CORPORATE GOVERNANCE
INTRODUCTION

Frasers Centrepoint Asset Management (Commercial) Ltd. (the Manager), as manager of Frasers Commercial Trust (FCOT), is committed to high standards of corporate governance in the business and operations of the Manager, FCOT and their respective subsidiaries so as to protect the interest of, and enhance the value of Unitholders’ investments in, FCOT.

FCOT is a real estate investment trust (REIT) listed on the Main Board of the Singapore Exchange Securities Trading Limited (the SGX-ST) and the Manager is a wholly-owned subsidiary of Frasers Centrepoint Limited (FCL).

The Manager’s commitment to high standards of corporate governance is spearheaded by a highly-qualified Board of Directors of the Manager (the Board), and supported by experienced and qualified Management.

The Manager has general powers of management over the assets of FCOT. The Manager’s key responsibility is to manage FCOT’s assets and liabilities for the benefit of Unitholders with a focus to deliver a stable and sustainable distribution to Unitholders and where appropriate, enhance the values of existing properties and increase the property portfolio over time.

The other functions and responsibilities of the Manager include preparing annual asset plans and undertaking regular individual asset performance analysis and market research analysis, managing finance functions relating to FCOT (which includes capital management, treasury, co-ordination and preparation of consolidated budgets) and supervising the property managers which perform the day-to-day property management functions for FCOT’s properties, namely (i) China Square Central, 55 Market Street and Alexandra Technopark in Singapore and (ii) Central Park and Caroline Chisholm Centre in Australia.

The Manager holds a Capital Markets Services Licence (CMS Licence) issued by the Monetary Authority of Singapore (MAS) to carry out REIT management activities as required under the licensing regime for REIT managers that came into effect on 1 August 2008.

The Manager ensures that the business of FCOT is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2012 (the CG Code) and other applicable laws and regulations, including the listing rules of SGX-ST, the Code on Collective Investment Schemes (the Code on CIS) and the Securities and Futures Act (the SFA).

This corporate governance report (CG Report) provides an insight on the Manager’s corporate governance framework and practices in compliance with the principles and guidelines of the CG Code. As FCOT is a listed REIT, not all principles of the CG Code may be applicable to FCOT and the Manager. Any deviations from the CG Code are explained.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The composition of the Board as at 30 September 2014 is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>Chairman, Non-Executive</td>
<td>Independent</td>
</tr>
<tr>
<td>Low Chee Wah</td>
<td>Chief Executive Officer</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Chay Wai Chuen</td>
<td>Non-Executive</td>
<td>Independent</td>
</tr>
<tr>
<td>Chia Khong Shoong</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Tan Guong Ching</td>
<td>Non-Executive</td>
<td>Independent</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
</tbody>
</table>

The Board oversees the business affairs of FCOT and the Manager, and assumes responsibility for their strategic direction and plans. In carrying out its responsibilities, the Board is involved strategically in the establishment of performance objectives for both FCOT and the Manager, financial planning, budget creation and monitoring, material operational initiatives, investment and asset enhancement initiatives, financial and operational performance reviews, the establishment of risk management practices and risk monitoring, and establishment and monitoring of corporate governance and compliance practices.
The Board meets at least once every quarter and on such other occasions that necessitate their involvement. However, engagement and communication between the Chief Executive Officer (CEO) and Management with members of the Board are carried out regularly throughout the financial year, thereby allowing the Board continuous strategic oversight over the activities of FCOT and the Manager. If required, time is set aside after scheduled Board meetings for discussions amongst the members of the Board without the presence of Management, in line with the guidelines of the CG Code, as this facilitates a more effective check on Management.

The Board is assisted in its corporate governance and risk management responsibilities by the Audit, Risk and Compliance Committee (ARC Committee). Separate committees will be considered if required to assist the Board in carrying out its role more effectively.

Newly-appointed members of the Board are required to undergo orientation to familiarise themselves with FCOT’s business, strategic plans and objectives, the regulatory environment in which FCOT operates and the Manager’s corporate governance practices.

The Board is regularly updated on new laws affecting FCOT’s business, as well as changes in applicable regulations. The Company Secretary facilitates such orientation and assists with the professional development of the Board and its members. During the year, the Board was briefed and/or updated on (1) MAS’ proposed enhancements to the regulatory regime governing REITs and REIT managers, (2) the SGX-ST Sustainability Reporting Guide which was updated on 27 June 2014 and (3) the revised notices to capital markets intermediaries on prevention of money laundering and countering the financing of terrorism.

In addition to talks conducted by relevant professionals, members of the Board are encouraged to attend relevant courses and seminars so as to keep themselves updated on developments and changes in FCOT’s operating environment, and 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.

The number of Board and ARC Committee meetings held for the financial year from 1 October 2013 to 30 September 2014, as well as the attendance of each Board member at these meetings, are set out below:

<table>
<thead>
<tr>
<th>MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014</th>
<th>BOARD MEETINGS*</th>
<th>ARC COMMITTEE MEETINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr Chua Yong Hai</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>Low Chee Wah</td>
<td>4/4</td>
<td>NA</td>
</tr>
<tr>
<td>Chay Wai Chuen</td>
<td>4/4</td>
<td>4/4</td>
</tr>
<tr>
<td>Chia Khong Shoong</td>
<td>4/4</td>
<td>NA</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>4/4</td>
<td>NA</td>
</tr>
<tr>
<td>Tan Guong Ching</td>
<td>4/4</td>
<td>3/4</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>4/4</td>
<td>4/4</td>
</tr>
</tbody>
</table>

* Excludes other meetings attended by Directors with Management

To ensure that business and operational efficacy is maintained without compromising the standard of corporate governance, a Manual of Authority (the MOA) approved by the Board in consultation with the CEO is implemented. The MOA sets out the levels of authorisation and their respective approval limits for a range of transactions, including but not limited to investments, asset enhancement initiatives, and operating and capital expenditures. Transactions and matters which require the Board’s approval are clearly set out in the MOA.

**Principle 2: Board Composition and Guidance**

The Board comprises seven members, of whom three are Independent Non-Executive Directors. The CEO is the only Executive Director on the Board. The rest of the Board members are non-executive Directors.
The Board is of the view that the current size and composition of the Board is appropriate for the scope and nature of the operations of the Manager and FCOT and facilitates effective decision-making. In line with the CG Code, the Board is also of the view that the current size of the Board is not so large as to be unwieldy. In this regard, the Board has taken into account the requirements of the business of the Manager and FCOT and the need to avoid undue disruptions from changes to the composition of the Board and the ARC Committee. The Board considers that its present size, composition and balance between Executive, Non-Executive and Independent Directors, is appropriate and allows for a balanced exchange of views, robust deliberations and debates among members, and effective oversight over Management. The current composition gives the Board the ability to consider and make decisions objectively and independently on issues relating to FCOT and the Manager. Under the current composition, no one individual or group dominates the Board's decisions or its process. The composition of the Board is reviewed regularly to ensure that the Board has the appropriate size and mix of expertise and experience. There is a strong and independent element on the Board.

Directors exercise their judgment independently and objectively in the interest of FCOT and the Manager. The Board reviews and assesses annually the independence of its directors based on the definitions and guidelines of independence set out in the Code of Corporate Governance. In its review for the financial year ended 30 September 2014, the Board determined the following with respect to the independence of directors:

- Dr Chua Yong Hai Independent
- Low Chee Wah Non-Independent
- Chay Wai Chuen Independent
- Chia Khong Shoong Non-Independent
- Lim Ee Seng Non-Independent
- Tan Guong Ching Independent
- Christopher Tang Kok Kai Non-Independent

With the background, skills, experience and core competencies of its members, the Board collectively has the critical skills and expertise needed in the strategic direction and planning of the business of FCOT. The diversity of skills, expertise and experience of its members bring to the Board independent and objective perspective thereby enabling balanced and well-considered decisions to be made. Particulars of Directors are set out on pages 18 to 21.

**Principle 3: Chairman and Chief Executive Officer**

The roles of the Chairman and the CEO are separate to ensure an appropriate balance of power and authority and the levels of authority and the approval limits under the MOA reflects such a separation. This separation of roles promotes greater accountability of Management and allows the Board to exercise its independence in its oversight of and deliberations with Management. The Chairman, who is an independent and a non-executive director, is not related to the CEO. There is no business relationship between him and the CEO.

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 FCOT and the Manager. With the full support of the Board, the Company Secretary and Management, the Chairman spearheads the Manager’s drive to promote, attain and maintain high standards of corporate governance and transparency.

The CEO has full executive responsibilities over the business direction and operations of the Manager, and is responsible for the execution of the Board’s adopted strategies and policies. The CEO leads the Management team in the management of FCOT and is accountable to the Board for the conduct and performance of the Management team.

**Principle 4: Board Membership**

The Board does not consider it necessary to establish a nominating committee. The Board retains the responsibility for the identification, review and appointment of suitable candidates to join the Board as its members, taking into consideration (a) such candidate’s skill, experience and ability to perform, (b) the needs of the Board, (c) such candidate’s other commitments and (d) the independence of the candidate from FCOT and the Manager. Directors of the Manager are not subject to periodic retirement by rotation.
The Board proactively seeks to maintain an appropriate balance of expertise, skills and attributes among the Directors, and this is reflected in the diversity of backgrounds and competencies of the current Directors. Such competencies include banking, finance, accounting and other relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This benefits Management as it allows them to tap on the broad range of views and perspectives and the breadth of experience of the Directors.

The CG Code 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 21. In determining whether each Director is able to devote sufficient time to discharge his duties, the Board has taken cognizance of the CG Code 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 principal commitments – per se. Holistically, the contributions by the Directors to and during meetings of the Board and the ARC Committee as well as their attendance at such meetings should also be taken into account.

Principle 5: Board Performance
The Board has implemented a process to assess the performance of the Board and its decision-making processes. Members of the Board are required to assess the Board’s performance, which includes areas such as the Board’s composition and processes, effectiveness in its management of FCOT’s performance, and such other areas which the Board is of the view that improvements are required.

The findings of the assessment are reviewed by the Board with a view to improving its overall effectiveness in carrying out its role. Based on such periodic reviews, the Board is of the view that it is operating effectively and each of its members is contributing to its overall effectiveness and commits to maintain such effectiveness.

Principle 6: Access to Information
It is the Management’s commitment that the Board and the ARC Committee are provided with complete, timely and adequate information, both prior to Board meetings and ARC Committee meetings and on an ongoing basis so as to allow the Board and the ARC Committee to discharge their duties. Prior to each Board meeting and ARC Committee meeting, papers on matters to be discussed are sent to Board members and ARC Committee members ahead of such meetings, so that such matters may be considered and discussed thoroughly and fully, prior to the making of any decision. Management may be requested to attend Board meetings so as to be at hand to answer any questions or contribute to any discussions. Presentations are made by Management at the Board meetings to facilitate deliberations and discussions.

For matters which require the Board’s decision outside such meetings, board papers will be circulated through the Company Secretary for the Board’s consideration, with discussions and clarifications taking place between members of the Board and Management, before approval is granted.

Directors at their discretion may seek and obtain independent professional advice, where necessary, in the furtherance of their duties, and any expenses and costs associated thereto are borne by the Manager.

Directors have separate and independent access to the Company Secretary, who attends all Board meetings and advises the Board on relevant corporate governance issues. The Company Secretary ensures compliance with Board procedures and relevant rules and regulations. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow between the Board and Management. Direct communication between the CEO, the Chairman and members of the Board is encouraged by the Board, and the Board may at its discretion communicate with Management if they so wish.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The remuneration of Directors, the CEO and employees of the Manager are paid by the Manager and not by FCOT.

For the financial year ended 30 September 2014, the Manager adopted the remuneration policies and practices of FCL, which has a remuneration committee (the FCL RC) that oversees, inter alia, the framework of remuneration, compensation and
benefits for key executives of the Manager, including the CEO. The level and mix of remuneration and benefits, policies and practices of the FCL group, which includes the Manager, are reviewed by the FCL RC on an annual basis. In undertaking such reviews, the FCL RC takes into consideration the performance of the Manager as part of the FCL group, and that of individual employees. It also reviews and approves the framework for salary reviews, performance bonuses and incentives for senior managers of the Manager as part of the FCL group-wide review.

The Manager’s compensation framework comprises fixed pay and short term and long-term incentives. Executive remuneration is linked to, *inter alia*, individual performance based on an annual appraisal of each individual employee of the Manager. 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. Save for the CEO, Directors are paid a basic fee and attendance fees for attending Board meetings. The CEO does not receive Directors’ fees. 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 periodically to benchmark such fees against the amounts paid by other major listed companies.

The Directors’ fees for the financial year ended 30 September 2014 are shown in the table below.

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai (Chairman and member of ARC Committee)</td>
<td>SGD 84,000</td>
</tr>
<tr>
<td>Chay Wai Chuen (Chairman, ARC Committee)</td>
<td>SGD 54,000</td>
</tr>
<tr>
<td>Chia Khong Shoong</td>
<td>SGD 39,000</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>SGD 39,000</td>
</tr>
<tr>
<td>Tan Guong Ching (Member, ARC Committee)</td>
<td>SGD 49,000</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai (Member, ARC Committee)</td>
<td>SGD 49,000</td>
</tr>
</tbody>
</table>

1 Directors’ fees are paid to FCL Management Services Pte. Ltd.

**ACCOUNTABILITY AND AUDIT**

**Principle 10: Accountability**

The Manager prepares the financial statements of FCOT in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (RAP 7) issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on CIS issued by the MAS and the provisions of the Trust Deed. RAP 7 requires the accounting principles to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards prescribed by the Accounting Standards Council. The Board, with the support of Management, is responsible for providing a balanced and understandable assessment of FCOT’s performance, position and prospects. Quarterly and annual financial reports and other material information are disseminated to Unitholders through announcements released via SGXNET, and where applicable, media releases and analysts’ briefings. Such financial reports are reviewed by the Board before dissemination.

**Principle 11: Risk Management and Internal Controls**

The Manager has established a sound system of risk management and internal controls comprising procedures and processes to safeguard FCOT’s assets and Unitholders’ interests. The ARC Committee reviews and reports to the Board on the adequacy of such controls, including financial, compliance, operational and information technology controls, and risk management procedures and systems, taking into consideration the recommendations of both internal and external auditors.

**Internal Controls**

The ARC Committee, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Manager’s system of controls, including financial, compliance, operational and information technology controls. In assessing the effectiveness of internal controls, the ARC Committee ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.
**Risk Management**

The Board, through the ARC Committee, reviews the adequacy of the Manager’s risk management framework to ensure that robust risk management and mitigating controls are in place. The Manager has adopted an enterprise-wide risk management (ERM) framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. Financial and operational key risk indicators are in place to track key risk exposures. Apart from the ERM process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before it is embarked upon. An outline of the Manager’s ERM framework and progress report is set out on pages 68 to 69.

Periodic updates are provided to the ARC Committee on FCOT’s and the Manager’s risk profile. These updates would involve an assessment of FCOT’s and the Manager’s key risks by risk categories, its current status, the effectiveness of any mitigating measures taken, and any proposals and plans by Management to manage such risks.

In addition to the ERM framework, a comfort matrix of key risks, by which relevant material financial, compliance and operational (including information technology) risks of FCOT and the Manager have been documented to assist the Board to assess the adequacy of the existing internal controls. The comfort matrix is prepared with reference to the strategies, policies, processes, systems and reporting processes connected with the management of such key risks and presented to the Board and the ARC Committee. Risk tolerance statements setting out the nature and extent of significant risks which the Manager is willing to take in achieving its strategic objectives have been formalised and adopted.

The Board has received assurance from the CEO and the Financial Controller of the Manager that as at 30 September 2014:

(a) the financial records of FCOT have been properly maintained and the financial statements for the year ended 30 September 2014 give a true and fair view of FCOT’s operations and finances;

(b) the system of internal controls in place for FCOT is adequate and effective as at 30 September 2014 to address financial, operational, compliance and information technology risks which the Manager considers relevant and material to FCOT’s operations; and

(c) the risk management system in place for FCOT is adequate and effective as at 30 September 2014 to address risks which the Manager considers relevant and material to FCOT’s operations.

**Opinion of the Board on Internal Controls and Risk Management Framework**

Based on the internal controls established and maintained by the Manager, work performed by internal and external auditors, reviews performed by Management and the ARC Committee and assurance from the CEO and the Financial Controller of the Manager, the Board, with the concurrence of the ARC Committee, is of the opinion that the internal controls in place for FCOT, were adequate and effective as at 30 September 2014 to address financial, operational, compliance and information technology risks, which the Manager considers relevant and material to FCOT’s operations.

Based on the risk management framework established and assurance from the CEO and the Financial Controller of the Manager, the Board is of the view that the risk management system in place for FCOT was adequate and effective as at 30 September 2014 to address risks which the Manager considers relevant and material to FCOT’s operations.

The Board notes that the system of internal controls and risk management provides reasonable, but not absolute, assurance that the Manager 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.

**Principle 12: Audit Committee**

The ARC Committee is governed by written terms of reference defining its scope of authority and in accordance with such terms, is authorised to investigate any matter in connection with FCOT and the Manager. The ARC Committee has full access to, and has the full cooperation of, Management, with full authority and discretion to invite any Director or employee of the Manager to attend its meetings. The ARC Committee is able to call upon the Manager’s resources to enable it to discharge its functions effectively.
The ARC Committee's responsibilities include:

- reviewing and monitoring the effectiveness of the Manager’s internal controls, including financial, compliance and risk management controls and procedures;
- monitoring the integrity of financial information, including all quarterly and full year financial reports and audit reports;
- ensuring that procedures are in place for compliance with applicable rules and legislation, such as the Listing Manual, the Code on CIS including the Property Funds Appendix, and the SFA;
- reviewing the adequacy, independence, effectiveness, objectivity and fees of external auditors and recommending to the Board any replacement, appointment or reappointment of such external auditors;
- reviewing the adequacy and effectiveness of the internal audit function, including its resources, audit plans and the scope and effectiveness of the internal audit procedures; and
- reviewing interested person transactions to ascertain compliance with internal procedures and provisions of applicable laws and regulations.

In performing its functions, the ARC Committee meets with the internal and external auditors and reviews the internal and external audit plans for FCOT and the Manager and the assistance given by Management to the auditors. All audit findings and recommendations are presented to the ARC Committee for discussion. In addition, updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the ARC Committee periodically.

The ARC Committee comprises all Non-Executive Directors, the majority of whom, including the Chairman, are independent:

- Chay Wai Chuen, Chairman
- Dr Chua Yong Hai, Member
- Tan Guong Ching, Member
- Christopher Tang Kok Kai, Member

The separation of the roles of the Chairman of the Board and the Chairman of the ARC Committee ensures greater independence of the ARC Committee in the discharge of its duties. This is also with a view to increasing its effectiveness in assisting the Board in the discharge of its statutory and other responsibilities in the areas of internal controls, financial and accounting matters, compliance and risk management.

Members of the ARC Committee collectively possess the accounting and related financial management, expertise and experience required for the ARC Committee to discharge its responsibilities and assist the Board in its oversight over Management in the design, implementation and monitoring of risk management and internal control systems.

**External Auditors**

Ernst and Young LLP (E&Y) was re-appointed pursuant to the approval of the Unitholders on 22 January 2014 as external auditors of FCOT. Taking into consideration (i) the resources and experience of E&Y, (ii) the terms of E&Y’s engagement, (iii) the size and complexity of FCOT and its subsidiaries, (iv) the number and the experience of E&Y’s supervisory and professional staff assigned to the audit of FCOT, (v) the fees paid to E&Y for audit and non-audit services performed by E&Y, and (vi) the independence and objectivity of E&Y based on their performance to date, the ARC Committee is of the view that E&Y is suitable to continue with its appointment as external auditors of FCOT and recommends to the Board its re-appointment. The ARC Committee will continue to review the performance and the suitability of E&Y as external auditors.

E&Y has attended the ARC Committee meetings every quarter for the financial year ended 30 September 2014, and where appropriate has met with the ARC Committee without the presence of Management to discuss their findings, if any.

The Manager confirms that FCOT complies with Rules 712 and 715 of the Listing Manual in relation to the appointment of E&Y as the auditor of FCOT.
Whistle Blowing Policy
A Whistle-Blowing Policy is in place to provide an avenue through which employees and any other persons may report in good faith and in confidence any concerns in financial and other matters, and for independent investigation of such matters and appropriate follow-up action. All whistle-blower complaints will be reviewed by the ARC Committee to ensure that investigations and follow-up actions are carried out, if needed.

Principle 13: Internal Audit
The Manager has in place an internal audit function which was supported by the Internal Audit Department (IA) of Fraser and Neave, Limited (F&N). Notwithstanding the demerger of FCL from the F&N group and the listing of FCL on 9 January 2014, such internal audit services continued to be provided pursuant to a transitional arrangement between F&N and FCL for shared corporate services. It is intended that the internal audit function will be supported by the Internal Audit Department of FCL on cessation of the transitional arrangement.

The IA is independent of the activities that it audits. The Head of IA, who is a Chartered Accountant of Singapore, reported directly to the Chairman of the ARC Committee.

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

The IA operates within the framework stated in its terms of reference. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of FCOT. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with FCOT and the Manager’s policies, procedures and regulatory responsibilities.

During the year, IA 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, IA would submit to the ARC Committee a report on the status of the audit plan and on audit findings and actions taken by Management on such findings. Key findings are highlighted at the ARC Committee meetings for discussion and follow-up action. The ARC Committee monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by Management.

The ARC Committee is satisfied that for the financial year ended 30 September 2014, the internal audit function is adequately resourced to perform its functions, and has appropriate standing within FCOT and the Manager.

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Unitholder Rights
The Manager believes in treating all Unitholders fairly and equitably. It aspires to keep all Unitholders and other stakeholders and analysts in Singapore and beyond informed of FCOT’s activities, including changes (if any) in FCOT’s business which are likely to materially affect the price or value of its Units, in a timely and consistent manner.

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

Principle 15: Communication with Unitholders
The Manager is committed to regular, effective and fair communication with its Unitholders. It has a dedicated investor relations team which handles communications with investors, the investment community, analysts and the media.

In FY2014, the Manager participated in 28 conferences, conference calls, meetings and non-deal roadshows and met with more than 100 existing and potential investors and analysts in Bangkok, Hong Kong, Singapore and Tokyo. These are excellent avenues for the Manager to keep investors updated on the latest performances, developments, strategies and outlook for FCOT. At the same time, the Manager is also able to understand the matters which are key to investors.
Briefings for analysts and luncheon for investors are generally held in conjunction with the release of FCOT’s half-year and full-year financial results. To ensure transparency, announcements including press releases and presentation slides are released to SGX-ST via SGXNET, and posted on FCOT’s website at www.fraserscommercialtrust.com. Both announcements through FCOT’s website and the SGXNET are the principal media of communication with Unitholders.

For the second consecutive year, FCOT was conferred the runner-up in the Singapore Corporate Governance Award under the REITs and Business Trusts category at the 15th SIAS Investors’ Choice Awards 2014.

FCOT is also a signatory to the 2014 Corporate Governance Statement of Support organised by SIAS where FCOT has pledged its commitment to uphold high standards in corporate governance.

Principle 16: Conduct of Unitholder Meetings
A copy of the FCOT Annual Report is sent to all Unitholders. In compliance with the Code on CIS, an AGM is held after the close of each financial year allowing the Manager to interact with investors. At the AGM held during the year, Unitholders were invited to vote on each of the resolutions by poll, using an electronic voting system. This allowed all Unitholders present or represented at the meeting to vote on a per unit, one vote basis. The voting result was screened at the meeting and announced to the SGX-ST after the meeting. As and when an EGM is convened, a circular will be sent to each Unitholder. The circular contains details of the matters proposed for Unitholders’ consideration and approval.

Board members and Management are in attendance at Unitholders’ meetings where Unitholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors’ report.

Dealings in Units
The Manager has adopted a Dealing Policy on securities trading which provides guidance with regard to dealings in the FCOT units by its Directors, officers and employees. Directors, officers and employees are prohibited from dealing in FCOT units:

- in line with the Listing Rule 1207(19)(c) on Dealings in Securities, two weeks before the date of announcement of quarterly financial statements and one month before the date of announcement of full-year results (Prohibition Period); and
- at any time while in possession of unpublished material or price sensitive information.

Directors, officers and employees are also directed to refrain from dealing in FCOT units on short-term considerations.

Prior to the commencement of the Prohibition Period, Directors, officers and employees will be reminded not to trade during this period or whenever they are in possession of unpublished price sensitive information. Outside of the Prohibition Period, any trades must be reported to the Board within 48 hours. Every quarter, each Director, officer or employee is required to complete and submit a declaration form to the Compliance Officer to report any trades he/she has made in FCOT units in the previous quarter and confirm that no trades were made during the Prohibition Period. A quarterly report will be provided to the ARC Committee. Any non-compliance with the Dealing Policy such as trading within the Prohibition Period will be reported to the ARC Committee for its review and instructions.

In compliance with the Dealing Policy in relation to the Manager, prior Board approval is required before the Manager deals or trades in any FCOT units. The Manager has undertaken that it will not deal in FCOT units:

a) during the period commencing one month before the public announcement of FCOT’s annual results and (where applicable) property valuations and two weeks before the public announcement of FCOT’s quarterly results, or

b) whenever it is in possession of unpublished material price sensitive information.

The Manager has also given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in FCOT units and any changes thereto within two business days after the date on which it acquires or disposes of any FCOT units, as the case may be.
Conflicts of Interest
Procedures put in place to address potential conflicts of interest (including in relation to Directors, officers and employees) which may arise in managing FCOT include:

- The Manager is to be dedicated to managing FCOT and will not directly or indirectly manage other Reits, without first obtaining approval from MAS.
- All executive officers are to be employed by the Manager.
- All resolutions in writing of Directors in relation to matters concerning FCOT must be approved by a majority of the Directors, including at least one Independent Director.
- At least one-third of the Board shall comprise Independent Directors.
- On matters where FCL, its subsidiaries or shareholders have an interest (directly or indirectly), directors nominated by them shall abstain from voting. In such matters, the quorum must comprise a majority of Independent Directors and exclude nominee Directors of FCL and/or its subsidiaries.
- An interested Director is required to disclose his interest in any proposed transaction with FCOT and is required to abstain from voting on resolutions approving the transaction.

In addition, FCOT has been granted a right of first refusal by FCL over completed income producing properties located in the Asia Pacific region used for commercial purposes (comprising primarily office and/or business space).

Interested Person Transactions
There is no general mandate obtained for interested person transactions (IPTs and each an IPT). All IPTs are undertaken on normal commercial terms and the Board, with the assistance of the ARC Committee, ensures that such IPTs are not prejudicial to the interests of FCOT and the minority Unitholders. This may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Code on CIS).

All IPTs are entered in a register maintained by the Manager, including any quotations from unrelated parties and independent valuations forming the bases on which such IPTs are entered into. The Manager incorporates into its internal audit plan a review of all IPTs recorded in the register. The review includes the examination of the nature of the IPTs and its supporting documents or such other data deemed necessary by the ARC Committee. The ARC Committee reviews the internal audit reports to ascertain that internal procedures and the relevant provisions of the Listing Manual and the Code on CIS are complied with by Management in its dealings on IPTs. British and Malayan Trustees Limited, in its capacity as trustee of FCOT (the Trustee), has the right to review any such relevant internal audit reports to ascertain that the requirements under the Code on CIS have been complied with.

Directors interested in a proposed IPT to be entered into by FCOT are required to abstain from any deliberations or decisions in relation to that IPT.

Any IPT proposed to be entered into between FCOT and an interested person, would require the Trustee to satisfy itself that such IPT is conducted on normal commercial terms, is not prejudicial to the interests of FCOT and its Unitholders, and is in accordance with all applicable requirements of the Code on CIS and the Listing Manual.