CORPORATE GOVERNANCE
Corporate Governance Report
For the year ended 30 September 2012

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 and assets of FCOT 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"), which is in turn wholly owned by Fraser and Neave, Limited ("F&NL").

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. It 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 2005 (the "2005 Code") and other applicable laws and regulations, including the listing rules of SGX-ST, the Code of Collective Investment Schemes and the Securities and Futures Act (the "SFA").

The Manager supervises the property managers in the day-to-day management of the properties of FCOT, namely (i) China Square Central (following the expiry of the Master Lease on 29 March 2012), 55 Market Street, and KeyPoint (up to its divestment on 28 September 2012), in Singapore, (ii) Caroline Chisholm Centre and Central Park in Australia, and (iii) Azabu Aco Building, Ebara Techno-Serve Headquarters Building and Gallenia Otemae Building in Japan (up to their divestment on 25 October 2012).

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.

This CG Report provides an insight on the Manager's corporate governance framework and practices in compliance with the principles and guidelines of the 2005 Code. As FCOT is a listed REIT, not all principles of the 2005 Code may be applicable to FCOT and the Manager. Any deviations from the 2005 Code are explained.

A revised Code of Corporate Governance was issued by the Monetary Authority of Singapore on 2 May 2012 ("2012 Code"). Although the 2012 Code will only take effect in respect of annual reports for the financial year commencing 1 October 2013, FCOT and the Manager as at the date of this corporate governance report ("CG Report") complies with many of the principles and guidelines of the 2012 Code. The Manager will continue to keep pace with developments in corporate governance and enhance its framework and practices.

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 2012 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 Shoon</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>
Corporate Governance Report (cont’d)
For the year ended 30 September 2012

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 Senior 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.

To assist the Board in its corporate governance and risk management responsibilities, the Audit, Risk and Compliance Committee (“ARC Committee”) was established. Separate committees will be considered if required to assist the Board in carrying out its role more effectively.

The number of Board and ARC Committee meetings held for the year from 1 October 2011 to 30 September 2012, 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 2012</th>
<th>Board Meetings*</th>
<th>ARC Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendees</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Dr Chua Yong Hai</td>
<td>4/4</td>
<td>5/5</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>5/5</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>5/5</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai</td>
<td>4/4</td>
<td>5/5</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.

**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 CEO is the only Executive Director on the Board. The rest of the Board members are non-executive Directors.

In line with the changes under the 2012 Code, the Board is of the view that its current size is not so large as to be unwieldy and to interfere with efficient decision-making. 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, 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. The Board is satisfied that there is a strong and independent element on the Board.
Corporate Governance Report (cont’d)
For the year ended 30 September 2012

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. In its review for the financial year ended 30 September 2012, the Board determined the following with respect to the independence of directors:

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

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 page 14 to 17.

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 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 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.

Board Membership

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

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.

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.
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 and financial reporting standards. 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 the following: (1) changes under 2012 Code, (2) directors’ duties in respect of company’s financial statements, (3) enhanced provisions under the SGX-ST Listing Manual to strengthen corporate governance, and (4) the Personal Data Protection Act which was passed in October 2012.

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.

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 has implemented a process to assess the performance of the Board and its decision-making processes. For the purpose of assisting the Board in its assessment, an independent consultant was engaged to facilitate and administer the evaluation process. 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, in consultation with the consultant, are 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. 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.

Access to Information

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

It is the Management’s commitment that the Board is provided with complete, timely and adequate information, both prior to board meetings and on an ongoing basis so as to allow the Board to discharge its duties. Prior to each board meeting, board papers on matters to be discussed are sent to Board members ahead of such meetings, so that such matters may be considered and discussed thoroughly and fully, prior to the making of any decision. Senior 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 Senior 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 directly, 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 Senior Management if they so wish.
Corporate Governance Report (cont’d)

For the year ended 30 September 2012

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.

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

The Manager adopts the remuneration policies and practices of F&NL, its ultimate holding company, which has a remuneration and staff establishment committee (the “RSEC”) that oversees the remuneration, compensation, benefits and development of directors, key executives and senior managers of the Manager, including the CEO. On an annual basis, the RSEC reviews the level and mix of remuneration and benefits policies and practices of the Manager as part of the F&NL Group. In undertaking such reviews, the RSEC takes into consideration the performance of the Manager and that of individual employees. It also reviews and approves the framework for salary reviews, performance bonus and incentives for senior managers of the Manager as part of the Group-wide review.

The Manager’s compensation framework comprises fixed pay and short term and long-term incentives. Executive remuneration is linked to the performance of FCOT and the Manager, and 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 2012 are shown in the table below.

<table>
<thead>
<tr>
<th>Director</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Chua Yong Hai (Chairman)</td>
<td>SGD 87,000</td>
</tr>
<tr>
<td>Chay Wai Chuen (Chairman, ARC Committee)</td>
<td>SGD 58,000</td>
</tr>
<tr>
<td>Chia Khong Shoong</td>
<td>SGD 42,000¹</td>
</tr>
<tr>
<td>Lim Ee Seng</td>
<td>SGD 42,000¹</td>
</tr>
<tr>
<td>Tan Guong Ching (Member, ARC Committee)</td>
<td>SGD 53,000</td>
</tr>
<tr>
<td>Christopher Tang Kok Kai (Member, ARC Committee)</td>
<td>SGD 52,000¹</td>
</tr>
</tbody>
</table>

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

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

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

The Manager prepares the financial statements of FCOT in accordance with the Singapore Financial Reporting Standards ("SFRS") 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.

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 of Collective Investment Schemes including the Property Fund Appendix ("CIS"), 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.

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

Mr 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.
Corporate Governance Report (cont’d)
For the year ended 30 September 2012

External Auditors
Ernst and Young LLP ("E&Y") was reappointed pursuant to the approval of the Unitholders on 17 January 2012 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 in its appointment as external auditors.

E&Y has attended the ARC Committee meetings every quarter for the financial year ended 30 September 2012, 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 Rule 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 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.

INTERNAL CONTROLS

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 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 and reports to the Board on the adequacy of such controls, including financial, operational and compliance 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, operational and compliance 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 internal 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 page 38.

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 operational, financial and compliance risks of FCOT and the Manager have been documented to assist the Board to assess the adequacy of the existing internal controls and risk framework. The comfort matrix is discussed with Management and prepared with reference to the strategies, policies, processes, systems and reporting processes connected with the management of such key risks.
Opinion of the Board on Internal Controls and Risk Management Framework

Based on the internal controls and risk management framework established and maintained by the Manager, work performed by internal and external auditors and reviews performed by Management and the ARC Committee, the Board, with the concurrence of the ARC Committee, is of the opinion that the Manager's internal controls were adequate as at 30 September 2012 to address financial, operational and compliance risks, which the Manager considers relevant and material to its operations.

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

INTERNAL AUDIT

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

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 F&N IA reports directly to the Chairman of the ARC Committee.

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

The F&N 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, F&N IA conducted its audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to Management for them to respond on the actions to be taken. Each quarter, F&N 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 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 handles communications with institutional investors, the investment community, analysts and the media.

For the financial year ended 30 September 2012, Management has attended and participated in 10 conferences and road-shows held in Hong Kong, Singapore, and Tokyo, and met 142 investors over 87 meetings. Such conferences, roadshows and meetings allows the Manager to share with potential and current institutional investors the Manager’s strategies in enhancing Unitholders’ investments in FCOT.
Briefings for analysts and/or 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. Both announcements through FCOT’s website and the SGXNET are the principal media of communication with Unitholders.

A copy of the FCOT Annual Report is sent to all Unitholders. In compliance with the 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 one 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 Senior Management of the Manager 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; and
- 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).

Related Party Transactions

There is no general mandate obtained for related and interested party transactions ("RPTs" and each a "RPT"). All RPTs are undertaken on normal commercial terms and the Board, with the assistance of the ARC Committee, ensures that such RPTs 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 CIS).

All RPTs are entered in a register maintained by the Manager, including any quotations from unrelated parties and independent valuations forming the bases on which such RPTs are entered into. The Manager incorporates into its internal audit plan a review of all RPTs recorded in the register. The review includes the examination of the nature of the RPTs 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 CIS are complied with by Management in its dealings on RPTs. 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 CIS have been complied with.

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

Any RPT proposed to be entered into between FCOT and a related party of the Manager or FCOT (which includes relevant associates thereof), would require the Trustee to satisfy itself that such RPT 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 CIS and the Listing Manual.