



GOVERNANCE OF GOVERNMENT-LINKED COMPANIES IN SINGAPORE

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NUS Business School

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+ What's a Government-Linked Company (GLC)?



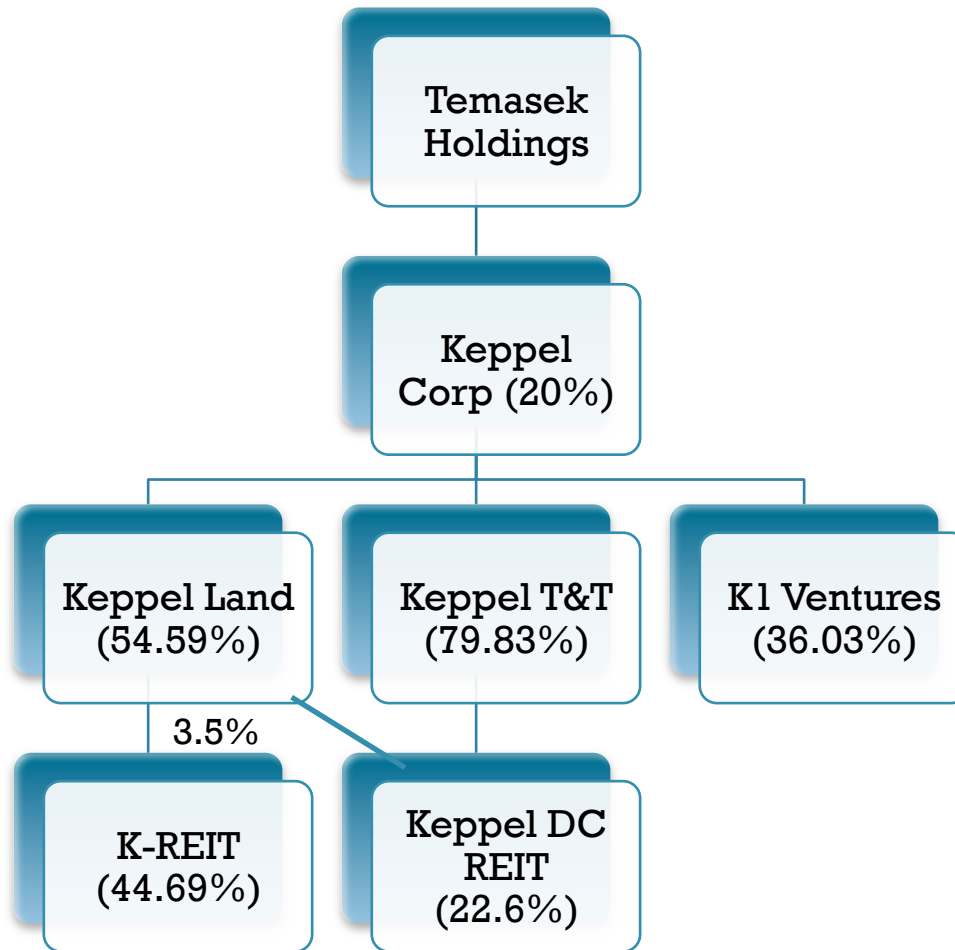
- Definition adopted: Company in which the government, through Temasek, another government agency, or another GLC, is the controlling shareholder
 - Controlling shareholder = 15% or more of voting shares (per Singapore Exchange's definition)
 - Includes "tier 1" GLCs – directly owned by Temasek (or through investment vehicle owned by Temasek)
 - Includes GLCs that have another GLC as controlling shareholder (tier 2, tier 3, etc.)
 - Excludes companies where there is another shareholder with larger stake (e.g., M1) or other investors with nearly as large stakes (e.g., FJ Benjamin), or shares cannot be voted (e.g. SGX)

+ Listed Singapore GLCs



- Tier 1 (12) – all listed in Temasek’s website
 - Capitaland, DBS Group, Keppel Corp, NOL, Olam, SATS, Sembcorp Industries, SIA, Singtel, SMRT, ST Engineering, Stats Chippac
- Tier 2 and lower (18) – derived by analysing ownership of tier 1 and tier 2 GLCs
 - Ascott Residence Trust, CapitaCommercial Trust, CapitaRetail China Trust, CitySpring Infrastructure Trust, K1 Ventures, Keppel Land, Keppel REIT, Keppel T&T, Mapletree Commercial Trust, Mapletree Greater China Commercial Trust, Mapletree Industrial Trust, Mapletree Logistics Trust, Sembcorp Marine, SIA Engineering, Singapore Post, Starhub, Telechoice, Tiger Airways

+ The Keppel Corporate Tree



+ GLCs' Share of Stock Market in Singapore

- Listed Sector
 - GLCs account for 30 out of 742 issuers (4%) but about 30% of total market cap (based on 724 issuers)
- Share of overall economy is unknown – estimates generally around 20%

+ Governance of GLCs: Temasek's Position



How does Temasek work with its portfolio companies?

As a shareholder, Temasek manages its portfolio as an active investor by increasing, holding or decreasing its investment holdings, to create and shape our risk-adjusted returns for the long term.

As an engaged shareholder, Temasek promotes sound corporate governance in its portfolio companies. This includes supporting the formation of high calibre, experienced and diverse boards to guide and complement management leadership.

Companies in Temasek's portfolio are guided and managed by their respective boards and management. Temasek does not direct their business decisions or operations.

Temasek advocates that boards be independent of management in order to provide effective oversight and supervision of management. This includes having mostly non-executive members on boards with the strength and experience to oversee management. Similarly, Temasek advocates that the Chairman and CEO roles be held by separate persons, independent of each other.

Temasek protects its interests by exercising its shareholder rights, including voting at shareholders' meetings as needed.

Source: <http://www.temasek.com.sg/abouttemasek/faqs>

+ Governance of GLCs: Temasek's Position



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.

Source: <http://www.temasek.com.sg/abouttemasek/faqs>

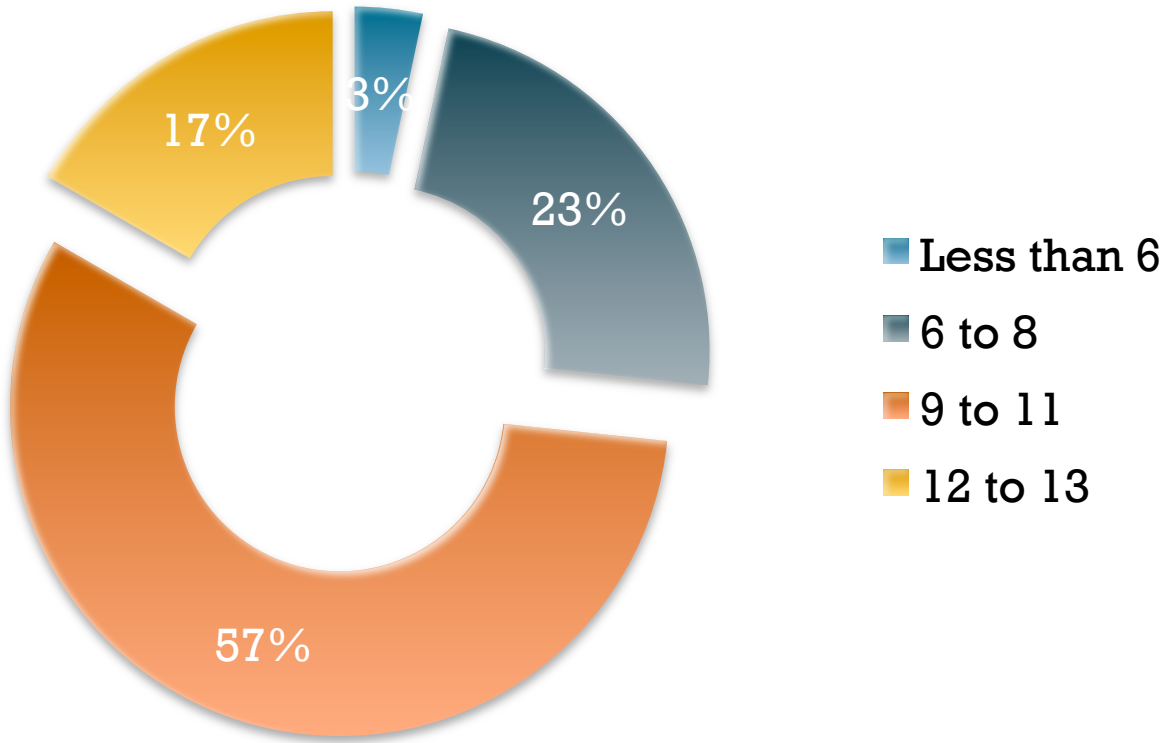
+ Governance Practices of GLCs in Singapore

- Based on 2014 Governance and Transparency Index's ranking of 664 companies , the 21 GLCs that are ranked have a mean ranking of 30 and a median ranking of 17
- They generally have good board structure attributes in terms of reasonable size, “independent” Chairman, high proportion of “independent” directors, and commonly have international directors
- However, connections between directors and Temasek, parent GLCs and government are relatively common – even though Temasek's approach is generally not to appoint directors and to allow the GLCs to have autonomy in governance and management

+ Governance Practices of GLCs in Singapore



Board size

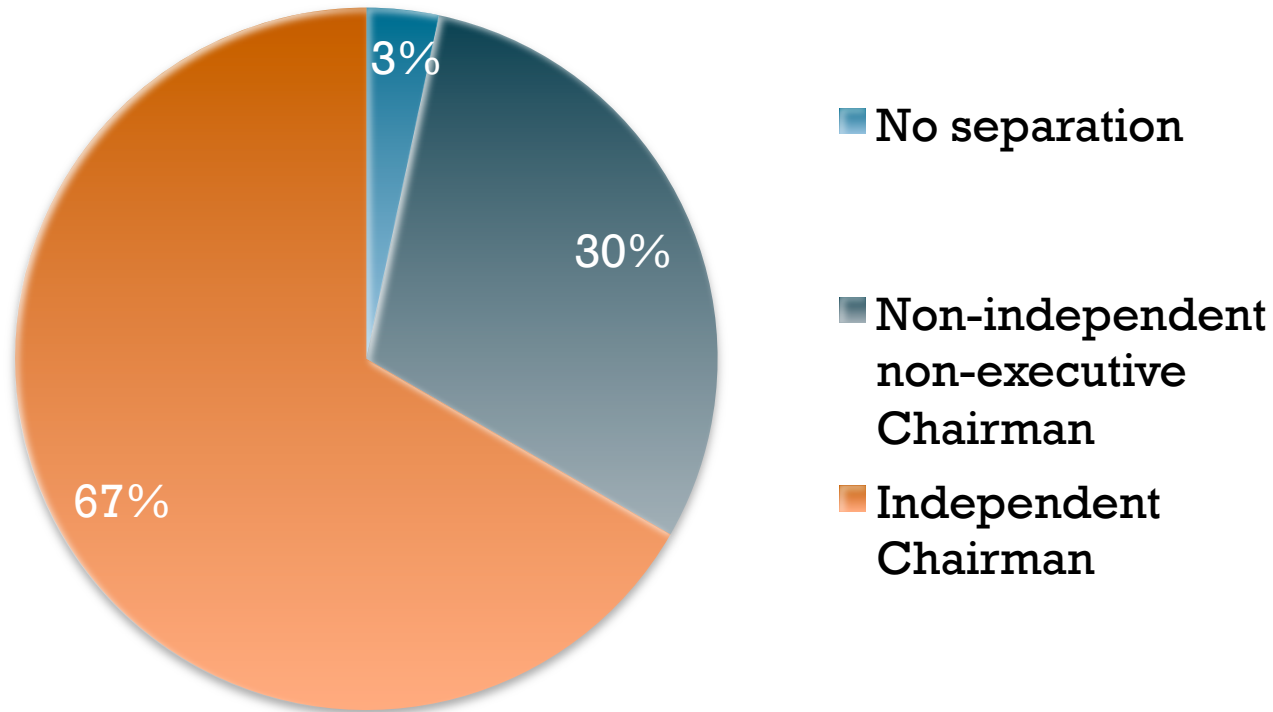


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+ Governance Practices of GLCs in Singapore



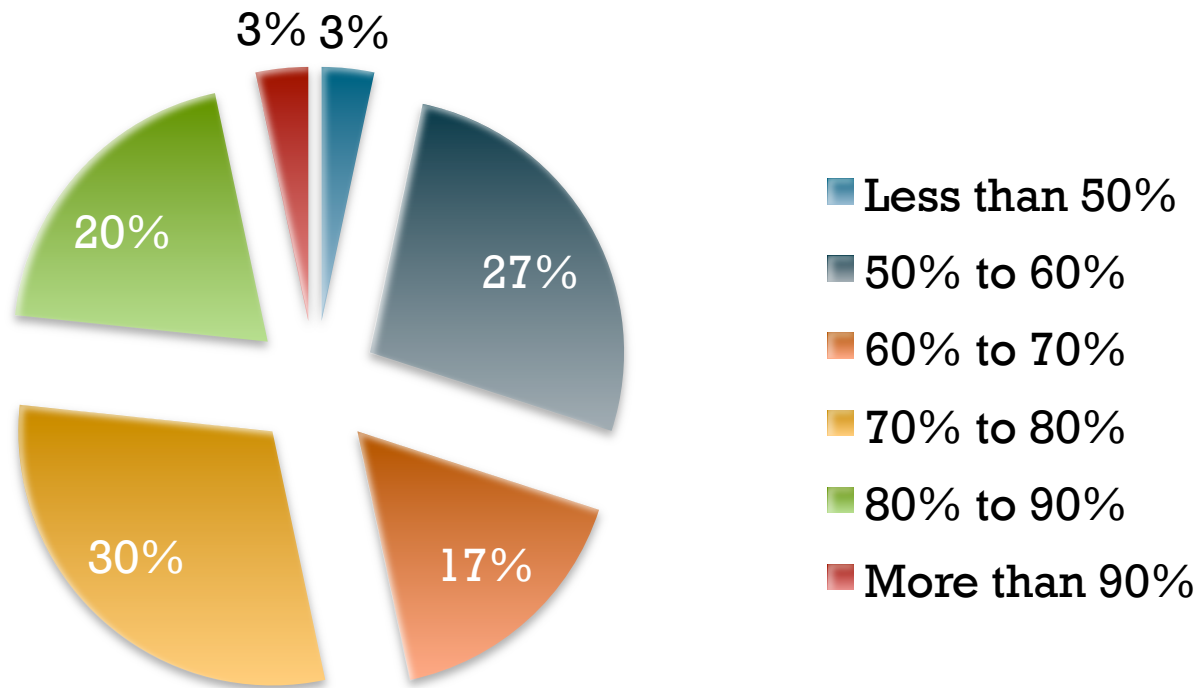
Separation of Chairman and CEO



+ Governance Practices of GLCs in Singapore



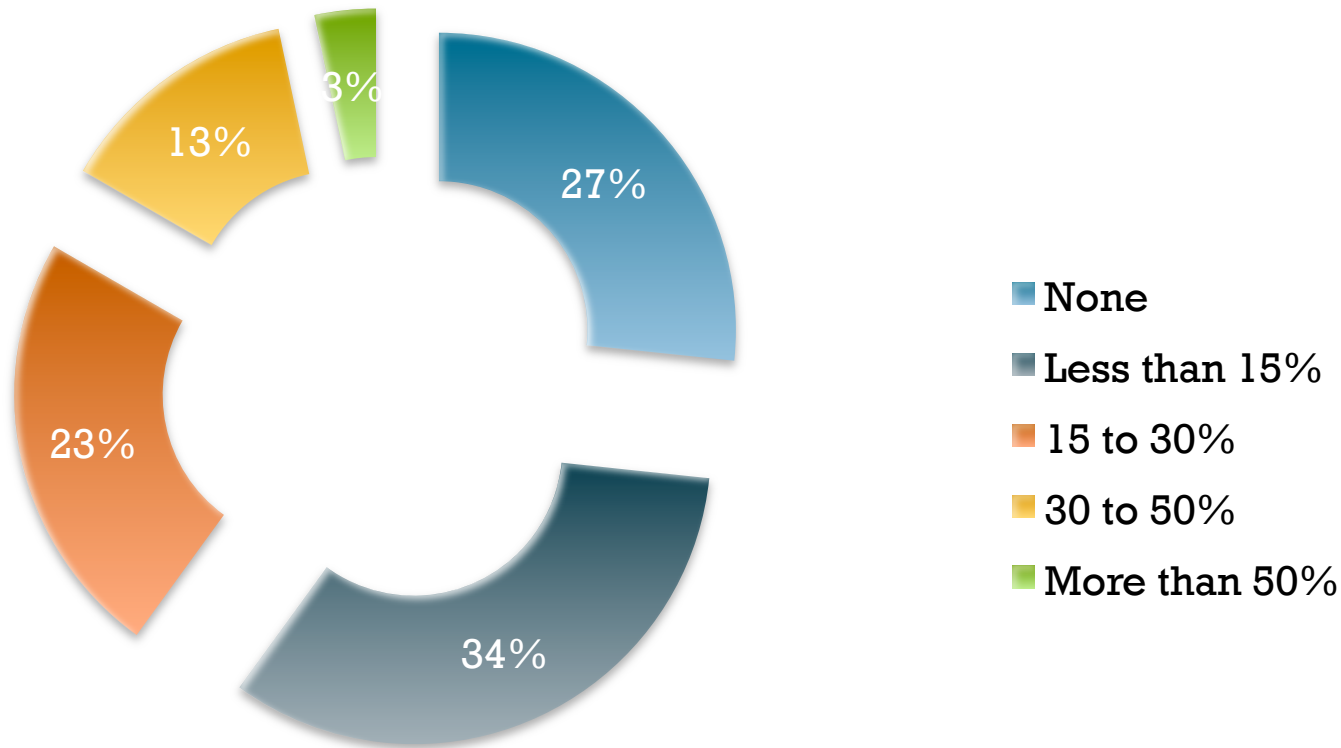
Percentage of INEDs



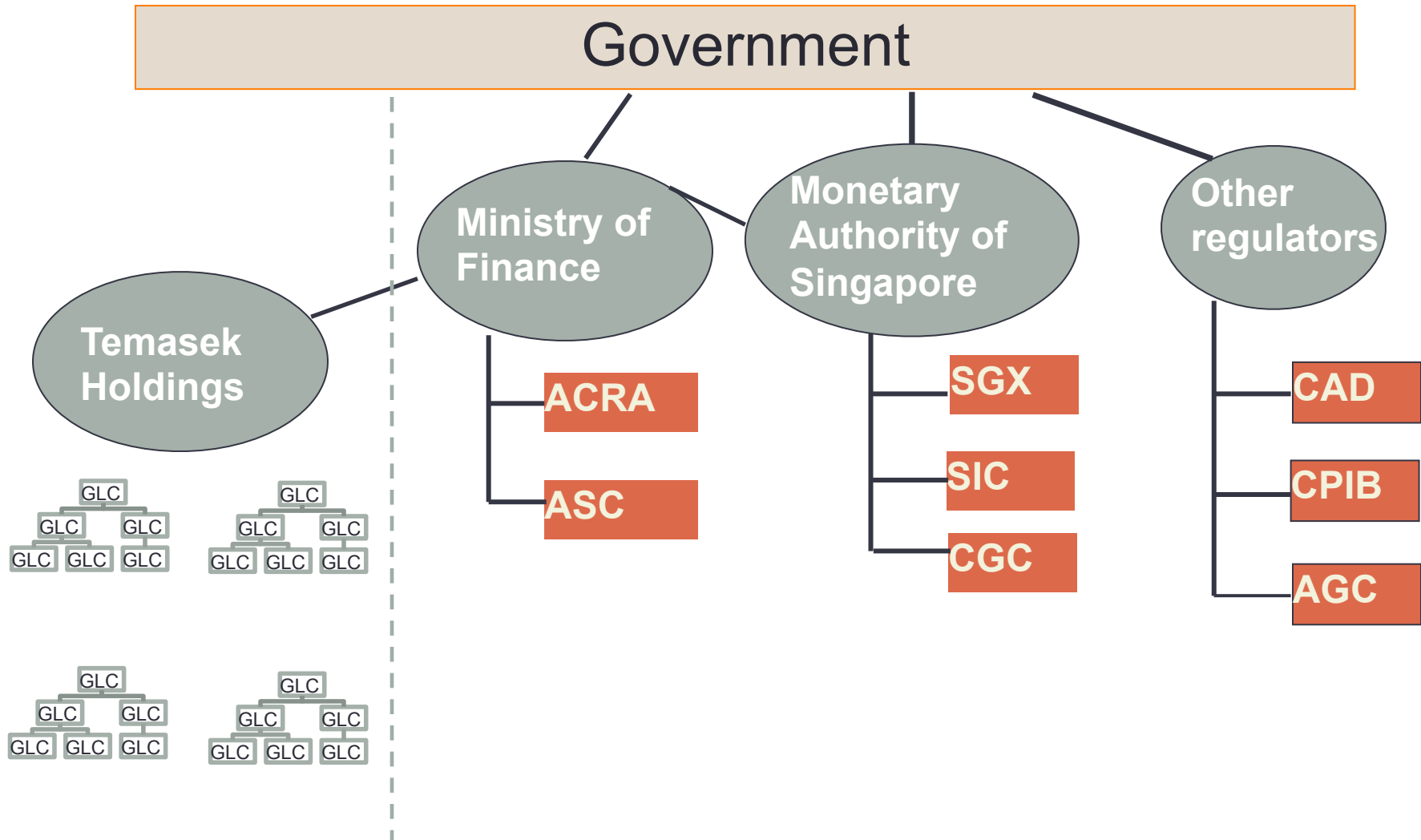
+ Governance Practices of GLCs in Singapore



Percentage of International NEDs



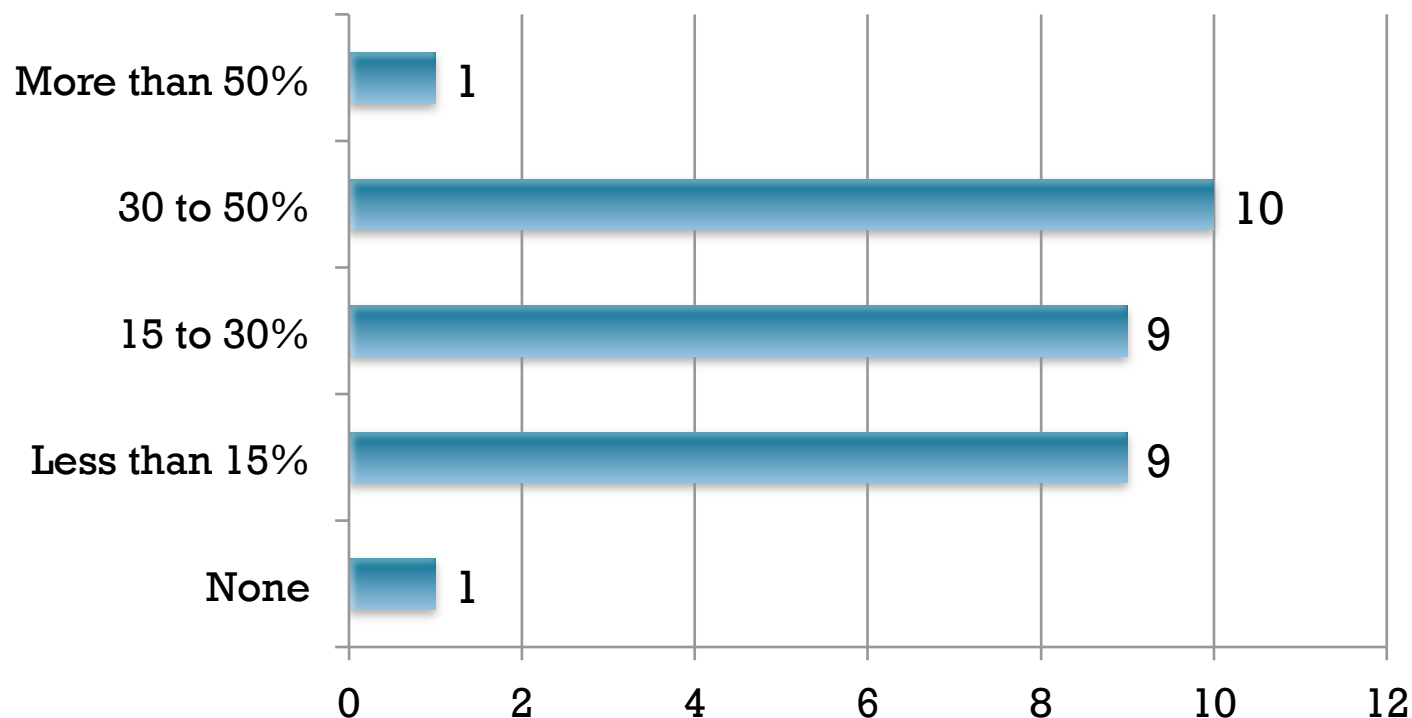
Overview of Corporate Governance Regulatory Framework in Singapore



+ Board Independence From Temasek/ Parent GLCs



**Percentage of Temasek/Parent GLC-Linked
NEDs**



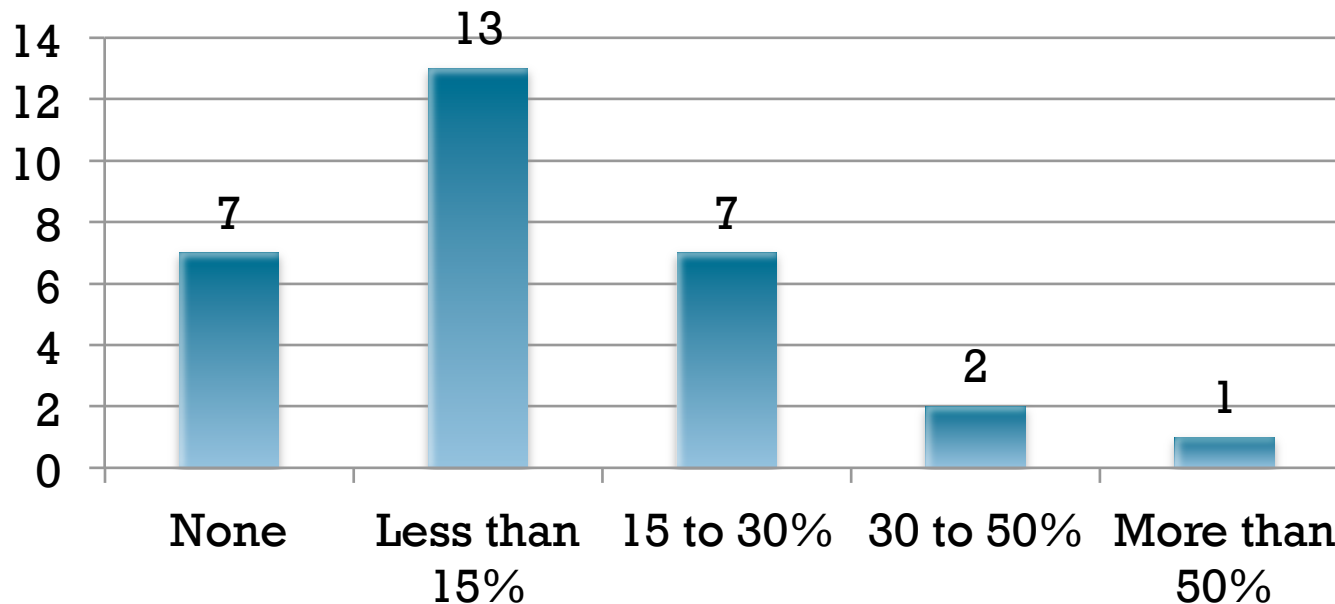
Note: Temasek-linked include those who are ex-employees, advisors or ex-board members of Temasek Holdings. Parent GLC-linked include those who are directors or senior management of the GLC which is the parent of the listed GLC.

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+ Board Independence From Government



Percentage of Government-Affiliated Directors

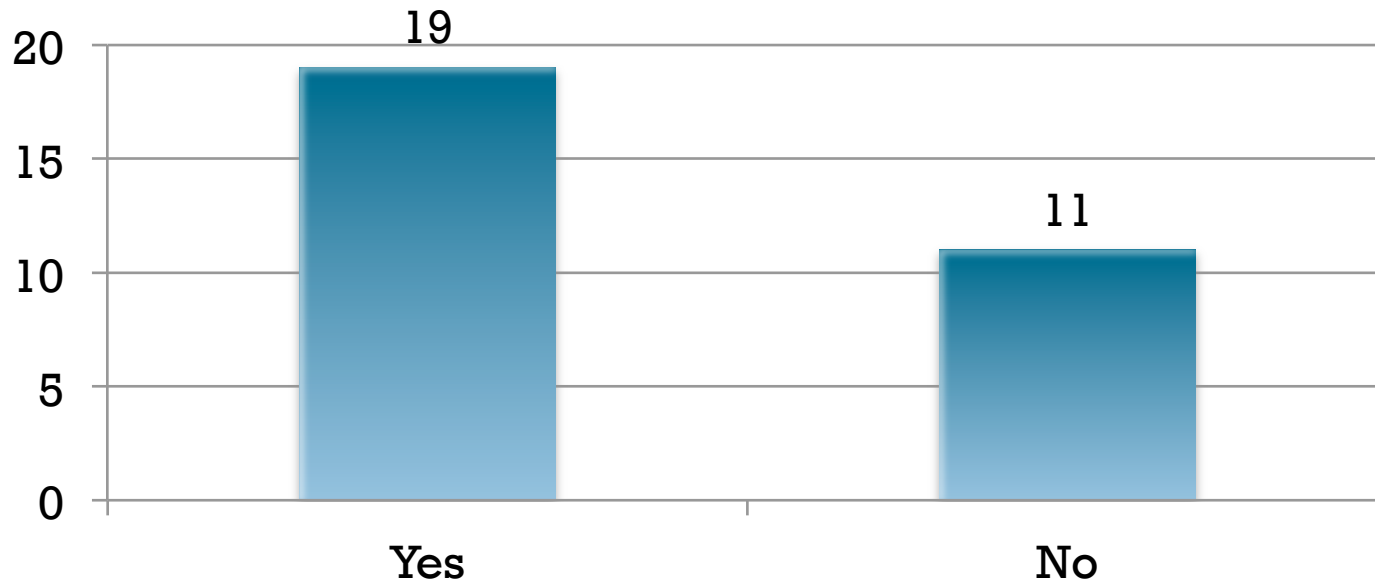


Note: Government-affiliated directors include those who are ex- or current senior civil servants, current or ex-Members of Parliament, or ex-Ministers.

+ Independence of Chairman from Temasek/Parent GLC/Govt



Affiliation of Chairman with Temasek/Parent GLC/Govt

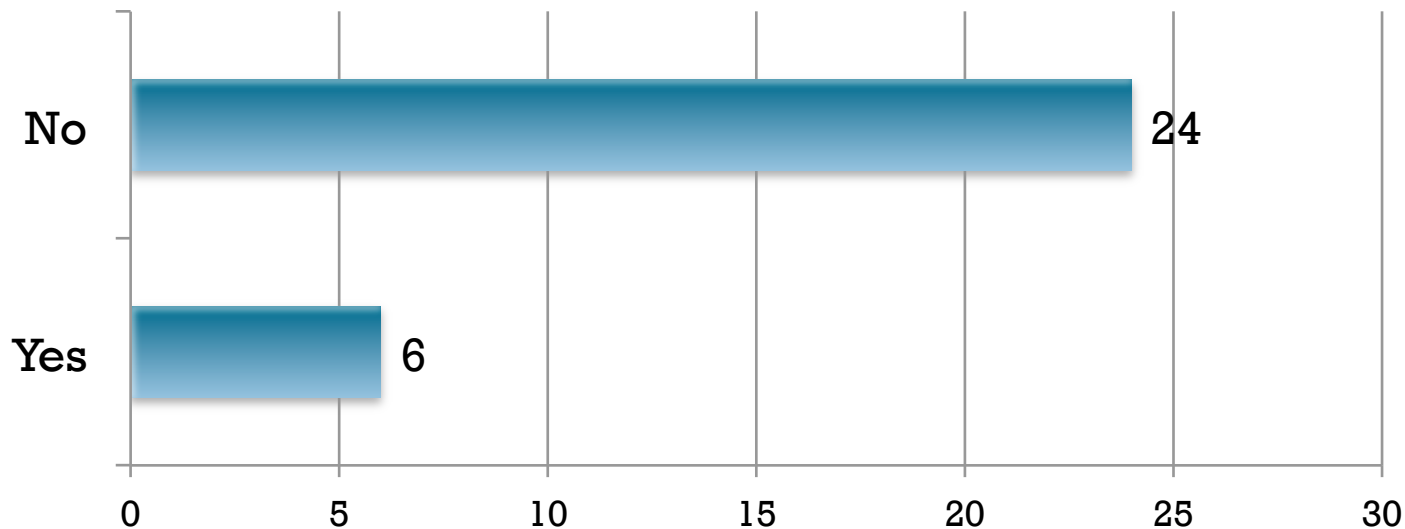


Note: Refer to earlier slides' definition of links/affiliations with Temasek/Parent GLC/Government.

+ Independence of CEO from Temasek/ Parent GLC/Govt



**Affiliation of CEO with Temasek/Parent GLC/
Govt**



Note: Government-affiliated directors include those who are ex- or current senior civil servants, current or ex-Members of Parliament, or ex-Ministers.