

**WORLD BANK AND UNDERSECRETARIAT OF
TREASURY
INTERNATIONAL CONFERENCE ON CORPORATE
GOVERNANCE PRACTICES IN SOEs**

**10th JUNE 2014
ANKARA, TURKEY**

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

*Presented by Mr John K Lim
Immediate Past Chairman1
Singapore Institute of Directors*

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

- The Singapore Experience
- Highly positive and intricably linked to Temasek Holdings Pte Ltd.

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

- CG Reform in Singapore SOEs effectively started in 1974 with incorporation of Temasek under Singapore Companies Act (Chapter 50)
- A holding company wholly owned by the Minister of Finance
- Formed to hold and commercially manage the State's investment in various sectors of the economy
- Early realisation by its leaders that its enterprises needed to be run commercially to be successful
- Initial portfolio was S\$354 million and S\$215 billion in March 2013

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

Critical Success Factors

- Separation of the Government's role as owner and shareholder and as policy maker and regulator.
- SOEs (or GLCs) operate as commercial entities with adherence to highest standards of corporate governance
- Focus on long term sustainable stakeholder value

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

Separation of ownership from regulatory function

- Temasek (SOE) and investee companies (TLCs or GLCs) able to operate commercially without agency interference and conflicts of interest
- Expected to comply with all regulations without special preference

Temasek – Performance Overview

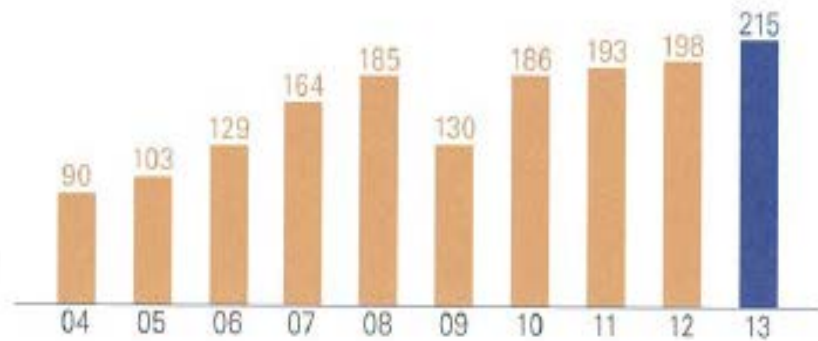
Portfolio Value

Value increased by S\$154 billion over the decade

S\$215b

Portfolio value

Portfolio Value (S\$b)



Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Performance Overview

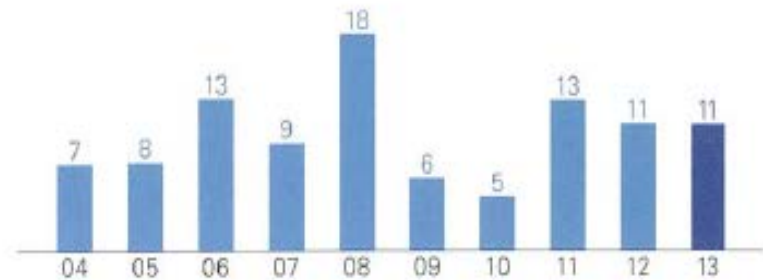
Group Net Profit

Average annual group net profit
of S\$10 billion over the decade

S\$11b

Group net profit

Group Net Profit (S\$b)



¹ As at 31 March 2013.

Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Performance Overview

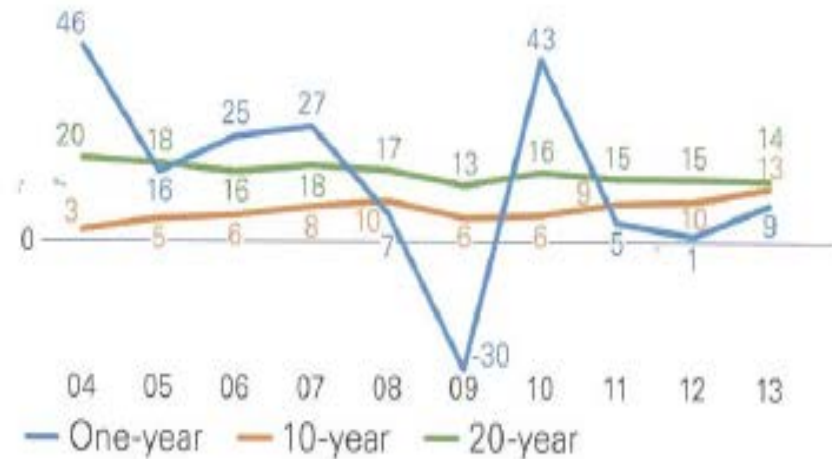
Total Return to Shareholder

Compounded annual return of 13%
to shareholder over 10 years

8.86%

One-year return to shareholder

Rolling S\$ Total Shareholder Return (%)



Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Performance Overview

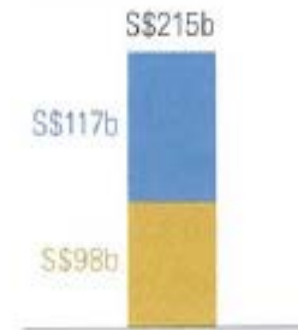
Ten-year Returns to Temasek by Vintage

Annualised 16% returns over last decade for investments older than 10 years

20%

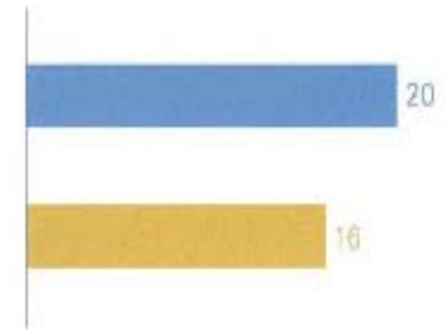
Ten-year returns to Temasek on post-March 2003 investments

Portfolio Market Value¹



- Newer investments made after 31 March 2003
- Older investments held as at 31 March 2003

10-year Annualised S\$ Returns to Temasek¹ (%)

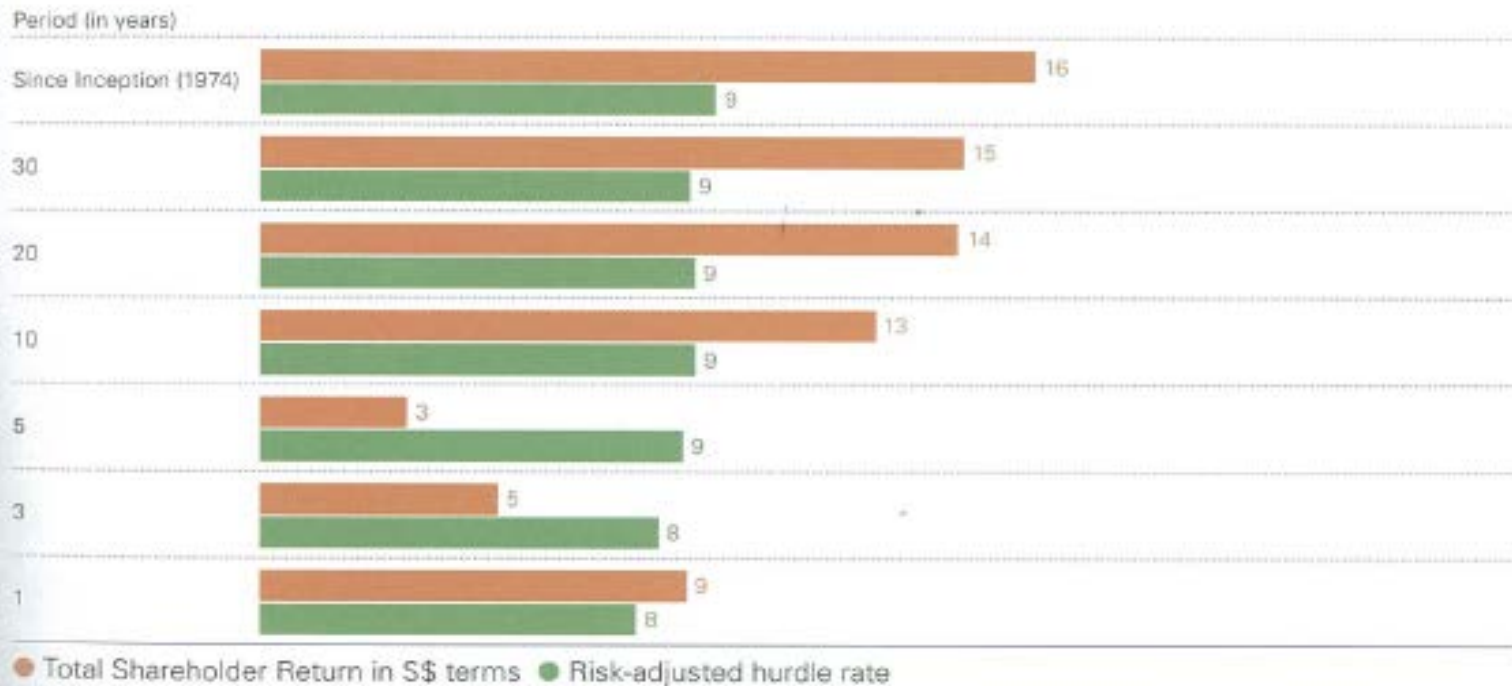


Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Total Shareholder Return

S\$ Total Shareholder Return and Risk-adjusted Hurdle Rate (%)

(as at 31 March 2013)



Source : Temasek Review 2013

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

Key features of Temasek's operating model

- An active shareholder and investor
- Clear mandate with long term orientation (See Temasek Charter)
- Listing on local exchange where appropriate
- Highly competent and independent board and relevant committees at both Temasek and investee company level

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

Key features of Temasek's operating model

- Effective Risk Management – Geography and Sector
- Disclosure and Transparency
- Accountability to President, Shareholder, Portfolio companies and Community

The Temasek Charter

Temasek is an active investor and shareholder.

We deliver sustainable value over the long term.

Temasek is a forward looking institution.

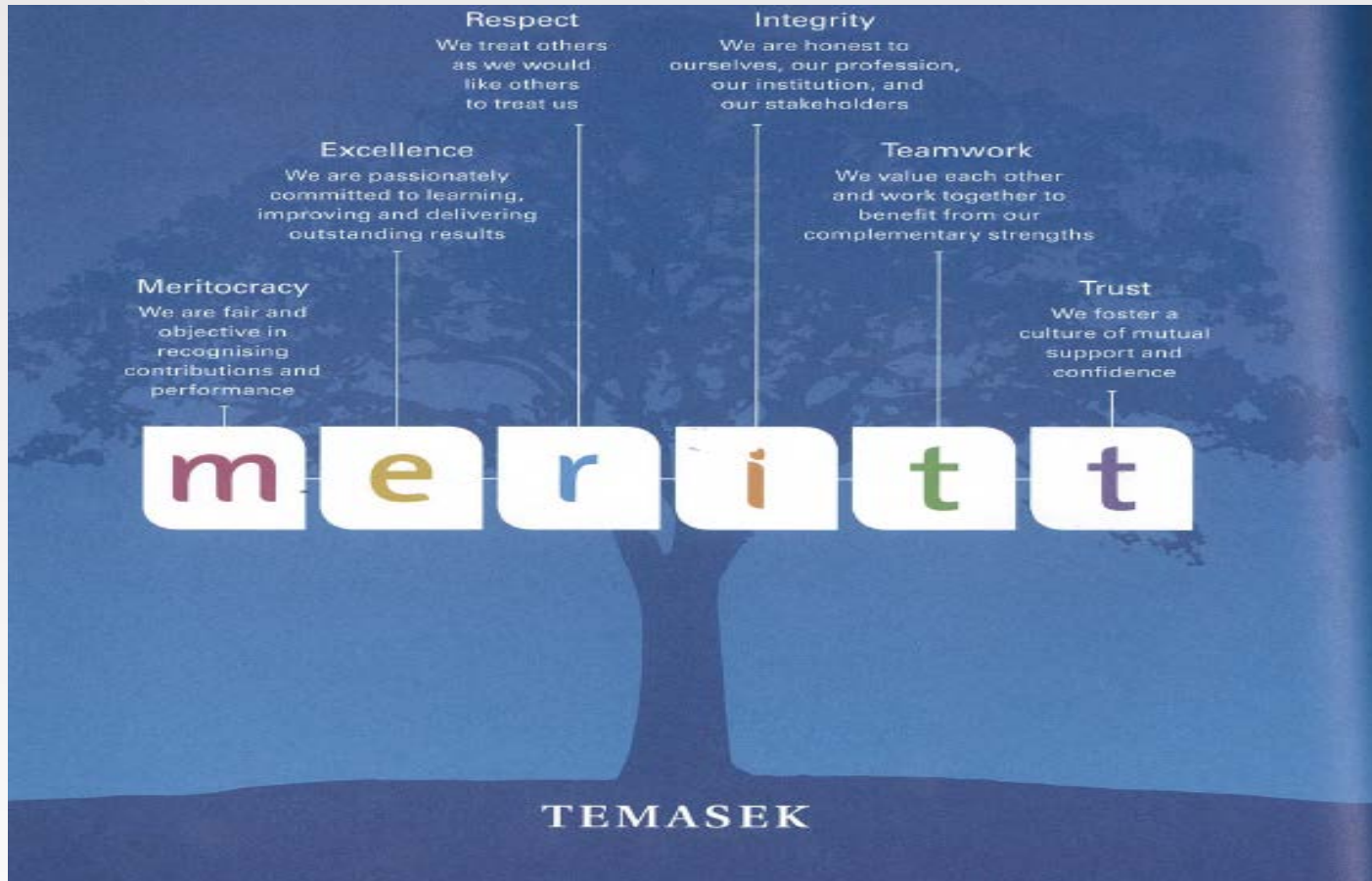
We act with integrity and are committed to the pursuit of excellence.

Temasek is a trusted steward.

We strive for the advancement of our communities across generations.

Source : Temasek Review 2013

Temasek CORE Values



Source : Temasek Review 2013

Temasek – Performance Overview

Active Investor

Invested S\$159 billion and
divested S\$100 billion over the decade

S\$7b

Net investments for the year

Investments & Divestments (S\$b)



Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Portfolio highlights

Portfolio Highlights

(as at 31 March)

Temasek has a net portfolio of S\$215 billion, comprising mostly equities. It has an underlying exposure of 58% to mature economies¹ and 42% to growth regions².



Global Exposure³

41%

Asia ex-Singapore

30%

Singapore

25%

North America &
Europe, Australia
& New Zealand

4%

Latin America,
Africa, Central Asia
& the Middle East

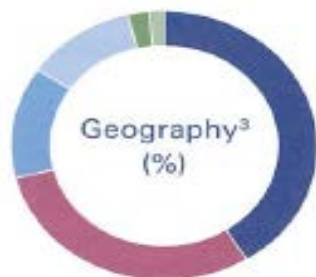
¹ Singapore, Japan & Korea, North America & Europe, Australia & New Zealand.

² Asia (excluding Singapore, Japan & Korea), Latin America, Africa, Central Asia & the Middle East.

³ Distribution based on underlying assets.

Source : Temasek Review 2013

Temasek – Portfolio highlights



	2013	2012
● Asia ex-Singapore	41	42
● Singapore	30	30
● Australia & New Zealand	13	14
● North America & Europe	12	11
● Latin America	2	1
● Africa, Central Asia & the Middle East	2	2



	2013	2012
● Financial Services	31	31
● Telecommunications, Media & Technology	24	24
● Transportation & Industrials	20	21
● Life Sciences, Consumer & Real Estate	12	12
● Energy & Resources	6	6
● Others	7	6

Source : Temasek Review 2013 (as at 31st March 2013)

Temasek – Portfolio highlights



	2013	2012
● Listed large blocs (≥20% share)	38	37
● Liquid & sub-20% listed assets	35	36
● Unlisted assets	27	27



	2013	2012
● Singapore dollars	65	65
● Hong Kong dollars	11	12
● US dollars	6	7
● British pounds sterling	6	6
● Euros	2	1
● Others	10	9

* Distribution based on currency of denomination.

Source : Temasek Review 2013 (as at 31st March 2013)

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

- Temasek's success and high CG standards well acknowledged in both domestic and regional markets
- Temasek's listed investee companies feature prominently as winners in both domestic and regional CG scorecards and Corporate Governance awards
 - Governance and Transparency Index (GTI)
 - ASEAN CG Scorecard
 - Best Managed Board Award

LESSONS FROM SOE GOVERNANCE REFORMS – SINGAPORE

Can Temasek's Success be duplicated?

- YES
- Need holistic approach and sustained concerted efforts by all stakeholders
- Grouping collection of SOEs under a common holding company alone is not sufficient for success

Thank You