

TEMASEK --- HOLDINGS

TRANSCRIPT OF Q&A SESSION FROM TEMASEK MEDIA CONFERENCE ON 6 FEBRUARY 2009, FRIDAY AT 3:30PM

Costas Paris (Dow Jones): What is the reason that led you to the replacement of the current CEO? Under Ms Ho Ching's leadership, there have been some unfortunate investments, like the investment in Thailand (Shin Corp) which resulted in a huge loss because the shares took a huge dive and the investment in Merrill Lynch which resulted in more than \$2b in losses. Were those unfortunate investments the reason that Ms Ho Ching is being replaced?

S. Dhanabalan: Absolutely not. As I mentioned to you, we started the process in 2007. It was not a process of identifying a CEO only in 2007, but it started even earlier. The process was actually started by Ho Ching herself – that every year we should look at not only the CEOs but also the key managers in Temasek and ask ourselves who are the potential successors who can come in. It has nothing to do with performance. And secondly I would ask you to be a little cautious in coming to a conclusion that these investments are losses because we have a long term view of our investments and it is too early to say whether some of them will in fact result in a loss or not.

Kevin Lim (Reuters): Madam Ho, what do you plan to do after 1 October? Are there any other changes in management that we can expect between now and 1 October?

Ho Ching: That is very difficult – I think I will decide after October. As to your second question, we are continually building up our team and this is part of the evolution as we position ourselves forward. But clearly in going forward with Chip on board as CEO-designate, I will be working very closely with him and the rest of the management team. Whatever changes that come will probably be an evolution and a result of what we think we want to do and what he thinks going forward the emphasis of the organisation will be.

John Burton (Financial Times): Madam Ho, what prompted you to begin this annual process of reviewing future leadership in 2007 which was about 4 years after you took office here? I am also interested in the statement here that the chairman made, that the team has already embarked on a different stance since mid-2007. What do you mean by a different stance? Is that a review, maybe a change in terms of your investment strategy or where you want to focus your investments in the future?

S. Dhanabalan: First of all, as I mentioned, one of the key functions of a board, a critical function of a board and the incumbent CEO is to always think in terms of who are the potential successors. This process started in 2005 and it has been going on – in 2007, we identified Chip as a good potential successor. It follows from what we consider as a very critical function of the board.

With the whole economic environment changing, obviously we have to be a lot more careful in scrutinising opportunities. There were various elements – there were elements of looking more closely at opportunities, being a little more defensive. And then right now when we see the economic environment getting even more tough, we obviously have to ask ourselves where do we go from here, how do we deploy our resources, how do we garner resources? This is an ongoing process and we are glad that we have the CEO-designate on board to be part of this process.

Ho Ching: I personally believe that quite apart from running a business or building a team, whoever is the CEO is responsible for supporting a proper succession path for himself or herself. Clearly, the CEO should work with the board through this process. This is a process that we have done. We started in 2005 and it's not a new process. If you look around in some of the portfolio companies, they have similar processes in place. This is very much a culture of governance and a culture of professional management, where we are responsible not just to the present generation of the management and stakeholders but also to the future generation. For this process of succession, as much as possible, we try to formalise it, we try to take egos out of it, we try to take the individual out of it, look at it as openly as we can and as open mindedly as we can. And this is the process that has happened.

As to the review, in 2004 we had exactly the same sort of review where we looked at the environment and said that the environment was changing and therefore what is the posture of Temasek going forward? Most of you who have been following our publications and our *Temasek Reviews* in the past will know that we are looking at a posture where we were moving from a very much Singapore centric portfolio to one where we were looking at one-third Singapore underlying exposure, one-third underlying exposure to rest of Asia and one-third in OECD economies.

Over the last two years even before the crisis we have been looking at this posture and asking ourselves as Asia evolves, should we emphasise more in Asia, should we emphasise more in OECD, or should we also open an avenue to other economies? As you know we have just this year opened offices in Brazil as well as Mexico. This is very much part of the evolution of thinking of how we should position ourselves internationally, globally and so this part of the review is really trying to pull together against the backdrop of the macro changes, what we think are the long term trends and then try to position Temasek in the light of that.

Vikram Khanna (The Business Times): Mr Goodyear, could you share how your background and experience would equip or help you to take Temasek forward? Would you like to add on to what was said about the challenges facing Temasek that you would see as CEO-designate?

Charles W. Goodyear: In terms of my background, it's interesting that when we look at my experience over the last ten years – at BHP Billiton, how does that apply to an organisation like Temasek?

A couple of things. My career began in the investment banking business, in the areas of mergers and acquisitions and financing. I worked on 60 to 80 transactions over my period there. And then I moved into industry, but in a financial role. And the organisation was again very active in investment and financing activity. Then I moved to BHP 10 years ago, and again in a financial role. BHP was going through some challenging times – and again that was around investment and restructuring and putting the organisation together. Over that time, I did move into the chief executive role but it came very much from a financial perspective. The common denominator of business is

numbers. Being able to understand those numbers, the application of capital, the distribution of capital and how you apply that – that is the universal aspect of business.

If you look at BHP Billiton a little harder, you would see that we ran very much a portfolio model. The chief executive is not going to decide what an entire contract is, what a labour contract is, or applying capital, or managing teams, or setting objectives – and all of those things apply to the Temasek story.

I would say one other thing and I think it's a great common denominator and actually a rare one in the investment world. It's that Temasek and BHP Billiton have a very long-term focus to the way they invest. In the resources business, the pay-off time is in decades. Today, much of the investment community determine how they perform every day and every hour. And it's a great opportunity to be thinking about investment opportunities in long term perspectives, when many others are thinking short term. That's how I look at it in terms of my application here.

And then just a couple of things in terms of what attracted me to Temasek. Let me just begin with this concept and discussion around the foundation Ho Ching has built. I had a lot of time looking at this organisation. And as Dhana said, these conversations began over 15 months ago. I did take a great deal of time looking at the organisation and the people.

It's been a tremendous period of foundation setting that has happened over the last six to seven years and that covers a number of different things. It covers governance and knowledge; it covers the areas of rigorous analytical process, strategic development – items that are absolutely essential to an organisation. But one of the most important ones is what I call “values and behaviours”. If you look in the *Temasek Review*, you'll see a series of values and if you see BHP Billiton, you'll see almost a complete alignment with that.

And so that foundation that has been created by Ho Ching and her team provides an excellent stepping off point to the next phase of Temasek's development.

So, from my point of view, I saw a very strong organisation with an excellent foundation that needs to be built to take it to the next level. And the fact that that work has been done is a great benefit for me. I will then say that to be in an organisation that has a

wonderful set of operating businesses, with global and regional leaders and investments around the world, a wonderful footprint in Singapore, a growing and expanding footprint in Asia and also an international perspective, it's again for me a very exciting place to be in.

You will look at BHP Billiton and see that a big part of our performance over the last ten years has been the development of Asia. So, my experience here has not only been rewarding from a performance point of view of the company, but certainly personally very rewarding. So, the chance of participating in an organisation like that has to me been a really outstanding thing.

So, the combination of a great foundation, a wonderful set of businesses, fantastic people in the organisation and a footprint that we can build and grow on – that to me is certainly a win-win home-run opportunity.

Nicholas Fang (CNA): Mr Goodyear, you talked about future plans for Temasek and building on the foundation that has been built. What is your vision for the future plans for Temasek in the next phase given the fact that we are looking at a bad year or bad years to come. Chairman, the management team at Temasek now has a very international label with the CEO-designate and the COO, how is this going to benefit or help Temasek going forward?

Charles W. Goodyear: I've been on board for about five minutes and certainly talking about strategy going forward, it's far too premature to do that. I would just say that again - a very strong team here, building on a strong foundation. I'll be working with the organisation here and getting to know the people in more depth and more detail. We'll be looking at that over time. In terms of anything specific today, it's just far too early to do that.

S. Dhanabalan: Temasek has evolved through the years but over the last six to seven years, there has been a spate in the pace of evolution. We were basically a Singapore centric investment house. We are quite different now – we are Asian and international. And that's also reflected in, and probably caused by, a team which is very much international. So we are a Singapore-based, Singapore-owned institution but our area of operation is the globe. In that sense, I think having someone with global experience,

and a long term view of the payout of investments is a great, great help to continue Temasek on this path.

Juliana Liu (BBC): Question for Chairman. You said this process has been going on for more than a year. I'm sure you also can see how this looks to the outside. You are changing leadership at a very difficult time for Temasek. So is this in effect a vote of no confidence in a way things have been going?

S. Dhanabalan: I did not say it's a difficult time for Temasek. The environment is difficult, obviously we are affected, and what is happening in Temasek is not what triggered the change. As Ho Ching mentioned, this is part of a normal process we have been going through and when we identified a good candidate we decided it's time to move. As I mentioned in my opening remarks, obviously from the time we started this process till now, things have changed in the world, they haven't remained static. We constantly asked ourselves 'should we proceed', and finally we had to make up our mind - should we proceed or stop the whole process. We examined every aspect and as I explained we came to a conclusion that it is the right thing to proceed to make the change in the long term interest of Temasek.

Ignatius Low (The Straits Times): Questions for Ho Ching. Can I just be clear that as you are stepping down as CEO, you are also stepping down from the board?

Ho Ching: Yes that is right.

Ignatius: Did you consider staying on the board to provide leadership from a different perspective? If not, why not?

Ho Ching: There's a Chinese phrase called "*na de qi, fang de xia*". It means "what you can take up, you can put down". We are not here to recruit somebody who is wet behind the ears. I think Chip brings a wealth of experience, he brings capabilities that I do not have, just as with the team in Temasek, many of them have capabilities that I do not have. As a team I think it's a very strong team. I'd like to think that whoever is the new CEO would like to have maximum space, without having to say: "Hmm, you know, is this somebody's pet project?". I think it is a wise thing for a departing CEO not to hang around on the board. I think this is matter of good governance.

Having said that, between Chip and I, we have discussed – I am only a phone call away, an email away, whether formally or informally, if he wants to discuss anything, he wants to bounce ideas off, I am there for him. I would like to see him succeed because it doesn't make sense to bring in a new person and then not have the success. As much as possible I have given the commitment to him and to the rest of my team. The rest of my team I have also spoken with and they have also given that commitment that we will make this a success. It's not a one man show. Chip will definitely be first amongst equals just as I have been. But this is an organisation which is both a bottom-up as well as top-down; it's never a one way street, because this is an organisation of ideas, of people, of a lot of energy. So, I don't see myself as needing to hang around to direct it in any way, shape or form.

S. Dhanabalan: May I add as Chairman, that as a matter of principle, and this is shared by Ho Ching as well as other members of the board, not only for Temasek but also in companies where we can influence through our shareholding – that the outgoing CEO should not remain on the board in order to give the incoming CEO complete freedom to operate. I think it's a good principle to adhere to.

Saeed Azhar (Reuters): Since you are undertaking a long term review of investment and strategy. The main concern coming out from the rating agencies is that Temasek is too much weighted towards financials and in fact in a report in December, they said that it exposes Temasek to unpredictable asset cycles and contagion. Would you like to comment on that? And if there's a change going from 40% of financials to less than that in the long term?

S. Dhanabalan: I think the right forum to raise that point is when we release our *Temasek Review*. You can raise those questions then.

Christie Loh (TODAY): Can I ask Ms Ho if you are considering any offers from other companies to join them whether overseas or in Singapore. And for Chairman, in bringing on a foreigner to be CEO of Temasek, are you trying to address some of the concerns of Ms Ho's link to the Prime Minister or link to government, and to make it easier for Temasek to make acquisitions overseas?

Ho Ching: When we heard that Chip had announced his intention to retire from BHP, we approached him with the idea of considering joining Temasek. His first response was “I am still in BHP, I just want to focus on BHP. Come and talk to me when I am done with BHP.” And so we waited a few months before we went back to him. I will adopt the same policy.

S. Dhanabalan: On the second point, whether this is a way of making a change for someone who is related to the Prime Minister. This has been a point that I dealt with on the day we appointed Ho Ching as CEO. I think I have addressed it quite comprehensively. I was very instrumental in bringing in Ho Ching and that was purely on the basis of merit and not her relationship with anyone. I have already explained why we are making the change now. It’s got nothing to do with the fact that this is a burden I am very glad to get rid of. This is certainly not the case.

Yoolim Lee (Bloomberg): Question for Ho Ching. What are your biggest achievements and regrets during your leadership in Temasek?

Ho Ching: I am not a person who looks back to try and justify a reason for my leaving. I am a person who looks forward. In any case for anybody in any stage of their life, they will weigh what they want to do. At this point I am not weighing anything that I want to do post-October, my focus is still Temasek.

Is there a regret? Well, I think if you want to run life with regrets, you may end up doing very little. For us it’s looking at the issues, looking at the pros and cons, dealing with the decision and then dealing with the consequences. At the end of the day, what we hope to achieve is to put in place something that goes beyond us that goes from one generation to the next generation and hopefully carry the values, carry the sort of commitment that we have seen in Temasek, that we hope it will continue in Temasek through the different generations.

When you look at any issue, there are always pros and cons, and I think on balance the main thing that I am very happy with, very pleased with, is that I have had the privilege of working with a wonderful team without whom we would not have achieved what we have. We have a strong balance sheet, this was built up over the years and we continue to

build on it. I've got a very, very active board which engages with the management very intensely as and when the need arises. Most of all I am actually very delighted that between myself and a couple of my colleagues, and Chip's wife, we persuaded him to join Temasek.

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