	100
Dr Seek Ngee Huat ⁽²⁾	2,041	100	0	0	0	0	100
Mr Soon Tit Koon	119,000	100	0	0	0	0	100
Mr Tan Chong Meng	113,500 ⁽⁵⁾	100	0	0	0	0	100
Mr Nicky Tan Ng Kuang	137,000	100	0	0	0	0	100

Note:

(1) Mr Hirotake was appointed as a non-executive Director on 13 December 2010.

(2) Dr Seek Ngee Huat was appointed as an independent non-executive Director on 26 September 2011.

(3) Includes payments of (i) \$79,200 in lieu of company car entitlement and (ii) \$150,000 being director's fees from FCL.

(4) Includes payments of \$71,000 being director's fees from Times Publishing Limited ("TPL").

(5) Includes payments of \$12,500 being director's fees from TPL.

Key Executives of the F&N Group	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Koh Poh Tiong ⁽¹⁾	6,043,543	0	20	12	12	56	100
Lim Ee Seng	3,334,752	0	35	34	3	28	100
Roland Pirmez	2,639,009	0	41	36	4	19	100
Dato' Ng Jui Sia	1,315,715	0	42	24	6	28	100
Anthony Cheong Fook Seng	1,258,422	0	49	26	5	20	100

Note:

(1) Mr Koh Poh Tiong retired as Chief Executive Officer, Food and Beverage on 30 September 2011. He was succeeded by Mr Pascal De Petrini, who was appointed on 1 October 2011.

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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. Directors are paid basic and attendance fees for attending Board meetings. Non-executive Directors who perform services through Board Committees are paid additional basic and attendance fees for such services. No Director decides his own fees. The Company's current Board fee structure is set out below.

	Basic Fee \$	Attendance Fee \$
Board		
- Chairman	1,250,000	2,000
- Member	75,000	1,000
Audit Committee and Board EXCO		
- Chairman	30,000	2,000
- Member	15,000	1,000
RSEC, F&B Board and Nominating Committees		
- Chairman	15,000	2,000
- Member	7,500	1,000

Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other major listed companies. Following a review undertaken this year, it is proposed that adjustments be made to Board Committee (except F&B Board Committee) basic fees with effect from the next financial year as set out below. There will be no change to the current Board and F&B Board Committee basic fees, and attendance fees for Board and Board Committee meetings remain unchanged.

	Current Basic Fee \$	Proposed Basic Fee \$
Audit Committee and Board EXCO		
- Chairman	30,000	50,000
- Member	15,000	25,000
RSEC and Nominating Committees		
- Chairman	15,000	30,000
- Member	7,500	15,000

In view of above proposed changes, Shareholders' approval will be sought at the 113th AGM of the Company on 27 January 2012, for the payment of Directors' fees proposed for the financial year ending 30 September 2012 amounting to \$2.9 million (last year: \$2.7 million).

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 their 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 and, where appropriate, press releases and media and analysts' briefings. In communicating and disseminating its results, F&N aims to present a balanced and clear assessment of the Group'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 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 the 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.

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

- Reviewing the quarterly and full-year financial results and related SGX 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 internal control systems, 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 audit scope
- 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
- 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

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Accountability and Audit (cont'd)

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 makes recommendations to the Board for approval by Shareholders, the appointment, re-appointment and removal of the Company's external auditors. It also reviews and approves the remuneration and terms of engagement of the external auditors.

During the year, the Audit 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 the aggregate amount of audit fees paid to them. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 4 of the Notes to the Financial Statements on page 130. The Audit Committee is satisfied that neither their independence nor their objectivity is put at risk, and that they are still able to meet the audit requirements and statutory obligations of the Company. It is also satisfied with the aggregate amount of audit fees paid to the auditors. Accordingly, the Audit Committee has recommended the re-appointment of the external auditors at the AGM of the Company. In recommending the re-appointment of the auditors, the Audit Committee considered and reviewed a variety of factors including adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, and size and complexity of the Group, its businesses and operations.

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. Apart from the ERM process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands 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 76.

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 are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The importance and emphasis placed by the F&N Group on internal controls is underpinned by the fact that the key performance indicators for Management's performance takes into account the findings of both internal and external auditors and the number of unresolved or outstanding issues raised in the process.

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.

Accountability and Audit (cont'd)

Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy. This Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting or other matters may be raised in confidence and in good faith, 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 actions are carried out.

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 of 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 are highlighted at the Audit Committee meetings for discussion 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 fair, 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 Group's dedicated Investor Relations ("IR") team is tasked with and focuses on facilitating communications between the Company and its Shareholders, as well as with the investment community.

The IR 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 conducts roadshows (together with key senior Management), and participates in investor seminars and conferences to keep the market and investors apprised of the F&N Group's corporate developments and financial performance. During the year, the IR team, together with senior Management, engaged with more than 400 Singapore and foreign investors at conferences, non-deal roadshows as well as one-on-one and group meetings. The aim of such engagements is to provide Shareholders and investors prompt disclosure of relevant information,

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Communication with Shareholders (cont'd)

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, with contact details for investors to channel their comments and queries.

At the Investors' Choice Awards 2011 organised by the Securities Investors Association (Singapore), the Company's continuing efforts and aspirations in attaining and surpassing high standards of corporate governance was affirmed with the winning of two awards. It won the Singapore Corporate Governance Award 2011 (Mainboard) and was runner-up for the Most Transparent Company Award in the Multi-Industry/Conglomerate category.

Further details on IR's activities and responsibilities during the year can be found in the Investor Relations section of the Annual Report on page 65.

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 allows 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 are 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 that they may have relating to the resolutions to be passed.

Board members and 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 has implemented electronic poll voting since its 2010 AGM. This entails Shareholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing 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. The Code is disseminated and distributed to all employees for compliance, and covers such aspects of the business operations of the Group as conflicts of interest 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 relevant and applicable laws and regulations, as well as with Company policies.

Listing Rule 1207 sub-Rule (19) on Dealings in Securities

In compliance with Listing Rule 1207 sub-Rule (19) of the SGX-ST Listing Manual, the Group issues quarterly reminders to its Directors, officers and employees on the restrictions in dealings in listed securities of the Group during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results, and ending on the date of such announcements. Directors, officers and employees are also reminded not to trade in listed securities of the Group at any time while in possession of unpublished 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 2011

Name of Key Executive	Age	Academic & Professional Qualifications	Working Experience	Area of Responsibility
Mr Anthony Cheong Fook Seng	57	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 – 2002 Corporate General Manager, Finance, Times Publishing Limited	Group Company Secretary, Fraser and Neave Group (Date appointed: 1 April 2002)
Mr Koh Poh Tiong ⁽¹⁾	65	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 and Beverage ⁽¹⁾ , Fraser and Neave, Limited (Date appointed: 1 October 2008)
Mr Lim Ee Seng, PBM	60	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 Group Chief Executive Officer, Frasers Centrepoint Limited (Date appointed: 15 October 2004)
Dato' Ng Jui Sia	59	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 (Date appointed: 1 August 2010)
Mr Roland Pirmez	51	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 – Angola, Heineken Group 1998 – 2002 Managing Director, Thai Asia Pacific Brewery Co Ltd 2002 – 2008 Chief Executive Officer, Heineken Russia	Director and Chief Executive Officer, Asia Pacific Breweries Limited (Date appointed: 1 October 2008)

Note:

(1) Mr Koh Poh Tiong retired as Chief Executive Officer, Food and Beverage, on 30 September 2011. He was succeeded by Mr Pascal De Petrini, whose particulars are as follows.

Mr Pascal De Petrini	51	Master of Science in Management, École Supérieure des Sciences Économiques et Commerciales (ESSEC Business School), France Master's degree from Mines De Nancy Engineering School, France	1998 - 2002 General Manager, Danone Biscuits, China 2002 – 2004 General Manager, Themis ERP Project 2004 – 2007 General Manager, Aqua Indonesia 2007 – 2008 Vice-President Asia Pacific, Danone Waters 2008 – 2011 Vice-President Asia Pacific, Danone Baby Nutrition	Chief Executive Officer, Food and Beverage, Fraser and Neave, Limited (Date appointed: 1 October 2011)
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