

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Good corporate governance has been and continues to be the foundation on which Fraser and Neave, Limited (“**F&N**” or the “**Company**”) operates. The firm commitment of the F&N Group to set and maintain high standards of corporate governance and corporate transparency can be seen in its sound corporate policies, business practices and internal controls. This helps the Company safeguard its assets and Shareholders’ interests while allowing it to pursue sustainable growth and value-enhancement for Shareholders.

F&N is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and believes in compliance with applicable laws, rules and regulations, including the SGX-ST Listing Manual, and the principles and guidelines of the Code of Corporate Governance. Reference is made to both the Code of Corporate Governance 2005 and 2012 (the “**Code 2005**” and “**Code 2012**” respectively), and although Code 2012 takes effect for the Company in respect of its annual report for the financial year commencing 1 October 2013, it has started to comply with Code 2012 to such extent and as best as it can.

A. BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Our Board is made up of highly qualified Directors who set the Company’s values and standards (including ethical standards). The Board has oversight of the business performance and affairs of the F&N Group, and is responsible for the Group’s overall entrepreneurial leadership, strategic direction, performance objectives and long-term success. The Board also reviews annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals, monitors the financial performance of the Group and 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 matters requiring its attention and decision. If required, time is set aside after scheduled Board meetings for discussions amongst our Directors without the presence of Management, in line with the guidelines of Code 2012, as this facilitates a more effective check on Management.

On 29 January 2013, the then Board comprising the following Directors (collectively, the “**Prior Board**”):

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

announced their intention to resign from office after the close of the revised mandatory conditional cash offer by United Overseas Bank Limited, DBS Bank Ltd. and Morgan Stanley Asia (Singapore) Pte. for and on behalf of TCC Assets Limited (“**TCCA**”) to acquire all the issued and paid-up ordinary shares in the capital of the Company (the “**Revised TCCA Offer**”), including those who were seeking re-election at the 114th Annual General Meeting of the Company on 29 January 2013.

Committed to ensuring an orderly transition to a new Board, the Prior Board stated that subject to and upon the Revised TCCA Offer becoming or being declared unconditional as to acceptances, it would be appointing three additional Directors to the Board, in consultation with TCCA.

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Board Matters (cont'd)

On 15 February 2013, Mr Hirotake Kobayashi, who was a nominee of Kirin Holdings Company, Limited (“**Kirin**”), a substantial shareholder of the Company, resigned from the Board following acceptance by Kirin of the Revised TCCA Offer.

After the close of the Revised TCCA Offer on 18 February 2013, Mr Chotiphat Bijananda and Mr Thapana Sirivadhanabhakdi were appointed as non-independent and non-executive Directors of the Company on 19 February 2013, and on 22 February 2013, Mr Philip Eng Heng Nee was appointed as an independent and non-executive Director, and Mr Sithichai Chaikriangkrai was appointed as a non-independent and non-executive Director.

On 26 February 2013, to facilitate TCCA charting its own path, the remaining Directors¹ on the Prior Board resigned.

Note:

¹ Namely, Mr Lee Hsien Yang, Mr Timothy Chia Chee Ming, Ms Maria Mercedes Corrales, Mr Ho Tian Yee, Mr Koh Beng Seng, Dr Seek Ngee Huat, Mr Tan Chong Meng and Mr Nicky Tan Ng Kuang.

Thereafter, other Directors were appointed to the Board during the course of the financial year, and as at 30 September 2013, the Board comprises 12 Directors, all of whom are non-executive Directors (including two female directors in recognition of the importance and value of gender diversity). They are:

Mr Charoen Sirivadhanabhakdi (Chairman)¹
Khunying Wanna Sirivadhanabhakdi (Vice-Chairman)¹
Mr Charles Mak Ming Ying²
Mr Chan Heng Wing²
Mr Philip Eng Heng Nee³
Mr Koh Poh Tiong⁴
Mr Weerawong Chittmittrapap⁵
Mrs Siripen Sitasuwan⁶
Mr Chotiphat Bijananda⁷
Mr Thapana Sirivadhanabhakdi⁷
Mr Panote Sirivadhanabhakdi⁴
Mr Sithichai Chaikriangkrai⁸
Mr Prapakon Thongtheppairot (Alternate Director to Mr Chaikriangkrai)⁹

Notes:

- ¹ Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 28 February 2013.
- ² Mr Charles Mak, Mr Chan Heng Wing and Dr Pailin Chuchottaworn were appointed as independent and non-executive Directors on 28 February 2013. Dr Chuchottaworn resigned from the Board and the Remuneration and Nominating Committees on 31 May 2013.
- ³ Mr Philip Eng was appointed as an independent and non-executive Director on 22 February 2013.
- ⁴ Mr Koh Poh Tiong and Mr Panote Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 3 April 2013. Mr Koh was also appointed as Advisor to the Board effective 3 April 2013.
- ⁵ Mr Weerawong Chittmittrapap was appointed as an independent and non-executive Director on 3 April 2013.
- ⁶ Mrs Siripen Sitasuwan was appointed as an independent and non-executive Director on 31 May 2013, in lieu of Dr Pailin Chuchottaworn who resigned from the Board on 31 May 2013.
- ⁷ Mr Chotiphat Bijananda and Mr Thapana Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 19 February 2013.
- ⁸ Mr Sithichai Chaikriangkrai was appointed as a non-independent and non-executive Director on 22 February 2013.
- ⁹ Mr Prapakon Thongtheppairot was appointed as alternate Director to Mr Sithichai Chaikriangkrai on 21 March 2013.

Delegation of Authority on Certain Board Matters

In order for the Board to efficiently provide strategic oversight of F&N, it delegates specific areas of responsibilities to six Board Committees namely, the Board Executive Committee, the Audit Committee, the Nominating Committee, the Remuneration Committee¹, the Risk Management Committee, and the Food & Beverage 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 the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

Note:

¹ Until 21 March 2013, this Board Committee was known as the Remuneration & Staff Establishment Committee.

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Board Matters (cont'd)

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. The MOA also contains a schedule of matters specifically reserved to the Board for approval. These include approval of annual budgets, financial plans, financial statements, business strategies and material transactions, such as major acquisitions, divestments, funding and investment proposals. The MOA authorises the Board Executive Committee (or Board EXCO) to approve certain transactions up to specified limits, beyond which the approval of the Board needs to be obtained. Below the Board and Board EXCO levels, 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, Directors are required to abstain from voting, on any matter in which they are so interested or conflicted. There is also a policy for disclosure and approval of purchase of property projects of Frasers Centrepoint Limited (“**FCL**”). This sets out the process and procedure for disclosing, reporting and the obtaining of relevant approvals for purchasing property projects of the Company’s property business unit by interested persons as defined in the SGX-ST Listing Manual including the Directors, as well as the CEO of FCL and other directors and employees of the Group.

Board Executive Committee (“**Board EXCO**”)

The Board EXCO is made up of the following members:

Mr Chotiphath Bijananda	Chairman
Mr Koh Poh Tiong	Vice-Chairman
Mr Thapana Sirivadhanabhakdi	Member
Mr Panote Sirivadhanabhakdi	Member
Mr Sithichai Chaikriangkrai	Member

Note:

¹ Mr Lee Hsien Yang, Mr Ho Tian Yee and Mr Nicky Tan Ng Kuang resigned from the Board EXCO on 26 February 2013.

The Board EXCO assumes 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**”) Committee

This Committee provides oversight to the F&N Group’s F&B strategy and strategic plans for the Group’s F&B business. The F&B division of the Group devises and develops strategic plans and proposals which are then presented to the F&B Committee for discussion and/or debate before they are tabled to the Board. The meetings of this Board Committee also serve as a forum for discussions of key F&B issues and matters which may impact long-term operations of the F&B business division.

The members of the F&B Committee are:

Mr Koh Poh Tiong	Chairman
Mr Thapana Sirivadhanabhakdi	Member
Mr Sithichai Chaikriangkrai	Member
Mr Prapakon Thongtheppairot	Member

Note:

¹ Mr Hirotake Kobayashi resigned from the F&B Committee on 15 February 2013 while Mr Lee Hsien Yang, Mr Nicky Tan Ng Kuang and Ms Maria Mercedes Corrales resigned from this Committee on 26 February 2013.

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Board Matters (cont'd)

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 also as required by business needs or if their members deem it necessary or appropriate to do so. For the financial year ended 30 September 2013, a total of 18 Board meetings were held.

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. Where required or requested by Board members, site visits and meetings with personnel from the Group's business divisions may also be arranged in order for Directors to have an intimate understanding of the key business operations of each division. 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 2013 and the attendance of Directors at these meetings are as follows:

	Board	Board EXCO	Audit Committee	Risk Management Committee	Remuneration Committee ¹⁰	Nominating Committee	F&B Committee
Meetings held for the financial year ended 30 September 2013 (for Directors as at 30 September 2013)							
Mr Charoen Sirivadhanabhakdi ¹	7/7	-	-	-	-	-	-
Khunying Wanna Sirivadhanabhakdi ¹	7/7	-	-	-	-	-	-
Mr Charles Mak Ming Ying ²	6/7	-	2/2	-	-	-	-
Mr Chan Heng Wing ²	5/7	-	-	2/2	-	1/1	-
Mr Philip Eng Heng Nee ³	7/8	-	2/2	-	Nil	-	-
Mr Koh Poh Tiong ⁴	6/6	4/4	-	-	-	-	3/3
Mr Weerawong Chittmittrapap ⁵	5/6	-	-	2/2	-	0/1	-
Mrs Siripen Sitasuwan ⁶	4/4	-	-	-	Nil	-	-
Mr Chotiphat Bijananda ⁷	8/8	6/6	-	2/2	-	1/1	-
Mr Thapana Sirivadhanabhakdi ⁷	7/8	6/6	-	2/2	Nil	-	3/3
Mr Panote Sirivadhanabhakdi ⁴	6/6	4/4	-	-	-	-	-
Mr Sithichai Chaikriangkrai ⁸	7/8	6/6	2/2	2/2	-	-	2/3
Mr Prapakon Thongtheppairot ⁹ (Alternate Director)	1/1	-	-	-	-	-	3/3

Notes:

- ¹ Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 28 February 2013.
- ² Mr Charles Mak and Mr Chan Heng Wing were appointed as independent and non-executive Directors on 28 February 2013.
- ³ Mr Philip Eng was appointed as an independent and non-executive Director on 22 February 2013.
- ⁴ Mr Koh Poh Tiong and Mr Panote Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 3 April 2013. Mr Koh was also appointed as Advisor to the Board effective 3 April 2013.
- ⁵ Mr Weerawong Chittmittrapap was appointed as an independent and non-executive Director on 3 April 2013.
- ⁶ Mrs Siripen Sitasuwan was appointed as an independent and non-executive Director on 31 May 2013, in lieu of Dr Pailin Chuchottaworn who resigned from the Board on 31 May 2013.
- ⁷ Mr Chotiphat Bijananda and Mr Thapana Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 19 February 2013.
- ⁸ Mr Sithichai Chaikriangkrai was appointed as a non-independent and non-executive Director on 22 February 2013.
- ⁹ Mr Prapakon Thongtheppairot was appointed as alternate Director to Mr Sithichai Chaikriangkrai on 21 March 2013.
- ¹⁰ Until 21 March 2013, this Board Committee was known as the Remuneration & Staff Establishment Committee.

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Board Matters (cont'd)

	Board	Board EXCO	Audit Committee	Risk Management Committee	Remuneration Committee ⁵	Nominating Committee	F&B Committee
Meetings held for the financial year ended 30 September 2013 (for Directors who resigned during the financial year ended 30 September 2013)							
Mr Lee Hsien Yang ¹	10/10	3/3	-	-	-	-	2/2
Mr Timothy Chia Chee Ming ¹	7/10	-	2/3	-	4/4	Nil	-
Ms Maria Mercedes Corrales ¹	9/10	-	-	-	-	-	1/2
Mr Ho Tian Yee ¹	9/10	3/3	-	-	4/4	Nil	-
Mr Hirotake Kobayashi ²	4/10 ⁴	-	-	-	-	-	1/2
Mr Koh Beng Seng ¹	10/10	-	3/3	-	-	-	-
Dr Seek Ngee Huat ¹	8/10	-	-	2/2	-	-	-
Mr Tan Chong Meng ¹	6/10	-	-	2/2	-	-	-
Mr Nicky Tan Ng Kuang ¹	9/10	3/3	3/3	-	-	Nil	2/2
Dr Pailin Chuchottaworn ³	3/3	-	-	-	Nil	0/1	-

Notes:

- ¹ Mr Lee Hsien Yang, Mr Chia Chee Ming Timothy, Ms Maria Mercedes Corrales, Mr Ho Tian Yee, Mr Koh Beng Seng, Dr Seek Ngee Huat, Mr Tan Chong Meng and Mr Nicky Tan Ng Kuang resigned from the Board and from their respective memberships on the Board Committees of F&N on 26 February 2013.
- ² Mr Hirotake Kobayashi resigned from the Board and the F&B Committee on 15 February 2013.
- ³ Dr Pailin Chuchottaworn was appointed as an independent and non-executive Director on 28 February 2013. He resigned from the Board and from the Remuneration and Nominating Committees on 31 May 2013.
- ⁴ Mr Hirotake Kobayashi, a nominee of Kirin, did not participate in Board meetings held on 9 November 2012 and between 15 November 2012 and 21 January 2013, due to Kirin's interests in the voluntary general offer by OUE Baytown Pte Ltd for all of the shares of the Company (which was announced on 15 November 2012 and which lapsed on 21 January 2013).
- ⁵ Until 21 March 2013, this Committee was known as the Remuneration & Staff Establishment Committee.

A letter of appointment setting out, among other things, a Director's duties and obligations including, where appropriate, how to deal with conflicts of interest, is issued to all new Directors. 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, and also fosters better rapport and facilitates communications 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, presentations and/or handouts. During the year, the Board was briefed and/or updated on the changes under Code 2012, and on general duties and responsibilities of directors under common law and relevant legislation. 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.

Principle 2: Board Composition and Guidance

As at 30 September 2013, the F&N Board comprises 12 non-executive Directors, of whom five are independent. Although the prescribed Board composition changes under Code 2012 only need to be complied with by the Company in its annual report for the financial year commencing 1 October 2016, it is already reviewing this so that necessary steps can be taken to comply with this requirement after such review. In the interim, the five independent Directors help to uphold good corporate governance at the Board level and their presence facilitates the exercise of independent and objective judgment on corporate affairs. Their participation and input 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.

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Board Matters (cont'd)

Annually, a review of the size and composition of the Board is undertaken by the Company to see if these aspects can fulfill the needs of the Group. The Nominating Committee (“**NC**”) is of the view that the current size and composition of the F&N Board is appropriate for the scope and nature of the Group’s operations, and facilitates effective decision-making. In line with Code 2012, the Committee is also of the view that the current size of the Board is not so large as to be unwieldy. In this regard, the NC also took into account the requirements of the Group’s businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. 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. This is also reflected in the diversity of backgrounds and competencies of our Directors, whose competencies range from banking, finance, accounting and legal to relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This is beneficial to the Company and its Management as decisions by, and discussions with, the Board would be enriched by the broad range of views and perspectives and the breadth of experience of our Directors. The NC is of the view that there is an appropriate balance of expertise and skills amongst the Directors as they collectively bring with them a broad range of complementary competencies and experience.

The Directors are provided with accurate, complete and timely information and have direct and unrestricted access to Management. This is to give the Board and Board Committees sufficient time to critically evaluate and consider issues relevant to the Company and its businesses and operations. This will also allow our Directors to carry out their duties and discharge their oversight function more effectively.

Principle 3: Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officers (“**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, who is non-executive, is not related to any of the CEOs of the three business divisions. There is no business relationship between him and any of these CEOs. Likewise, none of the CEOs are related to each other, and neither is there any other business relationship between or among them.

The Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management team on strategic, business and other key issues pertinent to the business and operations of the Group. In addition, the Chairman also makes sure, with the support of the Company Secretary, that Directors are provided with clear, complete and timely information in order to make sound, informed Group decisions.

The Chairman encourages active and effective engagement, participation by and contribution from all Directors, and facilitates constructive relations among and between them and Management. With the full support of the Board, Group Company Secretary and Management, the Chairman spurs the Company to promote, attain and maintain highest standards of corporate governance and transparency. With the help of F&N’s corporate services, he also sees to it that there is overall effective communications to and with Shareholders on the performance of the Group. In turn, the CEOs of the Group’s three business divisions are responsible respectively for executing the Group’s strategies and policies, and accountable to the Board for the conduct and performance of the respective business operations under their respective charge.

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Board Matters (cont'd)

Principle 4: Board Membership

The Nominating Committee (or NC) is made up of the following Directors:

Mr Weerawong Chittmittrapap ²	Chairman
Mr Chan Heng Wing	Member
Mr Chotiphat Bijananda	Member

A majority of the members of this committee are independent non-executive Directors. The Chairman is neither a substantial shareholder nor directly associated³ to any substantial shareholder or a ten percent (10%) shareholder.

Notes:

- ¹ Mr Ho Tian Yee, Mr Chia Chee Ming Timothy and Mr Nicky Tan Ng Kuang resigned from the NC on 26 February 2013.
- ² Mr Weerawong Chittmittrapap was appointed Chairman of the NC on 28 June 2013, in lieu of Dr Pailin Chuchottaworn who was appointed on 21 March 2013 and resigned from the NC on 31 May 2013.
- ³ Under Code 2005, 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. 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. In Code 2012, the direct association relationship with a substantial shareholder was amended to a direct association with a ten percent (10%) shareholder, which refers to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than ten percent (10%) of the total votes attached to all the voting shares in the company.

The NC 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.

Besides evaluating annually the independence of each Director (as set out in the last paragraph of this section below), the NC appraises the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. The NC is also required to determine whether Directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. Code 2012 requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of such directorships and other principal commitments of our Directors may be found on pages 18 to 25. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the NC has taken cognizance of the Code 2012 requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director – and their respective principle commitments – per se. Holistically, the contributions by our Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meetings should also be taken into account.

The NC reviews all nominations for appointments and re-appointments to the Board and to Board Committees, and submits its recommendations for approval by the Board taking into account an appropriate mix of core competencies for the Board to fulfill its roles and responsibilities.

The Committee takes the lead in identifying, evaluating and selecting suitable candidates for new directorships. In its search and selection process, the NC considers factors such as the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board and Board Committees. It 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. Where it deems necessary or appropriate, the 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 of the Company ("AGM"). All Directors are required to retire from office at least once every three years. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for reappointment by virtue of their skills, experience and contributions. Newly-appointed Directors during the year 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. At the forthcoming AGM, the current members of the Board – including Khunying Wanna Sirivadhanabhakdi, who is retiring pursuant to section 153(2) of the Companies Act, Chapter 50 – will submit themselves for retirement and re-election.

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Board Matters (cont'd)

The NC determines the independence of each Director annually based on the definitions and guidelines of independence set out in the Code of Corporate Governance. For the financial year ended 30 September 2013, the Nominating Committee has performed a review of the independence of the Directors as at 30 September 2013 and following its assessment, has determined the status of each Director as follows:

Mr Charoen Sirivadhanabhakdi ^{1,2}	Non-Independent
Khunying Wanna Sirivadhanabhakdi ^{1,2}	Non-Independent
Mr Charles Mak Ming Ying	Independent
Mr Chan Heng Wing	Independent
Mr Philip Eng Heng Nee	Independent
Mr Koh Poh Tiong ³	Non-Independent
Mr Weerawong Chittmitrapap	Independent
Mrs Siripen Sitasuwan	Independent
Mr Chotiphat Bijananda ⁴	Non-Independent
Mr Thapana Sirivadhanabhakdi ²	Non-Independent
Mr Panote Sirivadhanabhakdi ²	Non-Independent
Mr Sithichai Chaikriangkrai ⁵	Non-Independent

Notes:

- ¹ Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi are directly or indirectly interested in not less than ten percent (10%) of the total voting shares in the Company through their interests in TCCA and Thai Beverage Public Company Limited ("**ThaiBev**"). TCCA has a direct interest of 59.39% in the Company and ThaiBev, through its indirect wholly-owned subsidiary InterBev Investment Limited, holds 28.54% interest in the Company.
- ² Mr Charoen Sirivadhanabhakdi is married to Khunying Wanna Sirivadhanabhakdi. Mr Chotiphat Bijananda is their son-in-law, and Mr Thapana Sirivadhanabhakdi and Mr Panote Sirivadhanabhakdi are their sons.
- ³ Mr Koh Poh Tiong was previously employed by the Company during the past three financial years as CEO, F&B division, from 1 October 2008 through 30 September 2011.
- ⁴ Mr Chotiphat Bijananda is a director of TCCA.
- ⁵ Mr Sithichai Chaikriangkrai is a Director and the Chief Financial Officer of ThaiBev.

Key Information regarding Directors

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

Principle 5: Board Performance

The effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board is assessed annually.

All Directors are required to assess the performance of the Board and the Board Committees. The assessment covers areas such as Board composition, information management, Board processes, Shareholder management, Board priorities, managing the Company's performance, effectiveness of the Board Committees, Director development and management, risk management and Director self-evaluation. Directors can also provide input on issues which do not fall under these categories, for instance, addressing specific areas where improvements can be made. Feedback and comments received from the Directors are reviewed by the NC, in consultation with the Chairman of the Board.

Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

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Board Matters (cont'd)

Principle 6: Access to Information

Management provides the Board with detailed Board papers specifying relevant information and commercial rationale for each proposal for which Board approval is sought. Such information include relevant financial forecasts, risk 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 about a week before scheduled meetings as far as possible. 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 meetings of the Board and the Board Committees in order to provide input and insight into matters being discussed, and to respond to any queries that the Directors may have. The Board also has separate and independent access to the Company's senior Management and the Group Company Secretary.

The Group 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 Group 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 Group 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 Group Company Secretary is the Company's primary channel of communication with SGX-ST.

Where it is necessary for the efficacious discharge of their duties, the Directors may seek and obtain independent professional advice at the Company's expense.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Remuneration Committee ("RC")¹

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

Mr Philip Eng Heng Nee	Chairman
Mrs Siripen Sitasuwan ³	Member
Mr Thapana Sirivadhanabhakdi	Member

Notes:

¹ Until 21 March 2013, this Committee was formerly known as the Remuneration & Staff Establishment Committee ("RSEC").

² Mr Chia Chee Ming Timothy and Mr Ho Tian Yee resigned from the RSEC on 26 February 2013.

³ Mrs Siripen Sitasuwan was appointed as a member of the RC on 28 June 2013 in lieu of Dr Pailin Chuchottaworn who was appointed on 21 March 2013 and resigned from the RC on 31 May 2013.

The RC's main responsibility 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 RC also reviews remuneration packages and service terms of individual Directors and the CEOs of the Company's three business divisions. When carrying out its duties, the RC reviews and makes recommendations on the remuneration framework for the Board and key management personnel. The RC also oversees the framework for remuneration and other terms of service for other key Management of the Company.

On an annual basis, the RC reviews the level and mix of remuneration and benefits policies and practices of the Company, including long-term incentives. When conducting such reviews, the RC takes into account 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 key Management of the Group.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Remuneration Matters (cont'd)

The RC also conducts on an annual basis a review of the development and succession plans for key Management and the leadership pipeline for the Company. In doing so, the RC aligns the CEOs' leadership – through appropriate remuneration and benefits policies and long-term incentives – with the Company's strategic objectives and key challenges. Performance targets are also set for the CEOs and their performances evaluated yearly.

The RC may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive in its remuneration packages. During the financial year ended 30 September 2013, Carrots Consulting Pte Ltd and Hay Group Pte Ltd were appointed as remuneration consultants. The Company does not have any relationship with these consultants which would affect their independence and objectivity.

Principle 8: Level and Mix of Remuneration

In recommending the level and mix of remuneration, the RC 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 RC 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 RC administers the Company's share-based remuneration incentive plans, namely, the F&N Restricted Share Plan ("**RSP**") and F&N Performance Share Plan ("**PSP**").

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 applies to 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 performance targets being met. These targets are set by the RC in its absolute discretion for the performance conditions to be met over the performance period. The performance period for the RSP and PSP are two and three years respectively. For the RSP, the targets set are the achievement of Attributable Profit Before Exceptional Items and Return On Capital Employed. For the PSP, the pre-set targets are based on Return On Invested Capital, Total Shareholders' Return Relative to Straits Times Index and Absolute Shareholders' Return as a multiple of Cost of Equity.

These 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.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Remuneration Matters (cont'd)

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 will not exceed ten percent (10%) of the issued share capital of the Company.

Senior management participants are required to hold a minimum number of the shares released to them under the RSP and PSP to maintain a beneficial ownership stake in the Company for the duration of their employment or tenure with the Company.

Principle 9: Disclosure on Remuneration

Remuneration of Directors and Top Five Key Management Personnel

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

Directors of the Company as at 30 September 2013	Remuneration \$	Director Fee %	Adviser Fee %	Allowances %	Total %
Mr Charoen Sirivadhanabhakdi ¹	- ¹⁰	-	-	-	-
Khunying Wanna Sirivadhanabhakdi ¹	- ¹⁰	-	-	-	-
Mr Charles Mak Ming Ying ²	80,452	100	-	-	100
Mr Chan Heng Wing ²	67,860	100	-	-	100
Mr Philip Eng Heng Nee ³	158,439 ¹⁵	100	-	-	100
Mr Koh Poh Tiong ⁴	1,020,556 ^{11,12}	8	89	3	100
Mr Weerawong Chittmitrapap ⁵	59,250	100	-	-	100
Mrs Siripen Sitasuwan ⁶	33,077	100	-	-	100
Mr Chotiphat Bijananda ⁷	162,436 ^{12,13}	100	-	-	100
Mr Thapana Sirivadhanabhakdi ⁷	120,098 ¹⁴	100	-	-	100
Mr Panote Sirivadhanabhakdi ⁴	60,444 ¹²	100	-	-	100
Mr Sithichai Chaikriangkrai ⁸	108,570 ¹²	100	-	-	100
Mr Prapakon Thongtheppairot (Alternate Director) ⁹	10,417	100	-	-	100

Notes:

¹ Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 28 February 2013.

² Mr Charles Mak and Mr Chan Heng Wing and Dr Pailin Chuchottaworn were appointed as independent and non-executive Directors on 28 February 2013. Dr Chuchottaworn resigned from the Board and from the Remuneration and Nominating Committees on 31 May 2013.

³ Mr Philip Eng was appointed as an independent and non-executive Director on 22 February 2013.

⁴ Mr Koh Poh Tiong and Mr Panote Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 3 April 2013. Mr Koh was also appointed as Advisor to the Board effective 3 April 2013.

⁵ Mr Weerawong Chittmitrapap was appointed as an independent and non-executive Director on 3 April 2013.

⁶ Mrs Siripen Sitasuwan was appointed as an independent and non-executive Director on 31 May 2013, in lieu of Dr Pailin Chuchottaworn who resigned from the Board on 31 May 2013.

⁷ Mr Chotiphat Bijananda and Mr Thapana Sirivadhanabhakdi were appointed as non-independent and non-executive Directors on 19 February 2013.

⁸ Mr Sithichai Chaikriangkrai was appointed as a non-independent and non-executive Director on 22 February 2013.

⁹ Mr Prapakon Thongtheppairot was appointed as alternate Director to Mr Sithichai Chaikriangkrai on 21 March 2013.

¹⁰ Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi waived payment of Directors' fees due to them.

¹¹ Includes payment of \$29,667 being car allowance payable under his appointment as adviser to the Company.

¹² Includes payment of \$1,000 payable to each of these Directors being director's fees for participating in a verification meeting on 23 August 2013 on behalf of the Board in respect of, among other things, the proposed demerger of the property business of the Company.

¹³ Includes payment of \$36,308 being director's fees from Times Publishing Limited ("TPL") from 26 February 2013.

¹⁴ Includes payment of \$18,154 being director's fees from TPL from 26 February 2013.

¹⁵ Includes payment of \$75,000 being director's fees from Frasers Centrepoint Asset Management Ltd for the financial year.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Remuneration Matters (cont'd)

Directors of the Company who resigned during the financial year ended 30 September 2013	Remuneration \$	Fee %	Total %
Mr Lee Hsien Yang ¹	666,385 ⁴	100	100
Mr Timothy Chia Chee Ming ¹	75,553	100	100
Ms Maria Mercedes Corrales ¹	58,245 ⁵	100	100
Mr Ho Tian Yee ¹	74,554	100	100
Mr Hirotake Kobayashi ²	37,018	100	100
Mr Koh Beng Seng ¹	66,339	100	100
Dr Seek Ngee Huat ¹	45,964	100	100
Mr Tan Chong Meng ¹	79,686 ⁶	100	100
Mr Nicky Tan Ng Kuang ¹	78,661	100	100
Dr Pailin Chuchottaworn ³	30,804	100	100

Notes:

- Mr Lee Hsien Yang, Mr Chia Chee Ming Timothy, Ms Maria Mercedes Corrales, Mr Ho Tian Yee, Mr Koh Beng Seng, Dr Seek Ngee Huat, Mr Tan Chong Meng and Mr Nicky Tan Ng Kuang resigned from the Board and from their respective memberships on the Board Committees of F&N on 26 February 2013.
- Mr Hirotake Kobayashi resigned from the Board and from the F&B Committee on 15 February 2013.
- Dr Pailin Chuchottaworn was appointed as an independent and non-executive Director on 28 February 2013. He resigned from the Board and from the Remuneration and the Nominating Committees on 31 May 2013.
- Includes payment of (i) \$32,528 in lieu of company car entitlement and (ii) \$61,607 being director's fees from FCL up to 26 February 2013.
- Includes payment of \$13,281 being director's fees from Times Publishing Limited ("TPL") up to 26 February 2013.
- Includes payment of \$26,561 being director's fees from TPL up to 26 February 2013.

Key Management Personnel of the F&N Group as at 30 September 2013	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Long Term Incentive %	Total %
Mr Lim Ee Seng	3,558,910	0	35	29	4	32	100
Mr Dato' Ng Jui Sia ¹	1,397,682	0	45	20	6	29	100
Mr Anthony Cheong Fook Seng	1,335,758	0	47	22	4	27	100
Mr Somsak Chayapong ²	603,004	0	72	25	3	0	100
Mr Huang Hong Peng ^{1,3}	520,403	0	93	0	7	0	100

Notes:

- Mr Huang Hong Peng was appointed CEO – Beer, and Dato' Ng Jui Sia was appointed CEO – Non-Alcoholic Beverages, with effect from 1 July 2013. Mr Pascal De Petrini resigned as CEO of the Company's F&B division with effect from 9 July 2013.
- Mr Somsak Chayapong was appointed CEO, Fraser & Neave Holdings Bhd ("F&NHB") with effect from 1 July 2013 in lieu of Dato' Ng who resigned as CEO, F&NHB effective 1 July 2013. Mr Chayapong was previously Managing Director of F&N Dairies Thailand (Limited), a subsidiary of F&NHB.
- This covers services provided by Mr Huang Hong Peng for the period 1 May 2013 to 30 September 2013.

Key Management Personnel of the F&N Group who resigned during the financial year ended 30 September 2013	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Others %	Total %
Mr Pascal De Petrini ¹	5,080,904 ²	0	33	0	13	54	100

Notes:

- Appointed CEO of the Company's F&B division effective 1 October 2011, Mr Pascal De Petrini resigned with effect from 9 July 2013.
- Includes payment of \$2,750,707 in connection with Mr Pascal De Petrini's cessation of employment pursuant to the terms of his contract of employment.

Save for the above payments made to Mr Pascal De Petrini during the financial year ended 30 September 2013 pursuant to the terms of his employment contract, there are no termination, retirement and post-employment benefits that may be granted to Directors and top five key management personnel (who are not Directors or the CEO of the Company).

There are no employees within the F&N Group who are immediate family members of a Director, and whose remuneration exceeds \$50,000 during the year.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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 a basic fee 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 executive services. No Director decides his own fees. Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other major listed companies. The Company's Board fee structure during the year (which remains unchanged from that in the preceding financial year i.e. ended 30 September 2012) is as set out below.

	Basic Fee (\$)	Attendance Fee (\$)
Board		
- Chairman	150,000	2,000
- Member	75,000	1,000
Audit Committee and Board EXCO		
- Chairman	50,000	2,000
- Member	25,000	1,000
F&B Committee, NC, RC and Risk Management Committee		
- Chairman	30,000	2,000
- Member	15,000	1,000

Shareholders' approval will be sought at the 115th AGM of the Company on 27 January 2014, for the payment of Directors' fees proposed for the financial year ending 30 September 2014 amounting to \$2 million (last year: \$2.9 million). The decrease in proposed Directors' fees is due to the reduction in basic fee for the Chairman of the Board from (\$1,250,000 to \$150,000), and also because our Chairman Mr Charoen Sirivadhanabhakdi and Vice-Chairman Khunying Wanna Sirivadhanabhakdi are waiving Directors' fees due to them.

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

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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 financial reports, and releases its quarterly and full year financial results through announcements to the SGX-ST and, where appropriate, press releases and presentation materials. In communicating and disseminating its results, F&N aims to present a balanced and clear assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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

The Audit Committee ("AC"), 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, established by Management. In assessing the effectiveness of internal controls, the AC 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.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Accountability and Audit (cont'd)

Risk Management Committee ("RMC")

The Board, through the RMC, 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, mitigating 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.

The RMC oversees the risk management framework and policies of the Group. It is responsible for, among other things, reviewing the Group's strategy, policies, enterprise-wide risk management framework, processes and procedures for identifying, measuring, reporting and mitigating key risks in the Group's businesses and operations. The RMC would report material matters, findings and recommendations to the Board. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of Shareholders and the assets of the Group. The RMC also provides guidance to Management, and renders assistance to the Board for determining the nature and extent of significant risks which the Board would be willing to take in achieving the Group's strategic objectives. The meetings of the RMC are attended by the senior Management of the three business divisions of the Group, and serve as a forum to review and discuss material risks and exposures of these businesses and their strategies to mitigate risks.

The RMC comprises the following members:

Mr Chotiphat Bijananda	Chairman
Mr Chan Heng Wing	Member
Mr Weerawong Chittmittrapap	Member
Mr Thapana Sirivadhanabhakdi	Member
Mr Sithichai Chaikriangkrai	Member

Note:

¹ Mr Tan Chong Meng and Dr Seek Ngee Huat resigned from the RMC on 26 February 2013.

Periodic updates are provided to the RMC 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.

Using a comfort matrix of key risks, the material financial, compliance and operational (including information technology) risks of the Company have been documented and presented against strategies, policies, people, processes, systems, mechanisms and reporting processes that have been put in place. The Management of the Company's three business divisions also carry out control self-assessments in key areas of their respective businesses and operations to evaluate the adequacy and effectiveness of their risk management measures and internal controls.

The Board has received assurance from the CEOs of the three business divisions of the Company, the Chief Financial Officer of the Company and the chief financial officers of these three business divisions of the Company that as at 30 September 2013:

- (a) the financial records of the Group have been properly maintained and the financial statements for the year ended 30 September 2013 give a true and fair view of the Group's operations and finances; and
- (b) the system of risk management and internal controls in place for the respective business divisions were adequate and effective as at 30 September 2013 to address financial, operational, compliance and information technology risks which the business divisions consider relevant and material to their operations.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Accountability and Audit (cont'd)

Based on the internal controls and risk management framework established and maintained by the Group, work performed by internal and external auditors and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate as at 30 September 2013 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

The Board notes that the system of internal controls and risk management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives.

In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

An outline of the Group's ERM framework and progress report is set out on page 76.

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 by employees 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 AC ensures that independent investigations and any appropriate follow-up actions are carried out.

Principle 12: Audit Committee

The AC, 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. Significant findings are reported to the Board.

The AC 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 AC comprises the following three members:

Mr Charles Mak Ming Ying	Chairman
Mr Philip Eng Heng Nee	Member
Mr Sitichai Chaikriangkrai	Member

Note:

¹ Mr Koh Beng Seng, Mr Chia Chee Ming Timothy and Mr Nicky Tan Ng Kuang resigned from the AC on 26 February 2013.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Accountability and Audit (cont'd)

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

During the year, the key activities of the AC 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 internal control systems, including financial, operational and compliance controls
- 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

The 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. In addition, updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the AC periodically.

The 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 AC 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 136. The 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 AC has recommended the re-appointment of the external auditors at the AGM of the Company. In recommending the re-appointment of the auditors, the Committee considered and reviewed a variety of factors including the 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.

Principle 13: Internal Audit

The Internal Audit ("IA") 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 IA, who is a Chartered Accountant of Singapore, reports directly to the Chairman of the AC and administratively, to the Group Company Secretary.

The Head of IA 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 IA Department also receive relevant technical training and seminars organised by the Institute of Internal Auditors, Singapore and other professional bodies.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Accountability and Audit (cont'd)

The IA Department operates within the framework stated in its Terms of Reference, which is approved by the AC. 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 IA 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 IA Department would submit to the AC 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 AC meetings for discussion and follow-up action. The Committee monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by Management.

The AC is satisfied that the IA Department has adequate resources and appropriate standing within the Company to perform its function effectively. At the 14th Securities Investors Association (Singapore) Investors' Choice Awards on 8 November 2013 (the "14th SIAS Investors' Choice Awards"), F&N won the Merit Award under the *Internal Audit Excellence* category.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

F&N believes in treating all Shareholders fairly and equitably. It aspires to keep all Shareholders and other stakeholders and analysts in Singapore and beyond informed of its corporate activities, including changes (if any) in the Company or its businesses which are likely to materially affect the price or value of its shares, on a timely and consistent manner.

Shareholders are also given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

Principle 15: Communication with Shareholders

The Company prides itself on its high standards of disclosure and corporate transparency. At the 14th SIAS Investors' Choice Awards, F&N was also named the Most Transparent Company, Industrial Category. F&N 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 Singapore and foreign investors at 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, to enable them to have a better understanding of the Company's businesses and performance. 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 and on its website at www.fraserandneave.com, with contact details for investors to channel their comments and queries.

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 63.

The Company has a policy on the payment of dividends, which is to endeavour – barring unforeseen circumstances – to pay up to fifty percent (50%) of Group Attributable Profit before fair value adjustment and exceptional items.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Shareholder Rights and Responsibilities (cont'd)

Principle 16: Conduct of Shareholder Meetings

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 up to two proxies to attend and vote on their behalf in Shareholders' meetings. A copy each 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 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 are 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.

Corporate Governance Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Particulars of Key Management Personnel as at 30 September 2013

Name of Key Executive	Age	Academic & Professional Qualifications	Working Experience	Area of Responsibility
Mr Lim Ee Seng, PBM	62	Bachelor of Engineering (Civil), University of Singapore Master of Science (Project Management), National University of Singapore Fellow, Singapore Institute of Directors 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 Limited	Group Chief Executive Officer, Frasers Centrepoint Limited (Date appointed: 15 October 2004)
Dato' Ng Jui Sia	61	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 2010 – 2013 Chief Executive Officer, Fraser & Neave Holdings Bhd	Chief Executive Officer, Non-Alcoholic Beverages, Fraser and Neave, Limited (Date appointed: 1 July 2013)
Mr Anthony Cheong Fook Seng	59	Associate, The Institute of Chartered Accountants in England and Wales Member, Institute of Singapore Chartered Accountants	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) Acting Chief Executive Officer, Times Publishing Limited (Date appointed: 3 July 2013)
Mr Somsak Chayapong	54	Bachelor of Science (Chemistry), Chulalongkorn University, Thailand Program for Executive Development, IMD Business School, Switzerland	1981 – 1983 Quality Control Chemist, ICI Paints (Thailand) Ltd 1983 – 2006 Zone Leader - Asia & Oceania, Nestle (Thai) Ltd 2006 - 2013 Managing Director, F&N Dairies (Thailand) Limited	Chief Executive Officer, Fraser & Neave Holdings Bhd (Date appointed: 1 July 2013)
Mr Huang Hong Peng	54	Degree in Air Transport, Ecole Nationale de l'Aviation Civile, Toulouse, France Advanced Management Programme, Harvard Business School	1993 – 1994 Assistant Director (Airport Management), Civil Aviation Authority Singapore 1994 Management Assistant, Union Bank of Switzerland 1994 – 1995 Senior Manager, Projects, Asia Pacific Breweries Limited 1995 - 1997 Assistant General Manager, Projects, Asia Pacific Breweries Limited 1997 – 1998 General Manager, Myanmar Brewery Limited 1999 – 2000 General Manager, Hainan Asia Pacific Brewery Company Ltd 2000 – 2002 General Manager, Shanghai Asia Pacific Brewery Co Ltd 2002 – 2004 Regional Director, China, Asia Pacific Breweries Limited 2005 – 2006 Chief Operating Officer, Food & Beverage, Fraser and Neave, Limited 2006 – 2008 Regional Director, China, Asia Pacific Breweries Limited 2008 Regional Director, CEO's Office, Asia Pacific Breweries Limited 2008 -2012 Deputy Chief Executive Officer, Food & Beverage, Fraser and Neave, Limited	Chief Executive Officer, Beer, Fraser and Neave, Limited (Date appointed: 1 July 2013)