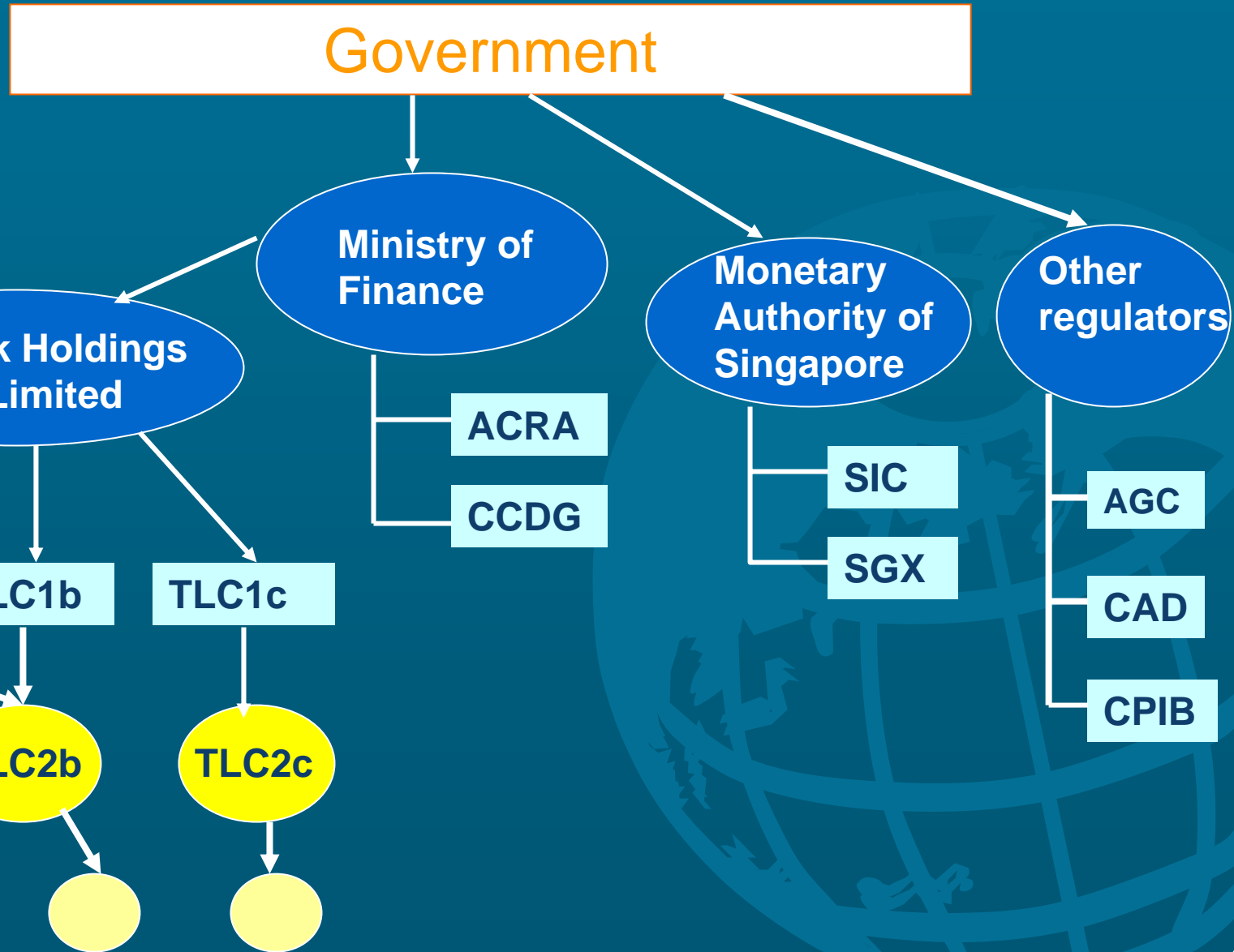




***Corporate Governance of SOEs:
A Singapore Perspective***

A/P Mak Yuen Teen

Corporate Governance in Singapore: The Government's Role



Corporate Governance in Singapore: The Government's Role

- TLCs = Temasek-Linked Companies (our “SOEs”)
- ACRA = Accounting and Corporate Regulatory Authority (regulate companies)
- CCDG = Council on Corporate Disclosure and Governance (set accounting standards and CG guidelines)
- SIC = Securities Industry Council (regulates mergers and acquisitions)
- SGX = Singapore Exchange

Corporate Governance in Singapore: The Government's Role

- AGC = Attorney-General Chambers
- CAD = Commercial Affairs Department
- CPIB = Corrupt Practices Investigation Bureau



Temasek Holdings

- One of two investment arms of the Singapore Government – the other being the Government Investment Corporation of Singapore which invests Singapore's foreign reserves
- Established in 1974 to take over the Government's stakes in local companies held by the Ministry of Finance, which were initially acquired as part of Singapore's industrialisation process

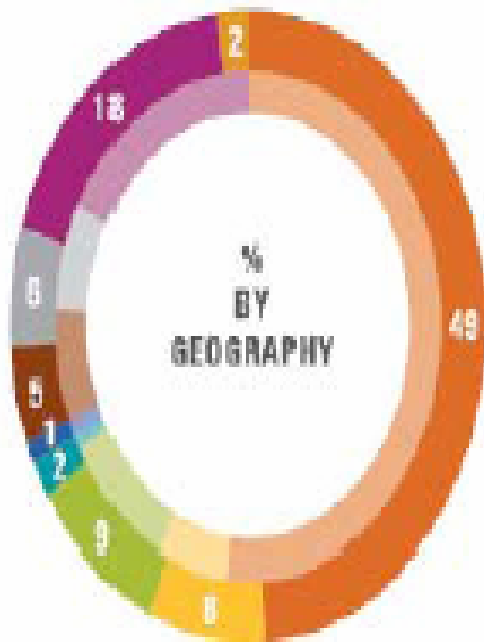
Temasek Holdings

- Ministry of Finance is today the single shareholder of Temasek Holdings
 - As at 31 March 2005, Temasek Holdings managed a total portfolio valued at S\$103 billion
 - It has clearly been profitable based on various benchmarks
- 

Temasek Holdings

Portfolio value: S\$103 billion

Based on market value for listed assets and book value for unlisted assets less debt as at 31 Mar 2005.



FY 03 FY 04

52	49	Singapore
6	8	China/Taiwan/Korea/North Asia
9	9	ASEAN (excluding Singapore)
1	2	India/Pakistan/South Asia
1	1	Japan
7	5	Europe
7	6	US
17	18	Australia
0	2	Others

FY 03 FY 04

52	49	Singapore
16	19	Rest of Asia (excluding Japan)
32	30	DECD Economies (excluding Korea)
0	2	Others

Temasek Holdings



FY 03	FY 04	
36	33	Telecommunications & Media
21	21	Financial Services
6	8	Property
14	17	Transportation & Logistics
7	8	Energy & Resources
10	10	Infrastructure, Engineering & Technology
6	3	Biopharma & Others

Temasek Holdings

Temasek-Linked Companies

Key investments and effective shareholdings (% share)

Telecommunications & Media		Financial Services		Property	
▪ SingTel	56	▪ DBS	28	▪ Capitaland	43
▪ SingTel Optus	56 ¹	▪ Bank Danamon	60	▪ Australand Holdings	23 ⁴
▪ MediaCorp	100	▪ ICICI Bank	8	▪ Raffles Holdings	27 ⁴
▪ Telekom Malaysia	5	▪ Hana Financial Holdings	10	▪ Ascott	29 ⁴
▪ ST Telemedia	100	▪ Bank Internasional Indonesia	35	▪ Keppel Land	14 ⁵
▪ Starhub	63 ²	▪ Alliance Bank	15	▪ Mapletree Investments	100
▪ Global Crossing	71 ³	▪ China Minsheng Bank	4	▪ Surbana Corporation	100
▪ PT IndoSat	41 ³	▪ NIB Bank	71		
▪ Equinix	35 ³	▪ China Construction Bank	7		
▪ Shin Corp	96 ⁷	▪ Bank of China	5		
		▪ E.Sun Financial Holdings	6		
		▪ Fullerton Fund Management	100		

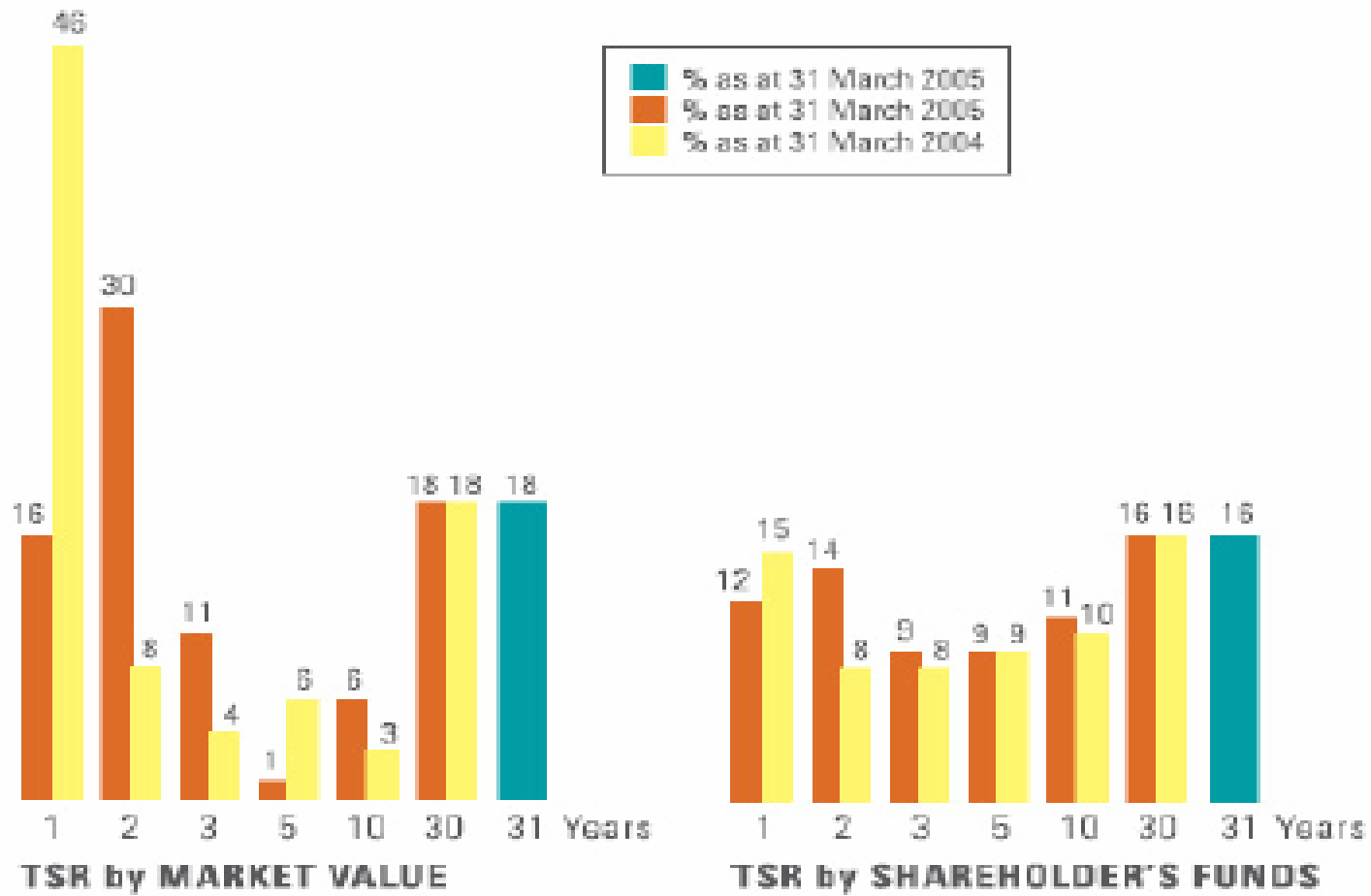
Temasek Holdings

Transportation & Logistics		Energy & Resources		Infrastructure, Engineering & Technology	
• SIA	57	• Singapore Power	100	• Keppel Corp	32
• NOL	67	• Sembcorp Utilities	51 ^s	• Keppel Offshore & Marine	32 ^s
• PSA	100	• PowerSeraya	100	• SembCorp Industries	51
• SMRT	55	• Senoko Power	100	• SembCorp Marine	32 ^s
		• Tuas Power	100	• ST Engineering	55
				• Chartered Semiconductor Manufacturing	60
				• STATS ChipPAC Ltd	36
				• Mahindra & Mahindra	5

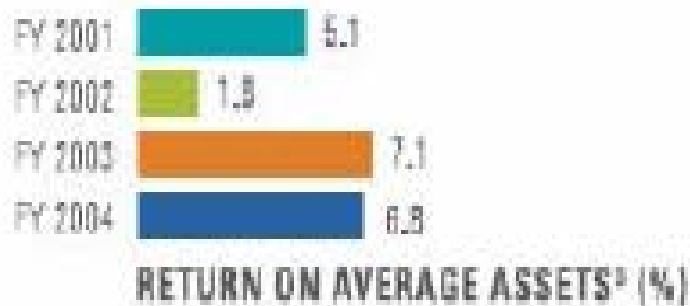
Temasek Holdings

	Biopharma & Healthcare		Others
<u>Notes</u>	▪ Quintiles Transnational Corp	17	▪ Wildlife Reserves Singapore 88
1 Held through SingTel	▪ Matrix Laboratories	13	▪ Aetos Security Management 100
2 Held through ST Telemedia & MediaCorp	▪ Apollo Hospital Enterprise	7	▪ Cisco Security 100
3 Held through ST Telemedia	▪ Temasek Life Sciences Laboratories	33	
4 Held through CapitaLand	▪ Bumrungrad Hospital	6	
5 Held through Keppel Corp			
6 Held through SembCorp Industries			
7 Held together with Siam Commercial Bank and a group of Thai investors, through Kularb Kaew			

Temasek Holdings



Temasek Holdings



Corporate Governance of TLCs

- Board of Directors of Temasek:
 - Chairman – ex-Minister
 - Two deputy Chairmen – 1 civil servant (MOF); 1 from private sector
 - 6 other directors (including CEO) – 3 from private sector
- Temasek is clearly focused on increasing total shareholder return (TSR) and the performance of some TLCs compare very favourably against international benchmarks (e.g., SIA) but for others it may be more difficult to properly evaluate their “real” performance

Corporate Governance of TLCs

- Listed Singapore TLCs consistently top corporate governance and transparency awards. Strengths include:
 - strong, and often international, boards and management
 - good board processes and practices (e.g., nomination processes; board and director appraisals)
 - well-developed remuneration policies linking pay to performance (based on TSR, EVA, etc.)
 - good internal control and risk management processes

Corporate Governance of TLCs

- Guided by corporate governance policies developed by Temasek Holdings although there are differences in corporate governance disclosures and practices across them, indicating that boards of the TLCs are allowed to determine their own governance practices within broad policies
- Temasek does nominate directors based on their shareholding but for first-tier and listed TLCs, they are generally from the private sector

Some Issues

- Temasek's perspective is that of a controlling shareholder, and it may not see certain issues the way minority shareholders do
- Government as a regulator versus government as a shareholder – perception that governance reforms are heavily influenced by Temasek
- It suffers somewhat from baggage of poor governance and performance of SOEs in other countries (and avoids use of term “SOEs”)

Some Issues

- It is difficult to convince outside observers that Temasek is just an investor acting independently of the Singapore government in its investment decisions

