

TEMASEK HOLDINGS

Media Backgrounder

Temasek Charter

- The Temasek Charter re-affirms the role of Temasek as a commercial investment company to create and deliver sustainable long-term returns.
- First published in 2002 and updated in 2009, the Charter outlines Temasek's focus as an active investor and as an active shareholder of successful enterprises.
- The Temasek Charter remains a living document to guide our institution forward, anchoring Temasek on strong commercial principles and sound governance.
- The Temasek Charter will be reviewed periodically in consultation with our shareholder to ensure that it remains relevant to our role and core focus.

History

- Temasek was incorporated in 1974 to hold investments previously held by the Singapore government or its agencies. The intent was to devolve responsibility for managing these assets to a professional and commercial management, and leave the government to focus on its primary role as a policy maker and market regulator.
- This initial portfolio was an eclectic mix ranging from a detergent manufacturer and chicken essence producer to hotels and new start-ups such as shipyards formed to commercialise naval dockyards left by the British post 1971. Most of these were divested over time, while others such as Singapore Airlines, DBS Bank and SembMarine grew and were listed, becoming significant members of the Temasek stable of companies.

- In the 1980s and early 1990s, the Singapore government also decided to corporatise certain infrastructure services such as telecommunications, port and power. Again, the intent was for the government to focus on its role as policy maker and market regulator to improve the competitive structure of the Singapore economy. These corporatised operations were transferred to Temasek to be managed commercially. They included SingTel, PSA and SingPower.
- At the same time, Temasek also invested or co-invested in Singapore as well as overseas, at times co-investing with non-government linked companies.
- Temasek also evolved its governance principles over the last 35 years. While Temasek and its portfolio companies have operated along commercial principles from the beginning, the Singapore government had been closely involved with Temasek companies in the early days.
- An example was the government's direct involvement in constituting the various boards of the Temasek-linked companies (TLCs). Nominations to the boards of TLCs were initially under the purview of the Directorship and Consultancy Appointments Council or DCAC. By the mid-1990s, the DCAC relinquished its responsibility of nominating board members to Temasek's portfolio companies.

Temasek Charter (2002)

- Temasek first released its Charter in 2002 against the backdrop of a recovering Asia post the Asian Financial Crisis of 1997 and the Dot.com bust of 2000.
- The core message of the Charter was our interest in nurturing successful and vibrant international businesses from our stable of companies, and our interest to see our portfolio companies achieve scaleable and sustainable growth, divesting or rationalising as needed to improve shareholder returns. Investments and divestments were part of our options to deliver returns.

- As background and context for the Charter in 2002, we also elaborated on how the Singapore Government broadly viewed its interest in certain businesses as critical resources or to fulfill public policy, regardless of whether they were Temasek companies or other government-linked operations. It was clear that once the relevant market-based regulations were in place for some businesses, the government would no longer need to hold controlling interests in them.
- An example is power generation industry, where the Government was interested in developing a market-based regulatory framework to support a sustainable and competitive energy market in Singapore to underpin a competitive economy. Temasek worked closely with the regulator, as well as the managements and unions for nearly 15 years to rationalise the assets, and to test and refine the competitive framework before Temasek decided in early 2007 that the regulatory conditions and positive market outlook were ready for it to divest its three power generating companies. This was successfully completed by March 2009.

Temasek Charter (2009)

- As part of its 35th anniversary, Temasek has reviewed and updated its Charter to re-affirm its role as an active and long-term investment company.
- Our mission remains to create and deliver sustainable long-term value for our stakeholders. In the medium-term, we believe this can be achieved with a clear focus on Asia, including Singapore, while we add exposures to new geographies like Latin America.
- Temasek Charter 2009 also reiterates our interest to build significant regional or international businesses as an active investor and value-adding shareholder, and makes explicit our commitment as a responsible corporate citizen to contribute to the growth and development of the wider community.
- Sound and thoughtful governance has been and will continue to be the cornerstone for Temasek and our portfolio companies to deliver sustainable long-term value. This emphasis is covered extensively in all our Temasek

Reviews, and is also included as background information to our Charter for clarity. Specifically, we provided background context on our relationships with various stakeholders such as:

- The President of Singapore
 - Our shareholder
 - Our portfolio companies
 - Our wider community
- A sound framework of governance founded on integrity, professional management and commercial discipline will continue to guide these relationships.

Temasek and its portfolio

- Today, many of our Singapore portfolio companies have diversified successfully beyond Singapore. Some are brand leaders in the global economy, while others are recognised regional players.
- Over the past year, Temasek has also participated in the rights issues of several Singapore-listed companies, and re-invested in market leaders such as Olam International.
- In conjunction with its 35th anniversary, Temasek has also launched *Temasek Cares* this year, to add to its stable of non-profit philanthropic organisations contributing to Singapore and to Asia.

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