

# TEMASEK

## FREQUENTLY ASKED QUESTIONS ABOUT TEMASEK

### 1. Why was Temasek established?

Temasek was incorporated under the Singapore Companies Act in 1974 to hold and manage investments and assets previously held by the Singapore Government. These were investments made in the first decade of nation building since independence in 1965. The objective of the transfer of these assets to a commercial company was to free the Ministry of Finance to focus on its core role of policymaking and regulations, while Temasek would own and manage these investments on a commercial basis.

### 2. Where did Temasek's original portfolio come from?

The initial portfolio of S\$354 million comprised shares in companies, start-ups and joint ventures previously held by the Singapore Government. They included a bird park, a hotel, a shoe maker, a detergent producer, naval yards converted into a ship repair business, a start-up airline, and an iron and steel mill.

### 3. Is Temasek a statutory board or a government agency?

Temasek is a company incorporated in Singapore, and operates under the provisions of the Singapore Companies Act. Temasek is neither a statutory board nor a government agency.

Like any other commercial companies, Temasek has its own Board of Directors and a professional management team. It pays taxes to tax authorities, and distributes dividends to its shareholder.

In addition, as a key institution in Singapore, Temasek is also designated a Fifth Schedule entity<sup>1</sup> under the Singapore Constitution, with certain safeguards to protect its past reserves<sup>2</sup>. For instance, any transaction which is likely to result in a draw of Temasek's past reserves is also subject to the approval of the President. The right to appoint, terminate or renew board members is subject to the concurrence of the President of Singapore.

Other than specific safeguards to protect the integrity of Temasek board appointments and its past reserves, Temasek continues to operate fully and independently as a commercial investment holding company.

#### **4. Is Temasek required to pay tax?**

Temasek pays the required taxes to the tax authorities, and separately declares dividends to its shareholder, as a commercial investment holding company.

#### **5. Does Temasek disclose its financial results? Where can I get a copy of its financial statements?**

As an exempt private company, Temasek is not required to disclose financial information.

However, since 2004, Temasek has published its annual Temasek Review, which provides a summary of its group financial results based on audited financial statements, as well as data on Temasek's portfolio, shareholder returns and its governance and investment frameworks.

Temasek's annual report exceeds the standards of disclosure under the Santiago Principles, a set of best practices adopted by sovereign investors in collaboration with the IMF and various governments, including Australia, Canada, Norway and USA.

*Please refer to [www.temasekreview.com.sg](http://www.temasekreview.com.sg) for the latest Temasek Review and to [www.iwg-swf.org/pubs/gapplist.htm](http://www.iwg-swf.org/pubs/gapplist.htm) to read more about the Santiago Principles.*

#### **6. Is Temasek credit rated?**

Temasek has corporate credit ratings of AAA and Aaa by Standard & Poor's and Moody's respectively.

Temasek's Global Medium Term Note (MTN) and Euro-Commercial Paper programmes are rated, as well as each Temasek Bond.

*Temasek's MTN Offering Circulars and Reports by international credit ratings agencies are published on Temasek's website at [www.temasek.com.sg/our\\_portfolio\\_bond\\_information.htm](http://www.temasek.com.sg/our_portfolio_bond_information.htm).*

#### **7. Who is Temasek's shareholder?**

Temasek's shareholder is the Singapore Minister for Finance.

#### **8. Does Temasek manage CPF funds or Singapore's foreign reserves?**

Temasek does not manage any CPF funds - these are managed by the Board of the Central Provident Fund, nor does it manage Singapore's Official Foreign Reserves, which are managed by the Monetary Authority of Singapore.

*More information on the management of Singapore's reserves is available by visiting the Singapore Ministry of Finance website, <http://app.mof.gov.sg>, which has a Frequently Asked Questions section on the management of reserves.*

## **9. Are Temasek and the Government of Singapore Investment Corp (GIC) the same organisation?**

There are 3 key financial institutions in Singapore, which are linked to the Singapore Government.

The Monetary Authority of Singapore (MAS) was formed in 1971, and acts as the central bank of Singapore. It manages the foreign reserves of Singapore. It is a statutory board.

Temasek is an investment holding company incorporated in 1974 in the early years of Singapore's independence to own and manage its assets and investments on a commercial basis.

GIC or the Government of Singapore Investment Corporation is wholly owned by the Singapore Minister for Finance and manages Government reserves, including surpluses accumulated and built up since independence.

They are separate entities with distinct roles and mandates, and distinct management teams.

Temasek is an investment company with a global portfolio, and manages its investments in accordance with its Charter. Temasek owns the assets it manages, is credit rated and issues international bonds.

As an active shareholder, Temasek encourages a culture of excellence and meritocracy, thoughtful leadership and sound governance in its portfolio companies. As an active investor, it has flexible investment horizons and aims to maximise long term returns from its investments.

*You can obtain more information about GIC at [www.gic.com.sg](http://www.gic.com.sg), and more information about the MAS at [www.mas.gov.sg](http://www.mas.gov.sg).*

## **10. Is the President involved in Temasek's business decisions?**

The President of Singapore is not involved in Temasek's investment, divestment or any other business or corporate decisions, except in relation to his custodial role in the protection of Temasek's past reserves due to Temasek's status as a Fifth Schedule entity under the Singapore Constitution.

Similarly, the Singapore Government is not involved in Temasek's investment, divestment, or any other business or operational decisions. Its role as shareholder in respect of Board appointments is subject to the concurrence of the President in order to protect the integrity of the Board of Temasek as a Fifth Schedule Company.

### **11. How is the President involved in the protection of Temasek's past reserves?**

The President of the Republic of Singapore has an independent custodial role to safeguard Singapore's critical assets and past reserves.

As a key institution under the Singapore Constitution, Temasek is required by the Singapore Constitution to seek the President's approval before a draw occurs on Temasek's past reserves.

Temasek's Chairman and CEO also certify the Statement of Reserves and Statement of Past Reserves to the President at prescribed intervals.

### **12. How is the President involved with the Board of Temasek?**

To safeguard the integrity of those involved in managing Temasek's reserves, the President's concurrence is required for the appointment, renewal or removal of Board members by its Shareholder, the Minister for Finance.

The appointment or removal of the CEO by the Board is also subject to the concurrence of the President.

Further to its normal fiduciary duties to the Company, the Board is accountable to the President to ensure that every disposal of investment is transacted at fair market value.

Over time, Temasek has assembled a Board and management team made up of people from broad backgrounds, across various industries, in both public and private sectors, from Singapore and overseas. The majority of Temasek's Board of Directors are independent

*Further information on the President's involvement is covered comprehensively in the Ministry of Finance FAQ on their website, <http://app.mof.gov.sg>.*

### **13. What are the companies in Temasek's portfolio? How many are listed and what is the market capitalisation of these companies?**

A list of some of Temasek's portfolio companies as at 31 March 2011 is provided in Temasek Review 2011.

*Please refer to [www.temasekreview.com.sg/portfolio/major\\_companies.html](http://www.temasekreview.com.sg/portfolio/major_companies.html) for more information.*

### **14. How does Temasek work with its portfolio companies?**

As a shareholder, Temasek expects the boards and managements of its portfolio companies to make their decisions based on commercial and economic grounds.

Temasek actively exercises its shareholder rights fully, including voting at shareholders' meetings, to protect its commercial interests.

Temasek does not direct the commercial or operational decisions of its portfolio companies, which are the responsibilities of their respective boards and managements.

**15. Does Temasek request representation on the boards of companies in which it invests?**

In general, Temasek is not represented on the boards of its portfolio companies.

Overall, Temasek promotes sound corporate governance in its portfolio companies by supporting high calibre, commercially experienced and diverse boards to complement management leadership. By leveraging its wide network of contacts, Temasek can suggest qualified individuals for consideration by the respective boards.

Temasek employees on boards would be appointed in their own individual capacity, and are expected to meet their fiduciary responsibilities as directors of companies.

**16. How does Temasek fund its investments?**

Temasek investments are financed primarily through dividends received from its portfolio companies, divestment proceeds, and commercial borrowings including bond issues.

**17. What is Temasek's divestment schedule?**

Temasek does not have a divestment schedule.

Temasek is an active investor and rebalances its portfolio from time to time. Decisions to invest, divest or hold portfolio companies are based on Temasek's intrinsic value test.

**18. How else does Temasek engage the community?**

Temasek has committed over S\$1 billion since its inception, for community, philanthropic and public good causes, as part of our support for the wider communities in Singapore, Asia and beyond. This commitment was further strengthened in 2003, when we decided to set aside a portion of our excess returns above our risk-adjusted hurdles as our community contribution.

In 2007, Temasek established Temasek Trust to independently oversee the financial management of Temasek's philanthropic endowments and gifts, including the endowment disbursements to approved non-profit beneficiaries. The Trust is an additional stakeholder with an interest in our continued success.

*You can read more about Temasek's community engagement at [www.temasek.com.sg/about\\_us\\_2.htm](http://www.temasek.com.sg/about_us_2.htm) and more about Temasek Trust at [www.temasektrust.org.sg/](http://www.temasektrust.org.sg/)*

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<sup>1</sup> Under the Singapore Constitution, the concurrence of the elected President of Singapore is required over certain governance matters concerning Fifth Schedule entities. These include the appointment and removal of board members and the CEO, and the drawdown of past reserves built up by the entity before the term of the current Government. Other Fifth Schedule entities include the Central Provident Fund Board, Government of Singapore Investment Corporation Pte Ltd, and the Monetary Authority of Singapore.

<sup>2</sup> Reserves accumulated by Temasek before the term of the current Government form Temasek's past reserves. Current reserves are primarily profits accumulated after a newly elected government is sworn into power. The swearing-in of the new Cabinet on 21 May 2011 after the Singapore Parliamentary General Election marked the start of a new term of government.