Corporate Governance

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

Frasers Commercial Trust ("FCOT") is a listed real estate investment trust on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). FCOT is managed by Frasers Centrepoint Asset Management (Commercial) Ltd (the "Manager") and 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. It will ensure that the business of FCOT is carried on and conducted in a proper and efficient manner, and at arm's length.

The Manager has applied for a capital markets services ("CMS") licence to carry on REIT management activities, as required under the new licensing regime for REIT managers which was put in place under the Securities and Futures Act. Each of its employees engaged in investment management, asset management, financing, marketing and investor relations functions on behalf of the Manager has also applied for a CMS representative’s licence.

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 30 September 2009 is as follows:

Dr Chua Yong Hai  
Low Chee Wah  
Chia Khong Shoong  
Lim Ee Seng  
Tan Guong Ching  
Christopher Tang Kok Kai  
Robert Clive West  

* Appointed on 1 September 2009

Chairman, Non-Executive  
Chief Executive Officer  
Non-Executive  
Non-Executive  
Non-Executive  
Non-Executive  
Non-Executive  

Independent  
Non-Independent  
Non-Independent  
Non-Independent  
Independent  
Non-Independent

The Board provides strategic direction and oversees the management of FCOT. It establishes goals for the Management of FCOT and monitors the achievement of these goals. The Board also sets the values and standards of corporate governance for the Manager and FCOT. All Board members participate actively 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.
The Board meets regularly, at least once every quarter, to review the key activities, performance and business strategies of the Manager and FCOT. The number of Board and Audit, Risk and Compliance Committee ("ARC Committee") meetings held in 2009, as well as the attendance of each Board member at these meetings, is disclosed below:

| Meetings held during the 9-month financial | Board Meetings | ARC Meetings |
| period ended 30 September 2009 | 3 | 3 |
| Attendees | | |
| Dr Chua Yong Hai | 3 | 3 |
| Chia Khong Shoong * | 1 | NA |
| Lim Ee Seng | 3 | NA |
| Low Chee Wah | 3 | NA |
| Tan Guong Ching | 3 | 3 |
| Christopher Tang Kok Kai | 3 | 3 |
| Robert Clive West | 3 | 3 |

* Appointed on 1 September 2009

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

Newly-appointed Directors undergo comprehensive orientation programmes to give them an understanding of 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 that may affect FCOT's business, regulatory changes and financial reporting standards.

The Directors are provided with continuing education and are routinely updated on developments and changes in the operating environment, including corporate governance, changes in financial reporting standards, changes in the Singapore Companies Act and industry-related matters, so as to update and refresh them 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 comprises seven members, of whom three are Independent Non-Executive Directors. The Chief Executive Officer ("CEO") is the only Executive Director. As the majority of the Board members are non-executive with at least one-third of the Board being independent, 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 Management.

The members of the Board as a group provide core competencies to ensure effectiveness of the Board. These competencies include industry knowledge, accounting, finance, business management and strategic planning. The profiles of the Directors are set out on pages 16 and 17 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. 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. To achieve this, the Board, and in particular, the Non-Executive Directors of the Board, are kept well informed of the Manager’s activities and affairs. The Directors are provided accurate, complete and timely information and have unrestricted access to Management, to enable them to discharge their oversight function effectively.

**Chairman and Chief Executive Officer**

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

The roles of the Chairman and 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. He leads and ensures the effectiveness of the Board, encouraging constructive relations between and among the Board and Management, and facilitating effective contribution by the Directors, as well as promoting high standards of corporate governance practices in FCOT and the Manager.

The CEO has full executive responsibilities over the operations of the Manager. The separation of roles between the Chairman and the CEO facilitates a healthy exchange of views and opinions between the Board and Management in the deliberation of the activities of FCOT.

The Chairman and the CEO 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.

The Manager does not consider it necessary for the Board to establish a nominating committee. The Board administers nominations to the Board, reviews the structure, size and composition of the Board.

In respect of the search and nomination process for new directors, the Board identifies the relevant and/or desirable skills and experience that will contribute to Board deliberations. To spread its reach for the best candidates, the Board may engage search companies as well as networking contacts to identify and shortlist candidates.

Key information on the Directors is detailed on pages 16, 53 and 116 of this report.

The Directors have been effective in carrying out their duties as directors, giving sufficient time and attention to the affairs of FCOT and the Manager.
**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.

In its annual review of Board performance, the Board assesses the performance of the Board as a whole and evaluates the contribution of each Director, taking into consideration factors such as Directors’ attendance and contributions during Board meetings, as well as consideration of the factors set out in the guidelines to Principle 5 of the 2005 Code.

**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 is provided to Board members, who have separate and independent access to Management and the external auditors.

The Directors, either as a group or individually, may, at the Manager’s expense, seek and obtain independent professional advice where necessary to discharge its or their duties effectively.

The Directors have separate and independent access to the Company Secretary. The Company Secretary ensures compliance with Board procedures and applicable rules and regulations. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and the Management. The Company Secretary also facilitates orientation programmes 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, as a trust, is externally managed by the Manager which has experienced and qualified personnel to handle the operations of the Manager. Directors and employees of the Manager are paid by the Manager from the fees it receives.
ACCOUNTABILITY AND AUDIT

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

Management provides the Board with periodic financial reports which present a balanced and understandable assessment of FCOT's performance, position and prospects. Quarterly financial reports and other price sensitive information are disseminated to Unitholders through announcements released to SGX-ST via SGXNET, media releases, and media and analyst briefings.

**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>Christopher Tang Kok Kai</td>
<td>Member</td>
</tr>
<tr>
<td>Robert Clive West</td>
<td>Member</td>
</tr>
</tbody>
</table>

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, has full access to, and cooperation of Management, 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 effectively.

The ARC Committee’s responsibilities include:

- Reviewing the effectiveness of the Manager’s internal controls, including financial, compliance and risk management controls/framework, and directing prompt remedial action by Management;
- Reviewing the quarterly and full year financial reports and the audit report before recommending to the Board for approval;
- Monitoring that procedures are in place for Management’s compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- Reviewing and recommending to the Board, the appointment and reappointment of external auditors and their fees. In so doing, the independence of auditors, and the adequacy of external audits in respect of cost, scope and performance are considered;
- Reviewing the independence and objectivity of the external auditors and non-audit services provided by the external auditors;
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 assets 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 the Related Party Transactions recorded in the register that were entered into by FCOT, which are required to comply with the Listing Manual of the SGX-ST. The ARC Committee reviews the Related Party Transactions periodically to ensure compliance with the internal control procedures and the relevant provisions of the Listing Manual and the Property Funds Guidelines. Members interested in a transaction shall abstain from any deliberations in relation to that transaction. In addition, the Trustee also has the right to review any such internal 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.

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.

**Internal Audit**

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

For the period ended 30 September 2009, the Manager has in place an internal audit function supported by F&NL's Internal Audit Department (“F&N IA”). It is independent of the activities that it audits. The Head of Internal Audit is a certified public accountant. F&N IA has adopted and complied with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. F&N IA operates within the framework stated in its Internal Audit Charter which is approved by the ARC Committee. On an annual basis, F&N IA prepares a risk based methodology audit plan which is submitted to and approved by the ARC Committee.

The Head of Internal Audit reports directly to the Chairman of the ARC Committee. The ARC Committee is satisfied that the internal audit function is adequately resourced to perform its functions, and has appropriate standing within FCOT and the Manager.
COMMUNICATION WITH UNITHOLDERS

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

Principle 15: Companies should encourage greater Unitholder participation at AGMs, and allow Unitholders the opportunity to communicate their views on various matters affecting the company.

The Manager is committed to regular, effective and fair communication with its Unitholders. It has a dedicated investor relations team which communicates information on FCOT to Unitholders, the investment community, analysts and the media on a regular basis. Briefings for analysts and media representatives are generally planned in conjunction with the release of FCOT’s results. To ensure transparency, briefing materials are released to SGX-ST via SGXNET, and posted on FCOT’s website at www.fraserscommercialtrust.com at the same time.

A copy of the FCOT Annual Report is sent to all Unitholders. As and when an EGM is to be held, a circular will be sent to each Unitholder. The circular contains details of the matters to be proposed for Unitholders’ consideration and approval.

Board members and senior management of the Manager are in attendance at EGMs, and Unitholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed.

DEALINGS IN UNITS

In line with Listing Rule 1207 (18) on Dealings in Securities, a quarterly circular is issued to the Directors, officers and employees of the Manager on the restrictions on dealings in FCOT units:

- in 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, and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and

- at any time while in possession of price sensitive information.

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

In addition, the Manager has 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. The Manager has also undertaken that it will not deal in FCOT units in 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, and ending on the date of announcement of the relevant results or, as the case may be, property valuations.
## Particulars of Directors

<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>Board appointment whether executive or non-executive</th>
<th>Directorship of listed companies in the preceding three years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai</td>
<td>65</td>
<td>Chairman: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent</td>
<td>Chairman of Hyflux Water Trust Management Pte Ltd, the manager of Hyflux Water Trust (resigned 24 April 2009) and Cambridge Industrial Trust Management Limited, the manager of Cambridge Industrial Trust. Deputy Chairman of Straits Asia Resources Limited.</td>
</tr>
<tr>
<td>Mr Low Chee Wah</td>
<td>44</td>
<td>Nil</td>
<td>14 August 2008</td>
<td>Executive Non-Independent</td>
<td>Nil</td>
</tr>
<tr>
<td>Mr Chia Khong Shoong</td>
<td>38</td>
<td>Nil</td>
<td>1 September 2009</td>
<td>Non-Executive Non-Independent</td>
<td>Director of Frasers Property (China) Ltd and Frasers Centrepoint Asset Management Ltd, the manager of Frasers Centrepoint Trust, a retail REIT.</td>
</tr>
<tr>
<td>Mr Lim Ee Seng</td>
<td>58</td>
<td>Nil</td>
<td>14 August 2008</td>
<td>Non-Executive Non-Independent</td>
<td>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>Mr Tan Guong Ching</td>
<td>63</td>
<td>Member: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent</td>
<td>Chairman of StarHub Limited and Independent Director of Cambridge Industrial Trust Management Limited, the manager of Cambridge Industrial Trust.</td>
</tr>
<tr>
<td>Mr Christopher Tang Kok Kai</td>
<td>48</td>
<td>Member: ARC Committee</td>
<td>14 August 2008</td>
<td>Non-Executive Non-Independent</td>
<td>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>Mr Robert Clive West</td>
<td>58</td>
<td>Member: ARC Committee</td>
<td>27 February 2006</td>
<td>Non-Executive Independent</td>
<td>Chairman of Allco HIT Limited (resigned 7 November 2008) and Record Funds Management Limited, the responsible entity of Record Realty Trust, an Australian commercial REIT.</td>
</tr>
</tbody>
</table>

Notes:
For Directors’ unitholdings in FCOT, please refer to “Unitholders Statistics” on page 116.
For Directors’ academic and professional qualifications, please refer to “Board of Directors” on pages 16 and 17.