Corporate Governance
Corporate Governance Report
Year ended 31 December 2008

INTRODUCTION

Frasers Commercial Trust ("FCOT"), as a listed real estate investment trust on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), is managed by Frasers Centrepoint Asset Management (Commercial ) Ltd. (the “Manager”). It is under the sponsorship of Frasers Centrepoint Limited, which is a wholly owned subsidiary of Fraser and Neave, Limited (“F&NL”).

The Board of Directors of the Manager (the “Board”) is committed to ensuring that the highest standards of corporate governance are practised throughout the Manager, FCOT and its subsidiaries (the "Group"), as a fundamental part of its responsibility to protect and enhance Unitholders’ value and the financial performance of the Group.

This report describes the Manager’s corporate governance framework and practices in compliance with the Code of Corporate Governance 2005 (the “2005 Code”). As FCOT is a listed real estate investment trust, not all principles of the 2005 Code may be applicable to FCOT and the Manager. Any deviations from the 2005 Code are explained.

The Manager, in its capacity as the Manager of FCOT, has general powers of management over the assets of FCOT. The Manager’s main responsibility is to manage FCOT’s assets and liabilities for the benefit of Unitholders and will carry on and conduct its business in, and ensure that the business of FCOT is carried on and conducted in, a proper and efficient manner, and to conduct all transactions with or for FCOT at arm’s length.

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The composition of the Board as at 31 December 2008 is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>Chairman, Non-Executive</td>
<td>Independent</td>
</tr>
<tr>
<td>Lim Ee Seng *</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai *</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>Robert West</td>
<td>Non-Executive</td>
<td>Independent</td>
</tr>
<tr>
<td>Low Chee Wah *</td>
<td>Chief Executive Officer</td>
<td>Non-Independent</td>
</tr>
</tbody>
</table>

* Appointed 14 August 2008

The following persons were also members of the Board during the year ended 31 December 2008:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicholas McGrath 1</td>
<td>Chief Executive Officer</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>William Graham 2</td>
<td>Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Christopher West 3</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Timothy Rich 3</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
<tr>
<td>Frank Tearle 3</td>
<td>Non-Executive</td>
<td>Non-Independent</td>
</tr>
</tbody>
</table>

1 Resigned 14 August 2008
2 Appointed 19 March 2008 and resigned 14 August 2008
3 Resigned 19 March 2008

The Board is responsible for the overall corporate governance of the Manager including establishing goals for the management of FCOT and monitoring of the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of FCOT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and FCOT, including a system of internal controls and business risk management processes.
There are regular meetings of the Board, at least once every quarter, to review the key activities, performance and business strategies of the Manager, and FCOT. In the event directors are unable to attend Board Meetings, the Manager's Articles of Association provide for telephonic attendance. The number of Board and Audit, Risk and Compliance Committee (“ARC Committee”) meetings held in 2008, as well as the attendance of each Board member at these meetings, is disclosed below:

<table>
<thead>
<tr>
<th>Attendees</th>
<th>BOARD MEETINGS</th>
<th>ARC MEETINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Tan Guong Ching</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Robert West</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Low Chee Wah</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Nicholas McGrath</td>
<td>6</td>
<td>–</td>
</tr>
<tr>
<td>William Graham</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td>Christopher West</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Timothy Rich</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Frank Tearle</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

1 Appointed 14 August 2008
2 Appointed to ARC Committee on 26 February 2008
3 Resigned 14 August 2008
4 Appointed 19 March 2008 and resigned 14 August 2008
5 Resigned 19 March 2008

The Manager has adopted internal guidelines which sets out the levels of authorisation required for specific transactions as well as matters which require specific Board approval.

All newly-appointed directors undergo a comprehensive orientation programme which includes management presentations on the Manager’s business, strategic plans and objectives. The Board is regularly updated on new laws that may affect FCOT’s business, regulatory changes and financial reporting standards.

The directors are provided with continuing education in areas such as directors’ duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Singapore Companies Act and industry-related matters, to update and refresh the Directors on matters that affect or may enhance their performance as Board members and/or ARC Committee members.

**Board Composition and Guidance**

**Principle 2:** There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board’s decision making.

The Board consists of six members. With the majority being Non-Executive Directors, and half of the Board comprising Independent Directors, the Directors can take a broader view of FCOT activities, and bring objective judgement to bear on issues for the Board’s consideration. The Board leads and has oversight of the Management of FCOT.

Comprising Directors who have intimate knowledge of the property business, the Board brings with it a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business, management and strategic planning. A brief background of each director is presented in the Board of Directors of the Manager section on page 16 of this report.
The Board considers that the present Board size, composition and balance between Executive, Non-Executive and Independent Directors, are appropriate for the scope and nature of the Manager’s operations, and no individual or group is able to dominate the Board’s decision-making process. The Non-Executive Directors, including the Independent Directors, ensure that the strategies proposed by the Manager are constructively challenged, fully discussed, examined, and taken into account in the long term interests of Unitholders.

The Board fully appreciates that fundamental to good corporate governance is an effective, objective and robust Board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals. For this to be achieved, the Board, and in particular, the Non-Executive Directors of the Board, must be kept well informed of the Manager’s activities and affairs and be knowledgeable about the property industry. The Manager has therefore adopted initiatives to put in place processes to ensure that the Non-Executive Directors are well supported. These initiatives include the provision of accurate, complete and timely information, unrestricted access to the Manager, and sufficient time and resources to discharge their oversight function effectively.

It is the Manager’s policy that the Non-Executive Directors shall have the opportunity to meet regularly (both formally and informally) without the presence of Management to discuss a range of matters.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company’s business – which will ensure a balance of power of authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and of the CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman of the Board is an Independent Director who leads and ensures the effectiveness of the Board, encouraging constructive relations between and among the Board and Management, and facilitating effective contribution of the directors, as well as promoting high standards of corporate governance practices in FCOT and the Manager.

The Chief Executive Officer has full executive responsibilities over the operations of the Manager. The separation of roles between the Chairman and the Chief Executive Officer facilitates a healthy professional relationship between the Board and Management.

The Chairman and the Chief Executive Officer are not related to each other, nor is there any other business relationship between them.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

A nominating committee has not been constituted for the Manager, as FCOT is externally managed by the Manager and has no personnel of its own. In respect of the search and nomination process for new directors, in addition to the usual selection process, the Board identifies the skill-sets and experience the Board wishes to see, and engages search companies as well as networking contacts to identify and shortlist candidates, to spread its reach for the best person for the job.

Key information regarding directors such as academic and professional qualifications, other directorships of listed companies and unitholdings in FCOT, is detailed on pages 16, 47 and 97 of this report.

The Directors (notwithstanding that the majority of Directors have board memberships in other companies) have been effectively carrying out their duties as directors, giving sufficient time and attention to the affairs of FCOT and the Manager.
Corporate Governance Report (cont’d)  
Year ended 31 December 2008

Board Performance

**Principle 5:** There should be formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board, in its annual review of Board performance, evaluates the contribution of each Director, taking into consideration factors such as Directors’ attendances, their commitment, and assesses the performance of the Board as a whole. The results of the evaluation are used to effect continuing improvements to the effectiveness of the Board.

Access to Information

**Principle 6:** In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

On an ongoing basis, and prior to Board meetings, adequate and timely information are given by Management to Board members, who have separate and independent access to Management and the external auditors.

The Board, as a whole, or in their individual capacity, has access to independent professional advice where necessary in the furtherance of their duties, at the Manager’s expense.

Directors have separate and independent access to the Company Secretary. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board, Directors and Management. The Company Secretary also facilitates orientation sessions for Directors, and assists with their professional development.

REMUNERATION MATTERS

**Principle 7:** There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

**Principle 8:** The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

**Principle 9:** Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

FCOT, constituted as a trust, is externally managed by the Manager which has experienced and well-qualified personnel to handle the operations of the Manager. All directors and employees who perform services for the Manager are remunerated by the Manager or one of its related companies and not FCOT.

ACCOUNTABILITY AND AUDIT

**Principle 10:** The Board should present a balanced and understandable assessment of the Company’s performance, position and prospects.

The Board, with the support of management, is responsible for providing a balanced and understandable assessment of FCOT’s performance, position and prospects on a quarterly basis.
Corporate Governance Report (cont’d)
Year ended 31 December 2008

**Principle 11:** The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

**Audit, Risk and Compliance Committee (“ARC Committee”)**

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>Chairman</td>
</tr>
<tr>
<td>Tan Guong Ching</td>
<td>Member</td>
</tr>
<tr>
<td>Robert West</td>
<td>Member</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>Member</td>
</tr>
</tbody>
</table>

1 Appointed 3 November 2008

Members of the ARC Committee are appropriately qualified to discharge their responsibilities as they possess the requisite accounting and related financial management expertise and experience.

The ARC Committee is governed by written terms of reference with explicit authority to investigate any matter within its terms of reference, having full access to, and co-operation of the Manager, and full discretion to invite any director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly.

The ARC Committee’s responsibilities include:

- Monitoring and evaluating the effectiveness of the Manager’s internal control process, and directing prompt remedial action by Management;
- Reviewing the quarterly, half-yearly and full year financial reports and the audit report for recommendation to the Board for approval;
- Monitoring Management’s compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- Reviewing the appointment and reappointment of external auditors for recommendation to the Board for approval as well as the adequacy of external audits in respect of cost, scope and performance;
- Reviewing the independence and objectivity of the external auditors and non-audit services provided by the external auditors;
- Reviewing the effectiveness and adequacy of the internal auditors, at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures; and
- Ensuring compliance by Management, with the provisions of the listing manual relating to “interested person transactions” (as defined therein) and the provisions of the Property Funds Guidelines relating to “interested party transactions” (as defined therein) (both such types of transactions constituting “Related Party Transactions”).

In performing its functions, the ARC Committee met with the internal auditors and external auditors during the financial year ended 31 December 2008 and reviewed the overall scope of both internal and external audits, and the assistance given by the Manager to the auditors.

The ARC Committee believes that the Whistle-Blowing Policy that has been put in place provides a channel through which employees may report, in good faith and in confidence, any concerns in financial and other matters, and that arrangements are in place for independent investigation with appropriate follow-up action.

The ARC Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the nomination of the external auditors for re-appointment. The ARC Committee has conducted a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.
Corporate Governance Report (cont’d)
Year ended 31 December 2008

Internal Controls and Risk Management

**Principle 12:** The Board should ensure that the Management maintains a sound system of internal controls to safeguard the Unitholders’ investments and the company’s assets.

The ARC Committee reviews and reports to the Board on the adequacy of a sound system of controls, including financial, operational and compliance controls, and risk management policies and systems established by Management.

The Manager has established a system of internal controls comprising procedures and processes to safeguard FCOT’s asset and Unitholders’ interests as well as to manage risks.

The ARC Committee reviews the risk profiles of FCOT and the Manager, and guides Management to ensure that robust risk management and internal controls are in place. Effective risk management is fundamental to FCOT’s business strategy. Key risks, control measures and management actions are continually identified, reviewed and monitored by Management, as part of the Manager’s enterprise-wide risk management framework. Each transaction is comprehensively analysed to understand the risks involved. Financial and operational key risk indicators are in place to track key risk exposures.

In assessing business risks, the Board considers the economic environment and risks relevant to the property industry. It reviews Management reports and feasibility studies on projects prior to approving major transactions.

All Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of FCOT and the 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 Property Funds Guidelines).

All Related Party Transactions are entered in a register maintained by the Manager; including any quotations from unrelated parties and independent valuations forming the bases on which such transactions are entered into. The Manager incorporates into its internal audit plan a review of all Related Party Transactions entered into by FCOT, which is required to comply with the Listing Manual of the SGX-ST. The ARC Committee reviews the internal audit reports at least twice a year. In addition, the Trustee also has the right to review such audit reports to ascertain that the Property Funds Guidelines have been complied with.

In respect of transactions entered into or to be entered into by the Trustee for and on behalf of FCOT with a related party of the Manager (which would include relevant Associates thereof) or FCOT, the Trustee is required to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of FCOT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into such a transaction involving a related party of the Manager or FCOT.

If a member of the ARC Committee has an interest in a transaction, such member is to abstain from participating in the review and approval process in relation to that transaction. The ARC Committee, with the assistance of the internal and external auditors, have reviewed, and the Board is satisfied with, the adequacy of FCOT’s and the Manager’s internal controls, including financial, operational and compliance controls, and risk management systems.

The Board recognises that no cost effective internal controls system will preclude all errors and irregularities.

**Principle 13:** The company should establish an internal audit function that is independent of the activities it audits.

For the period 1 January 2008 to 14 August 2008, the internal audit function for FCOT was outsourced to Ernst & Young which is one of the leading providers of outsourced internal audit services to a wide range of SGX-listed clients. Ernst & Young has adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. Ernst & Young is staffed by suitably qualified executives.

Following the acquisition of the Manager on 14 August 2008 by Frasers Centrepoint Limited, the internal audit function for FCOT was assumed by F&NL. The internal audit function of F&NL is independent of the activities that it audits. The Head of Internal Audit is a certified public accountant, and complies with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditor’s primary reporting line is to the Chairman of the ARC Committee. The ARC Committee is satisfied that the internal audit function is adequately resourced, and has appropriate standing with FCOT and the Manager.
COMMUNICATION WITH UNITHolders

Principle 14: Companies should engage in regular, effective and fair communication with Unitholders.

The Manager is committed to regular, effective and fair communication with its Unitholders, and has a dedicated investor relations team which communicates with its Unitholders, analysts and the media on a regular basis. Briefings for analysts and media representatives are generally planned together with the release of FCOT’s results. To ensure transparency, material information is simultaneously disseminated to SGX-ST, the press and posted on FCOT’s website www.fraserscommercialtrust.com.

SEcurities TRANSACTIONS

The Staff Financial Products Dealing Policy (“Policy”) provides guidance and internal regulation with regard to dealings in the Units by the Directors and Officers of the Manager. The Policy is modelled on Rule 1207(18) of the SGX-ST Listing Manual. It prohibits the Directors and Officers from dealing in Units while in possession of unpublished, price-sensitive information in relation to FCOT. The Directors and Officers are also prohibited from dealing in Units on short-term considerations during the “non-permitted period”, which is defined as two weeks before the date of announcement of results for each of the first three quarters of FCOT financial year, and one month before the date of announcement of the full year financial results, and at any time the Directors and Officers of the Manager are in possession of unpublished material price-sensitive information.

PARTICULARS OF DIRECTORS AS AT 31 DECEMBER 2008

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Age</th>
<th>Board committees as chairman or member</th>
<th>Directorship date of appointment</th>
<th>Directorship of listed companies in the preceding three years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>64</td>
<td>Chairman: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent Chairman of Hyflux Water Trust Management Pte Ltd (manager of Hyflux Water Trust) and Cambridge Industrial Trust Management Limited (manager of Cambridge Industrial Trust). Deputy Chairman of Straits Asia Resources Limited.</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>57</td>
<td>Nil</td>
<td>14 August 2008</td>
<td>Non-Executive Non-Independent Chairman of Frasers Property (China) Ltd, Director of Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust, a retail REIT and Hektar Asset Management Sdn Bhd, the manager of Hektar REIT, a Malaysian retail REIT.</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>48</td>
<td>Member: ARC Committee</td>
<td>14 August 2008</td>
<td>Non-Executive Non-Independent Director of Frasers Property (China) Ltd, China Dairy Group Ltd, Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust, a retail REIT and Hektar Asset Management Sdn Bhd, the manager of Hektar REIT, a Malaysian retail REIT.</td>
</tr>
<tr>
<td>Robert West</td>
<td>57</td>
<td>Member: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent Chairman of Alco HIT Limited (resigned 7 November 2008) and Record Funds Management Limited (responsible entity of Record Realty Trust listed on the Australian Securities Exchange).</td>
</tr>
<tr>
<td>Tan Guong Ching</td>
<td>62</td>
<td>Member: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent Chairman of StarHub Limited and Independent Director of Cambridge Industrial Trust Management Limited (manager of Cambridge Industrial Trust).</td>
</tr>
<tr>
<td>Low Chee Wah</td>
<td>44</td>
<td>Nil</td>
<td>14 August 2008</td>
<td>Executive Non-Independent Nil</td>
</tr>
</tbody>
</table>

Notes
For Directors’ unitholdings in FCOT, please refer to ‘Unitholders Statistics’ on page 97.
For Directors’ academic and professional qualifications, please refer ‘Board of Directors’ on page 16.