

Temasek Charter 2009 Media Roundtable Key Questions and Answers

A. Key differences between Temasek Charter 2002 and Temasek Charter 2009

Question: What do you see as the biggest difference between the 2002 Charter and the one that we received today? (John Burton, Financial Times)

Chairman: Each Charter reflects the environment and the context at the time it is released. As I explained, in 2002, the subjects that people were interested in were different from what they are today.

After the 2002 Charter was released, an MP brought up an important point in Parliament about the competition that many Singapore companies faced from Government-Linked Companies. The MP pointed out, "Look, let's focus on where the real competition is. It's out there, internationally and not in Singapore." The focus on how to make more space for Singapore companies in Singapore is absolutely the wrong focus. Today, this has been recognized by the business community and by the many who comment on these matters. It's quite clear from the way that our companies have expanded overseas and built up their overseas networks that we are no longer talking about how to compete in Singapore but how to compete on the global stage.

Question: Could you point specifically to the difference in both documents? (John Burton, Financial Times)

Chairman: Well, the 2002 Charter had Group A and Group B companies but we are not talking about those anymore.

Ho Ching: If I may just clarify, the Charter is only the first page. The 2002 Charter was released with the elaboration document attached. Today, we have also included the background to give the context against which the updated Charter was released. If you look at both the 2002 and 2009 Charters, both send the message that we are looking for sustainable returns over the long term; we are an investor who is prepared to invest and divest; we are a shareholder who works very closely with our companies to ensure that they have the right values for the long term and that they will have focus and build up their human capital base. This is because we think in the long term that is where value is created.

For the updated Charter, we have crafted the emphasis slightly differently and that is because as Dhana has pointed out, the context and environment have changed. As in 2002, the 2009 Charter is forward looking. Both look ahead to see what the environment is and how we should position ourselves.

If you look at the Charter proper, the primary difference other than as a commercial investor, the only thing that is really different between the last version and this updated version is that we have made explicit our commitment to the community. Otherwise, if you look at it, it is rephrasing and putting into different contexts.

Question: What does the new Charter mean for Temasek in its day-to-day business? Does it ask for or allow for any changes in the day-to-day business? (Christoph Hein, Frankfurter Allgemeine Zeitung)

Chairman: I want to make one thing clear. The 2009 Charter is actually not new. It is revised, or 'tweaked'. It's basically the same thing – but tightened and more focused. The main addition is the community part of it, our focus on being a responsible corporation that's included in the Charter itself, and not included in the previous Charter. But I would be wrong to suggest to you that this is a totally new Charter, that we are going to go in a completely new direction – that is not so. Since we revised it, we felt it was important to let it be known to our stakeholders and to you.

Question: In the 2002 Charter, the Charter groups the companies into Groups A and B, does this still stand? (Joyce Koh, Bloomberg)

Ho Ching: The Group A and Group B companies are not in the main page of the 2002 Charter. The terminology provides the explanation of how the Government looks at these companies. If you look back at the 2002 Charter, it talks about Group A and Group B – Group A included companies that the Government regarded as critical resources and not all of these are Temasek companies. So it just provides the backdrop of how the Government views certain businesses.

From 2002 to where we have evolved today, clearly there were companies within our portfolio which we held and acted as stewards and custodians. One example would be the power generating companies. The power generating company as a whole was transferred to Temasek in 1994, 1995 and this was part of the government's interest to eventually liberalise the energy market to foster a competitive industry and ensure that energy supply is competitive in Singapore. Since 1994, we have worked very closely with the government as well as with the companies as well as with the unions to restructure these companies. We have split up the power-generating companies from the grid companies as an example. We have split up the power generating companies into three competitive entities, all of roughly equal size and equal capacity to compete. We have worked with the union to restructure, worked with the management to put in new boards and these boards have hired the new CEOs. These companies have then competed under the new regulatory regime. After a few years of operating, where we are clear that these are companies which can operate independently and competitively, we decided to divest them. This is in line with the Government's interest to have different owners competing in the three gencos.

The gencos are what we would classify under the previous Charter as Group A companies but there are very few of these companies left in our stable. So as of now I would say most of them other than those in the defense sector would all be commercial and we are free to look at them as commercial.

Chairman: When we published the 2002 Charter, very little was known about Temasek outside. Since then we have published five Temasek Reviews and there is a lot more knowledge and understanding of Temasek's operations today compared to 2002. So people who read the Charter must read it in light of what they know about us from our Reviews and there is no need to explain many things which we may have thought was necessary to explain in 2002.

B. Interaction with Portfolio Companies

Question: You mentioned in your Charter that you do not get involved in businesses or companies that you control. I'd like to ask you that as a majority shareholder, when do you get involved? (Costas Paris, Dow Jones)

Ho Ching: If it involves decisions that a company needs to bring to its shareholders, we as a shareholder would be involved.

Chairman: In any company, if the company is going to do something, the management of the company would talk to its shareholders. They wouldn't want to announce their plans to the public and find themselves shot down by the shareholder.

Question: As a shareholder, if the company needs additional funding, are you going to be involved in the funding? (Costas Paris, Dow Jones)

Ho Ching: If they require something from the shareholder, they will naturally have to come to the shareholder. Then it's up to the shareholder to decide whether it's worthwhile to support the initiative.

Chairman: Take a completely private company, for example, you have one single shareholder who owns 30%, and you're going to raise new capital. The company will talk to their 30% shareholder, no matter who their shareholder is.

C. Divestments

Question: Mr Dhanabalan, in this new or updated Charter, Temasek has dropped references to the Government's need to own or control companies that own critical resources. Does this mean that firms in Temasek's stable (DBS, Singapore Airlines, Singtel) can and will be sold at the right price? (Kevin Lim, Reuters)

Chairman: I think it's important to understand the context in which the first Charter was released and the context in which it has been updated. The 2002 Charter was released at a time when there were discussions about whether many Singapore companies faced competition from Government-Linked Companies. In that context, there was a need to clarify which companies were important for the Government to hold stakes in; and which companies may not be necessary for the Government to hold on to.

Today the situation is quite different. We have gone well past that point. Most of the companies that we have in our portfolio have gone well beyond Singapore. They have become regional, international and the question whether the government and Temasek should hold companies in Singapore is no longer one that invites much discussion. We are in a different environment.

As to your specific question on SIA, DBS and Singtel, well we are open. Our main focus is to build businesses which are internationally competitive. If these companies continue

to be competitive, then there is no need to sell them. Unless we come to the conclusion that there is no more opportunity for them to grow, then that is a different question but I don't think that is going to be something that we need to face in the immediate future.

Question: Do you have a possible divestment list? (Mayuko Tani, Nikkei-Nihon Keizai Shimbun)

Ho Ching: We do not have a divestment list. We review our portfolio regularly. We look at our portfolio both from an individual investment perspective, whether it will give us the returns, and from an overall portfolio perspective, where the relative returns are.

D. Broader base of stakeholders

Question: I just want to clarify why is there a need to explicitly state Temasek's relations with the public, the government and also the President. Is it because of feedback on the ground, is it because of scrutiny on Sovereign Wealth Funds for example? Can you explain? (Jonathan Peeris, 938LIVE)

Ho Ching: As I mentioned earlier, we have put out information on the relationships in our Temasek Review, well before the debate on Sovereign Wealth Funds began. We had wanted to, as we invest internationally and regionally, to introduce and make these clear. One reason, is that in most places people will tend to look at you through the lens of their own experiences. In many countries, if you are owned by the government, you are directed by the government or the politicians. In this case, we're not.