

## CORPORATE GOVERNANCE

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

Fraser and Neave, Limited (“**F&N**” or the “**Company**”) is committed to setting and maintaining high standards of corporate governance. To this end, F&N has in place well-defined corporate policies, business practices and internal controls to help F&N and its subsidiaries (the “**Group**”) safeguard its assets and shareholders’ interests whilst pursuing sustainable growth and value-enhancement strategies.

F&N is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and adheres closely to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”). The Company is guided in its corporate governance practices by the principles of the Code, and continues to strive towards maintaining accountability, high standards of corporate governance and corporate transparency.

This report is arranged according to the principles listed in the Code. Principles 1 to 6 deal with board matters, Principles 7 to 9 with remuneration, Principles 10 to 13 with accountability and audit and Principles 14 to 16 with shareholders rights and responsibilities.

## A. BOARD MATTERS

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

The board of directors of the Company (the “**Board**”) has an appropriate balance and mix of skills, experience and knowledge and is well-diversified in terms of age group, gender and nationality. The Board comprises highly qualified and effective members who are responsible for providing overall entrepreneurial leadership and setting strategic objectives for the long-term success of the Group. The Board also has oversight of the business performance and affairs of the Group and sets the Company’s values and standards (including ethical standards). The Board seeks to ensure that obligations to shareholders and other stakeholders are understood and met.

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 attention and decision. If required, time is set aside after scheduled Board meetings for discussions amongst our Directors without the presence of management, as this facilitates a more effective check on management.

As at 30 September 2017, the Board comprises nine Directors, all of whom are non-executive Directors. They are:

Mr Charoen Sirivadhanabhakdi	Chairman
Khunying Wanna Sirivadhanabhakdi	Vice-Chairman
Tengku Syed Badarudin Jamalullail	
Mr Timothy Chia Chee Ming	
Mr Koh Poh Tiong	
Mrs Siripen Sitasuwan	
Mr Chotiphat Bijananda	
Mr Thapana Sirivadhanabhakdi	
Mr Sithichai Chaikriangkrai	

The Board has also approved the appointment of the following Alternate Directors:

Mr Michael Chye Hin Fah	(Alternate Director to Mr Thapana Sirivadhanabhakdi)
Mr Prapakon Thongtheppairot	(Alternate Director to Mr Sithichai Chaikriangkrai)

Please refer to pages 12 to 17 of this Annual Report for key information of each director.

### Delegation of Authority on certain Board Matters

In order for the Board to efficiently provide strategic oversight of F&N, the Board delegates specific areas of responsibilities to five board committees (the “**Board Committees**”) namely, the Board Executive Committee, the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee. Each Board Committee is governed by clear terms of reference (the “**Terms of Reference**”) which have been approved by the Board. Minutes of all Board Committee meetings are circulated to the Board so that directors of the Company (the “**Directors**”) are aware of and kept updated as to the proceedings and matters discussed during such meetings.

## A. 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 assets and 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 (“**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, the Company has put in place appropriate procedures including, requiring Directors to refrain from participating in meetings or discussions (or relevant segments thereof) and requiring such Directors to abstain from voting, on any matter in which they are interested or conflicted.

### Board Executive Committee (“**Board Exco**”)

The Board Exco is made up of the following members:

Mr Koh Poh Tiong	Chairman
Mr Thapana Sirivadhanabhakdi	Vice-Chairman
Mr Sithichai Chaikriangkrai	Member
Mr Michael Chye Hin Fah	Member
Mr Prapakon Thongtheppairot	Member

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. The Board Exco formulates the Group’s strategic development initiatives, provides direction for new investments and material financial and non-financial matters to ensure that the Group achieves its desired performance objectives and enhances long-term shareholder value. It assists the Board in enhancing its business strategies and contributes towards the strengthening of core competencies of the Group. The Board Exco also oversees the Company’s and the Group’s conduct of business and corporate governance structure.

The activities and responsibilities of the 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 2017, the Board met six times.

The Directors are also given direct access to the management team of the Group’s business divisions<sup>1</sup> 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 are also arranged in order for Directors to have an intimate understanding of the key business operations of each division. The Company’s Constitution provides 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.

**Note:**

<sup>1</sup> The Group’s business divisions are as follows: Food & Beverage (Non-Alcoholic Beverages), Food & Beverage (Beer), Food & Beverage (Food) and Publishing & Printing.

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## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### A. BOARD MATTERS (cont'd)

The number of Board meetings and Board Committee meetings held in the financial year ended 30 September 2017 and the attendance of Directors at these meetings are as follows:

	Board	Board Exco	Audit Committee	Risk Management Committee	Remuneration Committee	Nominating Committee
<b>Meetings held for the financial year ended 30 September 2017</b>						
Mr Charoen Sirivadhanabhakdi	6/6					
Khunying Wanna Sirivadhanabhakdi	6/6					
Tengku Syed Badarudin Jamalullail	6/6					2/2
Mr Timothy Chia Chee Ming	6/6		5/5		2/2	
Mr Koh Poh Tiong	6/6	6/6		4/4		
Mrs Siripen Sitasuwan	6/6		5/5		2/2	2/2
Mr Chotiphat Bijananda	5/6					
Mr Thapana Sirivadhanabhakdi	6/6	6/6		4/4	2/2	2/2
Mr Sithichai Chaikriangkrai	6/6	6/6	5/5	4/4		
Mr Michael Chye Hin Fah <sup>1</sup> (Alternate Director)	–	3/3 <sup>1</sup>		2/2 <sup>1</sup>		
Mr Prapakon Thongtheppairot (Alternate Director)	–	6/6		4/4		

**Note:**

- 1 Mr Michael Chye Hin Fah was appointed as an Alternate Director to Mr Thapana Sirivadhanabhakdi on 8 February 2017. On this date, Mr Michael Chye Hin Fah was also appointed as a Member of the Board Executive and Risk Management Committees and his attendance at these Board Committee meetings excludes meetings held before his appointment on 8 February 2017.

Upon appointment, each new Director is issued a formal letter of appointment setting out his or her duties and obligations as a Director of the Company, including their responsibilities as fiduciaries and how to deal with conflicts of interest that may arise. A comprehensive orientation programme is also conducted to familiarise new appointees with the business activities, strategic directions, policies and corporate governance practices of the Group as well as their statutory and other duties and responsibilities as Directors. This programme allows new Directors to get acquainted with senior management, and also facilitates and fosters better rapport and communications with management.

Our Directors are kept 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 and good corporate governance may be in writing or disseminated by way of briefings, presentations and/or handouts. The Board is also regularly updated on the latest key changes to any applicable legislation and changes to the rules of SGX-ST Listing Rules ("**Listing Rules**") as well as developments in accounting principles, by way of briefings held by the Company's lawyers and auditors. Our Directors are also encouraged to be members of the Singapore Institute of Directors ("**SID**") and to receive journal updates and training from SID in order to stay abreast of relevant developments in financial, legal and regulatory requirements. During the financial year ended 30 September 2017, the Board has been briefed and updated on changes to the Companies Act (Chapter 50) (the "**Companies Act**") and the Listing Rules.

## A. BOARD MATTERS (cont'd)

### Principle 2: Board Composition and Guidance

As at 30 September 2017, the F&N Board comprises nine non-executive Directors, of whom three are independent. Based on declarations of independence made by each of the independent Directors, none of them has any relationship with the Company, its related corporations<sup>1</sup>, the Group's 10% shareholders<sup>2</sup> or the officers of the Company that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interest of the Company. These three independent Directors help to uphold good corporate governance at the Board level and their presence facilitates the exercise of objective independent 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, always taking into account the long-term interests of F&N and its shareholders. The Company is actively reviewing its Board composition so as to comply with Guideline 2.2 of the Code. As at 30 September 2017, none of the independent Directors have been on the Board for more than nine years.

#### Notes:

- 1 The Code 2012 states that "**related corporation**" in relation to a company shall have the same meaning as currently defined under the Companies Act i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.
- 2 Under the Code, the term "**10% shareholder**" 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. "**Voting shares**" excludes treasury shares.

The Nominating Committee ("**NC**") undertakes an annual review of the size and composition of the Board to ensure alignment with the needs of the Group. The NC is of the view that the current size and composition of the F&N Board facilitates effective decision-making and is appropriate for the scope and nature of the Group's operations. In line with the Code, taking into account the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the Board and Board Committees, the NC is of the view that the current size of the Board is not so large as to be unwieldy or as to 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. This is also reflected in the diversity of backgrounds and competencies of our Directors, whose competencies range from banking, finance and accounting 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 are 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 also allows our Directors to effectively carry out their duties and discharge their oversight function.

### Principle 3: Chairman and Chief Executive Officer

The Chairman of the Company and the Chief Executive Officers ("**CEOs**") of each of the Group's business divisions are separate persons to ensure an appropriate balance and separation of power, increased accountability, and clear division of responsibilities. The Chairman, who is non-executive, is not related to any of the CEOs of the Group's 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 businesses and operations of the Group. In addition, the Chairman promotes a culture of openness and debate at Board meetings and also ensures, with the support of the company secretary (the "**Company Secretary**"), that Directors are provided with clear, complete and timely information in order to make sound, informed decisions.

The Chairman encourages active and effective engagement, participation and contribution from all Directors, and facilitates constructive relations among and between them and management. With the full support of the Board, the Company Secretary and management, the Chairman facilitates and encourages the Company in its bid to promote, attain and maintain high standards of corporate governance and transparency. The Chairman 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 business divisions are responsible for executing the Group's strategies and policies, and are accountable to the Board for the conduct and performance of the respective business operations under their charge.

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## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### A. BOARD MATTERS (cont'd)

#### Lead Independent Director

Tengku Syed Badarudin Jamalullail, Chairman of the NC, was appointed as Lead Independent Director on 7 May 2015. As the Lead Independent Director, he serves in a lead capacity to coordinate the activities of the independent Directors when necessary and appropriate. The Lead Independent Director is available to address shareholders where they have concerns for which contact through normal channels such as the Chairman or the Chief Financial Officer of the Company is inappropriate. The Lead Independent Director also has the authority to call and lead meetings of the independent Directors when necessary and appropriate and to provide feedback to the Chairman after such meetings.

#### Principle 4: Board Membership

The Nominating Committee is made up of the following Directors:

Tengku Syed Badarudin Jamalullail	Chairman
Mrs Siripen Sitasuwan	Member
Mr Thapana Sirivadhanabhakdi	Member

A majority of the members of this Board Committee, including its Chairman, are independent and non-executive Directors. The Lead Independent Director, Tengku Syed Badarudin Jamalullail is the Chairman of the NC.

The NC is guided by written Terms of Reference, which are approved by the Board. The Terms of Reference set out the duties and responsibilities of the NC. The NC reviews the structure, size and composition of the Board. The NC also 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 penultimate paragraph of this section), 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. The Code recommends that the Board should fix the maximum number of listed company board representations which any Director may hold and that this should be disclosed in the Company's annual report. Details of other directorships and other principal commitments of each of the Directors may be found on pages 12 to 17 of this Annual Report. In determining whether each Director is able to devote sufficient time to discharge his or her duties as a director of the Company, the NC has taken cognizance of the recommendations under the Code, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their other principal commitments per se. The attendance and contributions by each Director to and during meetings of the Board and relevant Board Committees and their personal capabilities are holistically assessed and taken into account by the NC. The NC has determined that all the Directors have devoted sufficient time and attention to the affairs of the Company and have adequately discharged their duties.

The Board currently has two Alternate Directors, namely Mr Michael Chye Hin Fah who is the Alternate Director to Mr Thapana Sirivadhanabhakdi and Mr Prapakon Thongtheppairot who is the Alternate Director to Mr Sithichai Chaikriangkrai. The Board has considered the expertise, business and financial backgrounds of Mr Michael Chye Hin Fah and Mr Prapakon Thongtheppairot and is satisfied that they are appropriately qualified. Mr Michael Chye Hin Fah and Mr Prapakon Thongtheppairot are also familiar with the affairs of the Company.

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 fulfil its roles and responsibilities.

The NC 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 NC may tap on its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting candidates.

The Company's Constitution 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 re-appointment 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.

## A. BOARD MATTERS (cont'd)

The NC determines the independence of each Director annually and as and when circumstances require based on the definitions and guidelines of independence set out in the Code and provides its views to the Board for the Board's consideration.

For the financial year ended 30 September 2017, the NC has performed a review of the independence of the Directors as at 30 September 2017 and following its assessment, has determined the status of each Director as follows:

Mr Charoen Sirivadhanabhakdi <sup>1</sup>	Non-Independent
Khunying Wanna Sirivadhanabhakdi <sup>1</sup>	Non-Independent
Tengku Syed Badarudin Jamalullail	Independent
Mr Timothy Chia Chee Ming	Independent
Mr Koh Poh Tiong <sup>2</sup>	Non-Independent
Mrs Siripen Sitasuwan	Independent
Mr Chotiphat Bijananda <sup>3</sup>	Non-Independent
Mr Thapana Sirivadhanabhakdi <sup>4</sup>	Non-Independent
Mr Sithichai Chaikriangkrai <sup>5</sup>	Non-Independent

### Notes:

- Each of 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 TCC Assets Limited ("TCCA") and Thai Beverage Public Company Limited ("ThaiBev"). As at 30 September 2017, TCCA has a direct interest of 59.30% in the Company and ThaiBev, through its indirect wholly-owned subsidiary InterBev Investment Limited, holds a 28.50% interest in the Company. Mr Charoen Sirivadhanabhakdi is married to Khunying Wanna Sirivadhanabhakdi.
- Mr Koh Poh Tiong is also an adviser to the Board, and has received compensation for provision of services other than Director's fees.
- Mr Chotiphat Bijananda is the son-in-law of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi and is a director of TCCA.
- Mr Thapana Sirivadhanabhakdi being a son of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi is an immediate family member of a 10% shareholder of the Company.
- Mr Sithichai Chaikriangkrai is a director, senior executive vice president and chief financial officer of ThaiBev.

## Key Information regarding Directors

Key information on the Directors is set out on pages 12 to 17 of this Annual Report.

### Principle 5: Board Performance

The Board has implemented a formal process for annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

All Directors are required to assess the performance of the Board and the Board Committees. The assessment covers areas such as Board processes, managing the Company's performance, effectiveness of the Board and the Board Committees and Director development. The Board has implemented formal processes for assessing the Board and its Board Committees, the contribution by each individual Director to the effectiveness of the Board, as well as the effectiveness of the Chairman of the Board. As part of this process, Directors are requested to complete an evaluation questionnaire which includes questions on (i) how the Board plays an effective role and adds value on critical issues, (ii) how the Board operates to deliver impact and value, and (iii) the evaluation of the Board Committees. The process is designed to provide an evaluation of the current effectiveness of the Board and to support the Chairman and Board to proactively, consider what can enhance the readiness of the Board to address strategic priorities of the Group. 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.

### Principle 6: Access to Information

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. 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 includes relevant financial statements which are presented quarterly, management accounts, financial forecasts, risk analyses and assessments, 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.

# CORPORATE GOVERNANCE

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### A. BOARD MATTERS (cont'd)

A calendar of activities is scheduled for the Board a year in advance. The Company recognises that information should be supplied to the Board in a timely manner and as far as possible, Board papers and agenda items are dispatched to the Directors about 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 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 Company Secretary.

The Company Secretary is responsible for, among other things, ensuring that Board procedures, the Company's Constitution and relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289), Companies Act and Listing Rules are complied with. The Company Secretary attends all Board meetings and provides advice and guidance on corporate governance practices and processes with a view to enhancing long-term shareholder value.

The Company Secretary also facilitates and acts as a channel of communication to ensure good information flows within the Board and its various Board Committees, as well as between and with senior management. In addition, the Company Secretary 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 SGX-ST.

The appointment and removal of the Company Secretary is subject to the approval of the Board. 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.

**Note:**

Mr Anthony Cheong Fook Seng retired as Company Secretary on 30 September 2017. Mr Hui Choon Kit was appointed as Company Secretary on 1 October 2017. Mr Hui Choon Kit is also the Chief Financial Officer of the Company.

### B. REMUNERATION MATTERS

#### Principle 7: Procedures for Developing Remuneration Policies

##### Remuneration Committee ("RC")

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

Mr Timothy Chia Chee Ming	Chairman
Mrs Siripen Sitasuwan	Member
Mr Thapana Sirivadhanabhakdi	Member

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. The RC also reviews remuneration packages and service terms of individual Directors and each of the CEOs of the Group's business divisions. When carrying out its duties, the RC reviews and makes recommendations on the remuneration framework for the Board and key management personnel, for endorsement by the Board. The RC also oversees the framework for remuneration policies and systems of the Company.

##### Remuneration Action Framework

The RC reviews on an annual basis, 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 employees. It also reviews and approves the framework for salary reviews, performance bonus and incentives for key management of the Group.

The RC also periodically conducts 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 2017, Carrots Consulting Pte Ltd, Mercer (Singapore) Pte Ltd and Korn Ferry Hay Group Pte Ltd were appointed as remuneration consultants. The Company does not have any relationship with these remuneration consultants which would affect their independence and objectivity.

## B. REMUNERATION MATTERS (cont'd)

### 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 remuneration, annual variable bonuses and long-term incentives. Annual variable bonuses are linked to achievement of financial and non-financial key performance indicators. The Company also uses indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management) to link remuneration to corporate and individual performance. Long-term incentive plans are in place and are conditional upon pre-determined performance targets being met. The long-term incentive plans serve 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 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 (i) Net Revenue; (ii) Profit Before Interest and Tax; (iii) Attributable Profit Before Fair Value Adjustment and Exceptional Items; and/or (iv) 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 Total Shareholders' Return as a multiple of Cost of Equity.

The Base Awards represent the right to receive fully paid ordinary shares, their equivalent cash value or a combination thereof, free of charge, provided certain prescribed performance and service 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 the pre-determined targets are 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 aggregate number of new ordinary shares allotted and issued and/or to be allotted and issued, when aggregated with existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, pursuant to the RSP and the PSP, shall not exceed 10% of the total number of issued ordinary shares of the Company (excluding treasury shares).

The RC currently does not intend, in any given year, to grant awards under the RSP and PSP which would comprise more than 1% of the total number of issued ordinary shares from time to time (the "**Yearly Limit**"). However, if the Yearly Limit is not fully utilised in any given year, the balance of the unutilised Yearly Limit may be used by the Company to make grants of awards in subsequent years.

Senior management participants in key positions 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.



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## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### B. REMUNERATION MATTERS (cont'd)

#### Principle 9: Disclosure on Remuneration

##### Remuneration of Directors and Key Management Personnel

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

Directors of the Company as at 30 September 2017	Remuneration \$	Director Fee %	Adviser Fee %	Allowances %	Total %
Mr Charoen Sirivadhanabhakdi	— <sup>1</sup>	—	—	—	—
Khunying Wanna Sirivadhanabhakdi	— <sup>1</sup>	—	—	—	—
Tengku Syed Badarudin Jamalullail	135,000 <sup>2</sup>	100	—	—	100
Mr Timothy Chia Chee Ming	145,000	100	—	—	100
Mr Koh Poh Tiong	2,127,694 <sup>3,4</sup>	8.5	85.5	6	100
Mrs Siripen Sitasuwan	175,000	100	—	—	100
Mr Chotiphat Bijananda	80,000	100	—	—	100
Mr Thapana Sirivadhanabhakdi	165,000 <sup>4</sup>	100	—	—	100
Mr Sithichai Chaikriangkrai	160,000	100	—	—	100
Mr Michael Chye Hin Fah (Alternate Director)	30,833	100	—	—	100
Mr Prapakon Thongthepairot (Alternate Director)	50,000 <sup>4</sup>	100	—	—	100

#### Notes:

- Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi waived payment of Directors' fees due to them.
- Includes the payment of \$20,000 being the basic fee for serving as the Lead Independent Director.
- Includes payment of \$1,819,000 being fees for services provided as adviser to the Board, and \$127,694 being car allowance paid pursuant to this appointment.
- The Directors, who are also directors of Times Publishing Limited ("TPL"), have agreed to waive payment of directors' fees due to them from TPL for the year ended 30 September 2017.

Key Management Personnel of the Group as at 30 September 2017	Remuneration \$	Fee %	Salary %	Bonus %	Allowances & Benefits %	Others %	Long-Term Incentives <sup>1</sup> %	Total %
Mr Anthony Cheong Fook Seng <sup>2</sup>	791,060	-	56	21	13	-	10	100
Mr Bennett Neo Gim Siong	887,140	-	67	27	6	-	-	100
Mr Hui Choon Kit	942,669	-	56	30	5	-	9	100
Mr Lee Meng Tat	1,301,732	-	56	33	4	-	7	100
Mr Lim Yew Hoe	1,127,145	-	47	17	27	-	9	100
Total	5,049,746							

#### Notes:

- The value of the long-term incentives was calculated based on the closing share price of F&N shares of \$2.08 on 28 December 2016.
- Mr Anthony Cheong Fook Seng retired on 30 September 2017. His remuneration includes retirement benefits.

Save as disclosed above, no termination, retirement and post-employment benefits were granted to Directors and the above mentioned key management personnel (who are not Directors or the CEO of the Company).

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

## B. 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 services. No Director decides his own fees. Directors' fees are reviewed annually to benchmark such fees against the amounts paid by other major listed companies. The Company's Board fee structure during the year is as set out below. The Board fee structure remains unchanged from that in the preceding financial year i.e. financial year ended 30 September 2016.

	Basic Fee \$	Attendance Fee \$
<b>Board</b>		
- Chairman	150,000	2,000
- Member	75,000	1,000
- Lead Independent Director	20,000	-
<b>Audit Committee and Board Exco</b>		
- Chairman	50,000	2,000
- Member	25,000	1,000
<b>NC, RC and Risk Management Committee</b>		
- Chairman	30,000	2,000
- Member	15,000	1,000

Shareholders' approval will be sought at the 119<sup>th</sup> AGM of the Company on 29<sup>th</sup> January 2018, for the payment of Directors' fees proposed for the financial year ending 30 September 2018 up to \$2 million, the same amount for which approval was sought and obtained at the 118<sup>th</sup> AGM of the Company.

## 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 packs. In communicating and disseminating its results, the Board aims to present a balanced and clear assessment of the Company's performance, position and prospects.

Management provides the Board Exco with management accounts at every meeting of this Board Committee. This is in addition to such other information as the Board may require from time to time to make a balanced and informed assessment of the Company's performance, position and prospects.

### Principle 11: Risk Management and Internal Controls

The Board is responsible for governing risks and ensuring that Management maintains a sound system of risk management and internal controls with a view to safeguarding the Company's assets and shareholders' interests.

The Audit Committee ("AC"), with 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, compliance, operational and information technology 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.

## CORPORATE GOVERNANCE

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### C. ACCOUNTABILITY AND AUDIT (cont'd)

The importance and emphasis placed by the 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.

##### Risk Management Committee ("RMC")

The Board, through the RMC, reviews the adequacy and effectiveness of the Group's risk management framework to ensure that robust risk management and internal controls systems 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. 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 enterprise-wide risk management framework, processes and procedures for identifying, measuring, reporting and mitigating key risks in the Group's businesses and operations. 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 to oversee the ERM framework and 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 senior management of the Company's business divisions, 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 Koh Poh Tiong	Chairman
Mr Thapana Sirivadhanabhakdi	Member
Mr Sithichai Chaikriangkrai	Member
Mr Michael Chye Hin Fah	Member
Mr Prapakon Thongtheppairot	Member

Periodic updates are provided to the RMC on the Group's risk profile, and on the status of key enterprise risk management and business continuity initiatives. 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. Risk tolerance statements, which set out the nature and extent of significant risks which the Group is willing to take in achieving its strategic objectives, are monitored and reported to the RMC.

To assist the Company in ascertaining the adequacy and effectiveness of the Group's internal controls, management implements a control self-assessment exercise. Management also maps out key risks with the existing assurance processes in a comfort matrix every year. Using a comfort matrix of key risks, the material financial, compliance, operational and 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 Board has received assurance:

- (a) from the CEOs and the Chief Financial Officers ("CFOs") or Financial Controllers ("FCs") of each of the Group's significant business divisions and the Chief Financial Officer of the Company that as at 30 September 2017 the financial records of the Group have been properly maintained and the financial statements for the year ended 30 September 2017 give a true and fair view of the Group's operations and finances;
- (b) from the CEOs and the CFOs or FCs of each of the Group's business divisions and the Chief Financial Officer of the Company that as at 30 September 2017 the system of internal controls in place for the Group is adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations<sup>1</sup>; and
- (c) from the CEOs and CFOs or FCs of each of the Group's business divisions<sup>2</sup> and the Chief Financial Officer of the Company that as at 30 September 2017 the risk management system in place for the Group is adequate and effective to address risks which the Group considers relevant and material to its operations.

##### Notes:

- 1 An assurance on internal controls addressing financial, operational, compliance and information technology risks in respect of Food & Beverage (Beer) and Food & Beverage (Food) is not meaningful as at 30 September 2017 given the current scale of operations.
- 2 An assurance in respect of the adequacy and effectiveness of the risk management system in place for the Food & Beverage (Beer) and Food & Beverage (Food) businesses has been given by the CEOs of each of these business divisions.

## C. ACCOUNTABILITY AND AUDIT (cont'd)

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, reviews performed by management and various Board Committees and assurance from the CEOs, the CFOs or FCs of each of the Group's business divisions and the Chief Financial Officer of the Company, the Board, with the concurrence of the AC, is of the opinion that as at 30 September 2017 the Group's internal controls were adequate and effective to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

Based on the risk management framework established and assurance from the CEOs and the CFOs or FCs of each of the Group's business divisions and the Chief Financial Officer of the Company, the Board is of the view that as at 30 September 2017 the Group's risk management system was adequate and effective to address 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 pages 58 and 59 of this Annual Report.

### 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. Under the Terms of Reference of the AC, a former partner or director of the Company's existing auditing firm or auditing corporation shall not act as a member of the AC (i) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (ii) for so long as he has any financial interest in the auditing firm or auditing corporation.

The AC comprises the following three members:

Mrs Siripen Sitasuwan	Chairman
Mr Timothy Chia Chee Ming	Member
Mr Sithichai Chaikriangkrai	Member

The AC is made up of non-executive Directors, the majority of whom, including its Chairman, are independent Directors. The members of the AC are appropriately qualified. Their collective wealth of experience and expertise in accounting and financial management enables them to discharge their responsibilities competently. The AC has reasonable resources to enable it to discharge its functions effectively. None of the members of the AC were previous partners or directors of the Company's auditor KPMG LLP ("**KPMG**") and none of the members of the AC hold any financial interest in KPMG.

During the year, the key activities of the AC included the following:

- Reviewing quarterly and full-year financial statements and related SGX-ST announcements, including the independent auditors' report for the full-year and significant financial reporting issues and assessments, to safeguard the integrity in financial reporting, and to ensure compliance with the requirements of the SFRS. In the review of the financial statements, the significant matters referred to in Table A were reviewed by the AC and discussed with management and external auditors.

## CORPORATE GOVERNANCE

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### C. ACCOUNTABILITY AND AUDIT (cont'd)

- Reviewing and approving the internal and external audit plans to ensure the adequacy of the audit scope.
- Recommending, for the approval of the Board, the half-year and annual financial results and related SGX-ST announcements.
- 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 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 and evaluating with internal and external auditors, and reporting to the Board at least annually on the adequacy and effectiveness of internal control systems, including financial, operational and compliance and information technology controls.
- Reviewing whistle-blowing investigations within the Group and ensuring appropriate follow-up actions, if required.

Table A

Significant matters	How the AC reviewed these matters
Impairment of fixed assets and investment in subsidiaries	<p>The AC considered the approach and methodology used by management in determining the recoverable amount of fixed assets and investment in subsidiaries.</p> <p>The AC was satisfied that the approach and methodology used by management in this process was appropriate.</p> <p>Impairment of fixed assets and investment in subsidiaries were also areas of focus for the external auditors who have included this item as a key audit matter in their audit report for the financial year ended 30 September 2017.</p>
Impairment of goodwill and intangible assets (including brands)	<p>The AC considered the approach and methodology used by management in determining the recoverable amount of goodwill and intangible assets (including brands).</p> <p>The AC was satisfied that the approach and methodology used by management in this process was appropriate.</p> <p>Impairment of goodwill and intangible assets were also areas of focus for the external auditors who have included this item as a key audit matter in their audit report for the financial year ended 30 September 2017.</p>
Classification of investment in Vinamilk	<p>The AC considered the assessment by management in determining when significant influence was obtained.</p> <p>The AC was satisfied that the assessment by management was reasonable.</p> <p>The classification of investment in Vinamilk was also an area of focus for the external auditors who have included this item as a key audit matter in their audit report for the financial year ended 30 September 2017.</p>

### C. ACCOUNTABILITY AND AUDIT (cont'd)

The AC also meets with internal audit and KPMG in each case, without the presence of management at least once a year to obtain feedback on the competency and adequacy of the finance function, to review the assistance given by the Company's management to internal and external auditors 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 KPMG and circulated to members of the AC periodically.

The AC reviews and approves the remuneration and terms of engagement of KPMG. The AC also makes recommendations to the Board regarding the appointment, re-appointment and removal of the Company's independent auditor. Upon the Board's approval, the relevant recommendations are tabled for approval by shareholders.

During the year, the AC conducted a review of the scope and results of audit by KPMG, and their cost effectiveness, as well as the independence and objectivity of KPMG. It also reviewed all non-audit services provided by KPMG, and the aggregate amount of audit fees paid/payable to them. For details of fees paid/payable to KPMG in respect of audit and non-audit services, please refer to Note 4 of the Notes to the Financial Statements on page 119. The AC is satisfied that neither their independence nor their objectivity was put at risk, and that they were able to meet the audit requirements and statutory obligations of the Company. The AC is also satisfied with the aggregate amount of audit fees paid to KPMG. Accordingly, the AC has recommended the re-appointment of KPMG at the AGM of the Company. In recommending the re-appointment of the auditors, the AC considered and evaluated a variety of factors including, the audit engagement partner to be assigned to the audit, the number and experience of supervisory and professional staff to be assigned to the audit and the size and complexity of the Group, its business and operations.

The Company has complied with Rule 712 of the Listing Rules which requires, amongst others, that a suitable auditing firm be appointed by the Company, having regard to the factors set out therein. The Company has also complied with Rule 715 of the Listing Rules which requires that the same auditing firm of the Company audits its Singapore-incorporated subsidiaries and significant associated companies, and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

#### Whistle-Blowing Policy

The Group has in place a Whistle-Blowing Policy ("**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 staff and any other person in confidence and in good faith, without fear of reprisal. Details of this Policy have been disseminated and made available to all employees. This Policy is also available on the Company's website. The improprieties that are reportable under the Whistle-Blowing Policy include:

- (a) financial or professional misconduct;
- (b) improper conduct, dishonest or unethical behaviour, or violence at the workplace;
- (c) any irregularity or non-compliance with laws/regulations, and/or internal control;
- (d) conflicts of interest;
- (e) health/safety of any individual; and
- (f) any other improprieties or matters that may adversely affect shareholders' interest in, and assets of, the Company and its reputation.

All whistle-blowing complaints which are raised are independently investigated and appropriate actions taken. The AC reviews and ensures that independent investigations and any appropriate follow-up actions are carried out.

## CORPORATE GOVERNANCE

### FOR THE YEAR ENDED 30 SEPTEMBER 2017

#### C. ACCOUNTABILITY AND AUDIT (cont'd)

##### 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.

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.

The IA Department operates within the framework stated in its Terms of Reference, which is approved by the AC. Under the Terms of Reference of the AC, the AC has the authority to approve the hiring, removal, evaluation and compensation of the head of the internal audit function. The IA Department has unfettered access to all the Company’s documents, records, properties and personnel including access to the AC. The IA Department adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of the 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 internal audit plan approved by the AC. 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 AC monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by management.

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

#### D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

##### Principle 14: Shareholder Rights

F&N believes in treating all shareholders fairly and equitably. It is committed to keeping all its shareholders and other stakeholders informed, in a timely and consistent manner, 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 in a timely and consistent manner.

Shareholders of F&N 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. F&N is committed to providing 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 senior management), and participates in investor seminars and conferences to keep the market and investors apprised of the Group’s corporate developments and financial performance. During the year, the IR team, together with senior management, engaged with Singapore and foreign investors at investor conferences as well as one-on-one and group meetings. The aim of such engagements is to provide shareholders and investors with prompt disclosure of relevant information, to enable them to have a better understanding of the Company’s businesses and performance. The Company makes available all its briefing materials to analysts and the media. Such information, financial information, annual reports and all announcements of the Company are made available to the SGX-ST and on the Company’s website at [www.fraserandneave.com](http://www.fraserandneave.com), with contact details for investors to channel their comments and queries.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES (cont'd)

Further details on IR's activities and responsibilities during the year can be found in the Investor Relations section of this Annual Report on page 56.

In determining dividends, the Board balances the need for a satisfactory return to shareholders against the Company's investment requirement to ensure sustainable growth in the future. Over the years, the Board has maintained a track record of generous shareholder distributions. The Board remains committed to paying approximately fifty percent (50%) of Group Attributable Profit Before Fair Value Adjustment and Exceptional Items.

### 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 Constitution allows (i) each shareholder who is not a relevant intermediary (as defined in the Companies Act) the right to appoint up to two proxies and (ii) each shareholder who is a relevant intermediary to appoint more than two proxies to attend and vote on their behalf in shareholders' meetings. A copy of each of the Annual Report and Notice of AGM are sent to all shareholders. At general meetings, the Company sets out separate resolutions on each substantially separate issue and 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 independent auditor is also present to address queries about the conduct of audit and the preparation and content of the independent auditor's 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 hand), 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. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company has decided for the time being, not to implement voting in absentia methods such as voting via mail, e-mail or fax.

### 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 Group. The Code of Business Conduct 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

The Company has established a procedure for dealings in the securities of the Company, which sets out the implications of insider trading and guidance on such dealings, including the prohibition on dealings with the Company's securities on short-term considerations. In compliance with best practices in Listing Rule 1207 sub-Rule (19) of the Listing Rules, the Group issues quarterly reminders to its Directors, officers and relevant 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 relevant 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

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
<b>General</b>	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(a) Fraser and Neave, Limited (“<b>F&amp;N</b>” or the “<b>Company</b>”) has complied in all material respects with the principles and guidelines set out in the Code.</p> <p>(b) Please see above.</p>
<b>Board Responsibility</b> Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Company has a Manual of Authority (“ <b>MOA</b> ”) which contains a schedule of matters specifically reserved to the Board for approval. In addition to matters such as annual budgets, financial plans and business strategies, Board approval is required for material transactions, such as major acquisitions, divestments, funding and investment proposals. The MOA authorises the Board Executive Committee to approve certain transactions up to specified limits beyond which the approval of the Board needs to be obtained.
<b>Members of the Board</b> Guideline 2.6	<p>(a) What is the Board’s policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	<p>(a) The Board proactively seeks to maintain an appropriate balance of expertise, skills and attributes among Directors. This is reflected in the diversity of backgrounds and competencies of our Directors.</p> <p>(b) The current competencies of the Board range from banking, finance and accounting to relevant industry knowledge including entrepreneurial and management experience and familiarity with regulatory requirements and risk management. The Board also includes two female directors in recognition of the importance and value of gender diversity. The profiles of the directors can be found on pages 12 to 17 of this Annual Report (“<b>this Report</b>”).</p> <p>(c) The Board has delegated the Nominating Committee (the “<b>NC</b>”) to annually review the size and composition of the Board with a view to maintaining an appropriate balance of expertise, skills and attributes taking into account the needs of F&amp;N and its subsidiaries (the “<b>Group</b>”). Please also refer to Guideline 4.6 below on the process for Board succession planning.</p>

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
Guideline 4.6	<p>Please describe the board nomination process for the Company in the last financial year for:</p> <p>(i) selecting and appointing new directors; and</p> <p>(ii) re-electing incumbent directors.</p>	<p>(i) The NC takes the lead in identifying, evaluating and selecting suitable candidates for new directorships, factoring in the ability of the prospective candidate to contribute to the Board, as well as taking into account the existing mix of expertise, skills and attributes of the Directors to identify needed and/or desired competencies.</p> <p>(ii) The NC will assess whether Directors are properly qualified for re-appointment by virtue of their skills, experience and contributions.</p>
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to:</p> <p>(i) new directors; and</p> <p>(ii) existing directors to keep them up-to-date?</p>	<p>(a) Yes.</p> <p>(b)(i) New Directors are given a letter of appointment setting out, among other things, a Director's duties and obligations including their responsibilities as fiduciaries and, how to deal with conflicts of interest that may arise. A comprehensive orientation programme is also conducted to familiarise new appointees with the business activities, strategic directions, policies and corporate governance practices of the Group.</p> <p>(b)(ii) Directors are kept 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 and good corporate governance may be in writing or disseminated by way of briefings, presentations and/or handouts. Directors are also encouraged to be members of the Singapore Institute of Directors ("SID") and to receive journal updates and training from SID in order to stay abreast of relevant developments in financial, legal and regulatory requirements.</p>

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>(a) The Company has not prescribed a maximum number of listed company board representations that a Director may hold.</p> <p>(b) The NC is tasked with determining whether each Director is able to adequately devote sufficient time to discharging their responsibilities to the Company. The NC has taken cognizance of the recommendations of the Code but is of the view that its assessment of a Director's ability to devote sufficient time to the discharge of his or her duties as a director of the Company should not entail a restriction on the number of other board commitments or their other principal commitments.</p> <p>(c) The attendance and contributions by each Director to and during meetings of the Board and relevant Board Committees and their personal capabilities are holistically assessed and taken into account by the NC.</p>
<b>Board Evaluation</b> Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) All Directors are required to assess the performance of the Board and the Board Committees. The assessment covers areas such as Board processes, managing the Company's performance, effectiveness of the Board and Board Committees and Director development. Feedback and comments received from the Directors are reviewed by the NC in consultation with the Chairman of the Board.</p> <p>(b) 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.</p>

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
<b>Independence of Directors</b> Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The current F&N Board comprises nine non-executive Directors of whom three are independent. Independent Directors thus comprise one-third of the Board.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.  (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No.  (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
<b>Disclosure on Remuneration</b> Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?  (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Yes.  (b) The Company has disclosed the aggregate remuneration paid to the top five key management personnel on page 68 of this Report. The aggregate remuneration paid to the top five key management personnel is \$5,049,746.

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>(a) <u>Executive Directors</u> Not applicable as there are no executive directors on the F&amp;N Board.</p> <p><u>Key Management Personnel</u> The Remuneration Committee (the “RC”), on an annual basis, reviews the level and mix of remuneration 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 employees. The Company’s compensation framework comprises fixed remuneration, annual variable bonuses and long-term incentives. Annual variable bonuses are linked to achievement of financial and non-financial key performance indicators. The Company also uses indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management) to link remuneration to corporate and individual performance. Long-term incentive plans are in place and are conditional upon pre-determined performance targets being met. The long-term incentive plans serve to motivate and reward employees and align their interests to maximise long-term shareholder value.</p> <p>(b) 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. The Company has also put in place long-term share-based incentive schemes which are based on the achievement of certain pre-determined targets.</p> <p>(c) Yes.</p>

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
<p><b>Risk Management and Internal Controls</b> Guideline 6.1</p>	<p>What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</p>	<p>The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. 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 includes 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. Board papers and agenda items are dispatched to the Directors about a week before scheduled meetings. This is to give Directors sufficient time to review and consider the matters being tabled and/or discussed.</p> <p>On a quarterly basis, financial statements are presented at Board meetings.</p> <p>Risk-related reports are submitted to the Risk Management Committee ("<b>RMC</b>") four times a year. The RMC, comprising selected board members, assists the Board in overseeing risk management for the Group.</p>
<p>Guideline 13.1</p>	<p>Does the Company have an internal audit function? If not, please explain why.</p>	<p>Yes.</p>
<p>Guideline 11.3</p>	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p>	<p>(a) The Board's view on the adequacy and effectiveness of the Company's internal control and risk management systems is based on reviews and reports from the Audit Committee ("<b>AC</b>") and RMC.</p> <p>With the assistance of internal and external auditors, the AC reviews and reports to the Board on the adequacy of the Company's system of controls including financial, compliance operational and information technology 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.</p> <p>The RMC is responsible for among other things, reviewing the Group's enterprise-wide risk management framework, processes and procedures for identifying, measuring, reporting and mitigating key risks in the Group's business and operations.</p>

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?
Guideline 11.3	<p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that:</p> <p>(i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and</p> <p>(ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>(b)(i) The Board has received assurance that as at 30 September 2017 the financial records of the Group have been properly maintained and the financial statements for the year ended 30 September 2017 give a true and fair view of the Group's operations and finances, from the CEOs and the Chief Financial Officers ("CFOs") or Financial Controllers ("FCs") of each of the Group's significant business divisions and from the Chief Financial Officer of the Company.</p> <p>(b)(ii) The Board has received assurance that the system of internal controls in place for the Group is adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations, from the CEOs and the CFOs or FCs of each of the Group's business divisions and from the Chief Financial Officer of the Company<sup>1</sup>.</p> <p>The Board has received assurance that as at 30 September 2017 the risk management system in place for the Group is adequate and effective to address risks which the Group considers relevant and material to its operations, from the CEOs and the CFOs or FCs of each of the Group's business divisions<sup>2</sup> and from the Chief Financial Officer of the Company.</p> <p><b>Notes:</b></p> <p>1 Please refer to pages 70 and 71 of this Report. An assurance on internal controls addressing financial, operational, compliance and information technology risks in respect of Food &amp; Beverage (Beer) and Food &amp; Beverage (Food) is not meaningful as at 30 September 2017 given the current scale of operations.</p> <p>2 Please refer to pages 70 and 71 of this Report. An assurance in respect of the adequacy and effectiveness of the risk management system in place for the Food &amp; Beverage (Beer) and Food &amp; Beverage (Food) businesses has been given by the CEOs of each of these business divisions.</p>

## CODE OF CORPORATE GOVERNANCE 2012

### Guidelines for Disclosure

GUIDELINE	QUESTIONS	HOW HAS THE COMPANY COMPLIED?												
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>(a) As disclosed in Note 4(c) to the Notes to the Financial Statements, the fees paid / payable to external auditors for audit and non-audit services for the financial year ended 30 September 2017 are:</p> <p style="text-align: right;"><b>\$'000</b></p> <p><b>Audit fees paid / payable</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- Auditor of the Company</td> <td style="text-align: right;">751</td> </tr> <tr> <td>- Member firms of the Auditor of the Company</td> <td style="text-align: right;">633</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,384</td> </tr> </table> <p><b>Non-audit fees paid / payable</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">- Auditor of the Company</td> <td style="text-align: right;">131</td> </tr> <tr> <td>- Member firms of the Auditor of the Company</td> <td style="text-align: right;">73</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">204</td> </tr> </table> <p>(b) Non-audit fees amount to 15% of the total fees paid/payable to the auditor of the Company, and are not substantial.</p>	- Auditor of the Company	751	- Member firms of the Auditor of the Company	633		1,384	- Auditor of the Company	131	- Member firms of the Auditor of the Company	73		204
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	204													
<p><b>Communication with Shareholders</b> Guideline 15.4</p>	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) The Company, through its Investor Relations ("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.</p> <p>(b) Yes. Please refer to pages 74 and 75 of this Report.</p> <p>(c) The IR team together with senior management conducts roadshows and participates in investor seminars, conferences, one-on-one and group meetings.</p>												
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.												